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

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Report summary
This CBI market survey discusses the following highlights for the EU 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 positive economic outlook of the sector.
- Sales of parts and components for agricultural machinery have been increasing as well; especially sales in the new EU member states have been growing strongly. However, in absolute numbers, the most important regions are still Northwest and Southwest Europe.
- During the period 2002-2006, production increased by an average annual average of almost 7% to € 2.7 billion.
- The most important trade channels for exporters based in developing countries are importers/distributors or contract manufacturing.
- Imports from developing countries (DCs) reached a new record of € 87 million. Imports grew by an annual average of 23% from 2002 to 2006.
- China, Turkey, India and Brazil are the most important developing country (DC) suppliers of parts for agricultural equipment. Together they account for 83% of all DC imports. Imports from China and Turkey 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(group) 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 Market description: consumption and production

Consumption
Recent years have seen agriculture grow in importance, both politically and economically. As a result of increasing global prosperity, demand for agricultural products, especially livestock, has been increasing. Livestock demands a significant amount of fodder which, together with bio-energy applications, has pushed the demand for crops enormously. Demand has outstripped production, even in the European Union. This has resulted in higher prices on the global markets.

Agricultural machinery
The boom in agricultural demand has led to a positive climate for investments. The EU is the largest global market, the EU15 alone already accounting for an estimated € 24 billion in 2006. The total global market encompasses approximately € 60 billion. The market is expected to have grown further in 2007. The forecasts for the near future are also positive.

Table 1.1 displays consumption of agricultural machinery in the EU15. Demand in Spain and Italy grew strongly, while demand in the United Kingdom, The Netherlands, and France dropped. On average, demand grew by an annual rate of 2%, this growth being realised with other agricultural machinery, not by tractors. The increased demand for more advanced and efficient equipment, which directly improves a farm's output, being one of the main reasons behind investments.

Regarding the twelve new member states (EU12), only aggregated data were available for the years 2004 to 2006. Though consumption is still much lower than in the EU15, these figures show a strong growth during those years, the annual rate of change 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, while eliminating small farms. This, of course, calls for investment in better machinery and equipment. This often takes the form of second-hand machinery from the EU15, but also increasingly the purchase of new equipment.

Table 1.1 Apparent consumption of agricultural machinery, EU and selected countries, 2002-2006, € million

	2002	2003	2004	2005	2006	CAGR‡	Share
Total EU27			**24,238**	**26,073**	**26,572**		
EU12			1,728	2,124	2,536	21.1%	10%
EU15°	**22,248**	**22,184**	**22,510**	**23,949**	**24,036**	**2.0%**	**90%**
Italy	3,875	4,152	4,479	4,428	4,370	3.1%	18%
France	4,494	4,475	4,625	4,696	4,255	-1.4%	18%
Germany	3,803	3,549	2,913	3,383	3,818	0.1%	16%
United Kingdom	2,267	2,246	2,015	1,835	1,968	-3.5%	8%
Spain	1,451	1,578	1,626	1,544	1,643	3.2%	7%
Netherlands	1,065	1,021	1,055	1,115	945	-2.9%	4%
Tractors (nace rev. 1: 2931)							
EU15	**7,076**	**6,938**	**6,868**	**6,709**	**7,106**	**0.1%**	**30%**
Italy	1,786	1,909	1,930	1,860	1,946	2.2%	27%
France	1,247	1,242	1,397	1,249	1,147	-2.1%	16%
Germany	1,461	1,262	880	1,022	1,245	-3.9%	18%
United Kingdom	975	1,000	653	337	464	-16.9%	7%
Spain	406	506	482	395	372	-2.2%	5%
Netherlands	118	100	86	103	113	-1.1%	2%
Other agricultural machinery (nace rev. 1: 2932)							
EU15	**15,172**	**15,246**	**15,642**	**17,240**	**16,930**	**2.8%**	**70%**
Germany	2,342	2,287	2,033	2,361	2,573	2.4%	15%
France	3,247	3,233	3,228	3,447	3,108	-1.1%	18%
United Kingdom	1,292	1,246	1,362	1,498	1,504	3.9%	9%
Italy	2,089	2,243	2,549	2,568	2,424	3.8%	14%
Spain	1,045	1,072	1,144	1,149	1,271	5.0%	8%
Netherlands	947	921	969	1,012	832	-3.2%	5%

Source: EU Commission, VDMA (2008)
°: only data for EU15 countries was available
‡: CAGR compound annual growth rate

Parts and components for agricultural machinery

Total consumption of parts and components in 2006, as derived from Prodcom data[1], reached € 2.4 billion. The compound annual increase for all product groups was 3.7%, indicating a healthy growth. Of the selected countries, especially the UK registered strong growth whereas The Netherlands and Italy saw a decrease. See table 1.2 for more details.

Strongest growth was reached by the Central European countries like Bulgaria, Poland, Lithuania, Slovenia, Romania, all increasing by more than 25% annually between 2002 and 2006.

Table 1.2 Apparent consumption of parts and components for agricultural machinery, EU and selected countries, 2002-2006, € million

	2002	2003	2004	2005	2006	CAGR	Share
Total							
EU27	**2,103**	**2,121**	**2,168**	**2,344**	**2,436**	**3.7%**	**100%**
Germany	607	591	499	581	596	-0.5%	34%
France	371	457	454	447	505	8.0%	29%
United Kingdom	119	167	207	217	248	20.2%	14%
Italy	268	236	238	242	218	-5.0%	13%
Spain	96	105	133	130	124	6.6%	7%
Netherlands	122	41	51	46	48	-20.7%	3%
Parts for soil working machinery							
EU27	**604**	**601**	**600**	**611**	**706**	**3.9%**	**29%**
France	130	156	151	173	186	9.4%	40%
Germany	95	118	106	107	114	4.7%	26%
United Kingdom	43	65	93	80	122	30.1%	25%
Spain	44	39	37	46	33	-7.0%	7%
Netherlands	20	12	1	7	-	0.0%	1%
Italy	62	-	-	-	5	-45.7%	0%
Parts for harvesting or threshing machinery							
EU27	**633**	**629**	**663**	**672**	**643**	**0.4%**	**26%**
United Kingdom	65	86	93	103	96	10.4%	25%
France	47	106	95	71	92	17.9%	24%
Germany	213	180	98	114	62	-26.6%	16%
Spain	32	40	67	51	54	13.7%	14%
Netherlands	78	29	50	39	48	-11.3%	13%
Italy	78	27	40	31	29	-21.9%	8%
Parts for other agricultural machinery							
EU27	**866**	**891**	**906**	**1,061**	**1,087**	**5.8%**	**45%**
Germany	300	292	295	360	420	8.8%	47%
France	193	195	209	202	227	4.1%	25%
Italy	128	208	199	211	184	9.5%	20%
Spain	20	26	29	33	37	17.1%	4%
United Kingdom	11	17	21	34	30	27.3%	3%
Netherlands	24	-	-	-	-	0.0%	0%

Source: Eurostat Prodcom (2008)

[1] Apparent consumption is calculated by using Prodcom data for production, exports and imports (consumption = production + imports - exports). Some production data seem to be incorrect, resulting in some unlikely numbers. Nevertheless, these are the best detailed data available.

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, 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.
Regional segments can be distinguished. In that case, the EU would be divided into four regions Northwest Europe (UK, Netherlands, Belgium, 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
The positive economic situation has triggered investments in new machinery in all countries in the EU. 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 CO^2 emissions. Arable land has been converted to grow crops able to supply bio-fuel. Increased demand has led to higher prices and increased profitability.

Farms
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 increased need for larger farms is driven by economic necessities. Of course larger farms are more dependent on efficient machinery. These trends are further stimulated by an internationalisation of farming, with West-Europeans buying up large properties in Eastern Europe.

Table 1.3 Number of farms in the EU and selected countries, 2000, 2003, 2005, thousand units

	2000	2003	2005	CAGR	Share
EU27		15,021	14,479	-1.8%*	100%
EU12		8,782	8,636	-0.8%*	60%
EU15	**6771**	**6239**	**5843**	**-2.9%**	**40%**
Germany	472	412	390	-3.7%	3%
France		614	567	-3.9%	4%
United Kingdom	233	281	287	4.2%	2%
Italy	2154	1964	1729	-4.3%	12%
Spain	1287	1141	1076	-3.5%	7%
Netherlands	102	86	82	-4.2%	1%

Source: Eurostat (2008)
*: no aggregate data for 2000 were available.

Agricultural machinery
Present-day machinery is larger and more efficient than previous equipment, incorporating high technology and computerised operating systems. As a result of advanced technology being used, amateur mechanics are less able to carry out repairs, and vehicles are required to be professionally serviced.

Environmental regulations
Environmental regulations, e.g. regarding soil erosion, engine exhaust emissions or water pollution, often necessitates 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 regards 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, Valtra), both from the USA, and the Italian company Case New Holland, which is owned by Fiat.

Again, strongest annual growth is witnessed for the new EU member states. Though their share of EU production is still just 5%, the annual growth rate reached 16.5% in 2005 and 2006.

Table 1.4 Production of agricultural machinery, EU and selected countries, 2002-2006, € million

	2002	2003	2004	2005	2006	CAGR	Share
Total production			**27,140**	**29,348**	**30,567**	**6.1%**	
EU12			1,155	1,332	1,569	16.5%	5%
EU15°	25,630	25,335	25,985	28,016	28,998	3.1%	95%
Germany	6,306	6,034	6,227	6,949	7,783	5.4%	27%
Italy	5,963	6,052	6,579	6,831	6,831	3.5%	24%
France	3,796	3,836	4,238	4,364	4,039	1.6%	14%
United Kingdom	2,841	2,567	2,204	2,289	2,387	-4.3%	8%
Netherlands	1,365	1,366	1,405	1,546	1,592	3.9%	5%
Spain	1,066	1,034	1,093	1,103	1,211	3.2%	4%
Tractors (nace rev. 1: 2931)							
EU15	**8,654**	**8,417**	**8,494**	**8,579**	**9,074**	**1.2%**	**31%**
Germany	2,608	2,577	2,563	2,631	2,947	3.1%	32%
Italy	2,648	2,638	2,750	2,888	2,888	2.2%	32%
France	750	815	1,162	1,104	1,137	11.0%	13%
United Kingdom	1,759	1,524	1,088	1,015	1,109	-10.9%	12%
Netherlands	2	2	2	2	2	0.0%	0%
Spain	46	39	34	33	34	-7.3%	0%
Other agricultural machinery (nace rev. 1: 2932)							
EU15	**16,976**	**16,918**	**17,491**	**19,437**	**19,924**	**4.1%**	**69%**
Germany	3,698	3,457	3,664	4,318	4,836	6.9%	24%
Italy	3,315	3,414	3,829	3,943	3,943	4.4%	20%
France	3,046	3,021	3,076	3,260	2,902	-1.2%	15%
United Kingdom	1,082	1,043	1,116	1,274	1,278	4.2%	6%
Netherlands	1,363	1,364	1,403	1,544	1,590	3.9%	8%
Spain	1,020	995	1,059	1,070	1,177	3.6%	6%

Source: EU Commission, VDMA (2008)
°: only data for EU15 countries was available

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, 2002-2006. An annual compound growth rate of 7% was realised. Of the three leading producers Germany, Italy and France, especially Italy saw its production increase strongly, by an annual growth of over 15%. It enabled Italy to overtake France as the second-largest producer in the EU. The Netherlands was the worst performer in the top-6. It registered an annual average decline of almost 10%, so that its share of the EU market fell from 6% to 3%.

Table 1.5 Production of parts and components, EU and selected countries, 2002-2006, € million

	2002	2003	2004	2005	2006	CAGR	Share
Total							
EU27	**2,094**	**2,151**	**2,351**	**2,523**	**2,737**	**6.9%**	**100%**
Germany	621	626	652	738	817	7.1%	30%
Italy	262	360	391	422	466	15.5%	17%
France	371	362	374	385	407	2.3%	15%
United Kingdom	116	94	105	113	146	5.9%	5%
Spain	96	95	114	111	116	5.0%	4%
Netherlands	122	99	91	88	80	-9.9%	3%
Parts for soil working machinery							
EU27	**604**	**593**	**629**	**605**	**805**	**7.4%**	**29%**
Italy	62	67	94	98	165	27.6%	21%
France	130	130	120	138	146	2.9%	18%
Germany	95	108	124	122	145	11.4%	18%
United Kingdom	43	37	48	42	81	17.3%	10%
Spain	44	56	54	59	59	7.5%	7%
Netherlands	20	7	-	3	3	-36%	0%
Parts for harvesting or threshing machinery							
EU27	**633**	**604**	**748**	**788**	**773**	**5.1%**	**28%**
Germany	213	197	199	221	229	1.8%	30%
Italy	78	65	81	88	94	4.8%	12%
United Kingdom	65	54	54	60	58	-2.6%	8%
Netherlands	78	65	65	58	45	-12.9%	6%
France	47	50	55	47	37	-6.2%	5%
Spain	32	18	36	25	22	-9.0%	3%
Parts for other agricultural machinery							
EU27	**857**	**953**	**974**	**1,131**	**1,160**	**7.9%**	**42%**
Germany	314	322	329	395	443	9.0%	38%
France	193	181	199	200	224	3.8%	19%
Italy	122	228	216	236	207	14.1%	18%
Spain	19	21	24	28	35	16.5%	3%
Netherlands	24	28	26	27	32	7.8%	3%
United Kingdom	9	2	3	11	7	-5.4%	1%

Source: Eurostat Prodcom (2008)

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

+ The total market for parts and components will increase during the next ten years, as a result of autonomous market growth, and of the growth in share of value added by suppliers.
+ 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 historic tractors is on the rise, which results in demand for parts for these historic tractors. Because of the small numbers involved, and the availability of technical specifications, this niche market could be of interest for developing country manufacturers. The rising popularity is evidenced in 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.

± The best opportunities for the OEM chain are limited to companies in the Big Emerging Markets, also called BRIC (Brazil, Russia, India, China).

- As a result of high labour costs, repairs mostly concern the replacement of an entire component. This is advantageous for large system suppliers, as opposed to smaller replacement parts manufacturers.
- 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://europa.eu.int/comm/enterprise/mechan_equipment/statistics/index.htm - EU Enterprise and Industry production statistics.
- 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 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 exists, specialised in servicing or spare parts distribution. These are the ones most likely to carry a range of non-OES parts. 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 (source: CLIMMAR). 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 - http://www.promodis.fr - buying organisation for dealers in agricultural equipment. Based in France, but also active in Spain, Belgium, Luxembourg, Poland and Lithuania.
- Mechan Partners - 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, The Netherlands.
- Agram - http://www.agram.fr - French distributor.
- Spaldings - http://www.spaldings.co.uk - UK importer and distributor, exports globally.
- Kingsdown - http://www.kingsdownuk.com - OES parts distributor.

- TSP - http://www.tspsrl.it/english/company.htm - Turin based 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
- 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.
- CLIMMAR – International association of traders in agricultural machinery - http://www.climmar.com/en/presentation-organization/members/ - webpage links to national member sites.
- AGRAGEX, Spain - http://www.agragex.com/web/empresas.asp?m=2 - list of member companies.
- The FIMA trade fair in Zaragoza, Spain has an online 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.

3 Trade: imports and exports

Imports
Total imports of parts and components for agricultural machinery increased as from 2002 by a compound annual average of 7% to reach almost € 2.3 billion in 2006. Countries where imports increased most strongly were not the selected, large countries, but the new EU member states. As a group, the imports by new member states increased by an annual average of 22%, compared to 5% for the EU15. As a result of the high growth, the share of

the EU12 increased to 12%, up from 7%. Still, imports are much lower for the EU12 countries, totalling € 837 million in 2006, whereas the EU15 imported € 6.2 billion. The above is the result of the high economic growth and investments in the new member states, further fuelled by the good climate for agriculture. It is expected that high growth will continue.

Individual countries, which even outpaced the EU average were Romania (36%), Cyprus (29%), Lithuania (27%), and Estonia (24%). Lowest growth was achieved by Hungary (1%) and Slovenia (2%), both are countries which are industrialising rapidly, resulting in reduced importance of the agricultural sector.

Of the EU15, highest growth was recorded by Denmark (17%), Greece (12%), Austria (9%), and Finland (8%). Belgium (12%) and The Netherlands (10%) both registered strong growth, however, this was most likely the result of imports destined for re-exports.

The leading suppliers to the EU and the selected countries can be found in table 3.1. The share of imports sourced in the new EU member states has not changed much; it was 13% in 2002, and 15% in 2006. This is an indication that production has not yet been transferred significantly to the EU12.

Although imports sourced in developing countries grew by an annual average of 23%, they are responsible for less than 4% of total imports. The top-5 developing country suppliers take care of 88% of all DC supplies, this being up from 77%. China is the leading source of imports, growing strongly during the period covered. Turkey and Brazil grew strongly as well. Surprisingly, India saw only minor growth. In most European countries, imports form DCs are growing strongly; the most important countries, however, remain Italy and Germany. Imports in Spain are growing very rapidly, though still encompass just € 4 million.

Table 3.1 Imports and leading suppliers to the EU27 and selected countries, parts for all agricultural machinery, € million, 2002-2006, share in % of import value 2006

	2002	2004	2006	CAGR	Share	Leading suppliers 2006
EU27	**1,756**	**1,946**	**2,272**	**7%**	**100%**	
	1,490	1,709	1,978	7%	87%	Intra-EU: Germany: 25%; Italy: 11%; France: 8.7%; Netherlands: 6.1%; Hungary: 4.8%
	228	186	207	-2%	9.1%	Extra-EU, ex. DC: USA: 5.6%; Norway: 1.7%; Japan: 0.5%; Switzerland: 0.4%; Canada: 0.4%
	38	51	87	23%	3.8%	DCs: China: 2%; Turkey: 0.5%; India: 0.4%; Brazil: 0.2%; Croatia: 0.2%; Ukraine: 0.1%; Tunisia: 0.1%; Argentina: 0.1%
Germany	**419**	**387**	**432**	**1%**	**19%**	
	354	345	364	1%	84%	Intra-EU: Hungary: 17%; Italy: 12%; France: 11%; Czech Republic: 9.4%; Netherlands: 7.5%
	59	34	50	-4%	12%	Extra-EU, ex. DC: USA: 8.9%; Switzerland: 1.1%; Canada: 0.4%; Japan: 0.4%; Norway: 0.3%
	6	7	17	31%	4%	DCs: China: 1.9%; Croatia: 0.6%; Turkey: 0.5%; Brazil: 0.4%; Ukraine: 0.2%; India: 0.2%; Serbia: 0.1%
France	**272**	**282**	**303**	**3%**	**13%**	
	245	258	276	3%	91%	Intra-EU: Germany: 34%; Italy: 17%; Netherlands: 6.9%; Belgium: 6.3%; Utd. Kingdom: 4.8%
	22	16	18	-5%	6%	Extra-EU, ex. DC: USA: 4%; Taiwan: 0.5%; Japan: 0.5%; Switzerland: 0.3%; Israel: 0.3%
	5	8	9	17%	3%	DCs: China: 1.1%; Tunisia: 0.5%; Turkey: 0.5%; India: 0.4%; Chile: 0.3%; Brazil: 0.2%
Netherlands	**131**	**148**	**179**	**8%**	**8%**	
	100	116	144	10%	81%	Intra-EU: Germany: 38%; Belgium: 8.8%; Italy: 7.8%; Hungary: 6.8%; Poland: 4.9%
	27	28	27	0%	15%	Extra-EU, ex. DC: USA: 8.2%; Norway: 5.7%; Japan:

	2002	2004	2006	CAGR	Share	Leading suppliers 2006
						0.5%; Canada: 0.3%; Israel: 0.2%
	4	4	7	15%	4%	DCs: China: 3.6%; India: 0.1%; Brazil: 0.1%; Turkey: 0.1%; Moldova: 0.1%
UK	**149**	**175**	**176**	**4%**	**8%**	
	107	134	135	6%	77%	Intra-EU: Germany: 28%; Netherlands: 9.7%; Sweden: 6.6%; Italy: 6.1%; France: 6.1%
	37	35	31	-5%	17%	Extra-EU, ex. DC: USA: 11%; Norway: 2.6%; Japan: 1.1%; New Zealand: 0.7%; Taiwan: 0.6%
	4	7	10	23%	6%	DCs: China: 3.2%; Turkey: 1.6%; Thailand: 0.4%; India: 0.3%; Brazil: 0.2%; Argentina: 0.1%; Serbia: 0.1%
Italy	**95**	**102**	**113**	**4%**	**5%**	
	78	85	86	3%	76%	Intra-EU: Germany: 23%; France: 21%; Hungary: 6.2%; Romania: 5.4%; Netherlands: 5.1%
	10	7	8	-6%	7%	Extra-EU, ex. DC: USA: 3.7%; Japan: 1.5%; Taiwan: 0.6%; New Zealand: 0.5%; Switzerland: 0.3%
	7	11	19	26%	17%	DCs: China: 9%; India: 4.6%; Turkey: 1.7%; Brazil: 0.5%; Serbia: 0.2%; Croatia: 0.2%; Albania: 0.2%; Moldova: 0.1%; Argentina: 0.1%
Spain	**70**	**82**	**85**	**5%**	**4%**	
	64	76	76	4%	89%	Intra-EU: Germany: 25%; Italy: 22%; France: 19%; Netherlands: 9.4%; Denmark: 3.5%
	5	5	5	1%	6%	Extra-EU, ex. DC: USA: 3.9%; Japan: 1.1%; Taiwan: 0.5%; Switzerland: 0.2%; Norway: 0.1%
	1	2	4	58%	4%	DCs: China: 2.4%; Argentina: 0.9%; Brazil: 0.6%; India: 0.1%; Turkey: 0.1%; Ghana: 0.1%; Croatia: 0.1%; Ukraine: 0.1%

Source: Eurostat Combined Nomenclature (2007)

Product groups
Table 3.2 shows the imports per product group and selected country. Though growth is distributed quite evenly among the product groups, parts for other agricultural machinery grew strongest, increasing by an annual average of 9%. The other product groups increased by 6%. Growth was quite similarly distributed among the various countries and followed the trends which are described above.

Table 3.2 Imports of parts for agricultural, horticultural and forestry machinery, per product group 2002-2006, € million

	2002	2003	2004	2005	2006	CAGR	Share
Parts for soil working machinery							
EU27	**495**	**520**	**564**	**586**	**627**	**6%**	
Germany	104	115	110	112	108	0.9%	17%
France	78	84	89	88	101	6.9%	16%
United Kingdom	50	47	64	61	60	4.7%	10%
Italy	30	28	28	33	35	4.0%	6%
Netherlands	42	44	40	42	33	-5.6%	5%
Spain	20	19	21	23	23	4.6%	4%
Parts for harvesting or threshing machinery							
EU27	**1,023**	**1,052**	**1,113**	**1,207**	**1,305**	**6%**	
Germany	280	274	243	309	266	-1.3%	20%
France	164	161	162	175	174	1.4%	13%
Netherlands	70	57	80	84	115	13.3%	9%
United Kingdom	78	79	83	91	84	1.9%	6%
Italy	53	58	63	61	65	5.4%	5%
Spain	38	39	45	39	47	5.1%	4%
Parts for other agricultural machinery							
EU27	**239**	**245**	**269**	**324**	**340**	**9%**	

	2002	2003	2004	2005	2006	CAGR	Share
Germany	34	34	33	47	58	14.3%	17%
United Kingdom	21	22	28	34	32	11.1%	9%
Netherlands	19	22	29	34	31	12.4%	9%
France	31	31	30	30	28	-2.0%	8%
Spain	12	13	16	17	15	5.1%	4%
Italy	13	12	12	12	13	0.5%	4%

Source: Eurostat Combined Nomenclature (2007)

Exports
Exports increased even more strongly than imports, increasing by a compound annual average of 10%. During the period covered, the EU had an aggregated trade surplus, exporting more than it imported.

Table 3.3 Exports of parts for agricultural, horticultural and forestry machinery, 2002-2006, € million

	2002	2003	2004	2005	2006	CAGR	Share
Total parts for agricultural, horticultural and forestry machinery							
EU27	**1,890**	**1,910**	**2,211**	**2,425**	**2,770**	**10%**	**100%**
Germany	471	459	540	625	653	8.5%	24%
Italy	236	242	272	294	361	11.3%	13%
Netherlands	193	184	196	209	223	3.8%	8%
France	194	190	208	240	213	2.5%	8%
Spain	60	61	63	61	77	6.4%	3%
United Kingdom	88	75	73	83	74	-4.2%	3%
Parts for soil working machinery							
EU27	**515**	**530**	**611**	**602**	**726**	**9%**	**26%**
Italy	113	114	139	140	194	14.5%	27%
Germany	91	105	128	126	140	11.2%	19%
France	62	58	58	53	61	-0.4%	8%
Spain	37	36	38	36	49	7.8%	7%
Netherlands	37	39	39	38	37	0.4%	5%
United Kingdom	25	19	19	23	18	-7.8%	3%
Parts for harvesting or threshing machinery							
EU27	**1,060**	**1,040**	**1,228**	**1,392**	**1,580**	**11%**	**57%**
Germany	321	291	344	416	433	7.8%	27%
Italy	98	96	104	118	130	7.5%	8%
Netherlands	103	93	96	104	119	3.6%	8%
France	104	105	123	151	119	3.3%	8%
United Kingdom	52	48	44	48	46	-2.8%	3%
Spain	15	17	14	13	15	-0.3%	1%
Parts for other agricultural machinery							
EU27	**315**	**340**	**373**	**431**	**463**	**10%**	**17%**
Germany	58	64	68	82	81	8.6%	17%
Netherlands	53	52	62	67	67	6.3%	15%
Italy	25	31	30	36	37	9.9%	8%
France	27	26	27	36	34	5.3%	7%
Spain	8	7	11	12	12	11.0%	3%
United Kingdom	10	7	10	11	9	-2.6%	2%

Source: Eurostat Combined Nomenclature (2007)

Opportunities and threats

+ Total imports of parts and components showed strong annual growth (6%) between 2002 and 2006.
+ Imports from developing countries grew by an annual average of 23% during the period 2002 to 2006.

+ Strongest growth was recorded for Spain (58% annually).
+ Especially Italy offers opportunities, as it sources 17% of its imports in DCs. Its annual growth reached 26% during the period covered.
- The top-5 developing country suppliers, e.g. Brasil, take care of 88% of all DC supplies; this is up from 77%. If your company is located outside these countries, then competition will be very tough.

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 for a large part due to the strong increase in the price of basic materials like steel. Suppliers were better able to charge their customers these higher prices, because of sustained high global demand (as evidenced by the strong growth in exports).

It is clearly visible from table 4.1 that cheaper parts and components are predominantly sourced in developing countries. The average cost per tonne of imports was just € 2,100, compared to € 5,800 for intra-EU imports. It is interesting to note that, though imports from other industrialised countries outside the EU had the highest cost, the cost of imports declined on average between 2002 and 2006. Regarding imports from DCs this was only true for parts for other agricultural machinery. Imports from within the EU increased by an annual average of 5%, which is rather high.

Table 4.1 Cost per tonne and change of value of import volumes per product group, 2006: € 1,000 per tonne, 2002-2006: % change

	Import cost per tonne in 2006				CAGR of import cost 2002-2006			
Value/Volume	**Total**	**From EU27**	**Extra -EU, ex. DC**	**From DC**	**Total**	**From EU27**	**Extra-EU, ex. DC**	**From DC**
Total imports	**5.5**	**5.8**	**6.8**	**2.1**	**3.3%**	**4.7%**	**-0.6%**	**2.1%**
Parts for soil working machinery	3.8	4.2	5.4	1.3	4.5%	6.9%	1.4%	3.6%
Parts for harvesting or threshing machinery	6.2	6.3	7.0	3.2	3.1%	4.1%	-1.8%	2.3%
Parts for other agricultural, horticultural or forestry machinery	6.1	6.3	7.4	2.6	2.5%	3.8%	-1.1%	-1.9%

Source: Eurostat (2007)

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 'mobile equipment 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 in the automotive parts and components industry can be found in the CBI market survey covering the EU market.

Trade associations

- CEMA Agri - http://www.cema-agri.org - European committee of associations of manufacturers of agricultural machinery.
- VDMA - http://www.vdma.org - German engineering federation, has a section on agricultural machinery.
- Unacoma, Italian association of manufacturers of agricultural machinery - http://www.unacoma.it

- Sygma, French Association of manufacturers of tractors and agricultural machinery - http://www.sygma.org
- SNCVA, French syndicate of manufacturers of agricultural vehicles - http://www.sncva.org
- AGRAGEX, Spanish manufacturers and exporters of agricultural machinery - http://www.agragex.com
- CLIMMAR, international liaison centre for traders and mechanics of agricultural machinery - http://www.climmar.com
- Landmaschinenverband – German association of the agricultural machinery trade - http://www.landmaschinenverband.de
- SEDIMA, French national syndicate of companies for service and distribution of agricultural machinery - http://www.sedima.fr
- BAGMA, UK association of agricultural machinery dealers - http://www.bagma.com
- UNACMA, Italian national union of dealers in agricultural machinery - http://www.unacma.it
- COM, The Netherlands organisation of mechanisation companies - http://www.agridealers.com

Apart from the associations mentioned, 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 were dealing in spare parts and components. Next show: November 10 to 14, 2009 (biennial). Attendance in 2007: 340,000 visitors, 2,188 participants.
- Sima Paris, France - http://www.simaonline.com - international agricultural industry fair. Next show: 2009 (biennial). Attendance in 2007: 213,761 visitors.
- EIMA Bologna, Italy - http://www.eima.it - large trade show for machinery for agriculture and horticulture. Next show: November 12-16, 2008. Figures for 2006: 133,774 visitors, 1,743 participants.
- 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: Feb 2010 (biennial). Attendance in 2006: 170,012 trade visitors - 1,235 participants.
- Agrovak Holland Den Bosch, The Netherlands - http://www.agrovak.nl - agricultural machinery and trade. Next show: December 9-12, 2008 (biennial). Attendance in 2006: 41,146 visitors, 250 participants.
- Agri historica (Traktorama) - http://www.agri-historica-messe.de - annual fair dedicated to the historic tractor, April 2009.
- 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 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 - 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 - http://www.dlg-verlag.de/en/index.html - publisher of several German agrarian magazines, among which:

    - DLG Test
    - Historic Agricultural Engineering.
- AgrarHeute - http://www.agrarheute.com - German language
- Agri Trader - http://www.agritrader.nl - magazine and website for the trade in agricultural machinery and parts, focus on The Netherlands; Dutch and English.
- AgriSalon - 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 - http://www.bh-editores.com/revistas.htm - Spanish magazine devoted to equipment and machinery.
- Editorial Agricola - 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 tips on business and agriculture in the EU:
- Kwintessential - http://www.kwintessential.co.uk/resources/global-etiquette/ - market information
- BuyUSA - http://www.buyusa.gov - 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
in collaboration with Mr. Nico Stok.

Appendix A General product description

This survey covers parts 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:

- Part for soil working machinery
- Parts for harvesting or threshing machinery
- Parts 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	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/hscode.htm
- Eurostat: http://epp.eurostat.ec.europa.eu/
  Prodcom and trade data - http://epp.eurostat.ec.europa.eu/newxtweb

Appendix B References

Market information

- "Agricultural machinery: economic report 2007", VDMA, 2007
  http://www.vdma.org/wps/wcm/resources/file/eb0f0f468efcc43/Economic%20Report%20Agricultural%20Machinery%202007.pdf
  annual publication by the German association of mechanical engineering, section for agricultural machinery. With information on Germany and the EU. VDMA publishes more reports on a regular and irregular basis. English and German language.
- "Agricultural machinery in Germany", US Commercial Service, 2005
  http://commercecan.ic.gc.ca/scdt/bizmap/interface2.nsf/vDownload/ISA_4218/$file/X_8047329.PDF
  Concise market report.
- "Farm machinery in France", Sessi, 2005
  http://www.sygma.org/wysiweb/display.asp?num=2392&h=4pagesSESSIFarmEquipement2005-02.pdf
  Short overview of the industry and its historical development by the French governmental institute Sessi.
- "Agricultural machinery in France", US Commercial Service, 2005
  http://commercecan.ic.gc.ca/scdt/bizmap/interface2.nsf/vDownload/ISA_3028/$file/X_8508074.DOC
  Extensive market report.
- "Spain: the machinery, equipment and accessories sector for the agricultural industry"
  http://www.spainbusiness.com/icex/cma/contentTypes/common/records/viewDocument/0,,,00.bin?doc=511012
  Publication by the Spanish export promotion bureau ICEX, updated in 2006. English language.