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Zetor shifts tractor assembly to Asia as rising European costs reshape Manufacturing Strategy

21 July 2026 | News

Czech tractor maker to end production in Brno, expand manufacturing in India through VST partnership, while exploring new production capacity in China

After eight decades of building tractors in the Czech Republic, Zetor Tractors is bringing an era to a close. The company has announced it will end tractor assembly at its Brno manufacturing facility by the end of 2026, relocating production to India and accelerating plans to establish a manufacturing presence in China as it responds to mounting production costs and intensifying global competition.

The move marks one of the most significant strategic transformations in Zetor's 80-year history. While manufacturing will leave Europe, the company emphasized that Brno will remain the nerve centre of its global business, housing its headquarters, research and development operations, spare parts distribution, and international sales and marketing teams.

Production of all tractors currently on the assembly line, along with existing customer orders, will continue over the coming months before manufacturing at the Brno plant officially concludes by year-end.

Future tractor production will primarily be handled at Zetor India, the company's joint venture with VST Tractors, where two new tractor models are already under development. One of these models is scheduled to be introduced to the European market next year, underscoring Zetor's strategy of manufacturing in Asia while continuing to serve European customers.

Beyond India, the company is actively evaluating manufacturing opportunities in China, where it is seeking a production partner while simultaneously preparing its own manufacturing facility to strengthen long-term production capabilities and reduce dependence on external suppliers.

Chief Executive Officer Róbert Harman said the decision reflects a fundamental shift in the economics of tractor manufacturing.

"Manufacturing small and medium-sized tractors in Europe no longer makes economic sense under current market conditions," Harman said. "High energy prices, labour costs and, above all, material costs have significantly reduced our competitiveness. Like many global manufacturers, we must produce where manufacturing is economically sustainable."

The economics behind the decision are difficult to ignore. According to the company, raw materials including steel, aluminium and plastics, along with energy costs, have increased steadily across Europe in recent years. At the same time, intense competition and weak market demand have limited manufacturers' ability to raise tractor prices, squeezing margins across the industry.

For tractors below 130 horsepower, Zetor believes European production has become commercially unsustainable.

The company estimates that manufacturing materials sourced in India and China are approximately 30 to 35 percent cheaper than in Europe, enabling overall production costs to fall by 25 to 30 percent. Those savings have become increasingly important as many of Zetor's long-standing European component suppliers—including manufacturers of front axles, transmissions, hydraulic systems and engines—have already relocated their own production to Asia.

Rather than shipping individual components back to Europe for final assembly, Zetor believes locating production closer to its supplier base will significantly improve cost efficiency while shortening development cycles. The company also noted that new product launches and serial production in China can be completed roughly twice as fast as in Europe, supported by a highly integrated supplier ecosystem and faster engineering processes.

Despite the manufacturing transition, Brno will continue to play a central role in the company's future. The Czech facility will remain home to Zetor's global headquarters, engineering and product development teams, European spare parts distribution centre, logistics operations and worldwide sales, finance and marketing functions.

The company also expects its aftermarket business to become increasingly important as its installed tractor fleet continues to grow. Spare parts distribution and customer support will remain fully managed from Brno, ensuring continuity for existing customers across Europe and other international markets.

The strategic shift also reflects Zetor's changing geographic priorities. While the European market remains important, the company sees stronger long-term growth in Africa, Latin America and Asia, particularly in countries where emission regulations are less restrictive and demand for affordable agricultural machinery continues to expand.

Over the next five years, Zetor aims to export approximately 5,000 tractors from India, with a similar production target planned for China once manufacturing operations are established.

Although assembly will move to Asia, the company said it will continue using key components from globally recognised suppliers, including Carraro front axles, Carraro and ZF transmissions, Mita hydraulic systems, Fritzmeier cabs, and Deutz and Cummins engines for tractors serving European markets. Since many of these suppliers already manufacture in Asia, relocating final assembly closer to component production is expected to improve efficiency while preserving product quality.

For Zetor, the relocation represents more than a manufacturing decision. It reflects the broader transformation underway across the global agricultural machinery industry, where supply chains, production economics and competitive pressures are increasingly shifting toward Asia. By separating manufacturing from research and product development, the company is betting it can reduce costs, accelerate innovation and strengthen its position in both established and emerging agricultural markets.