

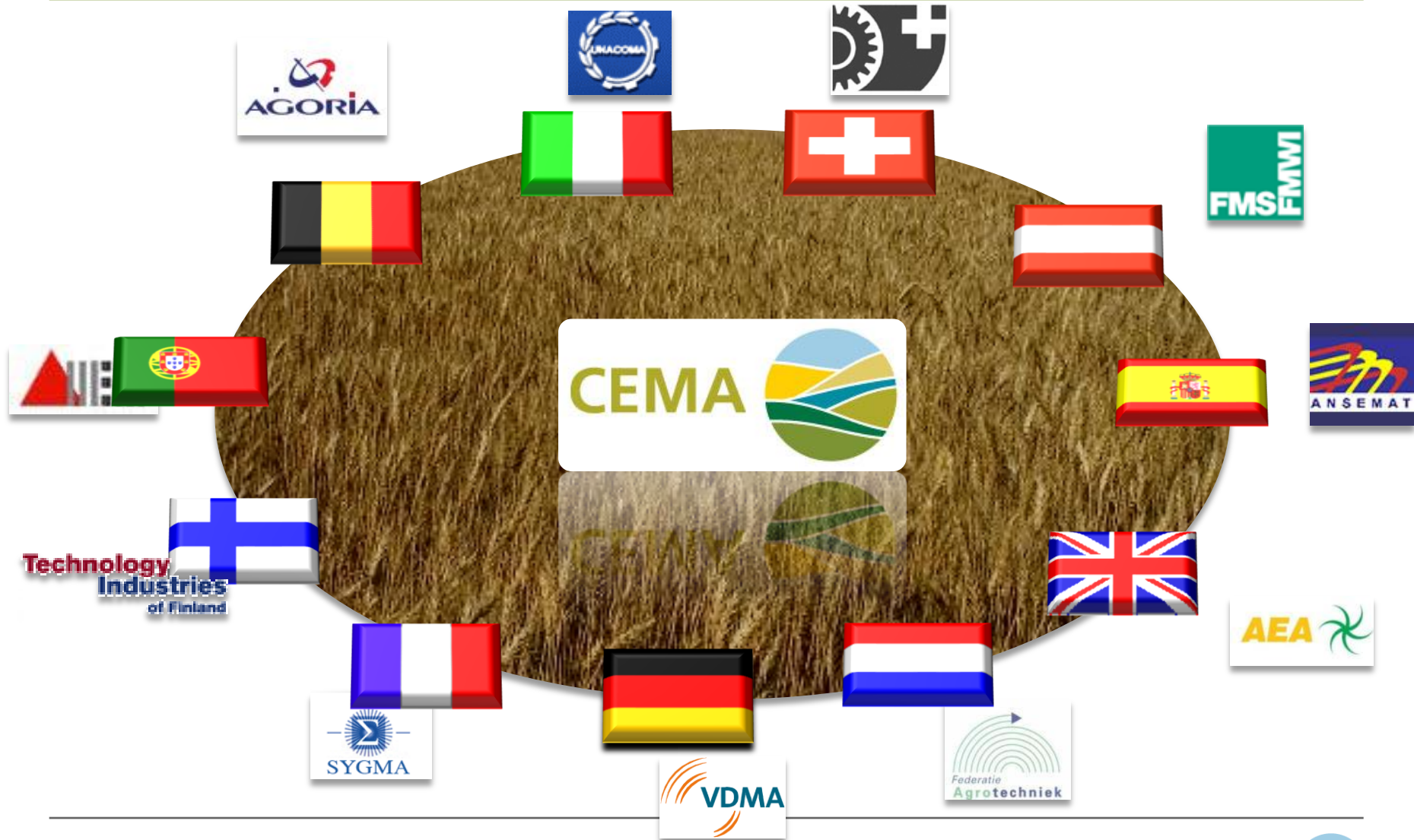


# **Agricultural Machinery in Europe State of the Industry**

**Massimo Goldoni  
Vice-President of CEMA**

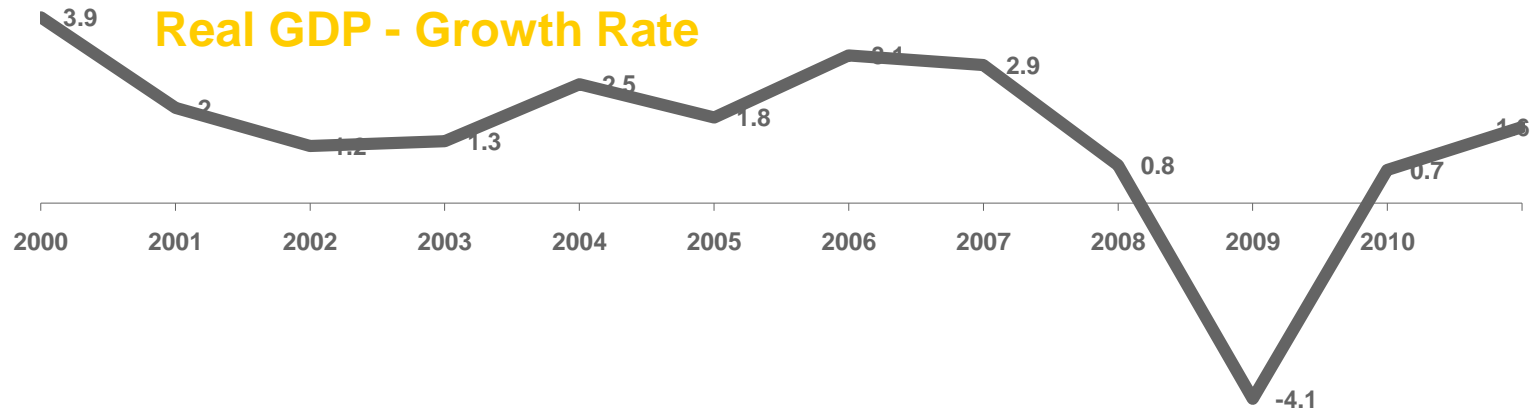
**AGRIEVOLUTION  
11 January 2010**

# The network of CEMA



# European Economy (EU 27)

Autumn Forecast European Commission (Oct 2009)



	2008	2009	2010	2011
Real GDP	0.8	-4.1	0.7	1.6
Private Consumption	0.8	-1.7	0.2	1.2
Public Consumption	2.2	2.0	1.0	0.6
Unemployment Rate	7.0	9.1	10.3	10.2
Inflation	3.7	1.0	1.3	1.6
Government Deficit	-2.3	-6.9	-7.5	-6.9

Source: European Commission

# Some facts about the EU agriculture

## Basic Data

Agriculture as % of GDP	1.3%
Agriculture Gross Value	326 billion Euro
% of agriculture in employment	6%
Labor Force	12.7 mill full-time equivalent
Agricultural land	172 mill ha
Number of farms	14.5 million
Average farm size	22 ha
Main products	260 mill tons of cereals 23 mill tons of pig meat 8 mill tons of beef 132 mill tons of milk

## Other Interesting Details:

- 4% of farms use > 100 ha of land
- 15% of all farmers use only own land
- 2.3% of farms are irrigating – 6.7% of the land is irrigated
- 20% are in mountaneous areas
- 2.4% of farms are organic farmers

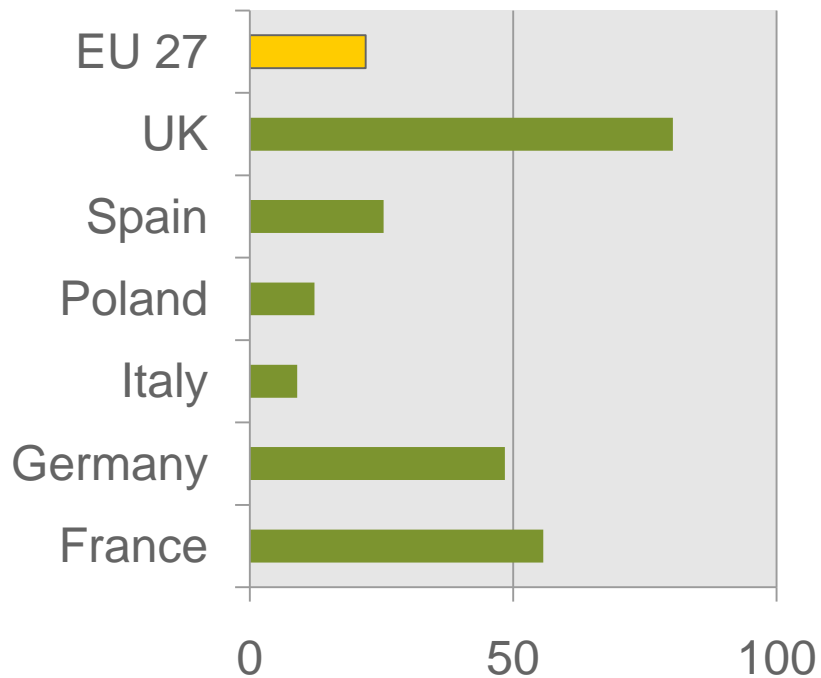
# Farming in Europe means Family Business

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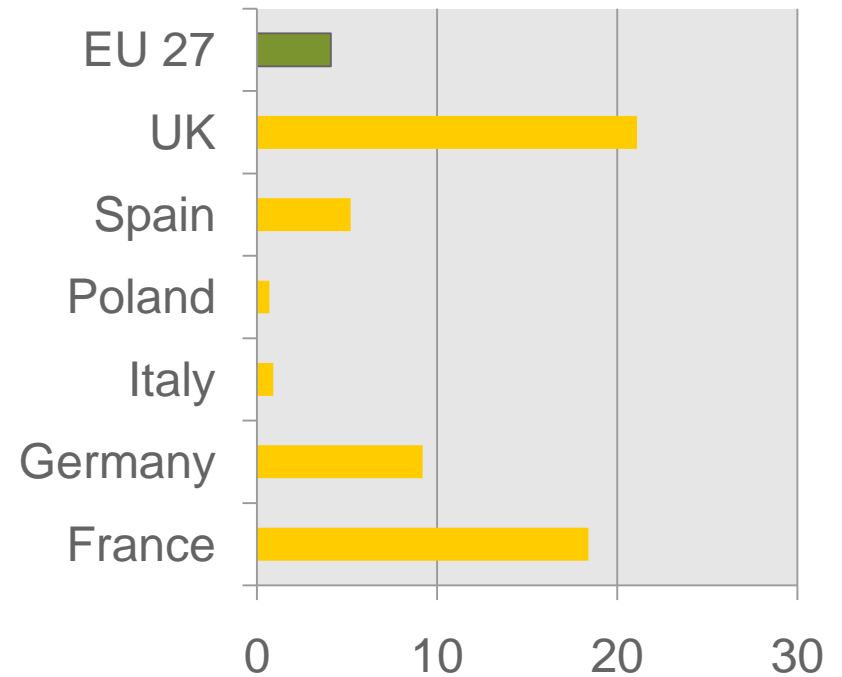
- ▶ Total: 9 out of 10 persons working on farms are family labor force  
Regional differences: Italy, Poland, >90% - Germany: 75% - France 51% - Czech Republic, Slovakia: 20-25%
- ▶ Only 15% of farms have more than 2 employees, but these farms represent half of the land and more than half of all livestock
- ▶ Structural change: Between 2005 and 2007 600,000 farm holdings disappeared, but used land and livestock remained the same

# Farm Size In Europe

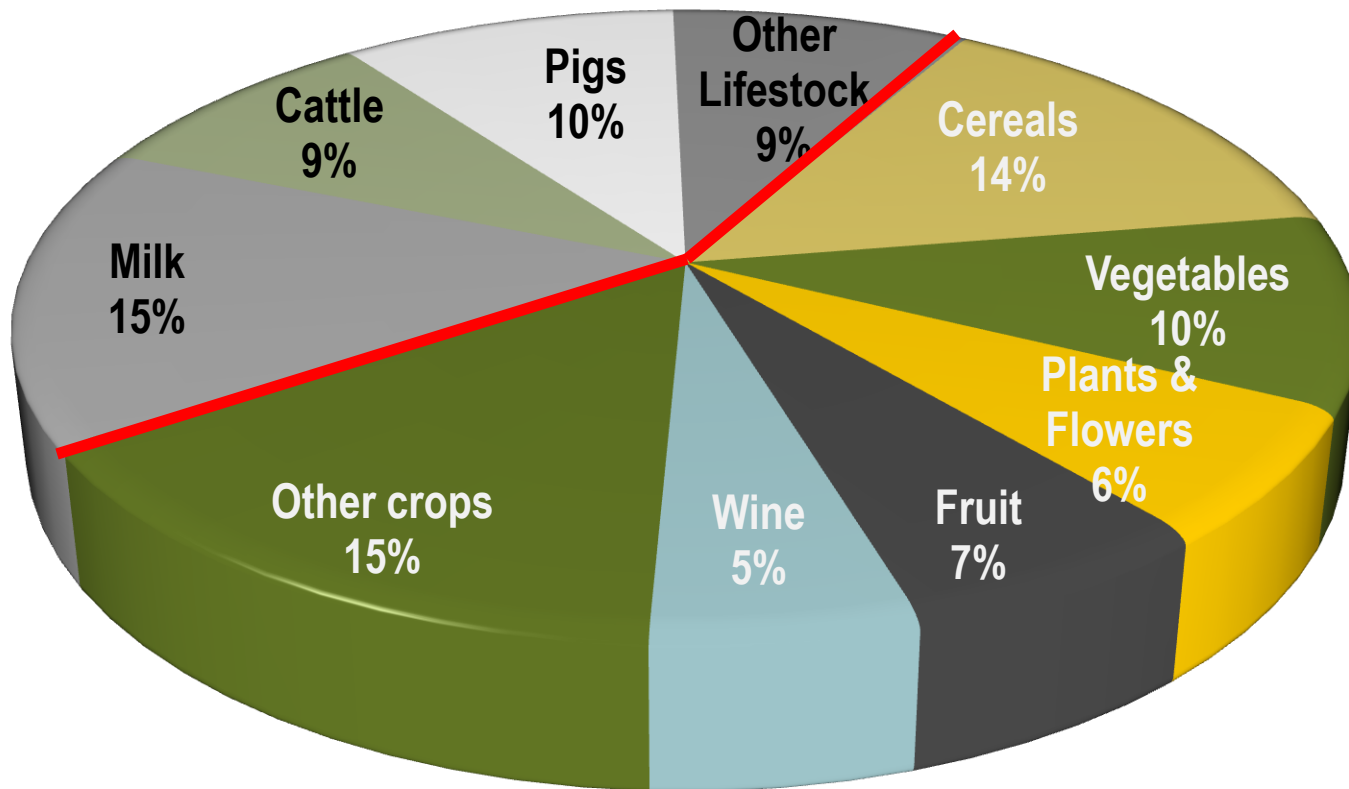
Average size in ha per holding



% share of farms >100 ha in total farms

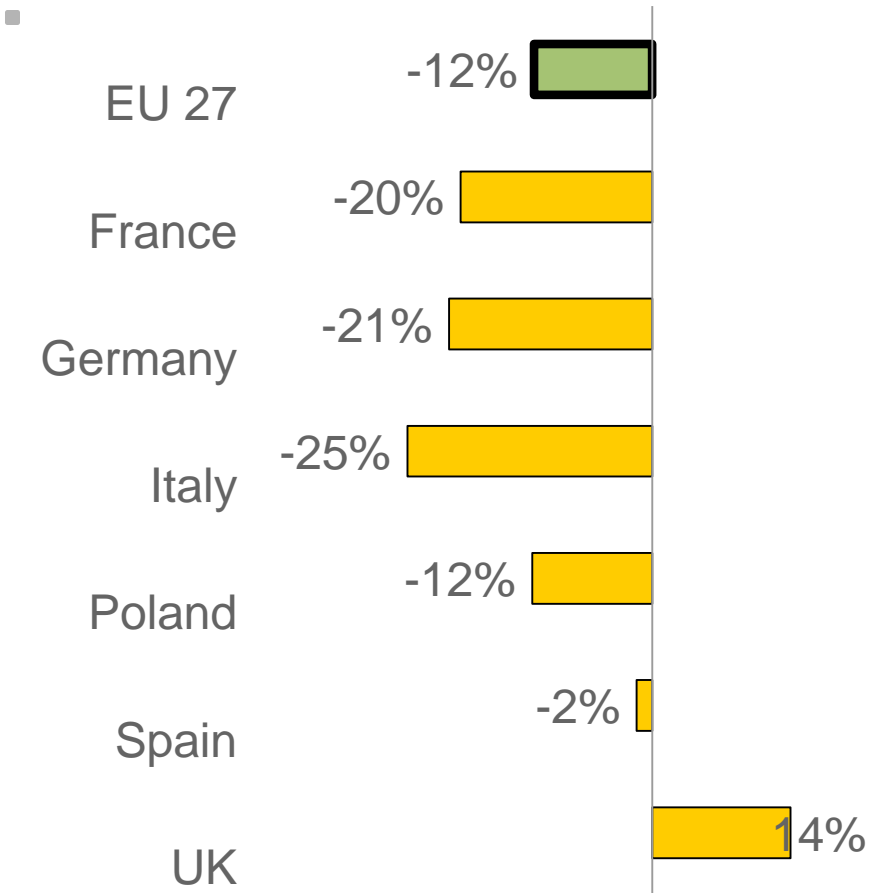


# Farming Output Value at producer prices



# Farm Income 2009

## %-change in real agricultural income per worker

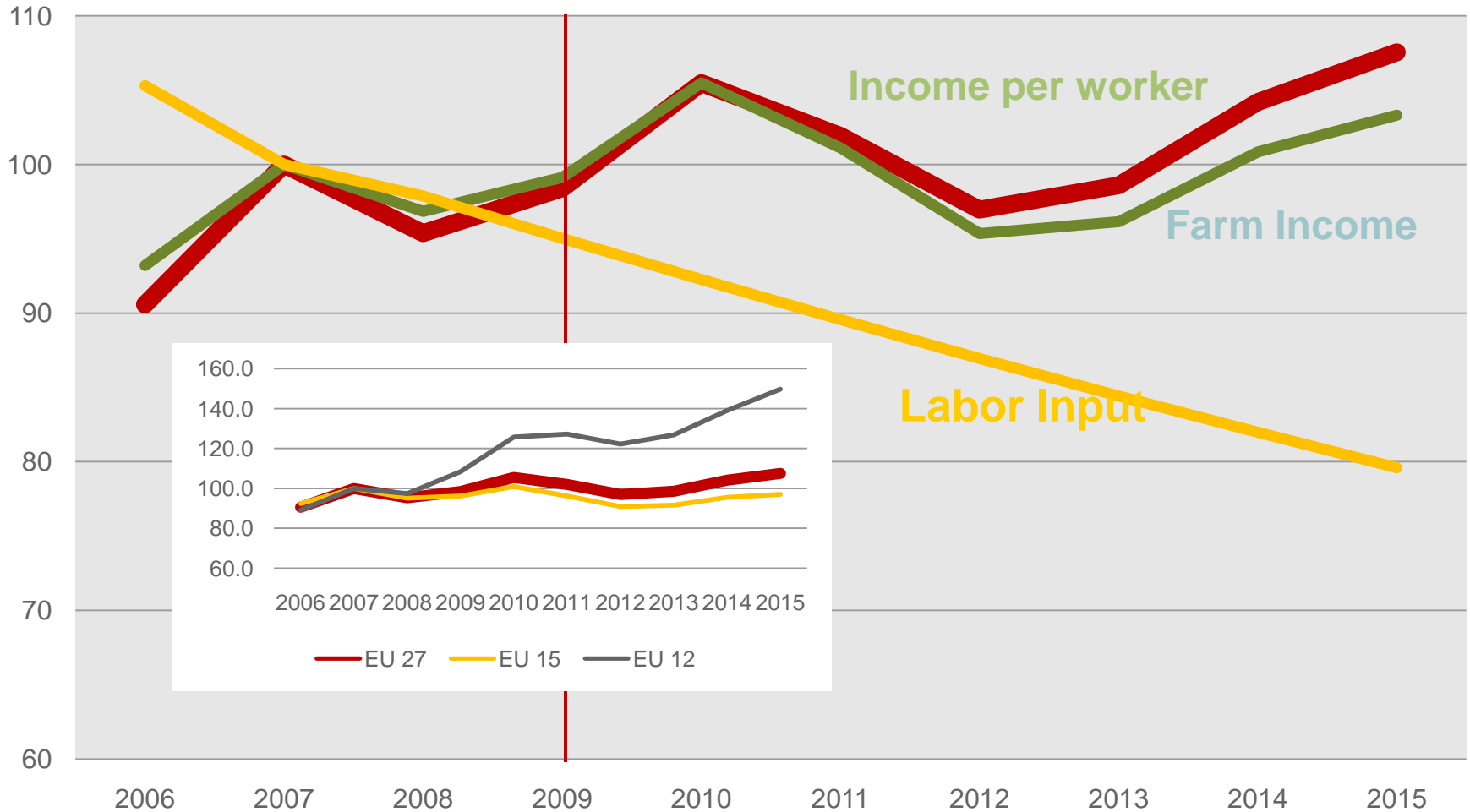


- Compared to 2005 the income dropped by 1.7%
- Sharp fall in value of agricultural output
- Main Reason: Prices
  - Cereal prices: -27.5%
  - Industrial crop prices: -15.6%
  - Milk price: -20.3%

Source: Eurostat



# European Farm Income Forecast to 2015

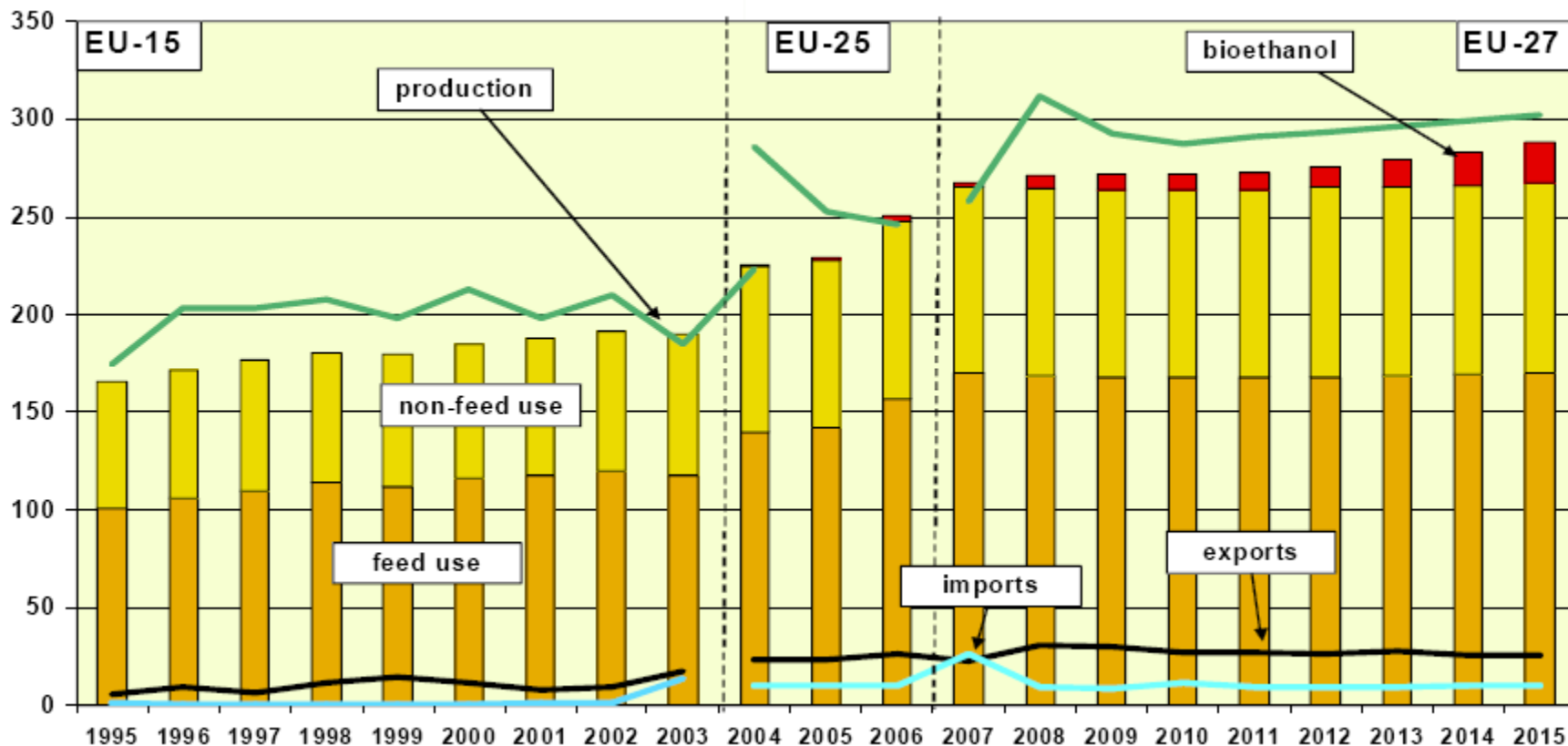


Source: European Commission

# European Cereal Market

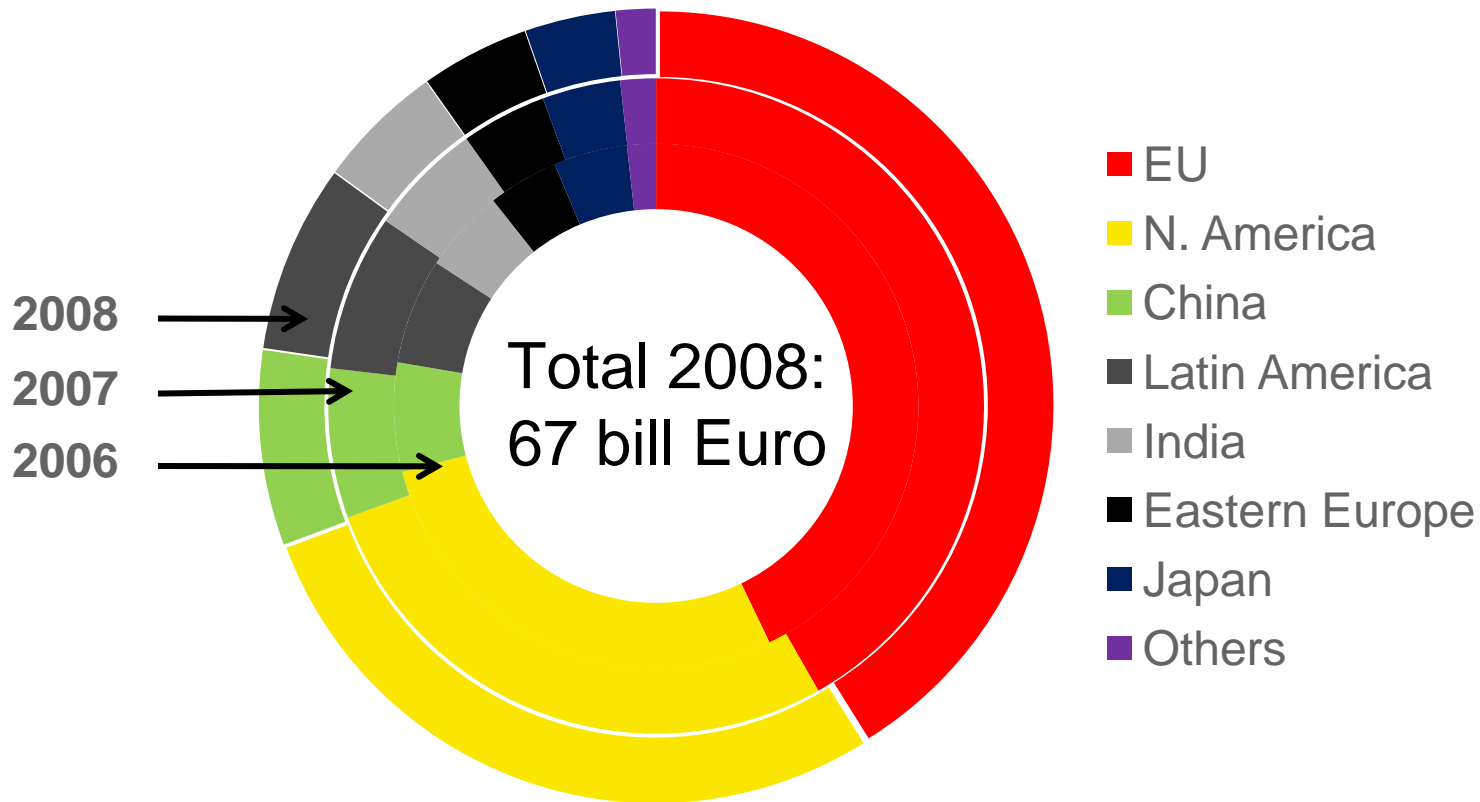
## Forecast in mill tons 1995 - 2015

Slightly expanding cereal market and emerging bioethanol markets



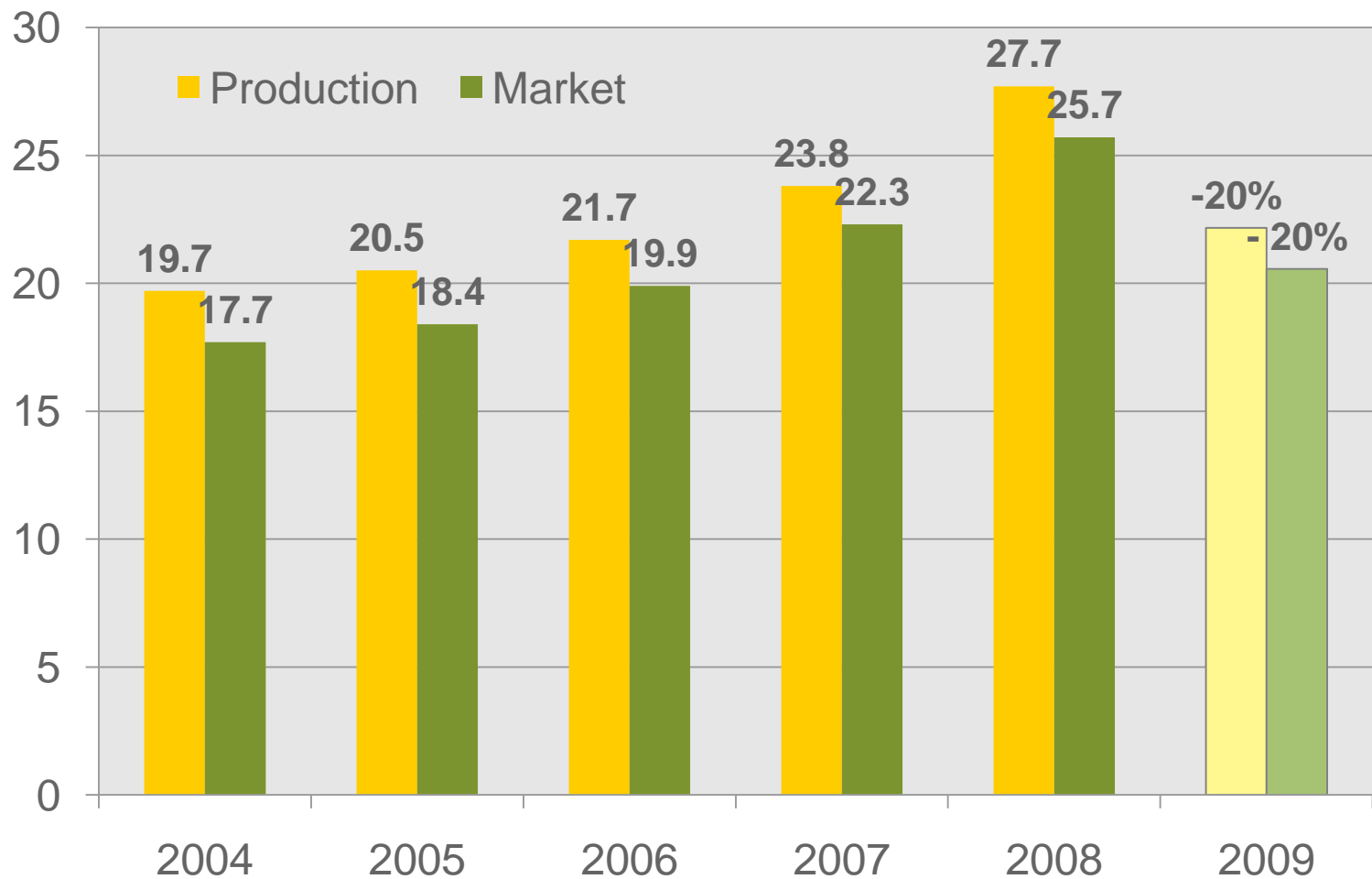
Source: European Commission, March 2009

# European Agricultural Machinery Industry: 40% Of the Global Production Volume



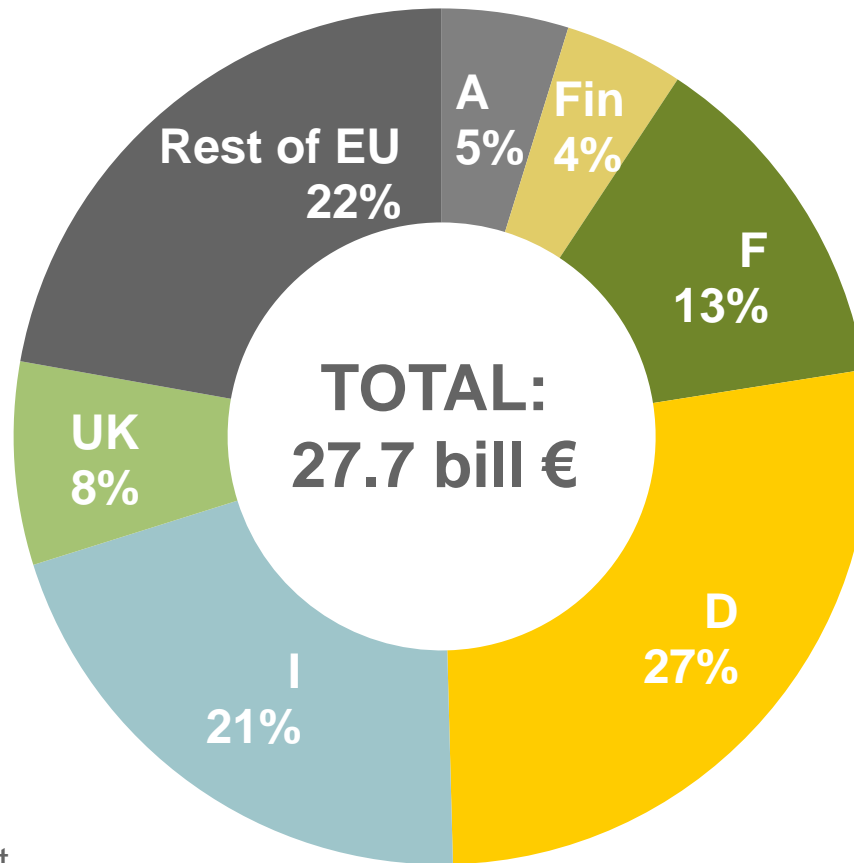
Source: VDMA Estimations

# The European Market for Agricultural Machinery



Source: Eurostat, VDMA estimations

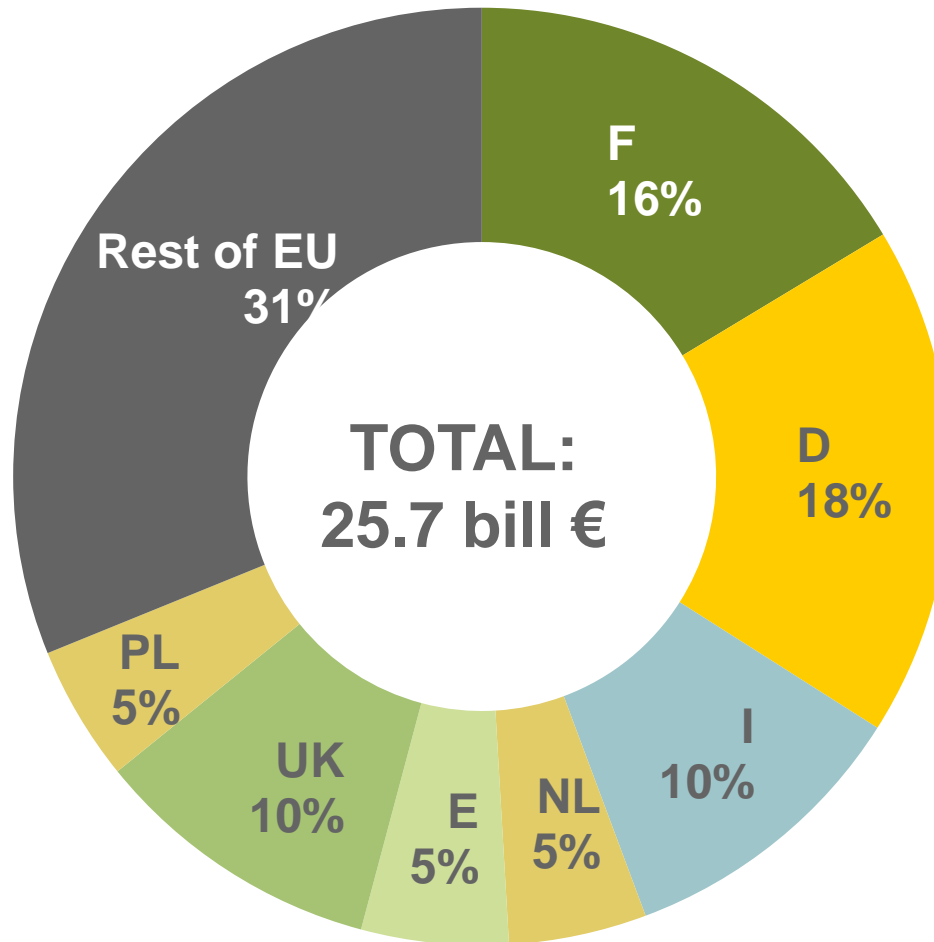
# European Production Agricultural Machinery 2008



Source: CEMA, Eurostat

Source: Eurostat, VDMA estimations

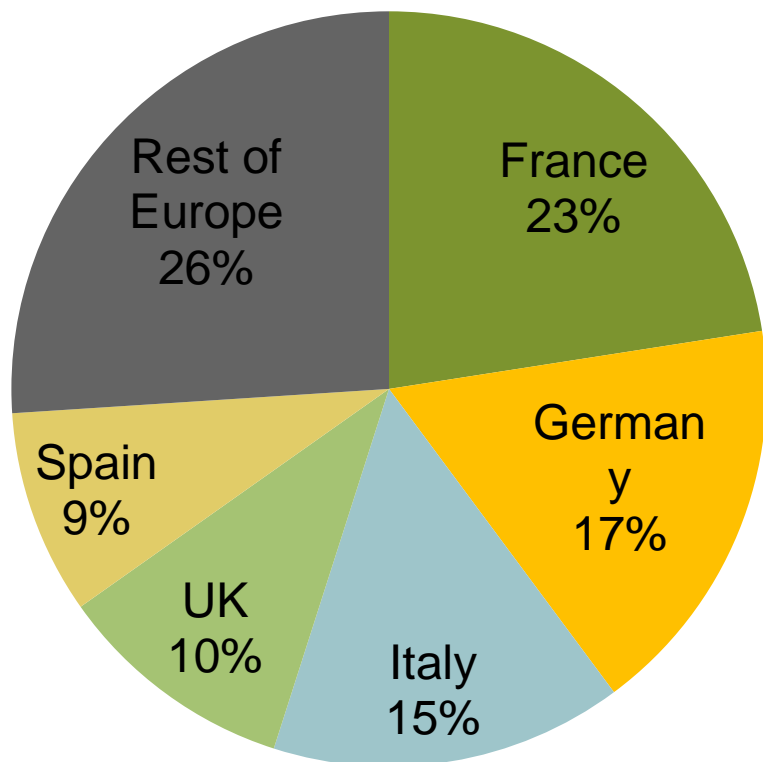
# European Market for Agricultural Machinery 2008



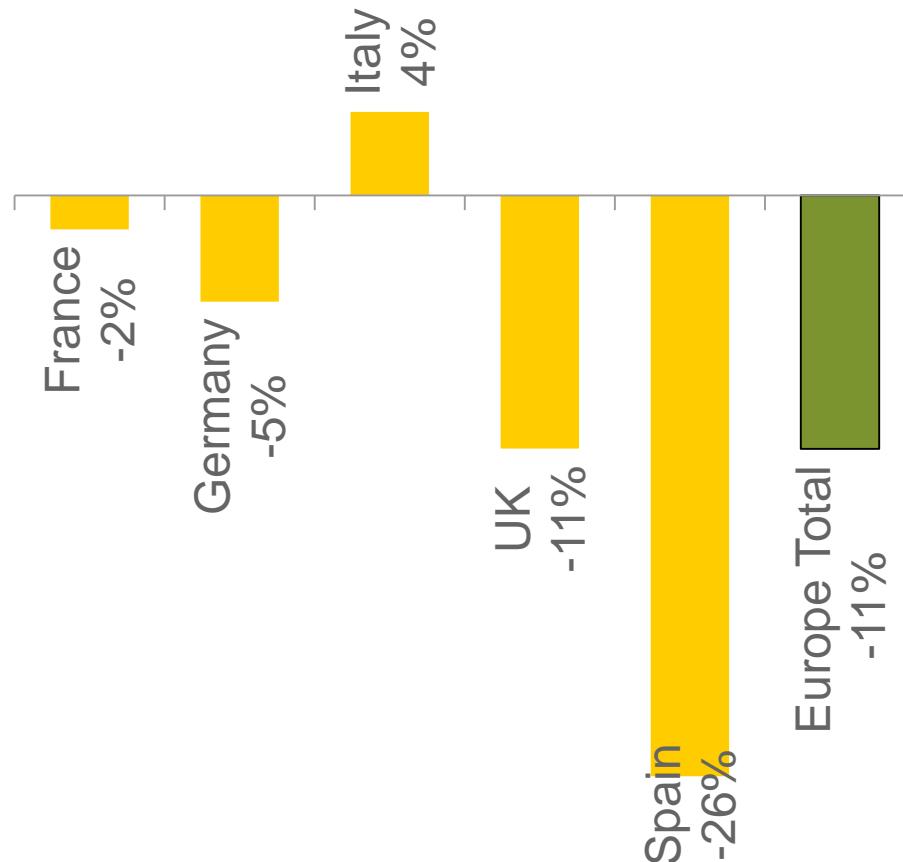
Source: Eurostat, VDMA estimations

# European Tractor Markets

Year 2008



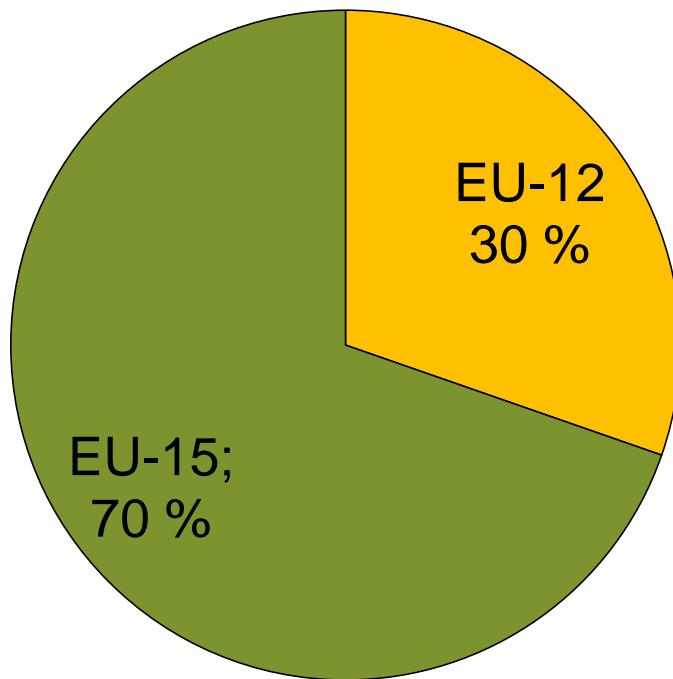
Registration Jan-Sept 09



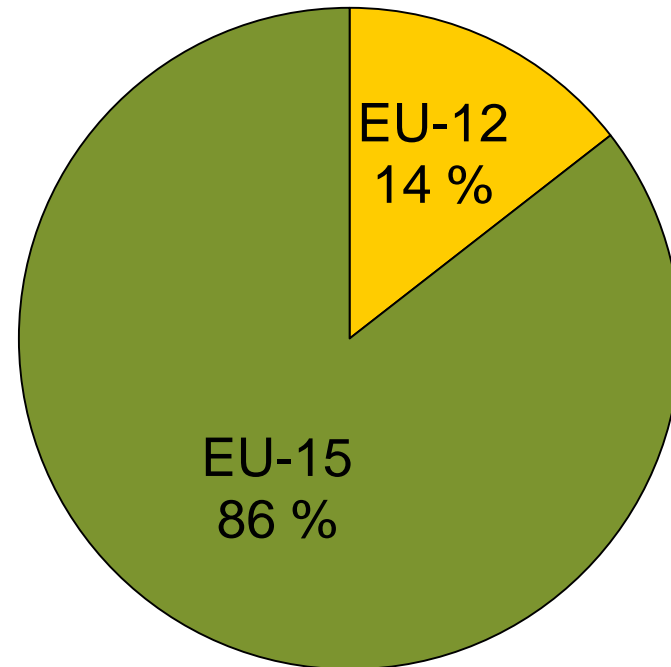
Source: CEMA Statistics Group

# Potential in the newer EU Member States in Central & Eastern Europe

## Arable Land



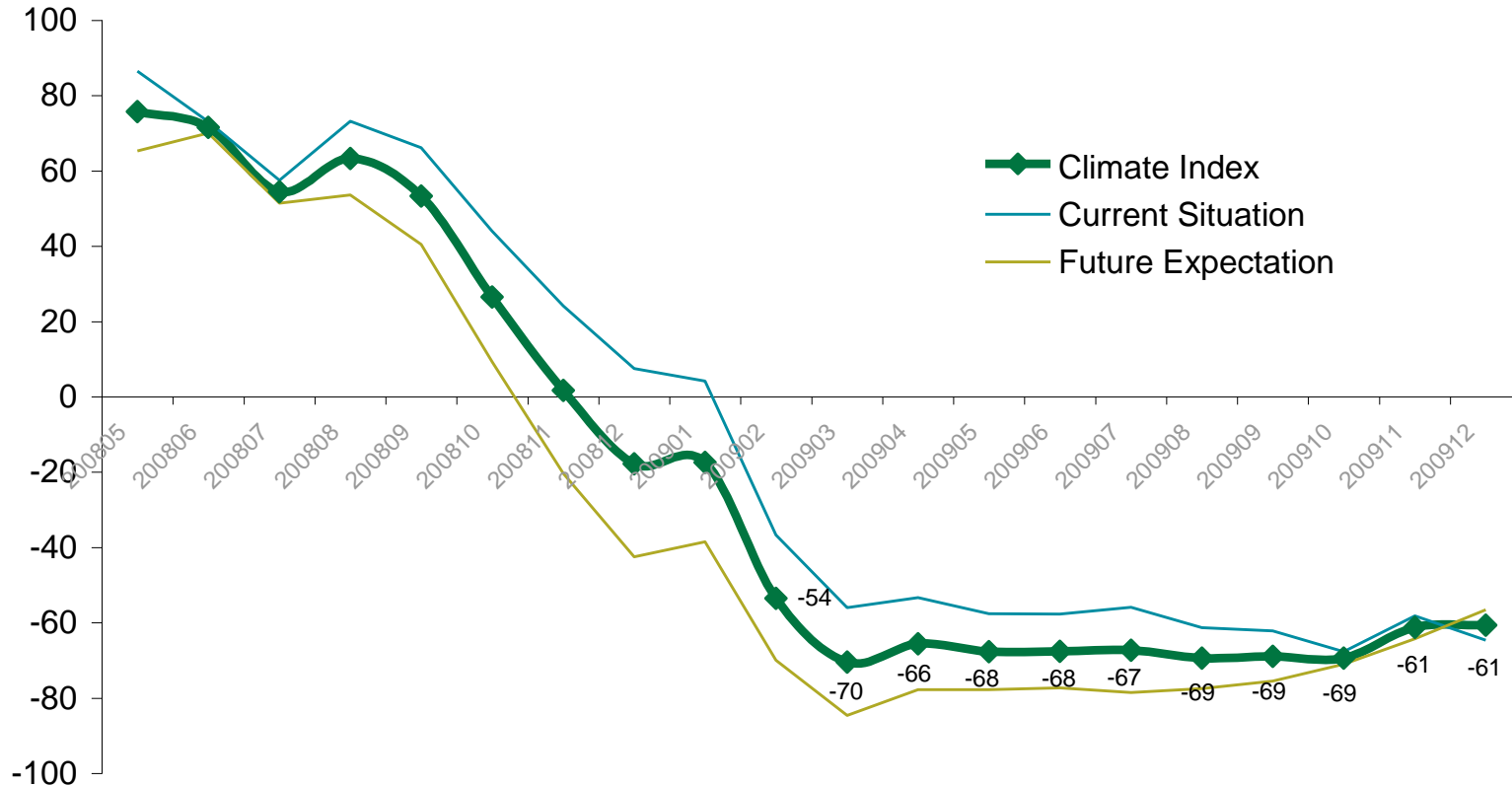
## Equipment Sales





# CEMA Business Barometer Dec 2009: Business Climate Index

## CEMA Business Climate Index

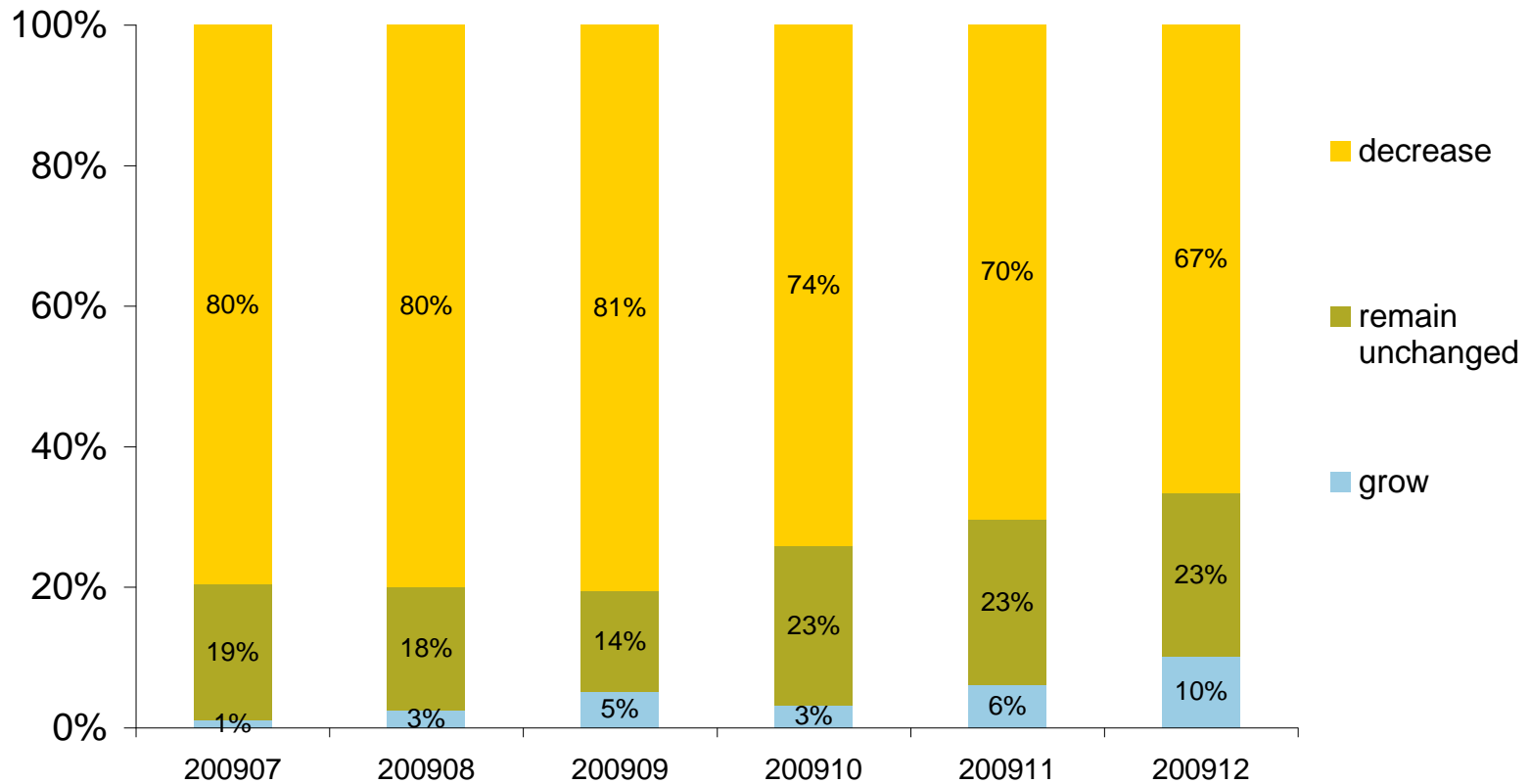


Source: CEMA Business Barometer

Index = sum of 1) evaluation of the current business situation and 2) turnover expectation

# CEMA Business Barometer Dec 2009: Turnover Expectation

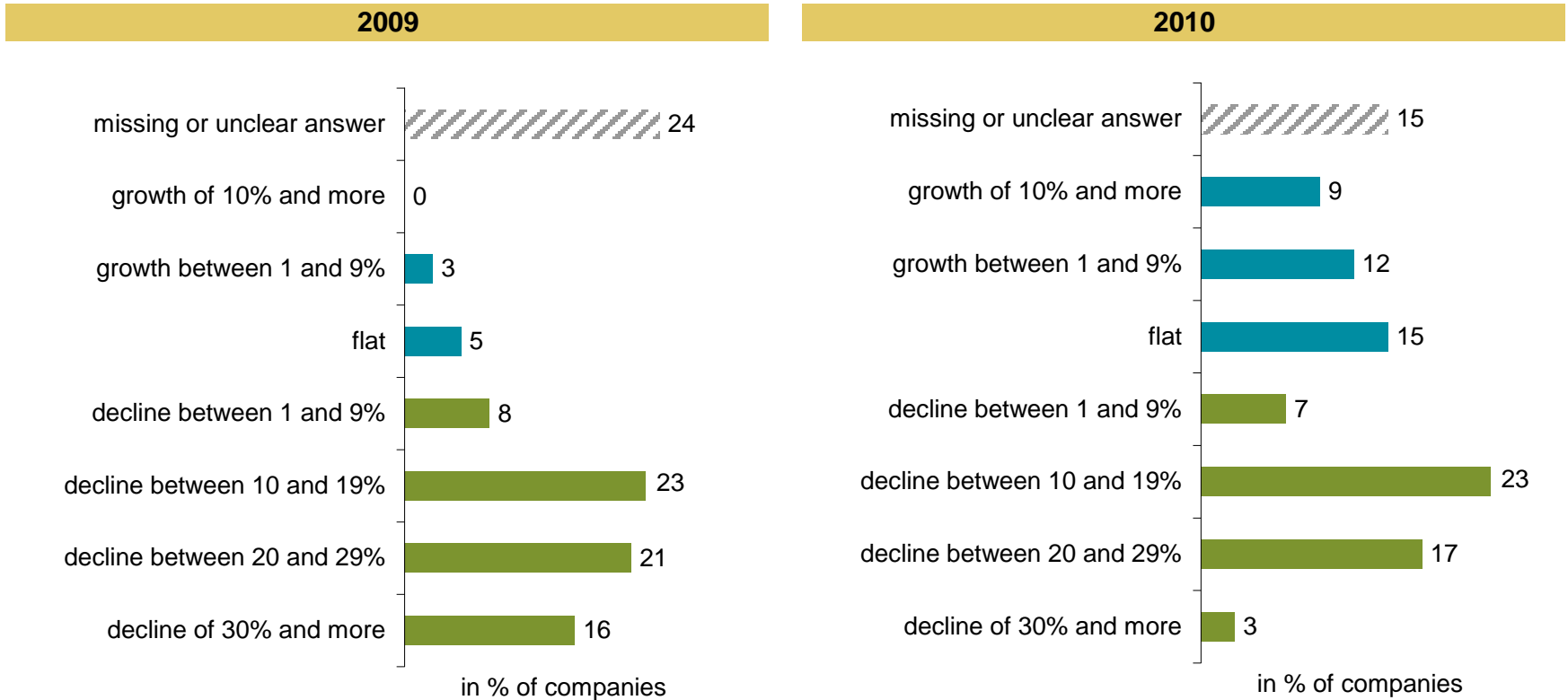
Question: We expect our overall turnover within the next 6 months to....



Source: CEMA Business Barometer

# CEMA Business Barometer Oct 2009: Forecast 2009 and 2010

Question: What is the current forecast regarding turnover of your company in 2009 and 2010?  
(expected %-change)



Source: CEMA Business Barometer October 2009

Average*	2009	2010
- arithmetic	-18%	-6%
- Median	-18%	-9%

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# Factors Influencing Future Equipment Demand in Europe

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- ▶ European Agricultural Policy (CAP)
- ▶ Environmental Policy
- ▶ Climate Change
- ▶ Food & Energy Supply
- ▶ Price of agricultural land and labor

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## Upcoming challenges: European Common Agricultural Policy (CAP) after 2013

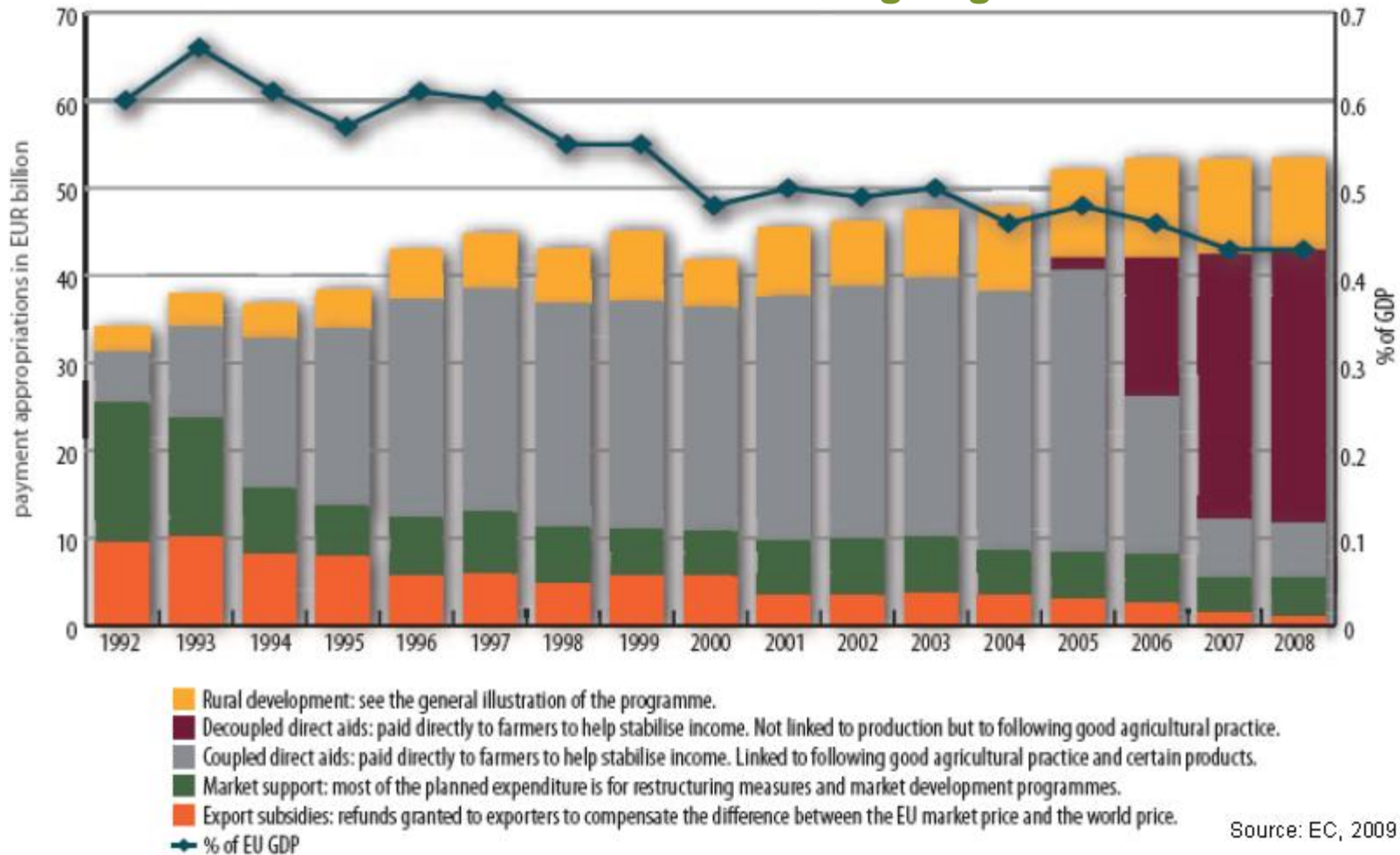
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### Objectives of the CAP so far

- ▶ to **increase agricultural productivity** by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production in particular labour;
- ▶ thus to **ensure a fair standard of living for the agricultural community**, in particular by increasing the individual earnings of persons engaged in agriculture;
- ▶ to stabilise **markets**;
- ▶ to **assure the availability of supplies**; and
- ▶ to **ensure that supplies reach consumers at reasonable prices**.

# Upcoming challenges: European Common Agricultural Policy (CAP) after 2013

## Where is the CAP reform going?



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## Upcoming challenges for the agricultural equipment business: Common Agricultural Policy or the CAP reform

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### What to be expected after 2013

- ▶ Decreasing EU budget for agricultural policy
- ▶ Further cutting of direct payments
- ▶ “Sustainability” as criteria to receive financial support
- ▶ Abolition of export subsidies + Reduction of external protection
- ▶ Higher price volatility + continuing dynamics at commodity markets and adaptable competitors

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# Environmental Legislation will have a strong influence

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- ▶ Machine-related requirements
  - ▶ Engine emissions incl CO<sub>2</sub>
  - ▶ Energy and water efficiency
  - ▶ Eco-Design
- ▶ Input-related:
  - ▶ Less pesticides / ban of certain pesticides by 2011
  - ▶ Less fertilizer
  - ▶ documentation requirements
- ▶ Resources-related
  - ▶ Soil protection
  - ▶ Less water pollution
  - ▶ CO<sub>2</sub> in agriculture



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# Some Consequences

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- ▶ Trend in 2 different directions:
  - ▶ Large high-yield commodity farming
  - ▶ Specialized smaller scale farming
- ▶ Minimizing labor input
- ▶ Reducing soil compaction
- ▶ Limits in machine growth: public roads
- ▶ Electronics
  - ▶ Interchangeable
  - ▶ Documentation
  - ▶ Minimizing input/ environmental damage
- ▶ Engine
  - ▶ Fuel efficiency
  - ▶ Hybrid / electrical drive
  - ▶ Alternative fuels

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