

Tractors Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 100 pages | Mordor Intelligence

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Report description:

The tractors market is valued at USD 70.55 billion, and it is expected to reach USD 98.95 billion, registering a CAGR of 5.8% over the next five years.

The tractor market was impacted negatively by the outbreak of COVID-19, as the lockdowns in various parts of the world disrupted the supply chain during the second quarter of 2020, which impacted the production and sales of tractors globally. However, as the economies reopened, the market is recovering at a high rate, along with new product developments and launches. The increasing demand for tractors is also contributing to the growth of the market.

Over the long term, the key factors contributing to the increase in worldwide tractor sales are increasing farm mechanization rates, especially in developing nations, rising farm labor costs, seasonal labor shortages, and shorter tractor replacement cycles. However, some of the prominent players in the industry are focusing on mergers and acquisitions and new product development in the market. For instance,

Key Highlights

In October 2022, At Kubota Connect, the manufacturer gave dealers a sneak peek at the new products. Series M7 Generation 4 The Kubota M7s are the company's largest tractors, aimed at livestock and forage producers.

In September 2021, TAFE launched the new Massey Ferguson 244 and 246 Dynatrack versions of tractors specifically for West Bengal and Odisha states of India. These tractors are characterized by high utility, advanced technology, and high power.

Governments in emerging markets are also encouraging farmers in their countries and providing farm equipment at subsidized rates and low-interest rates. The demand for farm equipment and tractors is expected to grow at a healthy rate. For instance,

Key Highlights

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According to USDA 2021 Budget, USD 3.3 billion is allocated to support research to advance the competitiveness of US agriculture and promote food security. The budget also supports an estimated 35,000 farmers and ranchers by financing operating expenses and providing opportunities to acquire a farm or keep an existing one.

Asia-Pacific region is expected to witness significant growth in the next five years as emerging key economies like India, China, and Japan are encouraging farmers in their countries by offering subsidized farm equipment and low credit rates to encourage tractor adoption. Such developments are likely to drive the demand for tractors in these regions.

Tractors Market Trends

Below 40 HP Tractors Segment's Growth Expected to be Bolstered over the Next Five years

The industry trend toward bigger horsepower tractors continues to grow worldwide, owing to greater performance in difficult terrain and versatility in farm and non-farm applications. The major tractor markets like India and China are recording positive growth across less than 40 HP segments in recent years.

Less than 40 HP tractors are often synonymous with the term compact tractors. With an engine displacement of not more than 1,500 cc, these tractors occupy less space and can be aligned with great flexibility. They are primarily used for mowing but can handle other basic farming tasks, like manure handling.

However, due to the significant volatility that caused the world market during the COVID-19 pandemic, demand for compact tractors fell dramatically in the first quarter of 2020. The imposition of lockdowns in several regions limited mobility and resulted in the closure of retail outlets. This resulted in a market delay, which, in turn, significantly reduced sales.

With the majority of countries that have huge agricultural activity, Asia-Pacific regions are witnessing high demand for less than 40 HP tractors, primarily for agricultural activities, as the low cost of these tractors increased the affordability rate among the highly populated small-scale farmers. Several players in the market studied are launching the latest products to gain market share. For instance,

In August 2021, Kubota introduced its new LX Series, a range of multi-purpose compact tractors under 40 HP with two different models, namely the 35HP LX-351 Rear ROPS and LX-351 Cab. The new LX tractor features a Stage V engine with CRS, EGR, and DPF and is available in four different models. The LX-351 Rear ROPS and LX-351 Cab, with 35 hp and an HST 3-range transmission, and the LX-401 Rear ROPS and LX-401 Cab, featuring 40 hp and a 3-range HST transmission.

Further factors such as compact size, ease of customization, and nearly 50% more price for the next power range of tractors, are expected to enhance the demand for these tractors. In this power band, the bargaining power of consumers is high, compared to high-powered tractors, given the wide range of options and substitutes from different manufacturers. With the aforementioned trends and developments, it is expected that the Below 40HP tractors segment is likely to have healthy growth over the coming years.

Asia-Pacific Region Anticipated to Lead the Market During the Forecast Period

The tractor market is expected to be dominated by Asia-Pacific, and the region is predicted to develop at the highest rate over the coming years. The growing preference for farm mechanization and an increase in the number of government-funded policies are

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anticipated to promote the growth of the market in the next few years. For instance,

In October 2021, the Indian government announced up to 50% subsidy on buying tractors under the PM Kisan Tractor Scheme. Farmers buying a tractor under the scheme can avail of the benefits and pay half the amount.

Several regional regulatory bodies, such as the China Agricultural Industry Mechanization Association, promote farm mechanization by educating co-operatives and individual farmers about the benefits of using high-horsepower tractors in larger farm areas. A shift toward EVs is also backed by the government, which is helping companies to develop sustainable products. For instance,

Monarch Tractor is the manufacturer of the industry's fully electric autonomous tractor. In November 2021, the company and its Farm Electrification Consortium partners received a grant worth USD 3 million from the California Energy Commission (CEC) to accelerate the electrification of agricultural equipment, including tractors, and to demonstrate the ability of batteries in on-farm equipment to keep critical electrical loads running during power outages caused by wildfires. Monarch Tractor, Gridtractor, Rhombus Energy Solutions, Current Ways, and Polaris Energy Services make up the consortium.

The expansion in the number of large agricultural producers and new rural groups engaged in farming contributed to this tendency to stabilize the demand in the market. The introduction of large-scale bespoke hiring service enterprises in agricultural machinery in India fueled the rise in farm mechanization. The subsequent move to automated technologies is envisioned to drive the demand for tractors across the Asia-Pacific region. All these aforementioned factors are expected to drive the growth of the market.

Tractors Market Competitor Analysis

The tractor market is moderately consolidated as it witnesses active engagement from several global and regional players. Major players such as Mahindra & Mahindra, Tractor, Kubota Corporation, Farm Equipment Limited, and HMT Limited are adopting agreements and product launches as key developmental strategies to improve the product portfolio of tractor products. For instance,

In November 2022, At SIMA 2022, New Holland debuted the T8 tractor with Raven Autonomy, a driverless grain cart harvest application. It incorporates OMNiDRIVE, the world's first driverless agriculture technology for grain cart harvesting. The cutting-edge technology stack allows the farmer to monitor, synchronize, and operate a driverless tractor from the harvester's cab.

In October 2021, Mahindra launched three new YuvoTech+ tractors that come equipped with the new-age advanced technology with the highest torque and fuel efficiency. The tractors are available in three models, namely Yuvo Tech+ 275 (27.6 kW-37 HP), Yuvo Tech+ 405 (29.1kW 39 HP), and Yuvo Tech+ 415 (31.33 kW-42 HP).

In August 2021, John Deere introduced the new 6155MH Tractor that delivers all field-proven performance and reliability effective for cultivating, harrowing, or pulling harvester trailers.

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