



Association of Equipment Manufacturers

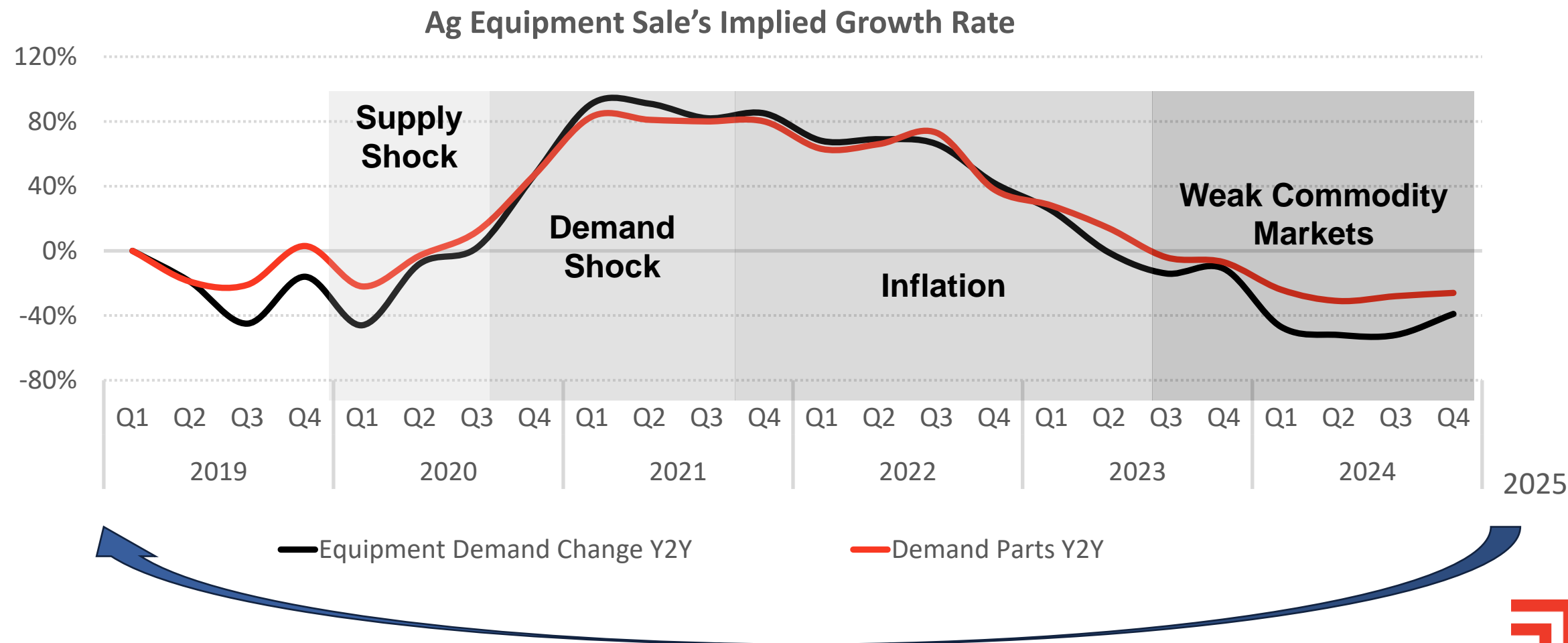
## U.S. Country Report

April 28<sup>th</sup> , 2025



# Will 2025 be the year sales growth return to pre-Covid equilibrium level?

Tariffs, trade war, and resulting macroeconomic shocks have the potential to instigate another cycle

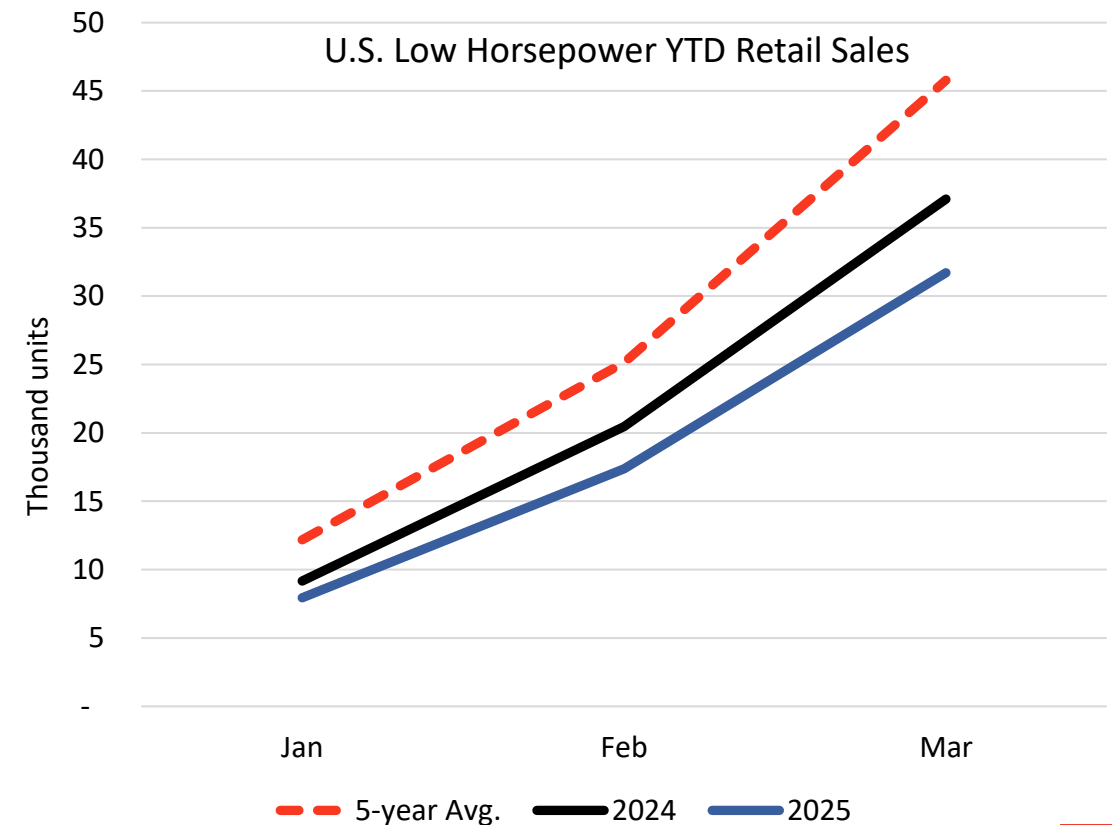
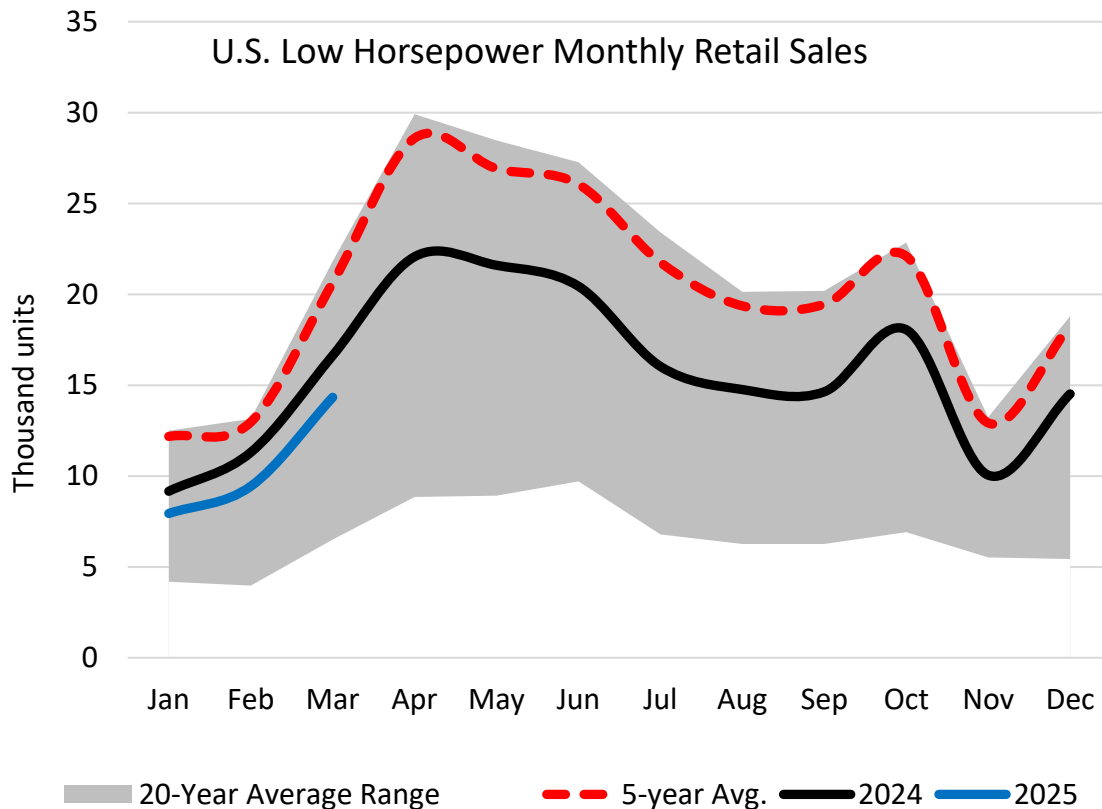


Source: AEM ICS, 2024



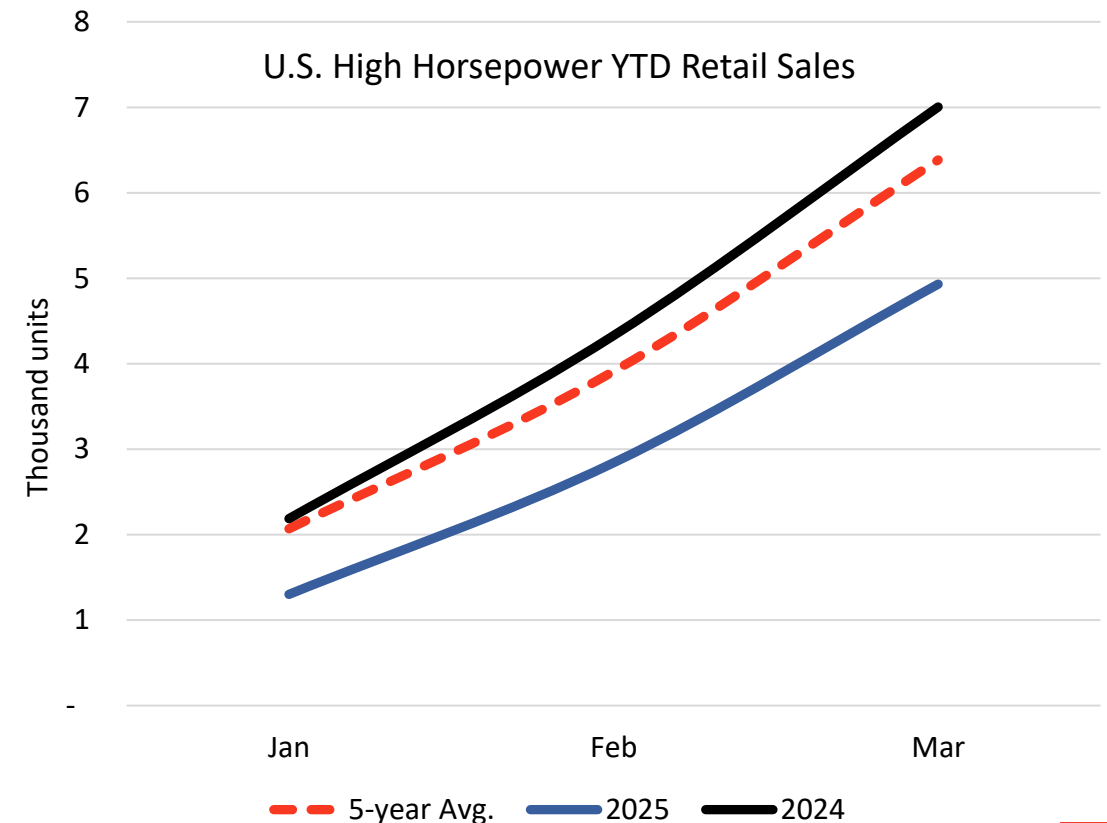
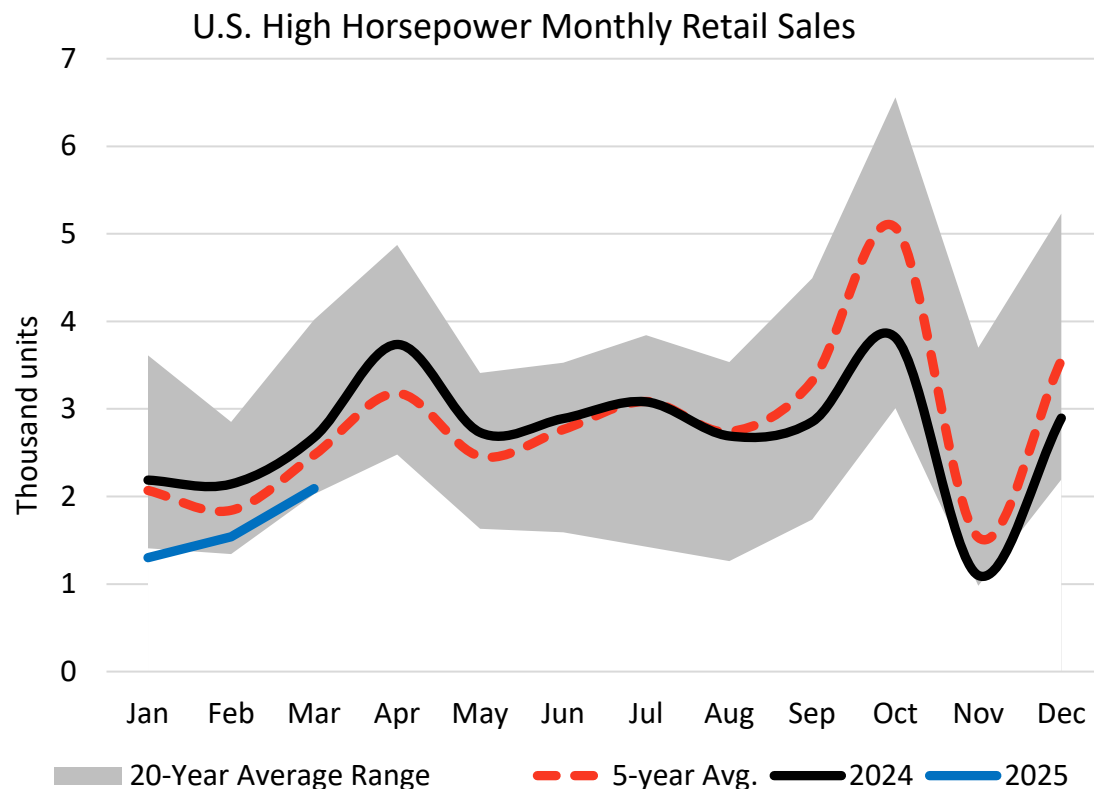
# Low horsepower sales continues its descent

2024 sales were **24% and 13% below** their 5-year average and YOY, respectively. As of March 2025, they were **31% and 15% below** their 5-year average and YOY, respectively.



# Weak farming margins finally hit high horsepower sales

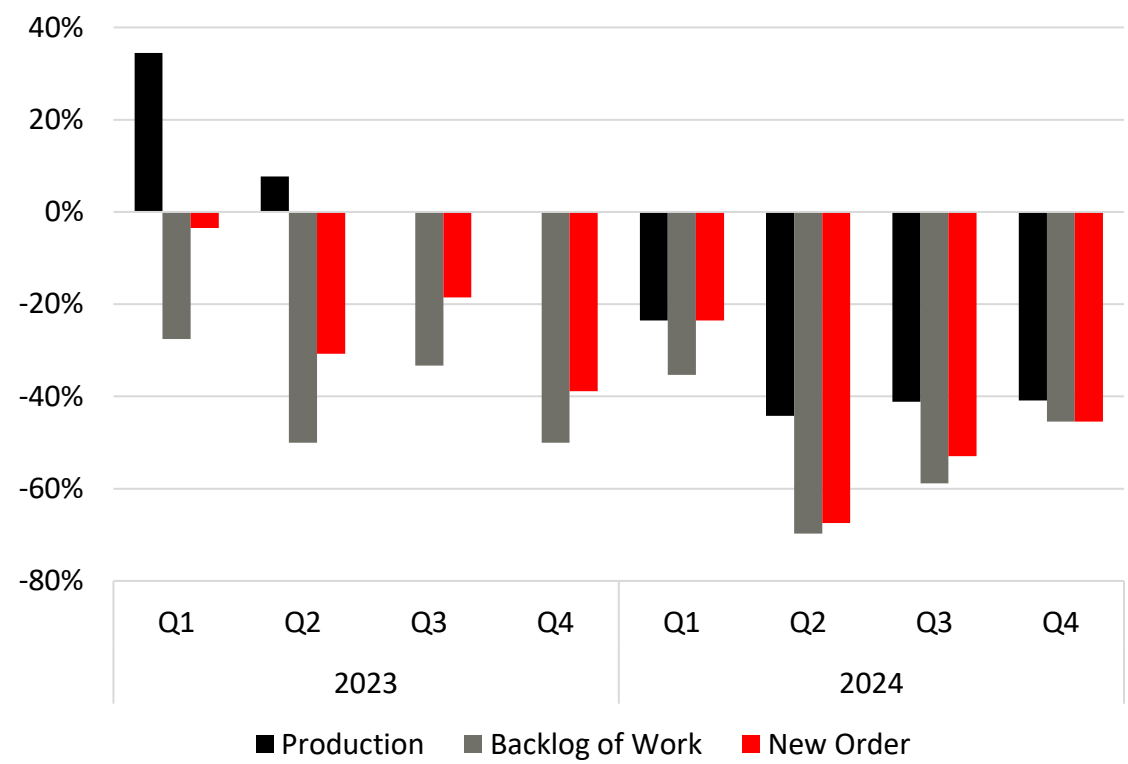
2024 sales were **4% and 17% below** their 5-year average and YOY, respectively. As of March 2025, they were **30% and 23% below** their 5-year average and YOY, respectively.



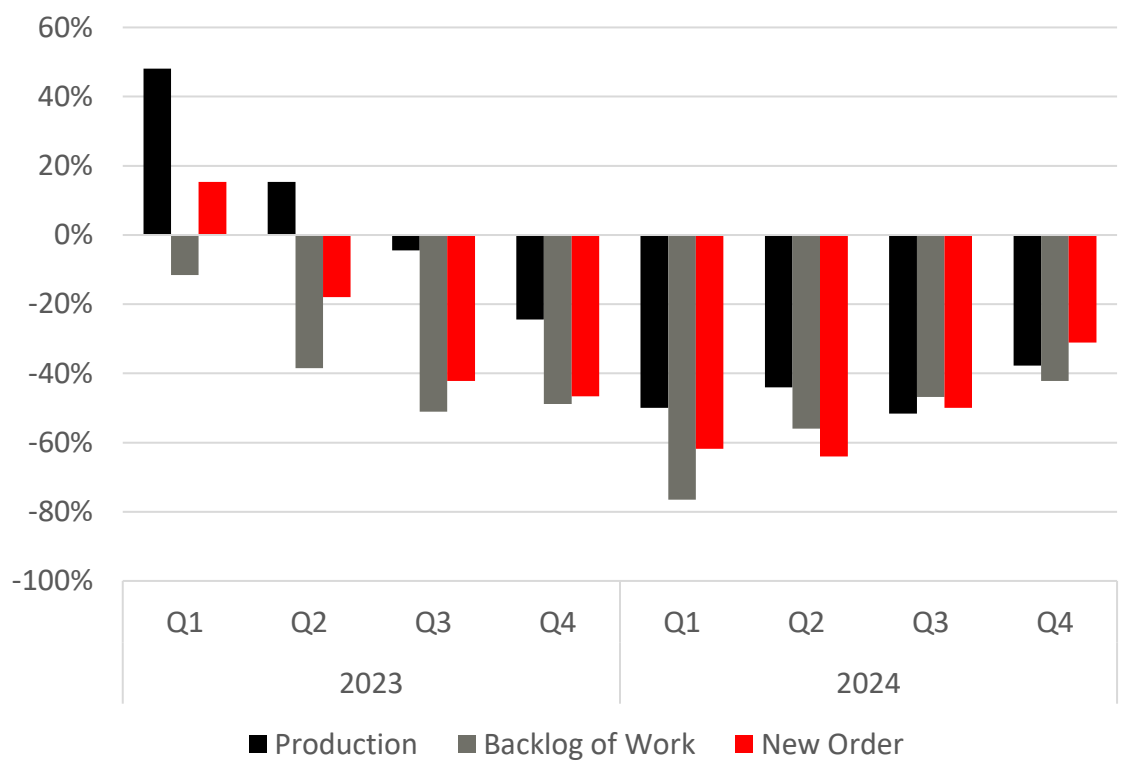
# OEMs scale down production,

Slow demand and starved pipeline → Idle Capacity → Downward Calibration of throughput

Throughput Growth Index for Machinery



Throughput Growth Index for Parts

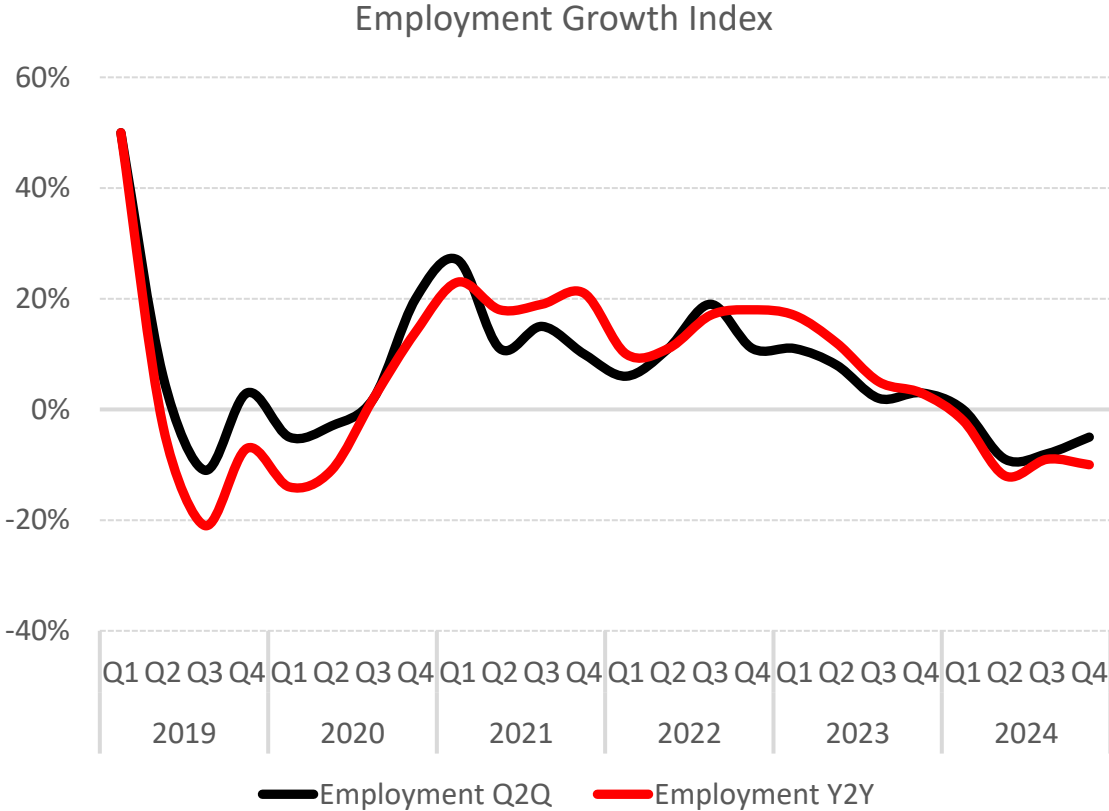
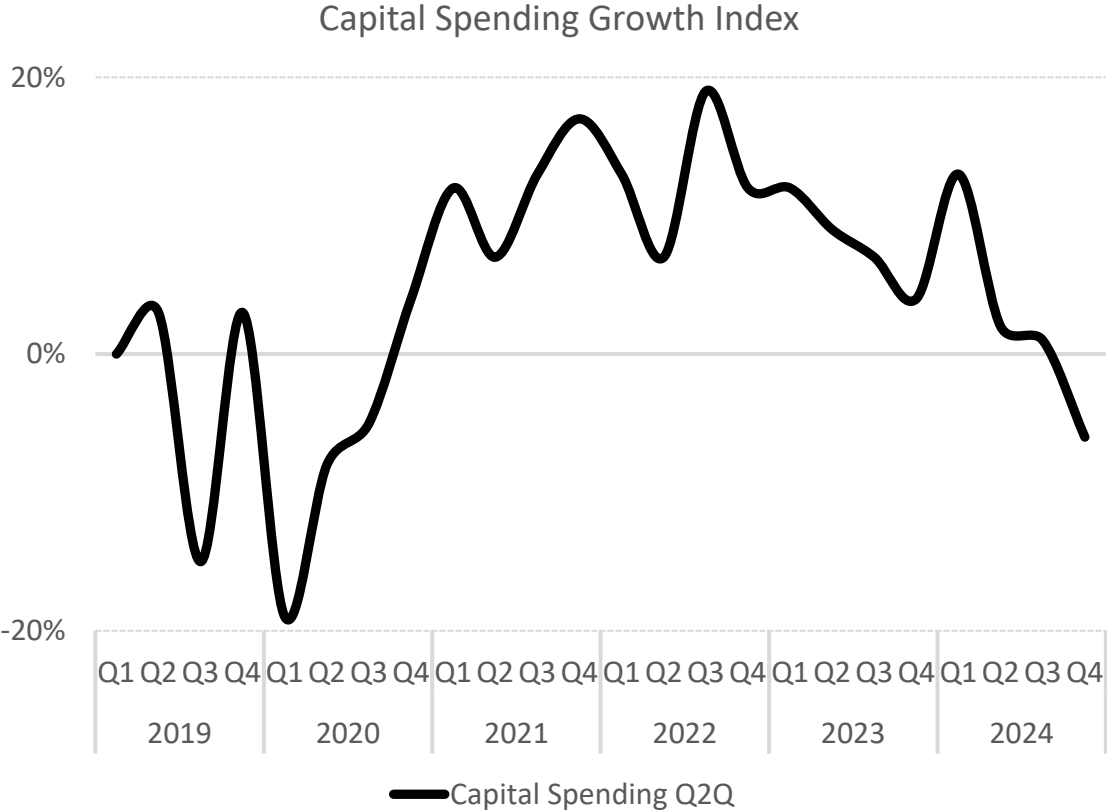


Source: AEM ICS, 2024



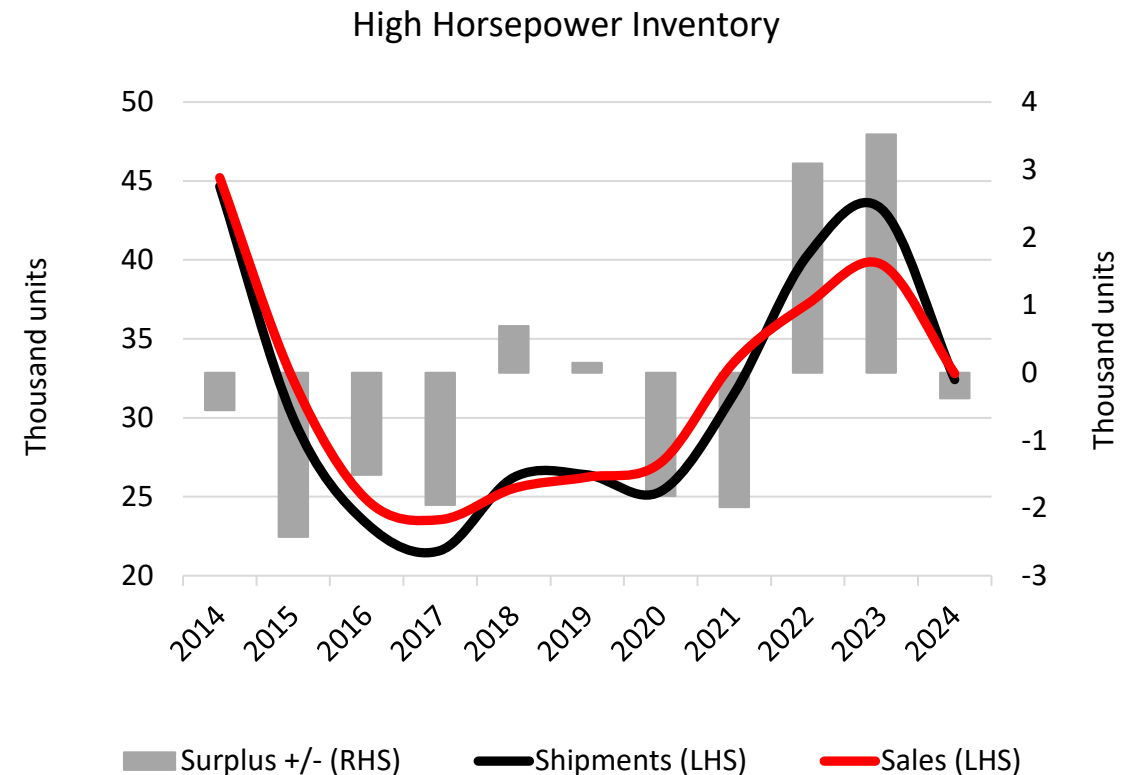
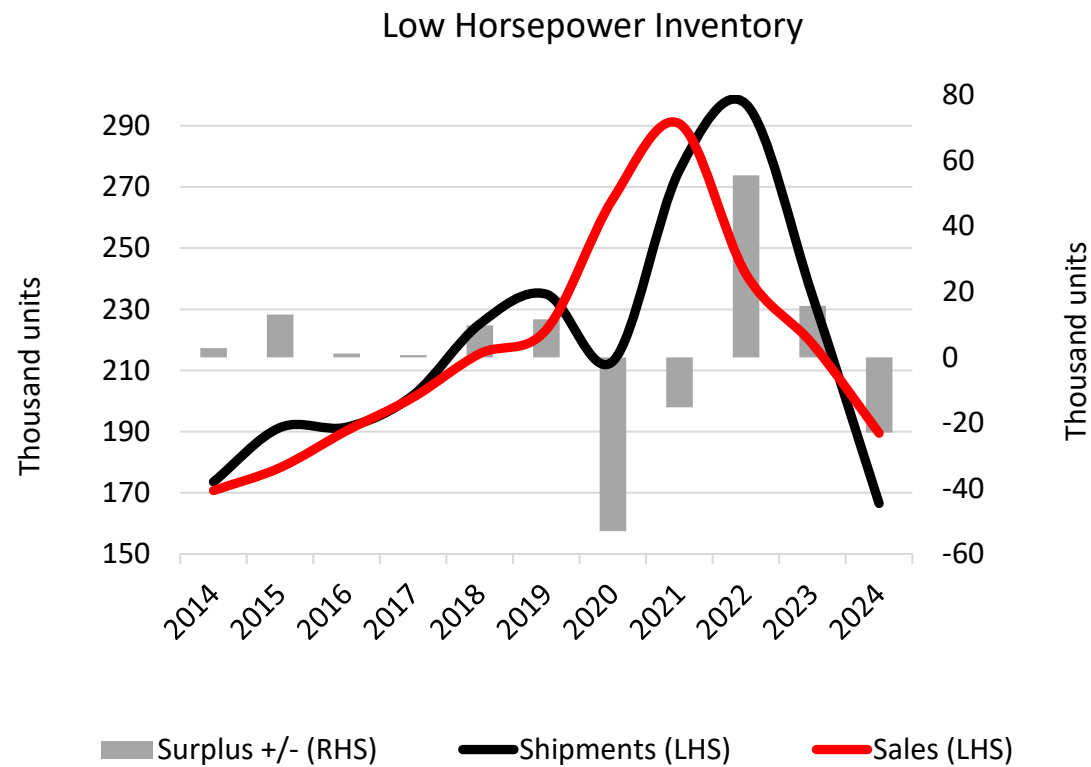
# Cut capital spending, and reduce labor force

For the first time in over four years, capital spending experienced negative growth in Q4 2024.

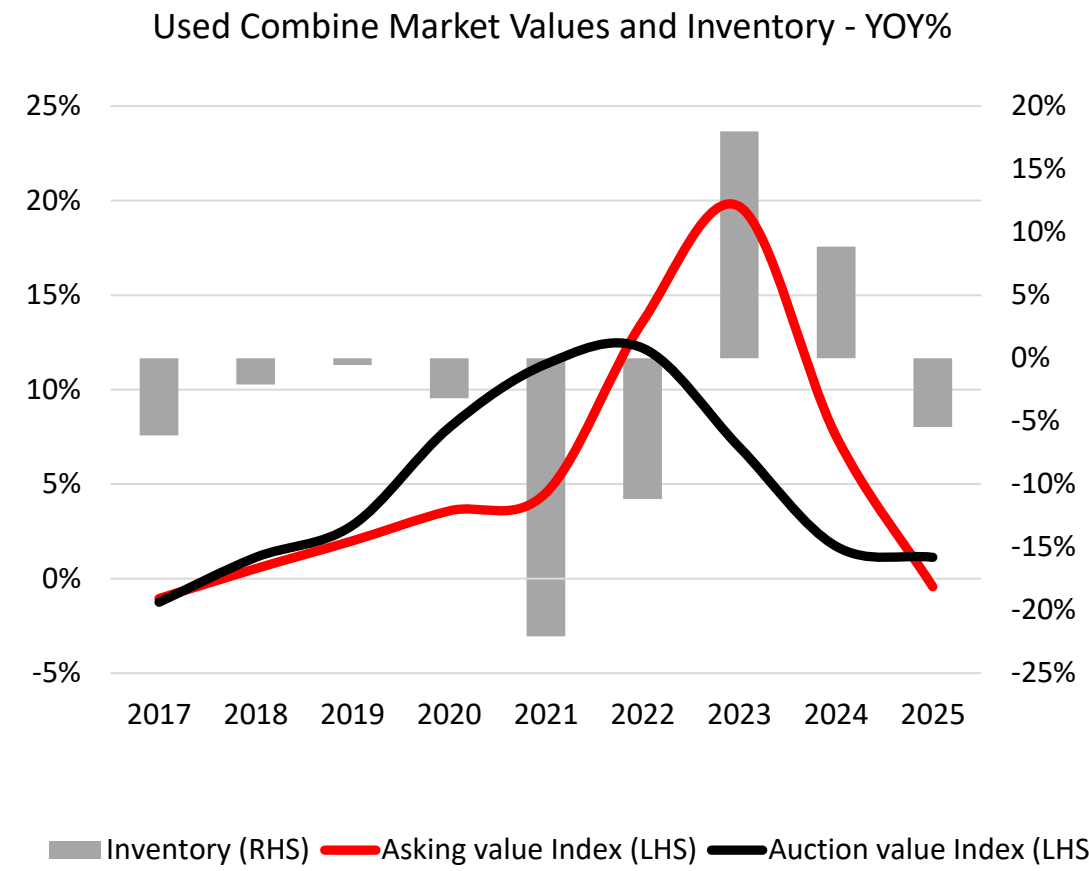
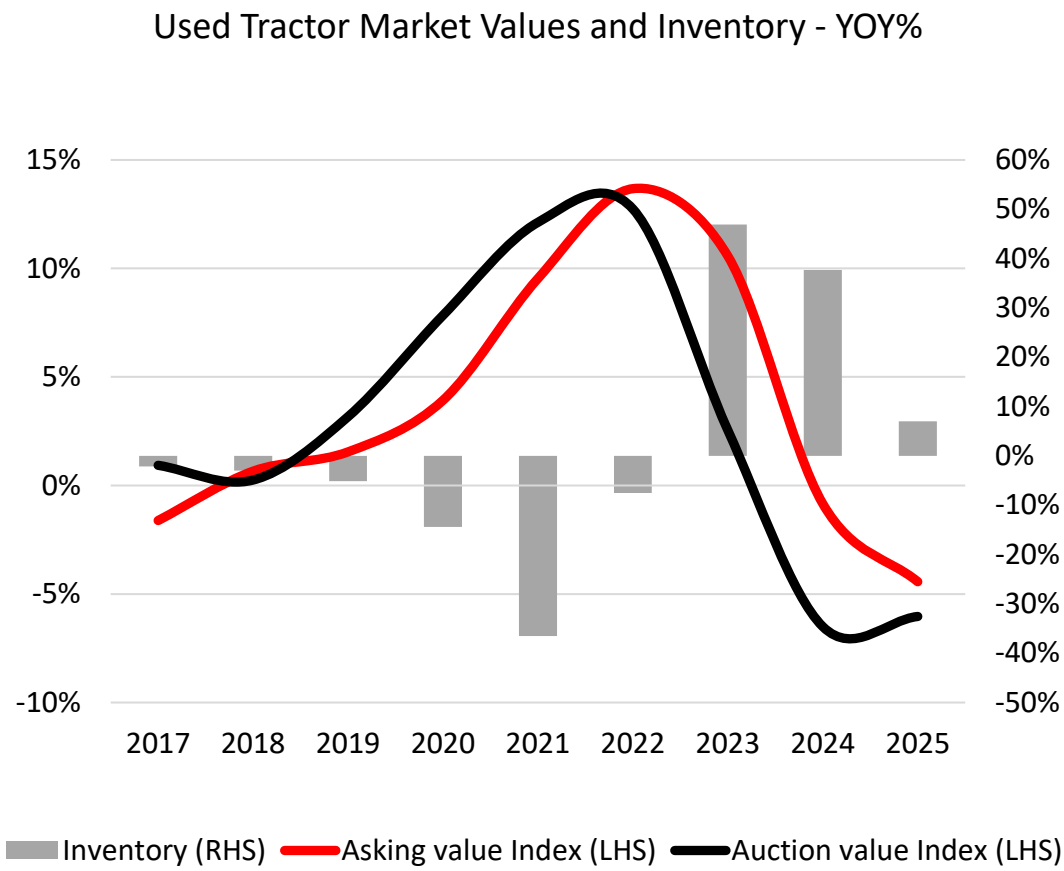


# Inventory level in a better place

In 2024, inventories of both low and high Horsepower machinery dropped after 2 years of build-up

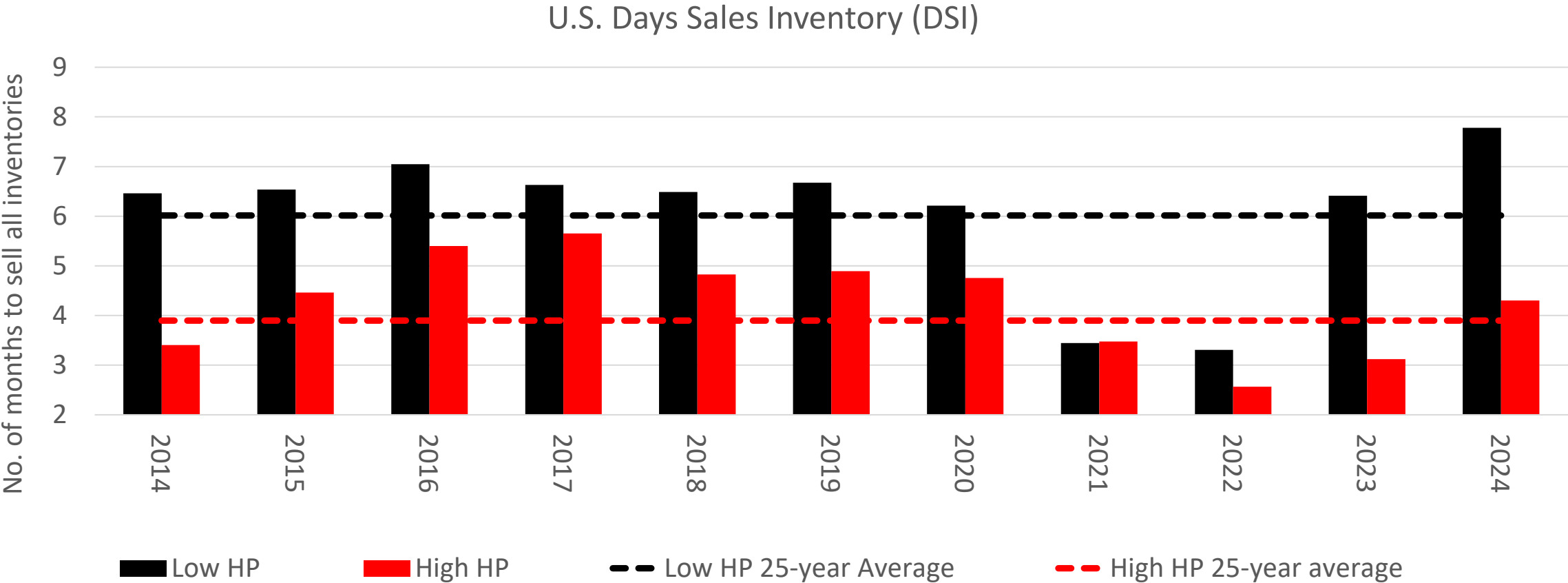


# Used equipment markets normalize





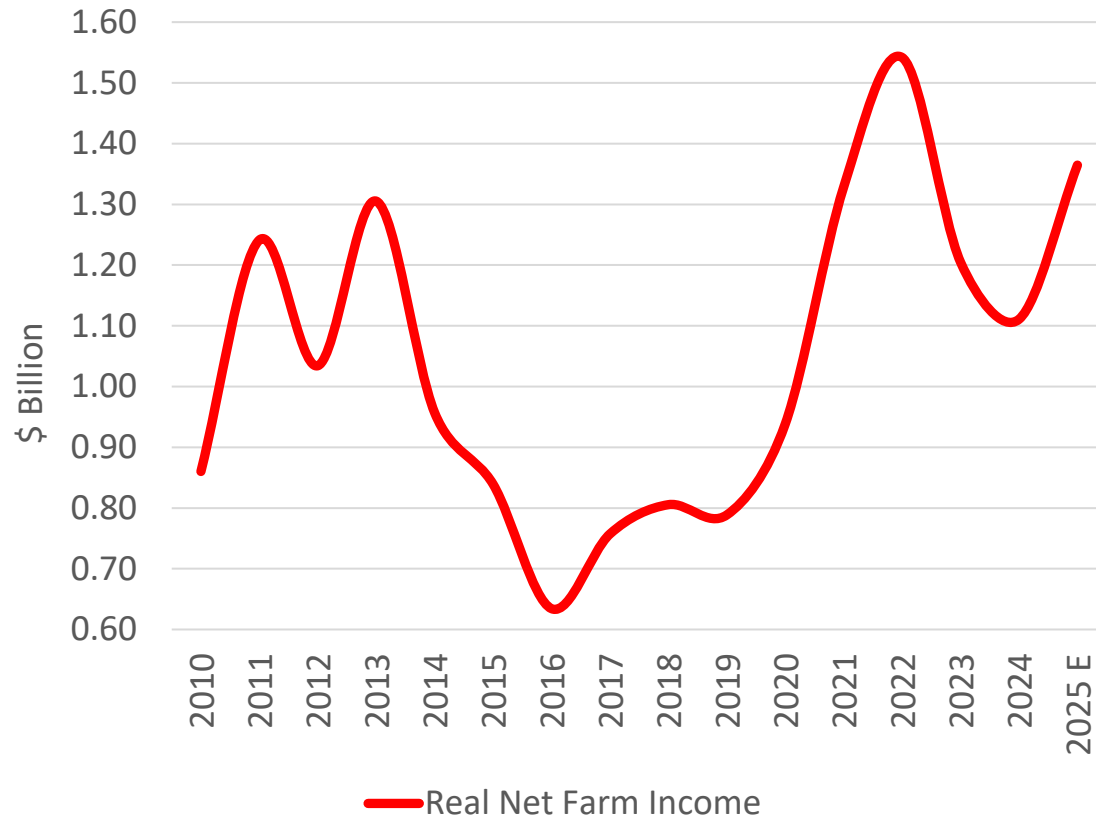
# But shipments still outpace sales of low horsepower machinery



# Leading Factors Impacting Equipment Markets



# Net farm income poised to increase in 2025: Boon for 2026 sales?

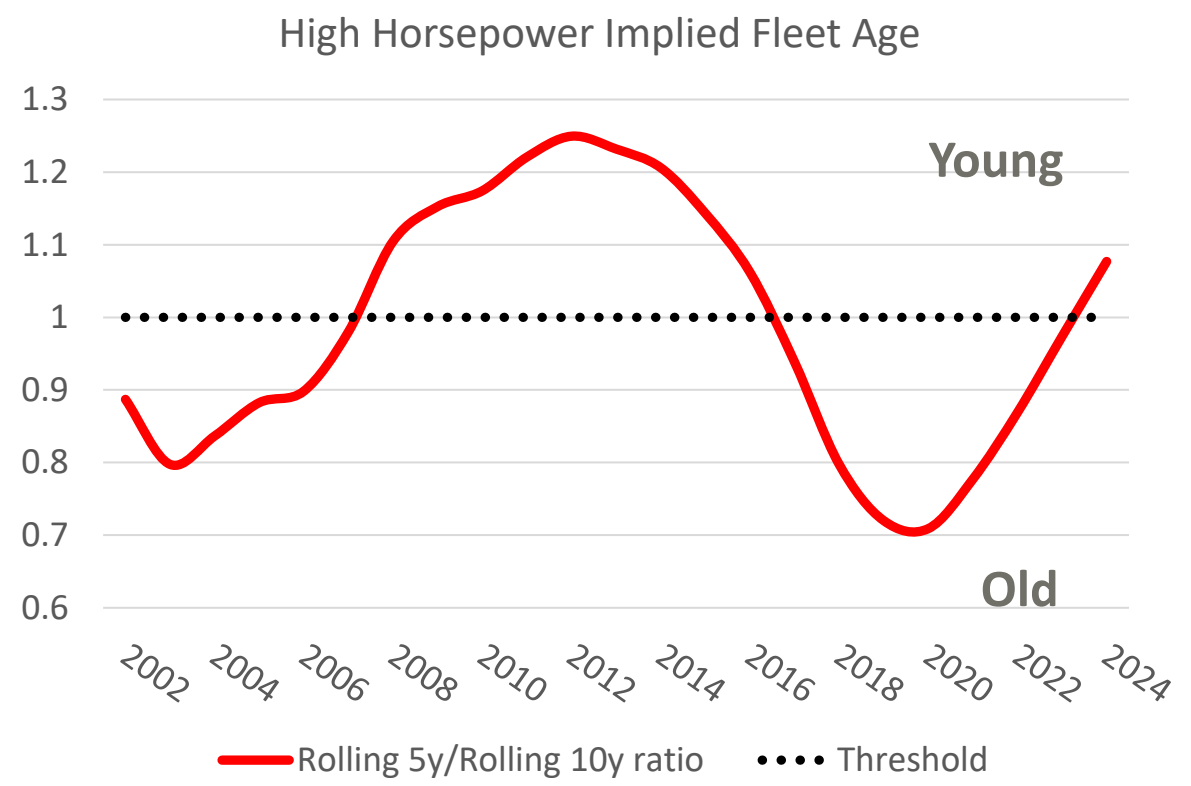
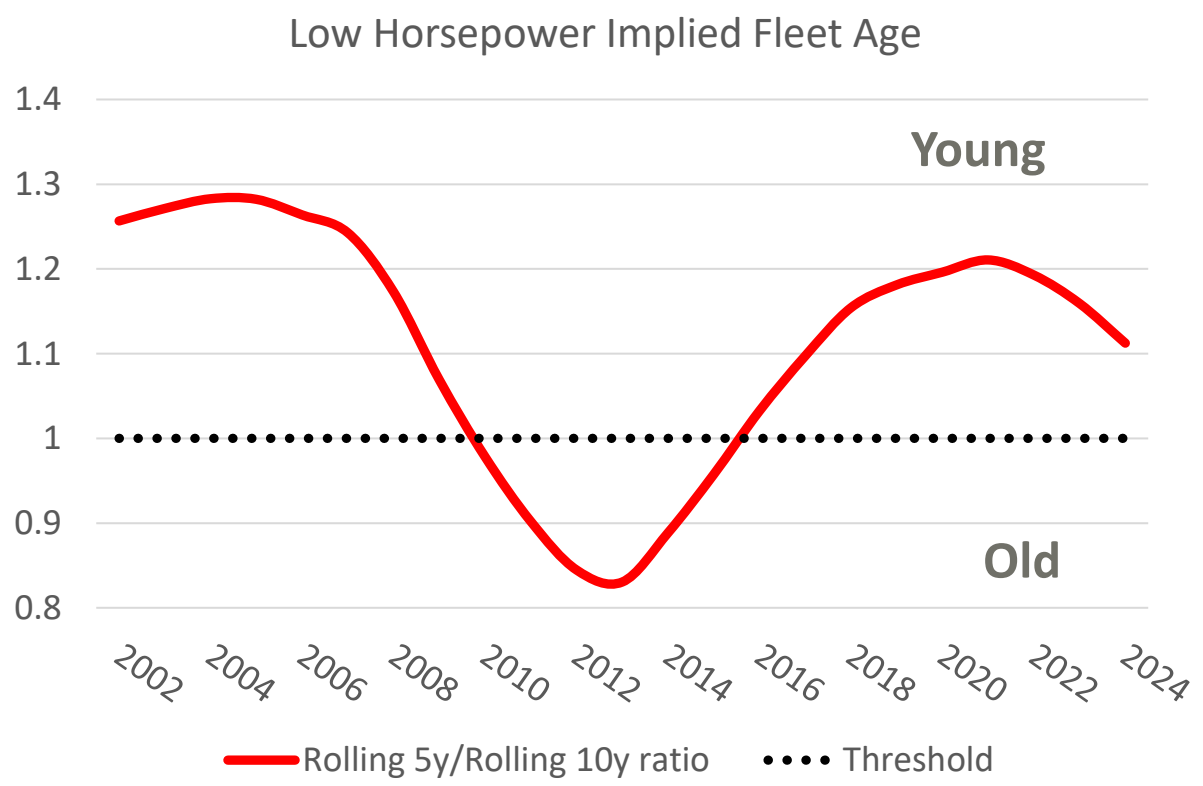


- **Crop Sector:** Net returns for major crops peaked in 2021/22 but have since halved due to falling prices and high costs.
- **Livestock Sector:** Cattle prices have increased since 2020, with record returns expected in 2025, offsetting crop sector losses.
- **Net Farm Income** Dropped after 2022 but is projected to rise in 2025 with \$31 billion in aid.



# Fleet is relatively young slowing down replacement momentum

There is still incentive to replace high horsepower machinery, not so much for low horsepower one

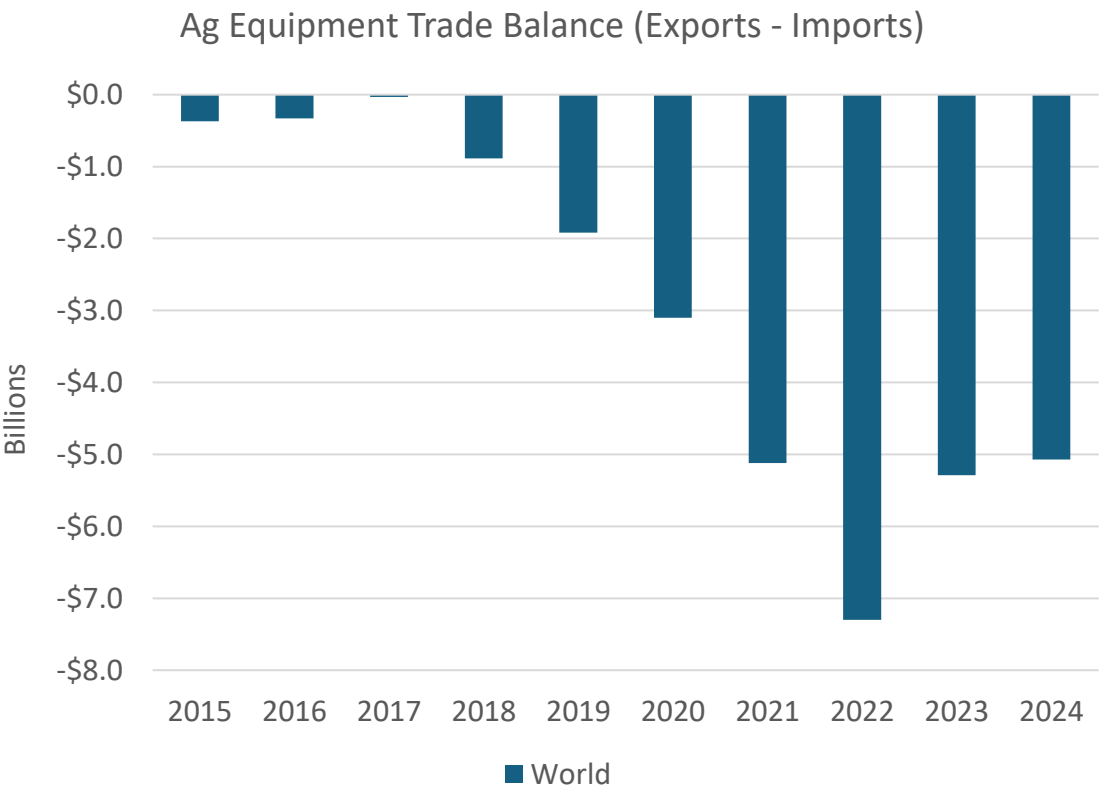
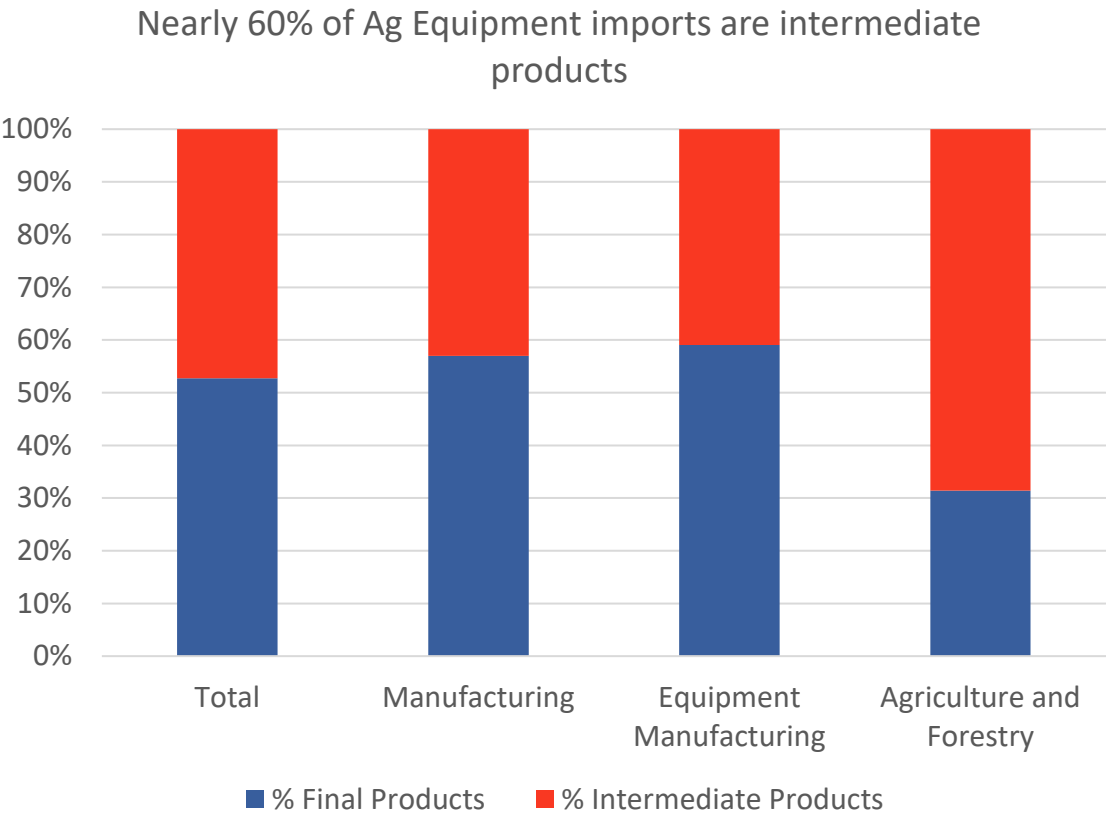


Source: AEM



# Trade disputes increase uncertainty

Negative impacts from Supply chain disruption, increased input cost likely outweigh weakened dollar

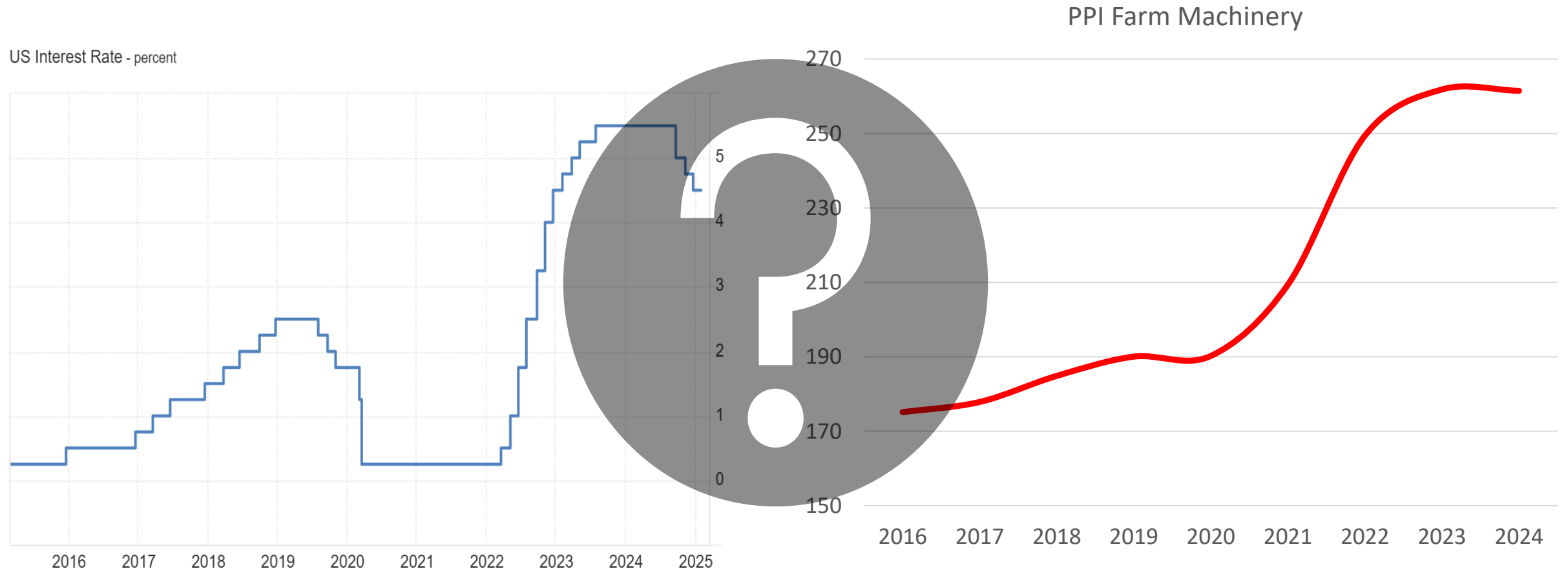


Source: UTO, US Census Bureau, AEM



# Borrowing cost & inflation might rise again

Do buyers finance and/or purchase now or later?



Source: tradingeconomics.com | Federal Reserve

Source: FRED



# Takeaway

**1) Ag equipment demand growth in negative territory.**

**The industry reacted by downsizing**

**2) Farm, macroeconomic, and age factors likely to continue downward pressure on demand in 2025**

**3) Uncertainty from trade disputes risks instigating a downward cycle reminiscent with that post Covid**



**Thank you!**

