

## COMMERCIAL MARKET

The relationship between consumer spending and truck tonnage is a direct one. In 2008, U.S. consumer spending dropped dramatically compared to 2007. Truck tonnage, which totaled 12.5 billion tons of raw materials and finished goods in 2007, followed suit.

In 2009, both continued to plummet each month compared to the previous year. However, the comparative decrease lessened as the year went on.

Bob Costello, chief economist for the American Trucking Associations (ATA), is guardedly optimistic about the for-hire truck tonnage index, which the ATA tracks on a monthly basis. In late November, he said the general tonnage numbers will modestly improve in the coming months.

“Since consumer spending and manufacturing are not surging, trucking shouldn’t expect robust growth, either. However, both retail sales and manufacturing output are exhibiting mild upward trend lines, which is the path I expect truck freight to take.”

As tonnage increases, so will the demand for new trucks and tires. ACT Research Co., a marketing analysis firm, says vehicle sales will rise in 2010.

“While medium and heavy-duty commercial markets are beginning a slow recovery off the lowest level of production since 1991, significant headwinds remain for the sector to return to normal replacement level demand.

“Sales of heavy-duty vehicles will recover first and are expected to grow 20% in each quarter of 2010 compared with the same periods in 2009,” according to ACT Research.

Imports account for 46% of total shipments. China is the largest exporter of truck tires to the U.S. (unlike consumer and OTR tire imports from China, there is only a 4% tariff on truck tire imports). Canada is number two, followed by Japan and Thailand.

The RMA predicts OE and replacement medium/heavy truck tire shipments will increase 15% and 3%, respectively, in 2010.

Chart 14 AVERAGE TRUCK TIRE PRICING (Steer tires, Load Range G)	
Size	Selling price
11R22.5	\$378.34
11R24.5	\$385.41

Chart 15 AVERAGE RETREAD PRICING (Precure, Load Range G)	
Size	Selling price
11R22.5	\$124.74
11R24.5	\$129.30
295/75R22.5	\$124.02
285/75R24.5	\$125.49

**Chart 16**  
2009 MEDIUM/HEAVY TRUCK  
TIRE BRAND SHARES\*  
(Based on 12.5 million units)

Brand	2009
Goodyear	20.5%
Michelin	19.5%
Bridgestone	18.5%
Firestone	7.0%
Yokohama	5.0%
Toyo	4.5%
General	4.0%
Continental	3.0%
Hankook	3.0%
BFGoodrich	2.0%
Double Coin	2.0%
Dunlop	2.0%
Hercules	2.0%
Kumho	1.5%
Roadmaster	1.5%
Sumitomo	1.0%
Dynatrac	1.0%
Gladiator	1.0%
Kelly	1.0%
Others	3.0%

\* Because numbers are rounded to the nearest one-half percent, the total may not equal 100%. Brands must have at least 1% of the market in shipment numbers to be listed at 1%.

**Retreading**

An estimated 13 million retreaded medium and heavy truck tires were produced in the U.S. in 2009.

The average price of a truck tire retread dropped 8% in 2009 compared to 2007 based on retreaders surveyed by MTD, but with the casing included, the price was still half that of a comparable new tire (see Charts 14 and 15 on page 35). Retreaded tire sales without casings totaled \$1.64 billion, down 18% from the previous year.

Casing costs averaged \$58.37 per casing, a 6.5% decrease from 2008. In descending order, the average truck tire casing costs for the most popular truck tire sizes are: 11R24.5, \$64.00; 295/75R22.5, \$63.50; 11R22.5, \$62.50; and 285/75R24.5, \$43.50.

The Tire Retread & Repair Information Bureau estimates there are 760 retread shops in the U.S., down from 1,000 in 2003. The retreaders in MTD's "Top 100 retreaders in the U.S." list represent 45% (343) of those shops.

Wingfoot Commercial Tire Systems LLC, a Goodyear subsidiary, is the largest retreader in the U.S., followed by Bridgestone Bandag Tire Solutions, Purcell Tire & Rubber Co., Southern Tire Mart and Michelin-owned Tire Centers LLC. (See Charts 16 and 17 for new and retreaded truck tire brand share information.)

**Farm and OTR tires**

Farm tire shipments were down across the board in 2009, and 17% overall. The decrease in shipments coincided with the 34% drop in net farm income.

However, 2008 was a record-setting year, when nearly 3.4 million small and rear farm tires were shipped in the U.S.

**Domestic rear and small farm tire shipments, 2009-2008**

Segment	2009	2008	% decrease
Rear, repl.:	630,000	765,000	17.6%
Rear, OE:	545,000	805,000	32.3%
Small, repl.:	1.25 mil.	1.4 mil.	10.7%
Small, OE:	380,000	420,000	9.5%

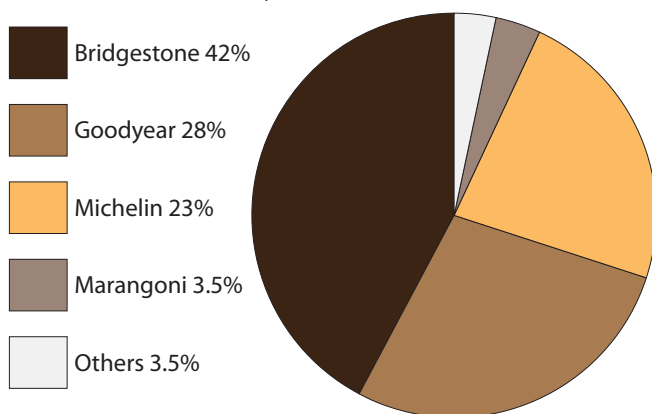
The rear farm tire market is far from being fully radialized, but radials continued to make inroads. Rear radial farm tires made up 44% of the OE market last year, compared to 42% the year before. Replacement rear radials jumped from 28% to 35%.

The Goodyear brand, manufactured and sold by Titan International Inc., is the rear radial market share leader, with the Firestone brand a notch below. Firestone is the bias leader, well ahead of Goodyear.

Domestic OTR tire shipments fell even more dramatically, in part because of:

- the anti-dumping and anti-subsidiary duties imposed on Chinese OTR tire imports by the U.S. Department of Commerce in September 2008; and,
- downturns in various mining segments, such as iron ore (30%) and copper (25%). Even gold was down, maybe as much as 15%.

**Chart 17**  
2009 U.S. MARKET SHARE, RETREADED TRUCK TIRES



Replacement civilian OTR tire shipments in 2009 totaled 185,000 units, down nearly 35%. Original equipment shipments didn't fare much better, dropping 29% to 201,000 units. Overall, OTR imports were down 28%, about the same percentage OTR tire imports from China were down.

OTR tire pricing also was down year to year. Prices fell anywhere from 10% to 20%, depending on the line.

More than 86% of the OE OTR tire shipments and 43% of the replacement shipments are radials.

The Bridgestone, Michelin, Firestone, Goodyear, Titan and Yokohama brands make up more than 90% of domestic OTR tire market shipments.