



Fim de uma era: Could the end of local production spell the end of Ford in Brazil?

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With our partners from Carcon, LMC Automotive organised an outlook conference in Brazil in September 2019. I shared our sales forecast with the audience, and one of my last slides was about three OEMs that were at risk in Brazil: Ford, Honda and PSA. During the presentation, a Ford employee took a picture and later told me that she immediately sent it to Ford HQ in Dearborn.

On 11 January, Ford announced that it is ceasing manufacturing in Brazil. Output in Camaçari, where the Ka and EcoSport are built, is to end immediately, with engine production in Taubaté also being terminated. The plant that builds the Troller T4 is expected to shut down in Q4. Ford has now shifted its focus to production of the Ranger in Argentina, and assembly of the Transit model in Uruguay – which is yet to begin and will take place in a third-party facility – alongside other imported models. Ford has struggled in Brazil since its joint venture with VW Group ended in 1996. Left with fewer products in its portfolio, Ford turned around in 2003, creating the Small SUV segment that is now so popular. The EcoSport was an immediate success, and Ford was lucky that other OEMs did not believe that consumers would move from Cars to crossovers. EcoSport sales in Brazil averaged 45,000 units/year between 2005 and 2010. Once the second generation was launched – which ended up being sold in Europe and North America – sales soared by 73% in 2013. However, this model has faced increased competition and has sold fewer than 40,000 units/year since 2015.

Ford has relied heavily on sales of the Ka. The Small Car was the second most popular model in Brazil in 2019, but was outsold by the Hyundai HB20 last year. We expected sales of the Ka to end in 2023, but Ford anticipated this, following its timely official announcement. “Ford said [that] it would immediately begin working closely with its unions and other stakeholders to develop an equitable and balanced plan to mitigate the impacts of ending production.” It is extremely rare that local unions would not be told of a plant closure in advance.

The announcement raises another question: should governments provide automakers with incentives? Ford was ready to open a factory in the South of Brazil, but incentives changed its plans. The Camaçari plant is located in the Northeast region of the country, a less developed area of Brazil. The Northeast is less developed than other regions, and governments have tried to attract large employers to generate both the local economy and labour markets. Paying less taxes would compensate higher logistics costs, as the new plant was far removed from main markets. When incentives were due to end, Ford bought Troller, a small SUV maker in the same region. Benefits were extended, but it was too little too late, resulting in two closed factories – and a number of suppliers that will likely scramble to find new customers not to close.

Ford says that it will serve South America “from its global product portfolio”. However, Brazil charges 35% of import duties, and the Brazilian real is one of the currencies that has seen the highest devaluation since the outbreak of the COVID-19 pandemic. Ford knows that imported models are not competitive, refusing to sell any of its US bestsellers in Brazil. The autogiant started importing the Territory from China last year, selling fewer than 2,000 units, with its Mustang model selling under 400 units. The Edge is even less popular, with fewer than 100 units sold.

It is true that models planned for production in Mexico will help, thanks to a free-trade agreement between Mexico and Brazil. However, vehicles such as the Mustang Mach-E will be expensive and will have limited potential. A Compact Pickup will have more chances of success, but it will be very challenging for Ford to compete against the Fiat Toro. Renault does not do very well with the Oroch.

Ford says that it is keeping the South America HQ, product development center and proving grounds in Brazil. However, by ending production in the country, it is effectively leaving Brazil, a legacy that began in 1919 with the assembly of the Model T.