

AUTOMOTIVE PARTS AND COMPONENTS: THE EU MARKET FOR PARTS AND COMPONENTS FOR AGRICULTURAL MACHINERY

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Report summary

This CBI market survey discusses the following highlights for the EU¹ market for parts and components for agricultural, horticultural and forestry machinery:

- Sales of agricultural machinery have been on the rise, as investments in new machinery and equipment have been strong, following the growing global demand for agricultural products and the ensuing increase in prices.
- Sales of parts and components for agricultural machinery followed suit, reaching € 3.4 billion in 2008, a compound growth rate of 12% since 2004. Sales in the new EU member states increased even more strongly. However, in absolute numbers, the most important regions are still Northwest and Southwest Europe.
- Production increased by a compound annual rate of almost 12% to € 3.7 billion in 2008.
- The most important trade channels for exporters based in developing countries are importers/distributors for the after-market or contract manufacturing.
- Total imports of parts and components reached € 3.4 billion in 2008, up 15% annually since 2004. Exports grew by an annual rate of 16% to € 3.9 billion. Note that the EU trade surplus almost doubled from € 265 million to € 500 million.
- Imports from developing countries (DCs) reached a new record of € 156 million. Imports grew by an impressive annual rate of 32% from 2004 to 2008.
- China, Turkey, India, Brazil and Croatia are the leading developing country (DC) suppliers of parts for agricultural equipment. Together they account for 91% of all imports from DCs. Imports from China, Turkey and Brazil increased especially strongly.

This survey aims to provide developing-country exporters of parts and components for agricultural, horticultural and forestry machinery with product-specific market information related to gaining access to the EU market(s). By focusing on the EU market for one product group, this document provides additional in-depth information, complementary to the more general information and data provided in the CBI market survey 'The automotive parts and components market in the EU', which can be downloaded from <http://www.cbi.eu/marketinfo>.

Detailed information on the selected product groups is given in appendix A. This survey discusses the EU in general and focuses on the following markets in particular: Germany, France, Italy, the United Kingdom, Spain and The Netherlands.

¹ EU is the abbreviation for the European Union. EU27 denotes the 27 member states, which have constituted the EU since 2007. EU15 is used for the 15 nations which made up the EU until 2004, and EU12 is used to refer to the group of 12 new EU member states in Eastern Europe. Data presented in this survey for the EU, encompass all 27 member states, including the years when they were not yet members.

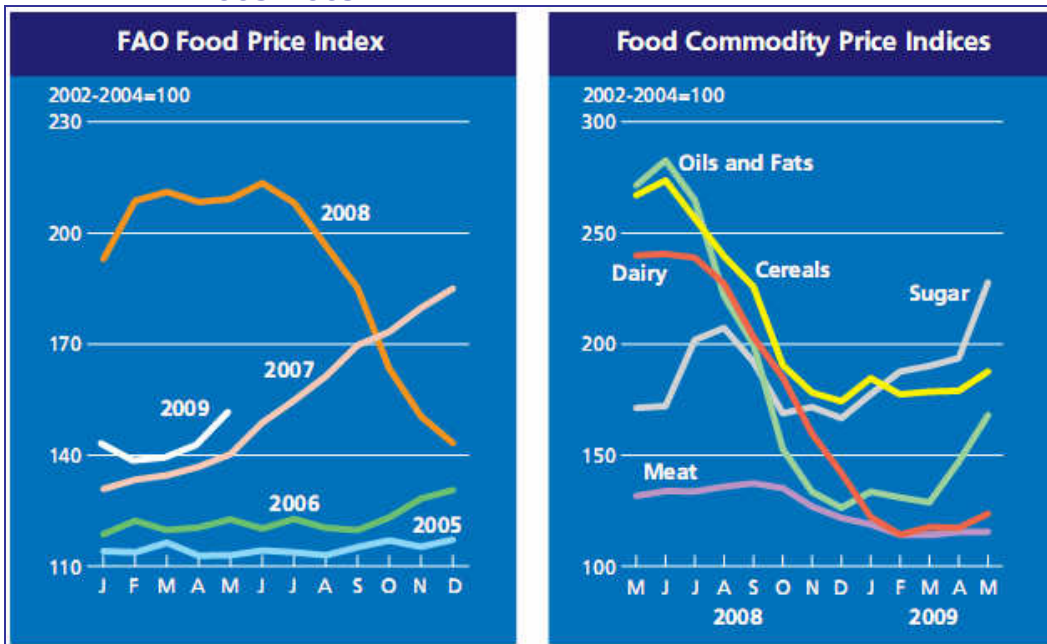
1 Market description: consumption and production

Consumption

Recent years have seen agricultural production grow in importance, both politically and economically. As a result of increasing global prosperity, demand for agricultural products, especially livestock, has been growing. Livestock demands a significant amount of fodder which, together with bio-energy applications, has propelled the demand for crops enormously. Demand has outstripped production, even in the European Union. This has resulted in higher prices on the global markets leading up to 2007. However, in 2008, the financial and economic crisis halted this trend. Nevertheless, it is commonly expected that the longer term development will see demand for agricultural products continue to increase globally. Demand volume has remained fairly stable the past year and price have adjusted, but remain quite high. The FAO food price index (FFPI), which displays trends in global food prices, is down from its 2008 top, but is still at 2007 levels and rising again. (FAO, 2009) Food producers are partly compensated for the lower prices they receive by lower expenses for oil and fertilizer. Still, in the EU, agriculture income per unit of labour has fallen in 2008. (Eurostat, 2009)

Factors which influence agricultural demand in the near future are the continuing increase in the global population; the rise in the global average income, especially in the most populous nations like China, India, Indonesia and Brazil; the increasing level of urbanisation; demand for bio-fuels as a result of the limited availability and environmental impact of existing energy sources. (VDMA, 2009)

Figure 1.1 FAO food price index and individual commodity price indices, 2005-2009



Source: FAO Food Outlook (June 2009)

Agriculture in the EU member states

Table 1.1 shows some key indicators of agriculture in the EU. The dominance of the large EU15 countries is clearly visible. Furthermore, there seems to be a difference in average size of a farm, 72% of all farms smaller than 5 ha being located in Eastern Europe. In contrast, 88% of all farms larger than 50 ha are located in Western Europe.

Table 1.1 Key agricultural indicators, EU and selected countries

	Area*	Share	Farms				Land share	Cereal crops	Milk cows
			1,000s	<5 ha	>5 ha	>50 ha			
	1,000 ha	%	1,000s	<5 ha	>5 ha	>50 ha	>50 ha	1,000 ha	1,000s
Total EU27	171,878	100%	13,700	8,946	4,056	698	61%	60,689	24,176
Total EU15	124,814	73%	5,662	2,470	2,575	617	67%	37,891	17,900
Germany	17,035	10%	371	0	287	85	73%	7,039	4,087
France	27,591	16%	527	0	397	197	81%	9,678	3,759
Italy	12,708	7%	1,679	1,191	449	40	39%	4,019	1,839
United Kingdom	15,957	9%	300	45	181	74	85%	3,273	1,977
Spain	24,855	14%	1,044	450	493	101	70%	6,705	903
The Netherlands	1,958	1%	77	10	55	11	45%	243	1,490
Other EU15	24,710	14%	1,665	842	714	108	49%	6,934	3,845
Total EU12	47,064	27%	8,038	6,476	1,480	81	46%	22,798	6,276
Poland	14,755	9%	2,391	1,614	754	24	24%	8,599	2,677
Romania	13,907	8%	3,931	3,516	401	14	40%	5,184	1,573
Hungary	4,267	2%	626	548	66	12	71%	2,918	266
Czech Republic	3,558	2%	39	13	20	7	93%	1,559	407
Other EU12	10,577	6%	1,050	785	240	24	60%	4,538	1,353

Source: VDMA and Eurostat (2009)

*: Area numbers date from 2005; farm numbers from 2007; other data is from 2008.

Agricultural machinery

The consequences of the economic crisis and the tightening of the credit markets are likely to lead to significantly lower levels of investment in agricultural machinery. As the crisis became unavoidable only after the summer of 2008, sales figures for 2008 do not yet show a decline. Farmers and equipment contractors normally make their investment decisions at the beginning of the agricultural season. As a resultant, some countries even show record sales. The total global market is estimated by German VDMA to have reached € 67 billion, up 18% on 2007. The EU continues to be the largest global market, the EU15 alone already accounting for an estimated € 22 billion in 2008, up from € 19 billion in 2007, an increase of 14%.

The forecasts for the near future are bleak, but for the longer term slightly more positive. The downturn is expected to manifest itself in 2009. VDMA expect European sales to drop at least 20%, returning to 2006 levels. This could even be more because, during the second quarter of 2009, 65% of the German companies surveyed considered their economic situation unsatisfactory. Preliminary data from the major manufacturers indeed suggest a considerable downturn.

Table 1.2 displays consumption of agricultural machinery in the EU. All countries featured saw higher demand in 2008, compared to 2004. The compound annual growth rate was an astonishing 11% from 2004 to 2008. For the old EU member states, it was 9%, whereas for the new EU member states it stood at 21%. The share of the EU12 rose 40% from 10% to 14% of total EU consumption.

The increased demand has been led by more advanced and efficient equipment, which directly improves a farm's output, one of the main reasons behind investments.

Table 1.2 Market volume agricultural machinery, EU and selected countries, 2004-2008, € million

	2004	2005	2006	2007	2008	*CAGR	share
Total EU27	17,093	17,824	19,937	22,255	25,729	11%	100%
Total EU15	15,365	15,700	17,455	19,272	22,006	9%	86%
Germany	2,592	2,895	3,347	3,689	4,539	15%	18%
France	3,395	3,330	3,272	3,486	4,210	6%	16%
Italy	2,425	2,429	2,455	2,496	2,653	2%	10%
United Kingdom	1,839	1,692	2,017	2,290	2,578	9%	10%
Spain	1,236	1,065	1,228	1,369	1,306	1%	5%
The Netherlands	655	725	814	1,020	1,224	17%	5%
Other EU15 countries	3,223	3,565	4,322	4,922	5,496	14%	21%
Total EU12	1,728	2,124	2,482	2,983	3,723	21%	14%
Poland	556	664	775	935	1,205	21%	5%
Czech Republic	314	354	460	584	675	21%	3%
Hungary	244	258	245	389	438	16%	2%
Romania	149	198	294	244	281	17%	1%
Other EU12 countries	466	651	708	831	1,124	25%	4%

Source: VDMA (2009)

*CAGR: compound annual growth rate

Tractors are the dominant type of machinery. In 2008, over 177 thousand were sold in the EU15 alone, a new record. The sales number of tractors also serves as a reliable indication of the size of the various agricultural markets in the EU countries. Other machinery includes balers, combine harvesters, mowers, balers, tedders and rakes.

Table 1.3 Sales of tractors, EU15 and selected countries, 2005-2008, units

	2005	2006	2007	2008	CAGR*	share
Total EU15	161,095	164,247	168,238	177,148	3.2%	100%
France	37,510	35,165	37,610	43,661	5%	25%
Germany	23,506	29,015	28,451	31,250	10%	18%
United Kingdom	32,150	29,665	26,836	27,264	-5%	15%
Italy	14,006	14,941	17,089	18,564	10%	10%
Spain	16,503	16,608	17,250	15,826	-1%	9%
The Netherlands	3,318	4,119	4,678	4,900	14%	3%
Other EU15 countries	34,102	34,734	36,324	35,683	2%	20%

Source: VDMA (2009)

Regarding the twelve new member states, sales of tractors are still much lower than in the EU15. However, industry estimates expect a compound annual growth rate reaching over 20%. The new member states have gained from the renewed agricultural policy of the EU which aims at increasing the competitiveness of EU agriculture by raising the average size of farms, eliminating small farms. This necessitates investment in more efficient machinery and equipment. This often takes the form of second-hand machinery from the EU15, but also increasingly the purchase of new equipment.

Parts and components for agricultural machinery

Total consumption of parts and components in 2008, as derived from Prodcom data², reached € 3.4 billion. The compound annual increase for all product groups was 12%, recording extraordinary growth in 2008. Of the selected countries, Spain performed worst, while The Netherlands showed the highest growth rate. In absolute numbers, Germany, France and Italy registered the biggest increase.

Table 1.4 Apparent consumption of parts and components in the EU countries, 2004-2008, € million

	2004	2005	2006	2007	2008	CAGR	share
Total EU27	2,166	2,443	2,498	2,672	3,413	12%	100%
Total EU15	1,929	2,194	2,189	2,291	2,913	11%	85%
Total EU12	238	249	308	381	500	20%	15%
Germany	499	581	646	585	855	14%	25%
France	454	447	508	577	678	11%	20%
Italy	238	288	250	280	342	9.5%	10%
United Kingdom	205	216	216	225	245	4.6%	7.2%
Austria	56	100	78	103	169	31%	4.9%
The Netherlands	51	46	48	88	164	34%	4.8%
Spain	133	130	123	97	126	-1.4%	3.7%
Hungary	68	85	74	77	118	15%	3.4%
Poland	21	39	37	52	114	52%	3.3%
Czech Republic	54	53	53	110	111	20%	3.3%
Denmark	104	192	140	146	92	-3.1%	2.7%
Sweden	67	61	53	52	86	6.7%	2.5%
Romania	41	9	60	50	48	4.4%	1.4%
Finland	31	39	38	30	48	11.4%	1.4%
Slovakia	18	20	36	39	46	26%	1.3%
Ireland	34	35	33	49	42	5.9%	1.2%
Greece	20	20	21	19	25	5%	0.7%
Lithuania	12	16	18	19	24	19%	0.7%
Bulgaria	8	7	8	9	19	26%	0.6%
Portugal	26	22	21	25	18	-8.7%	0.5%
Belgium	4	11	6	10	14	37%	0.4%
Luxembourg	6	7	7	7	9	10%	0.3%
Estonia	6	8	9	11	8	7.3%	0.2%
Latvia	7	9	10	10	7	-0.5%	0.2%

Source: Eurostat Prodcom (2009)

² Apparent consumption is calculated by using Prodcom data for production, exports and imports (consumption = production + imports - exports).

The new EU member states are growing at a quicker pace than the older member states. Compound annual growth of the EU15 countries was 11%; the EU12 even reached 20% compound growth each year. Strongest growth was registered by Poland up 50% each year, followed by Bulgaria (41%), and Lithuania (26%).

Table 1.5 Apparent consumption of parts and components per individual product group, EU and selected countries, 2004-2008, € million

	2004	2005	2006	2007	2008	CAGR	Share
Parts for soil-working machinery							
Total EU27	598	696	738	725	1,062	15%	31%
France	151	173	186	210	257	14%	7.5%
Germany	106	107	120	-	172	13%	5%
United Kingdom	91	80	90	102	125	8.2%	3.7%
Italy	-	36	59	76	78	29%	2.3%
Spain	37	46	34	2	47	6.3%	1.4%
The Netherlands	1	7	-	8	34	143%	1%
Other EU countries	212	247	248	327	348	13%	10%
Parts for harvesting or threshing machinery							
Total EU27	663	678	689	740	899	8%	26%
Germany	98	114	103	127	170	15%	5%
France	95	71	98	104	124	7%	3.6%
The Netherlands	50	39	48	73	112	22%	3.3%
United Kingdom	93	102	95	101	90	-0.7%	2.6%
Spain	67	51	54	49	41	-11%	1.2%
Italy	40	33	22	30	23	-13%	0.7%
Other EU countries	221	268	269	256	339	11%	10%
Other parts for agricultural machinery							
Total EU27	906	1,069	1,071	1,207	1,452	13%	43%
Germany	295	360	423	458	512	15%	6.5%
France	209	202	224	263	297	9.2%	3.8%
Italy	199	219	168	173	241	5%	3.1%
Spain	29	33	36	45	37	6.2%	0.5%
United Kingdom	21	34	31	22	30	9.3%	0.4%
The Netherlands	-	-	-	8	18	135%	0.2%
Other EU countries	153	222	189	238	316	20%	4%

Source: Eurostat Prodcum (2009)

Market segmentation

The main segments for parts and components are the OEM market and the after-market. The after-market can be divided into various segments: replacement parts, maintenance products, and accessories. Over three-quarters of sales in the after-market are replacement parts. These can be original equipment spares (OES) or non-original. There are no trustworthy data available for the individual market segments.

It is expected that particularly the sales of parts and components for the production of new machinery, the OEM segment, will drop from 2009 onwards. Consumption of replacement parts is likely to remain stable, or grow slightly during the next five years.

Regional segments can be distinguished. In that case, the EU would be divided into four regions Northwest Europe (UK, The Netherlands, Belgium, and France), Southwest Europe (Spain, Italy), Northeast Europe (Finland, Poland) and Central Europe (Slovakia, Slovenia, Bulgaria, Romania). This segmentation is based on climate, business culture and economic development. Demand for parts has increased most strongly in the Northeast and Central region.

Trends in agricultural and horticultural equipment

Increased living standards in countries like China, India and Russia has led to higher consumption of vegetables and animal protein. The growth of meat consumption also leads to a higher demand for crops.

Furthermore, environmental concern has triggered the demand for bio-fuel as a means to lower CO² emissions. Arable land has been converted to grow crops able to supply bio-fuel. Increased demand has led to higher prices and increased profitability.

Number of farms decreasing

The number of farms has been decreasing for a long time in the EU, and this trend is likely to continue. Next to demographic changes, the shift to larger farms is driven by economic necessities. Of course, larger farms rely more on machinery for profitable operation. These trends are further stimulated by an internationalisation of farming, with West-Europeans buying up large properties in Eastern Europe.

Table 1.6 Number of farms in the EU and selected countries, 2003-2007, thousand units

	2003	2005	2007	CAGR
EU27	15,021	14,479	13,700	-2.3%
<i>EU15</i>	6,239	5,843	5,662	-2.4%
<i>EU12</i>	8,782	8,636	8,636	-0.8%
Italy	1,964	1,729	1,679	-3.8%
Spain	1,141	1,076	1,044	-2.2%
France	614	567	527	-3.7%
Germany	412	390	371	-2.6%
United Kingdom	281	287	300	1.7%
The Netherlands	86	82	77	-2.7%
Other EU countries	1,742	1,712	1,665	-1.1%

Source: Eurostat (2009)

Agricultural machinery

Present-day machinery is larger and more efficient than previous equipment, incorporating new technology and computerised operating systems. As a result of the advanced technology being used, farmers are less able to carry out repairs themselves and machinery is required to be professionally serviced. Furthermore, as farms are becoming bigger, the role of equipment becomes more critical, and farmers need their machinery to be ready and repaired as quickly as possible, also leading to increased professional servicing.

Environmental regulations

Environmental regulations, e.g. regarding soil erosion, engine exhaust emissions or water pollution, often necessitate the purchase of new machinery or equipment.

Production

Agricultural machinery

Similar to the automotive sector, the agricultural and horticultural industry is witnessing increased globalisation and concentration. This is most clear with regard to tractors. Three global companies dominate this market, of which only one is European. The big three are John Deere and Agco (brand names include Massey Ferguson, Fendt, and Valtra), both from the USA; and Case New Holland, which is now part of the Italian Fiat group.

However, the two major USA companies have many production locations in the EU. As a resultant, the European Union is the world's biggest region regarding the production of agricultural machinery. In 2008, sales of € 28 billion were achieved (up 16% compared to the previous year).

Table 1.7 Production of agricultural machinery, EU and selected countries, 2004-2008, € million

	2004	2005	2006	2007	2008	CAGR	share
Total EU27	19,247	20,106	21,652	23,828	27,748	10%	
Total EU15	18,091	18,774	20,125	22,131	25,631	9%	92%
Germany	4,562	4,722	5,193	6,061	7,512	13%	27%
France	2,932	2,907	2,931	3,049	3,665	6%	13%
Italy	4,496	4,801	4,852	5,026	5,708	6%	21%
United Kingdom	1,785	1,785	2,019	2,174	2,127	4%	8%
Spain	618	539	623	636	698	3%	3%
The Netherlands	551	568	627	761	932	14%	3%
Other EU15 countries	3,147	3,452	3,880	4,424	4,989	12%	18%
Total EU12	1,156	1,332	1,527	1,697	2,117	16%	8%
Poland	442	495	583	623	817	17%	3%
Czech Republic	300	342	414	489	574	18%	2%
Hungary	236	298		360	469	19%	2%
Romania	80	75	67	54	56	-9%	0%
Other EU12 countries	97	122	463	171	201	20%	1%

Source: VDMA (2009)

Parts and components for agricultural machinery

The Prodcom data clearly point to a strong increase in the production of parts for agricultural equipment during the period covered, 2004-2008. An annual compound growth rate of 12% was realised, a major part of this having been realised in 2008. All the leading producers saw their production increase strongly; of the top-10 only the UK saw a negative development. Regarding the others, only Spain (5%) and France (9%) saw single-digit, instead of double-digit growth. The highest growth figure was realised by Poland, which saw production increase almost four-fold in the period covered, from € 48 million to € 188 million. As in the automotive industry, Germany is the clear leader, followed by Italy and France.

Again, strongest annual growth was achieved by the new EU member states. Their annual growth rate reached 23% annually for the period covered. The countries of the EU15 reached an annual compound growth of 12%, their share of EU production having increased from 14% in 2004 to 21% in 2008.

Table 1.8 Total production of parts and components in the EU countries, 2004-2008, € million

	2004	2005	2006	2007	2008	CAGR	share
Total EU27	2,350	2,678	2,755	2,916	3,692	12%	100%
<i>Total EU15</i>	<i>2,011</i>	<i>2,312</i>	<i>2,307</i>	<i>2,368</i>	<i>2,927</i>	<i>9.8%</i>	<i>79%</i>
<i>Total EU12</i>	<i>338</i>	<i>366</i>	<i>448</i>	<i>548</i>	<i>765</i>	<i>23%</i>	<i>21%</i>
Germany	652	738	817	780	1,171	16%	32%
Italy	391	477	509	530	627	13%	17%
France	374	385	409	459	525	9%	14%
Hungary	131	160	170	186	307	24%	8.3%
Czech Republic	88	101	100	162	188	21%	5.1%
Poland	48	69	82	112	188	41%	5.1%
The Netherlands	91	88	81	92	141	12%	3.8%
Spain	114	111	116	123	138	4.9%	3.7%
Austria	39	75	51	53	104	28%	2.8%
United Kingdom	103	112	114	107	88	-3.8%	2.4%
Sweden	54	56	54	57	73	8%	2%
Slovakia	22	25	32	30	37	14%	1%
Finland	28	30	32	26	34	5.2%	0.9%
Romania	41	-	50	38	29	-8.7%	0.8%
Denmark	102	179	75	83	13	-40%	0.4%
Lithuania	2	3	5	7	8	50%	0.2%
Bulgaria	4	5	5	6	8	15%	0.2%
Portugal	12	12	9	11	6	-17%	0.1%
Greece	4	4	5	4	4	0%	0.1%
Ireland	-	-	-	2	2	37%	0.1%
Slovenia	-	1	1	1	1	-4.5%	0%
Belgium	48	46	36	43	-	0%	0%
Estonia	1	2	2	4	-	0%	0%
Latvia	1	1	1	-	-	0%	0%

Source: Eurostat Prodcum (2009)

Reviewing the individual countries, some differences emerge, e.g. Italy is the largest producer of parts for soil-working machinery; France is rather small in parts for harvesting or threshing machinery.

Table 1.9 Production of parts and components per product group, EU and selected countries, 2004-2008, € million

	2004	2005	2006	2007	2008	CAGR	Share
Parts for soil-working machinery							
Total EU27	627	708	838	779	1,114	15%	30%
Italy	94	143	229	243	261	29%	7.1%
Germany	124	122	145	-	236	18%	6.4%
France	120	138	146	157	183	11%	4.9%
Spain	54	59	59	72	90	14%	2.4%
United Kingdom	46	42	49	43	40	-3.4%	1.1%
The Netherlands	-	3	3	3	19	81%	0.5%

	2004	2005	2006	2007	2008	CAGR	Share
Parts for harvesting or threshing machinery							
Total EU27	748	832	775	867	1,069	9%	29%
Germany	199	221	229	289	369	17%	10%
Italy	81	90	88	93	98	4.9%	2.6%
The Netherlands	65	58	45	53	86	7%	2.3%
France	55	47	42	44	50	-2.3%	1.3%
United Kingdom	54	59	57	60	38	-8.7%	1%
Spain	36	25	22	10	12	-24%	0.3%
Other parts for agricultural machinery							
Total EU27	974	1,138	1,141	1,270	1,509	12%	41%
Germany	329	395	443	491	565	14%	6.7%
France	199	200	221	258	293	10%	3.4%
Italy	216	243	192	194	269	5.6%	3.2%
United Kingdom	3	11	8	4	11	36%	0.1%
Spain	24	28	35	41	36	11%	0.4%
The Netherlands	26	27	32	36	36	8.8%	0.4%

Source: Eurostat Prodcom (2009)

Production trends

Consolidation and globalisation

The last ten years have seen a large number of acquisitions and mergers of manufacturers of agricultural machinery. Sometimes the activities continue under a separate brand name, sometimes they are combined. International examples include the merger of New Holland and Case, the resulting company being a subsidiary of the Italian Fiat Group.

Electronics

Electronics are increasingly incorporated in the machinery, this varies from fuel management, brake control, GPS integration, cameras and LCD screens to new developments in automatic steering.

Outsourcing

Unlike for instance the automotive industry, outsourcing and contract manufacturing has not become as prevalent in the agricultural machinery industry.

Interesting players

The following companies are some of the most important and interesting companies in the selected countries.

- Argo Gruppo Industriale - <http://www.argospa.com> - industrial group consisting of the Landini, McCormick and Valpadana tractor companies, Italy, part of Fiat group.
- Claas - <http://www.claas.com> - tractors and equipment, Germany.
- Same Deutz-Fahr - <http://www.samedeutz-fahr.com> - tractors and equipment, Italy.
- Imants - <http://www.imants.nl> - soil preparation and nursery machinery, The Netherlands.
- Wifo Anema - <http://www.wifo.nl> - harvesting equipment, The Netherlands.
- DeLaval-Tetrapak - <http://www.delaval.com> - milking machinery and logistics, Sweden.
- Amazonen-Werke - <http://www.amazone.de> - soil-treating equipment, Germany.
- Euromark - <http://www.euromark.fr> - loaders/unloaders, France.
- Solvert - <http://www.solvert.com> - lawn treatment machinery, France.

Opportunities and threats

It is still unclear as to what the effects of the current economic crisis will be. It is likely to have some negative and some positive outcomes for manufacturers of parts and components in developing countries. Production of machinery is likely to slow down, leading to less demand in the OEM segment. However, this will lead to a prolonged use of existing machinery, resulting in additional demand on the after-market. On a more global scale, it is hard to forecast the development of prices of agricultural products; nevertheless these are very important in determining the level of investment in new machinery.

- + The total market for parts and components increased strongly during the past five years, as a result of autonomous market growth, and of the growth in share of value added by suppliers. Demand in the OEM supply chain will contract in the short term, but is likely to pick up again in a couple of years. Agricultural machinery remains a growth market.
- + The after-market offers most opportunities for manufacturers in developing countries.
- + The strong interest in lowering the production costs incurred by western companies offers possibilities in outsourcing, contract manufacturing, joint ventures, and technology agreements.
- + The popularity of classic or historic tractors is on the rise, which results in demand for parts for old models. Because of the small numbers involved, and the availability of technical specifications, this niche market could be of interest for developing country manufacturers. Their popularity is evidenced in the availability of magazines covering the subject, e.g. The Old Tractor (<http://www.oldtractor.co.uk>) and the success of the trade fair Agri historica (traktorama) organised in Germany.
- + Rising costs of raw materials put pressure on margins worldwide; however, this may benefit manufacturers in developing countries as it reinforces the need for lower overall production costs. It is important to take rising materials costs into consideration when negotiating long-term contracts.
- Present-day equipment is increasingly complicated, allowing only professionals in the official service chain to do maintenance and repairs, as opposed to farmers and small independent companies in the past.
- The new EU countries are competitors to manufacturers in developing countries, and, as wages are increasing in previously favoured destinations like Hungary, Slovakia and the Czech Republic, the fresh EU member Romania is presently offering the technological skills, proximity to consumption markets and production regions, in combination with low wages.

Please notice that the same trend or development can be an opportunity for one exporter and a threat to another. As an exporter you should therefore analyse if the developments and trends discussed above provide opportunities or threats. The outcome of this analysis depends on the specific situation of an exporter. An example of such an analysis can be found in chapter 7 of the EU survey.

Useful sources

- EU - http://ec.europa.eu/enterprise/mechan_equipment/statistics/index.htm - EU Enterprise and Industry production statistics.
- EU economic information - http://ec.europa.eu/economy_finance/eu_economic_situation/
- CEMA - <http://www.cema-agri.org> - European Committee of associations of manufacturers of agricultural machinery.
- VDMA - <http://www.vdma.org> - European and German sector news and statistics.
- Sygma - <http://www.sygma.org> - European and French news and statistics.

2 Trade channels for market entry

Trade channels

The trade channels for parts and components for agricultural machinery are not the same as used for automotive components. Agricultural parts are not sold through automotive distributors, wholesalers and service centres. They are sold through companies specialising in agricultural machinery and parts. A dealer in agricultural machinery often supplies several brands to its customers, offering a range of machinery which is adequate to satisfy the specific needs of local agricultural production.

Importers/distributors usually carry a selection and/or are specialised in certain fields, such as harvesting. These also service the equipment and distribute the parts and components for the equipment supplied. As such, they can be compared to the official dealerships in the automotive field. Next to these, a large number of independent companies exist, specialised in servicing or spare parts distribution. These are the ones most likely to carry a range of non-OES parts. According to Climmar, there are over 23 thousand dealers and service centres in the EU. To give an indication: Germany has almost 4,000 dealers in agricultural machinery; Italy almost 2,000; France 1,100; the UK 800 and The Netherlands 750. Poland, Hungary and Austria also have a significant number of dealers.

Similarly to the automotive market, the after-market offers most opportunities for manufacturers in developing countries, as access to it is much easier than to the OEM supply chain. The best channels for developing country exporters for entering the after-market are the non-aligned distributors. A detailed typology of the trade channels is given in the CBI sector survey 'The market for automotive parts and components in the EU'.

However, good opportunities also exist in the field of outsourcing and contract manufacturing for European OEMs. One difference when compared to the automotive industry, is the larger number of OEM manufacturers. Though there are a limited number of tractor manufacturers, there are a significant number of manufacturers of independently driven machinery (like combine harvesters) and a large number of makers of specific add-on equipment, like foragers, mowers, etc. As these companies are experiencing increased competition and need to remain competitive, outsourcing and contract manufacturing is on the increase. Possible partners can be found through the websites mentioned in this chapter, the interesting players described in chapter 1, the useful sources mentioned below, and the trade associations mentioned in chapter 6.

Trends

Consolidation in all segments is progressing, with an internationalisation of distribution and servicing. Still, the level of concentration is much less than in the automotive industry, so that many local players still exist. More trends in the distribution chain are covered in Chapter 3 'Trade channels for market entry', of the CBI market survey 'The EU market for automotive parts and components'.

Examples of importers/distributors/wholesalers

- Promodis - France - <http://www.promodis.fr> - buying organisation for dealers in agricultural equipment. Based in France, but also active in other EU countries.
- Mechan Partners - The Netherlands - <http://www.mechanpartners.nl> - Dutch importer and distributor of parts and components. It is the parent company of several tractor importers.
- Onderdelen discount - <http://www.onderdelendiscount.nl> - independent wholesaler.
- Agram - France - <http://www.agram.fr> - distributor.
- Spaldings - UK - <http://www.spaldings.co.uk> - importer and distributor, exports globally.
- Kingsdown, UK - <http://www.kingsdownuk.com> - OES parts distributor.
- TSP - Italy - <http://www.tsp srl.it/english/company.htm> - importer and distributor of spare parts for agricultural machinery, trucks and earthmoving equipment.

Price structure

Different prices and margins apply throughout the various trade channels. In general, margins in the various EU countries have the same level and follow similar trends. For more specific information, please refer to the CBI sector survey 'The market for automotive parts and components in the EU'. This document gives a more detailed analysis of various margins. Margins for parts for agricultural machinery tend to have similar characteristics, though they are somewhat higher in general.

Selecting a suitable trading partner

Sources mentioned below offer leads to companies active in the trade of parts and components. Trade fairs are the most common way to make contact with potential customers and offer the ability to showcase your company, as well as become informed about the competition.

The type of organisation which suits your company best is dependent on your product range and target group. For more information, refer to Chapter 3 of the CBI market survey 'The market for automotive parts and components in the EU'. It is advisable to make an analysis of the type of trade partners your competitors use and assess whether they could be suitable for you.

Useful sources

- CLIMMAR - International association of traders in agricultural machinery - <http://www.climmar.com/en/presentation-organization/members/> - webpage links to national member sites.
- VDMA - the German engineering association - <http://www.vdma.org> - has a section on their website listing the member companies. Choose: *VDMA Sectors*, then *Agricultural machinery*; *About us*; *Member companies*. These companies could be interested in subcontracting or partnerships.
- Sygma - French Association of manufacturers of tractors and agricultural machinery - <http://www.sygma.org/default.asp?lang=AN> - website offers the possibility to find manufacturers.
- Secima - France - <http://secima.org/bdd/annuaire/menu.php> - list of all members including their brands and products.
- ASDM - France - <http://www.asdm.fr> - association of unions for the distribution and maintenance of agricultural machinery.
- AGRAGEX - Spain - <http://www.agragex.com/web/empresas.asp?m=2> - list of member companies.
- The FIMA trade fair in Zaragoza, Spain has an on-line list of exhibitors, including manufacturers and importers and distributors - http://www.feriazaragoza.es/web/catalogo/catalogo_certamen_full.asp?idC=10&idioma=in
- AG Machine - <http://www.agmachine.com> - global directory for the agricultural machinery industry.
- Wikipedia has an extensive list of (historic) tractor manufacturers and brands worldwide - http://en.wikipedia.org/wiki/List_of_tractor_manufacturers
- Kompass - <http://www.kompass.com> - search its guide for manufacturers of agricultural machinery and their parts.
- Go 4 tractors - <http://www.go4tractors.eu> - pan-European on-line marketplace for agricultural equipment, parts and components. Set up by EU association CLIMMAR.

3 Trade: imports and exports

Imports

Total imports of parts and components for agricultural machinery increased from 2004 to 2008 by a compound annual rate of 15%, to reach € 3.4 billion in 2008. The new EU member states showed the strongest growth during this period, while the large West-European countries showed most growth during the last two years. Aggregated as a group, the imports by new member states increased by an annual rate of 26%, compared to 14% for the EU15. As a result of the high growth, the share of the EU12 increased to 14%, up from 10%. Still, imports were much lower for the EU12 countries, totalling € 467 million in 2008, whereas the EU15 imported € 3 billion. The increase in trade was the result of the high economic growth and investments in the new member states, further fuelled by the high prices for agriculture.

Table 3.1 Imports of parts in the EU countries, 2004-2008, € million

	2004	2005	2006	2007	2008	CAGR	share
Total EU27	1,946	2,122	2,409	2,886	3,439	15%	
<i>Total EU15</i>	<i>1,758</i>	<i>1,886</i>	<i>2,128</i>	<i>2,529</i>	<i>2,971</i>	<i>14%</i>	<i>86%</i>
<i>Total EU12</i>	<i>188</i>	<i>235</i>	<i>281</i>	<i>357</i>	<i>467</i>	<i>26%</i>	<i>14%</i>
Germany	387	468	534	625	682	15%	20%
France	282	293	305	375	494	15%	14%
Belgium	171	150	191	250	340	19%	10%
The Netherlands	148	160	199	246	259	15%	7.5%
Denmark	130	138	198	210	237	16%	6.9%
United Kingdom	175	187	176	197	232	7.3%	6.7%
Austria	77	97	106	141	179	23%	5.2%
Italy	102	106	114	126	137	7.5%	4%
Sweden	79	80	86	97	133	14%	3.9%
Poland	42	59	63	90	132	33%	3.8%
Spain	82	80	86	106	99	4.6%	2.9%
Czech Republic	39	45	56	75	94	25%	2.7%
Ireland	54	53	54	70	76	8.7%	2.2%
Hungary	40	44	49	63	75	17%	2.2%
Finland	27	33	35	40	47	15%	1.4%
Slovakia	13	18	26	39	46	38%	1.3%
Lithuania	15	19	22	22	35	24%	1%
Romania	12	18	26	24	32	27%	0.9%
Greece	20	21	21	21	29	10%	0.8%
Portugal	16	13	15	17	18	3.7%	0.5%
Bulgaria	6	6	6	8	16	27%	0.5%
Latvia	9	12	13	15	15	12%	0.4%
Slovenia	6	6	6	8	11	17%	0.3%
Estonia	5	7	10	11	11	18%	0.3%
Luxembourg	8	8	8	8	9	4.5%	0.3%
Cyprus	1	1	3	2	1	8.5%	0%
Malta	0	0	0	0	0	-8.6%	0%

Source: Eurostat Combined Nomenclature (2009)

Individual countries, which had the highest growth, were Slovakia (38%), Poland (33%), and Romania (27%), all in Eastern Europe. Malta was the only country which saw imports decline. All other countries still had quite high growth figures, lowest growth being achieved by Portugal with an annual increase of 3.7%. Even so, this is still quite healthy, and an indication of the strong growth of the agricultural sector all over Europe during the period covered. Of the EU15, highest growth was recorded by Austria (23%), Belgium (19%), and Denmark (16%).

The leading suppliers to the EU and the selected countries can be found in table 3.1. The share of imports sourced in the EU was 88% in 2008, clearly stipulating the importance of the common market. Imports from the new EU member states grew from € 270 million in 2004 to € 636 million in 2008; their share in the latter year was 18%.

The top-5 developing country suppliers (China, Turkey, India, Brazil and Croatia) took care of 91% of all DC supplies, up from 84% in 2004. China achieved the strongest growth, an increase of almost 50% every year. Imports went up from € 20 million to € 93 million in 2008. The other leading DC suppliers grew strongly as well, but their rates varied. Turkey and Brazil performed very well, with growth rates of 31% and 30% respectively. Croatia grew by 16% annually. Of the large DC suppliers, India saw the lowest growth at 11%.

Table 3.2 Imports of parts and components, leading suppliers, € million

	2004	2006	2008	CAGR	Share	Leading suppliers 2008
EU27	1,946	2,409	3,439	15%	100%	
Intra-EU	1,709	2,115	3,033	15%	88%	Germany 23%; Italy 11%; France 9.6%; Hungary 6.8%; The Netherlands 5.4%
Extra-EU/DC	186	207	250	8%	7.3%	USA 4.5%; Norway 1.2%; Japan 0.4%; Switzerland 0.3%; Canada 0.3%
DC	51	87	156	32%	4.5%	China 2.7%; Turkey 0.5%; India 0.5%; Brazil 0.2%; Croatia 0.2%; Ukraine 0.1%; Argentina 0.1%
Germany	387	534	682	15%	20%	
Intra-EU	345	467	600	15%	88%	Hungary 25%; Italy 13%; France 12%; Czech Republic 9.6%; Austria 6.6%
Extra-EU/DC	34	50	57	14%	8%	USA 6.4%; Switzerland 0.8%; Canada 0.3%; Japan 0.2%; Norway 0.2%
DC	7	17	24	35%	4%	China 2.1%; Turkey 0.3%; India 0.3%; Croatia 0.3%; Brazil 0.2%; Ukraine 0.2%
France	282	305	494	15%	14%	
Intra-EU	258	279	447	15%	90%	Germany 29%; Italy 16%; The Netherlands 10%; Belgium 7.3%; Spain 4%
Extra-EU/DC	16	18	23	9%	5%	USA 3%; Japan 0.5%; Taiwan 0.4%; Switzerland 0.2%; Canada 0.2%
DC	8	9	24	34%	5%	China 2.4%; Turkey 1.4%; India 0.4%; Tunisia 0.3%; Mexico 0.2%; Brazil 0.1%
Netherlands	148	199	259	15%	8%	
Intra-EU	116	164	211	16%	81%	Germany 39%; Italy 8.2%; Hungary 7.2%; Belgium 6.7%; Poland 5.7%
Extra-EU/DC	28	27	29	1%	11%	USA 7.1%; Norway 2.9%; Canada 0.4%; Japan 0.3%; Israel 0.2%
DC	4	7	19	49%	8%	China 6%; India 0.8%; Brazil 0.2%; Turkey 0.2%; Moldova 0.2%; Ukraine 0.1%

	2004	2006	2008	CAGR	Share	Leading suppliers 2008
UK	175	176	232	7%	7%	
Intra-EU	134	135	189	9%	81%	Germany 30%; France 10%; The Netherlands 7.5%; Ireland 6.4%; Italy 6%
Extra-EU/DC	35	31	32	-2%	14%	USA 7.7%; Norway 3.4%; Canada 0.7%; Israel 0.5%; Japan 0.4%
DC	7	10	12	15%	5%	China 3%; Turkey 1.2%; India 0.6%; Brazil 0.1%; Argentina 0.1%
Italy	102	114	137	8%	4%	
Intra-EU	85	87	104	5%	76%	Germany 26%; France 19%; Hungary 5.6%; The Netherlands 5.3%; Austria 3.6%
Extra-EU/DC	7	8	9	5%	6%	USA 4%; Japan 1.1%; Taiwan 0.5%; Switzerland 0.3%; New Zealand 0.2%
DC	11	19	24	23%	18%	China 11%; India 2.6%; Turkey 1.5%; Croatia 0.8%; Brazil 0.6%; Moldova 0.2%; Albania 0.1%; Argentina 0.1%; Serbia 0.1%; Bosnia and Herzegovina 0.1%
Spain	82	86	99	5%	3%	
Intra-EU	76	77	81	2%	82%	France 24%; Germany 18%; Italy 17%; The Netherlands 6.2%; Denmark 4.4%
Extra-EU/DC	5	6	8	12%	8%	USA 4.4%; Japan 1.4%; Switzerland 0.9%; Taiwan 0.5%; Norway 0.3%
DC	2	4	10	52%	11%	China 7.2%; Argentina 1.3%; Brazil 1.1%; India 0.6%; Turkey 0.2%; Ukraine 0.1%

Source: Eurostat Combined Nomenclature (2009)

Product groups

Table 3.2 shows the imports per product group and selected country. Imports increased strongly over the whole range, all product groups apart from other parts showing 16% growth. Growth in the individual countries varied significantly. Remarkable is the fact that, for the countries covered, the bigger countries in a product group seem to grow more quickly than the other countries. However, looking at the other countries as well, we find that most of the new EU member states also grew very strongly.

Table 3.3 Imports of parts and components, per product group 2004-2008, € million

	2004	2005	2006	2007	2008	CAGR	Share
Parts for soil-working machinery							
EU27	564	587	644	822	1,010	16%	29%
France	89	88	102	141	201	22%	20%
Germany	110	112	120	161	156	9.1%	15%
United Kingdom	64	61	60	78	107	14%	11%
The Netherlands	40	42	35	41	51	6.5%	5.1%
Italy	28	33	35	35	41	10%	4%
Spain	21	23	25	31	30	9.2%	3%

	2004	2005	2006	2007	2008	CAGR	Share
Parts for harvesting or threshing machinery							
EU27	1,113	1,209	1,403	1,642	1,983	16%	58%
Germany	243	309	345	387	462	17%	23%
France	162	175	175	199	254	12%	13%
The Netherlands	80	84	127	157	156	18%	7.9%
United Kingdom	83	91	84	89	96	3.8%	4.8%
Italy	63	61	66	74	81	6.6%	4.1%
Spain	45	39	47	57	53	4.5%	2.7%
Other parts for agricultural machinery							
EU27	269	325	362	422	445	6.6%	13%
Germany	33	47	70	78	64	18%	14%
France	30	30	29	35	39	6.9%	8.9%
The Netherlands	29	34	37	47	52	16%	12%
United Kingdom	28	34	32	31	29	0.6%	6.5%
Italy	12	12	13	17	15	5.5%	3.4%
Spain	16	17	15	18	15	-1.9%	3.4%

Source: Eurostat Combined Nomenclature (2009)

Imports from developing countries

Although imports sourced in developing countries grew by an annual average of 32%, from € 51 million to € 156 million, their share is still quite low. Together they are responsible for less than 4.5% of total imports. In most European countries, imports from DCs are growing strongly; the most important countries remain Italy and Germany. Imports by Spain are growing very rapidly and now encompass € 10 million, up from € 2 million in 2004.

Table 3.4 Imports from developing countries, per product group, 2004-2008, € million

	2004	2005	2006	2007	2008	CAGR	Share
Parts for soil-working machinery							
EU27	23	29	38	51	80	37%	51%
Italy	6	9	11	10	14	25%	17%
France	4	4	4	6	11	32%	14%
Germany	3	4	6	8	10	37%	13%
The Netherlands	2	2	3	5	9	48%	11%
United Kingdom	2	2	4	5	7	42%	8.9%
Spain	1	1	1	4	6	69%	8%
Parts for harvesting or threshing machinery							
EU27	17	24	31	42	54	33%	35%
France	3	5	4	5	11	38%	20%
Italy	4	6	7	9	9	22%	17%
Germany	2	4	6	7	9	45%	17%
The Netherlands	1	1	2	6	5	48%	10%
United Kingdom	2	2	2	2	3	11%	4.9%
Spain	0	1	1	1	2	71%	4.2%

	2004	2005	2006	2007	2008	CAGR	Share
Other parts for agricultural machinery							
EU27	11	14	18	19	22	11%	14%
Germany	2	3	5	5	4	20%	20%
France	1	0	0	1	2	25%	10%
The Netherlands	1	2	2	4	5	51%	24%
Italy	1	1	1	1	1	4%	4.5%
United Kingdom	3	4	4	2	2	-13%	8.1%
Spain	1	1	1	2	2	17%	7.9%

Source: Eurostat Combined Nomenclature (2009)

Exports

Exports increased even more strongly than imports, by a compound annual average of 16%. During the period covered, the EU countries combined had a trade surplus, exporting € 500 million more than they imported.

Table 3.5 Exports of parts and components, per product group, 2004-2008, € million

	2004	2005	2006	2007	2008	CAGR	Share
Total parts for agricultural, horticultural and forestry machinery							
EU27	2,211	2,426	2,852	3,265	3,940	16%	100%
Germany	540	625	705	854	997	17%	25%
Italy	272	294	373	376	422	12%	11%
France	208	240	214	263	345	14%	9%
The Netherlands	196	209	234	251	237	4.8%	6%
Spain	63	61	79	132	111	15%	3%
United Kingdom	73	83	74	79	76	1%	2%
Parts for soil-working machinery							
EU27	611	603	747	911	1,081	15%	27%
Italy	139	140	205	202	223	13%	21%
Germany	128	126	145	194	219	14%	20%
France	58	53	61	88	126	22%	12%
Spain	38	36	50	101	73	17%	6.8%
The Netherlands	39	38	38	37	37	-1.2%	3.4%
United Kingdom	19	23	18	18	22	4.3%	2%
Parts for harvesting or threshing machinery							
EU27	1,227	1,392	1,628	1,816	2,303	17%	2%
Germany	344	416	470	549	661	18%	29%
France	123	151	119	140	180	10%	7.8%
Italy	104	118	131	137	156	11%	6.8%
The Netherlands	96	104	124	137	130	7.9%	5.6%
United Kingdom	44	48	46	48	44	-0.1%	1.9%
Spain	14	13	15	17	24	14%	1%

	2004	2005	2006	2007	2008	CAGR	Share
Other parts for agricultural machinery							
EU27	373	432	478	538	557	-0.1%	1.9%
Germany	68	82	90	110	117	14%	21%
France	27	36	34	35	39	9.2%	7%
Italy	30	36	37	38	43	10%	7.7%
The Netherlands	62	67	72	76	70	3.3%	13%
United Kingdom	10	11	9	13	10	-0.6%	1.8%
Spain	11	12	14	14	14	5.9%	2.5%

Source: Eurostat Combined Nomenclature (2009)

Opportunities and threats

- + Total imports of parts and components showed strong annual growth (15%) between 2004 and 2008. Of the countries selected, equally strong growth was recorded for Germany, France and The Netherlands (15% annually).
- + Imports from developing countries grew by an annual average of 32% during the same period. Imports from developing countries grew strongest in Spain (52%).
- + Italy offers most opportunities, as it sources 18% of its imports in DCs. Its annual growth reached 23% during the period covered.
- The top-5 developing country suppliers, e.g. China, Turkey, India, Croatia and Brazil, take care of 84% of all DC supplies, although this is down from 88%. The top-ten is responsible for 95%. If your company is located outside these countries, then it will be tough to compete.

Please note that the same trend or development can be an opportunity for one exporter and a threat to another. As an exporter, you should therefore analyse if the developments and trends discussed above provide opportunities or threats. The outcome of this analysis depends on the specific situation of an exporter. An example of such an analysis can be found in chapter 7 of the CBI market survey 'The market for automotive parts and components in the EU'.

Useful sources

- EU Expanding Exports Helpdesk - <http://exporthelp.europa.eu>
- Eurostat - official statistical office of the EU - <http://epp.eurostat.ec.europa.eu>
- Understanding Eurostat Quick guide to EasyComext
 → http://epp.eurostat.ec.europa.eu/newxtweb/assets/User_guide_Easy_Comext_20080117.pdf
- Eurostat Prodcom and trade data - <http://epp.eurostat.ec.europa.eu/newxtweb>

4 Price developments

Prices of parts and components of agricultural machinery have been increasing during the past five years. This is for a large part due to the strong increase in the price of basic materials like steel. Suppliers were able to pass on these rises to their customers, because of sustained high global demand (as evidenced by the strong growth in imports and exports).

It is clearly visible from table 4.1 that cheaper parts and components are predominantly sourced in developing countries. Though the price per tonne is still much less than average, prices are on the rise. DC imports increased for the two most important product groups, resulting in a combined increase of 3.7% per year. Imports originating within the EU increased by an annual average of 3.8%. The average cost per tonne of imports was just € 1,925, compared to € 5,903 for intra-EU imports. It is interesting to note that the cost of imports from other regions (like the USA, Japan, and South Korea) declined on average between 2004 and 2008. This was particularly the result of declining costs of parts for harvesting and threshing machinery

For more general information on price developments, please refer to the CBI market survey 'The market for automotive parts and components in the EU'.

**Table 4.1 Cost per tonne, 2008, € 1,000 per tonne
 and change in cost per tonne, 2004-2008 % change**

Value/Volume	Import cost per tonne in 2008				CAGR of import cost 2004-2008			
	Total	From EU27	Other	From DC	Total	From EU27	Other	From DC
All parts for agricultural machinery	5.4	5.9	5.9	1.9	2.5%	3.8%	-0.4%	3.7%
Parts for soil-working machinery	3.8	4.4	5.4	1.5	2%	4%	3.8%	4.7%
Parts for harvesting or threshing machinery	6.6	6.9	5.6	3.2	2.8%	3.7%	-4.7%	8%
Other parts for other agricultural, horticultural or forestry machinery	6.0	6.4	8.6	2.3	2.8%	3.6%	2.8%	-0.3%

Source: Eurostat Combined Nomenclature (2009)

5 Market access requirements

As a manufacturer in a developing country preparing to access a country in the EU, you should be aware of the market access requirements of your trading partners and the local government. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns. You need to comply with EU legislation and have to be aware of the additional non-legislative requirements that your trading partners in the EU might request.

For information on legislative and non-legislative requirements, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select 'automotive parts' and the country of your choice in the category search, click on the search button and click on market access requirements. The European Commission has a list of directives relating to agricultural tractors at <http://ec.europa.eu/enterprise/automotive/directives/tractors/index.htm>. See also ENTAM, the European Network for Testing of Agricultural Machines, <http://www.entam.net>.

For information on packaging, marking and labelling applicable to parts and components for agricultural machinery, please refer to the CBI market survey 'The automotive parts and components market in the EU'.

Information on tariffs and quota can be found at <http://exporthelp.europa.eu>

Additional information on packaging can be found at the website of ITC on export packaging <http://www.intracen.org/ep/packaging/packit.htm>

6 Doing business

General information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) can be found in CBI's export manuals 'Export Planner' and 'Your image builder'. Furthermore, cultural awareness is a critical skill in securing success as an exporter. Information on cultural differences in the EU can be found in chapter 3 of CBI's export manual 'Exporting to the EU'. These manuals can be downloaded from <http://www.cbi.eu/marketinfo> - go to search publications.

Trade promotion

Trade fairs continue to be the most important place for business, the most important ones for agricultural machinery being the trade fairs in Germany and Italy. Only in special cases will your first visit result in large orders. It often takes several years to establish relations and start serious business. For that reason, it is worthwhile to visit the trade fair a couple of years, building up contacts, before reserving an expensive booth for yourself.

It is advisable to have with you an up-to-date product portfolio including datasheets detailing technical and quality characteristics and, if applicable, your specific production capabilities and quality certifications. Without such documents, your company will not be considered seriously.

It can also be worthwhile to approach EU companies directly, for instance by mail with your product portfolio and a special offer. However, this must be followed by personal communication afterwards, and companies need to be selected carefully on matching product ranges and target groups. Otherwise these efforts will be wasted. Local companies can be found through the websites listed in this survey. Having made contact with parties in Europe, it is vital to remain in contact with them. Clear communications are essential for doing business. This includes the initial stage of building a relationship, as well as later, having established trade, in order to keep the other partner committed.

More specific information regarding trade promotion for agricultural machinery and its parts can be found in the CBI market survey covering the EU market for automotive parts and components.

Trade associations

- CEMA Agri - <http://www.cema-agri.org> - European committee of associations of manufacturers of agricultural machinery.
- FECIMA - European Federation of International Trade in Agricultural Machines and Related Activities - <http://www.fecima.org>
- CLIMMAR, international liaison centre for traders and mechanics of agricultural machinery - <http://www.climmar.com>
- VDMA - Germany - <http://www.vdma.org> - German engineering federation; has a section on agricultural machinery.
- Unacoma - Italy - <http://www.unacoma.it> - association of manufacturers of agricultural machinery.
- Sygma - France - <http://www.sygma.org> - French Association of manufacturers of tractors and agricultural machinery.
- SNCVA - France - <http://www.sncva.org> - French syndicate of manufacturers of agricultural vehicles.
- AEA - UK - <http://www.aea.uk.com> - association of British agricultural engineers
- AGRAGEX - Spain - <http://www.agragex.com> - Spanish manufacturers and exporters of agricultural machinery.
- Landmaschinenverband - Germany - <http://www.landmaschinenverband.de> - association of the agricultural machinery trade.
- SEDIMA - France - <http://www.sedima.fr> - French national syndicate of companies for service and distribution of agricultural machinery.

- BAGMA - UK - <http://www.bagma.com> - association of agricultural machinery dealers.
- UNACMA - Italy - <http://www.unacma.it> - Italian national union of dealers in agricultural machinery.
- COM - The Netherlands - <http://www.agridealers.com> - national organisation of mechanisation companies.

Apart from the associations mentioned above, there are many more associations related to the agricultural industry.

Trade fairs

- Agritechnica Hannover - Germany - <http://www.agritechnica.com> - Europe's largest agricultural machinery exhibition and innovations fair. 11% of visitors has an industrial or trade background, others are mostly farmers. About 27% of the exhibiting companies in 2007 was dealing in spare parts and components. Next show: November 10 to 14, 2009 (biennial). Attendance in 2007: 340,000 visitors, 2,188 exhibitors.
- Sima Paris - France - <http://www.simaonline.com> - international agricultural industry fair. Next show: February 2011 (biennial). Attendance in 2009: 209 thousand visitors, 1,000 exhibitors.
- EIMA Bologna - Italy - <http://www.eima.it> - large trade show for machinery for agriculture and horticulture. Next show: November, 2010. Figures for 2006: 130 thousand visitors, 1,743 exhibitors.
- Fima Agricola Zaragoza - Spain - International fair for agricultural machinery - http://www.feriazaragoza.es/web/home/home_certamen.asp?idC=10&idE=92&idioma=in Next show: February 2010 (biennial). Attendance in 2006: 170,012 trade visitors - 1,235 exhibitors.
- Agrovak Holland Den Bosch - The Netherlands - <http://www.agrovak.nl> - agricultural machinery and trade. Next show: December 2010 (biennial). Attendance in 2008: 43 thousand visitors, 230 exhibitors.
- Agri historica (Traktorama) - Germany - <http://www.agri-historica-messe.de> - annual fair dedicated to the historic tractor. Next show: April 2010, estimated attendance was about 10 thousand visitors during the last show.
- Lamma Show Newark - UK - <http://www.lammashow.co.uk> - next show: January 2010 (biennial).

Apart from the seven fairs mentioned, there are many more specific trade fairs related to the agricultural and mobile equipment industry. These can be found on the Internet, e.g. through <http://www.eventseye.com>.

Trade press

- EuroFarm - <http://www.eurofarm.org> - association of leading agricultural trade press in the various EU countries, with links to all members.
- Landwirtschaftsverlag Münster - Germany - <http://www.lv-h.de> - leading European agricultural publisher, active in Germany, Austria, UK and Poland.
 - Profi tractors and farm machinery - <http://www.profi.co.uk> and <http://www.profi.de> - the magazine is also published online.
 - Top Agrar - <http://www.topagrar.com>
- DLG Verlag - Germany - <http://www.dlg-verlag.de/en/index.html> - publisher of several German agrarian magazines, among which
 - DLG Test
 - Historic Agricultural Engineering.
- AgrarHeute - Germany - <http://www.agrarheute.com> - German language
- Agri Trader - The Netherlands - <http://www.agritrader.nl> - magazine and website for the trade in agricultural machinery and parts, focus on The Netherlands; Dutch and English.
- AgriSalon - France - <http://www.agrisalon.com> - French magazine.

- Mondo Macchina / Machinery World - http://www.unacoma.it/en/informati/mmacchina_ewsearch.php - bilingual (Italian and English) magazine.
- AgroTecnica - Spain - <http://www.bh-editores.com/revistas.htm> - Spanish magazine devoted to equipment and machinery.
- Editorial Agricola - Spain - <http://www.editorialagricola.com> - Spanish magazine and website.

Apart from the media mentioned, there are more publications aimed at (specific segments) of the agricultural industry. These can be found through the trade associations mentioned.

General sources and business culture

Websites providing practical information on business in the EU

- Kwintessential - <http://www.kwintessential.co.uk/resources/global-etiquette/> - market information
- DIN, Deutsches Institut für Normung eV - <http://www.din.de> - technical standards and approval.
- EU Chambers of Commerce - <http://www.eurochambres.be>

This survey was compiled for CBI by VLI

Disclaimer CBI market information tools <http://www.cbi.eu/disclaimer>

Appendix A General product description

This survey covers parts and components for agricultural, horticultural and forestry machinery. This spans a wide range of parts used for the production and maintenance of machines like tractors, harvesters, balers, etc. Only a few separate groups are recognised within the available statistical databases

- Parts and components for soil-working machinery
- Parts and components for harvesting or threshing machinery
- Other parts and components for other agricultural, horticultural or forestry machinery, including knives and cutting blades.

Statistical data limitations

Trade figures quoted in CBI market surveys must be interpreted and used with extreme caution. The Prodcom data used in Chapter 1 are less reliable than the import and export statistics used in Chapter 3, as they are not part of official data collection for Customs. Companies only have to send in their data on an annual or quarterly basis. The figures sometimes show a discrepancy between years, e.g. a large fall or extraordinary growth. These problems are caused by inaccurate, inconsistent and untimely reporting by companies. However, Prodcom data are the only official source for production and apparent consumption data, displaying numbers at product group level and describing the different EU markets in detail. Therefore they are useful for obtaining an indication of size and trends within those markets. However, these figures are not accurate enough for decision-making and should therefore be used in conjunction with further market research. In chapter 1, apparent consumption is calculated as follows production + imports -/- exports. Negative consumption is eliminated on product group level.

For more information on statistical procedures and limitation please refer to the CBI market survey 'The market for automotive parts and components in the EU'.

Table A.1 Prodcom and CN codes

Description	Prodcom	CN
1 Parts for soil-working machinery	29327020	84329000
2 Parts for harvesting or threshing machinery	29327050	84339000
3 Other parts for other agricultural, horticultural or forestry machinery including, knives and cutting blades	29327020 28625063	84369900 82084000

Useful sources

- About Prodcom
http://www.statistics.gov.uk/downloads/theme_commerce/PRODCOM_information.pdf
- About the Combined Nomenclature
<http://www.cbs.nl/en-GB/menu/methoden/classificaties/overzicht/cn/2006/default.htm>
http://en.wikipedia.org/wiki/Taric_code
- About the Harmonised System (HS)
<http://www.wcoomd.org/>
<http://www.foreign-trade.com/reference/hscodet.htm>
- Eurostat <http://epp.eurostat.ec.europa.eu/>
 Prodcom and trade data - <http://epp.eurostat.ec.europa.eu/newxtweb>