Agricultural machinery

Overview

There are over 350 manufacturers of farm implements in Germany. Only 138 are members of the German Agricultural Machinery and Tractor Society (LAV) but these occupy 90% of the market. Total sales in 1995 were $2.8 billion (Domestic $1.6 billion; import $1.2 billion). Sales of tractors in 1995 totalled $1.6 billion (Domestic $1.1 billion; import $0.5 billion). The major sources of imports were: France 15%; Italy 13%; USA 13%; UK 7%; other EU states 14%.

Opportunities and constraints

The German market is not homogeneous. There is a western and an eastern market. Farms in the NFS are generally larger than those in west Germany. Because of their larger acreage and the need to reduce full-time labour costs, farms in the NFS offer better opportunities to suppliers of Canadian farm equipment than do those in the western part of the country. The market in west Germany is a shrinking one with intense competition between domestic and foreign manufacturers. In eastern Germany there is a considerable number of farms still to be modernized. A shortage of capital, however, is likely to moderate growth in sales.

Canadian manufacturers have the technologies that can produce the labour savings desired in the NFS. These technologies have been developed for, and tested on, large farms. This is a decisive advantage in seeking sales in the east German and eastern Europe markets. Other attractions for potential buyers are the lower manufacturing costs in Canada, which should give a price advantage; machinery that has been proven in working large tracts of land; and a good range of products. Ploughless soil working and planting systems enjoy good prospects, particularly in the Magdeburg Börde and Erfurt Basin—regions that compare with the Canadian prairie. Grain storage technology and bale harvesting and transfer systems are other market segments that offer opportunities.

Large east German farms expect top technology and performance and they prefer a range of machines that complement each other to single units. A complete line of machines for reaping, collecting, silaging, all the way to fodder presentation for the animals will be of greater interest to the farmer than an individual bale wrapping machine. East German dairy farms, for the most part, need to invest in new milking equipment to meet stringent quality requirements.

Supply shortages in components, particularly special tires, could in the face of a continuing and steady demand, result in Europe-wide opportunities for Canadian firms.

> *" The large acreage of farms in Eastern Germany is ideal for Canadian agricultural machinery"*

Under the Accident Prevention Regulations (Unfallverhütungsvorschriften-UV), power driven agricultural vehicles and attachments are "vehicles" and require an operating permit when travelling along public roads. Therefore tractors, trailers, self-propelled and towed machinery and implements such as combine harvesters, balers, or potato harvesters need an operating permit. A competent body (like TÜV or DEKRA) must confirm that the vehicle meets the requirements of the Road Traffic Act (Strassen-Verkehrs-Zulassungs-Ordnung-StVZO) before an operating permit can be issued. Vehicles must also satisfy the requirements of the Machinery Safety Law, must conform to the EU symbol requirements and be delivered with a declaration from the manufacturer confirming that the vehicle meets the EU and Safety Law requirements.

East German buyers look for good value equipment with simple, "user friendly" technology. Good local servicing and parts availability are of key importance. To be accepted as a national supplier calls for establishing a comprehensive dealer network or working with established German distributors. With future sales to eastern Europe in mind, an alliance with established eastern Germany dealers/distributors will be an advantage. The most important dealers have established their own networks across the country or in a specific region such as the NFS. Co-operation with a dealer/distributor who may want to add certain items of Canadian equipment to round out its own product range should not be overlooked. Machine demonstrations are imperative, especially during initial market entry. These can be arranged through farms that are considered by their peers to be industry leaders. Cooperation with established German agricultural research institutes can also improve chances for market acceptance.

Objectives for next five years

The Embassy aims to expand contacts with local manufacturers/dealers/users of agricultural machinery and equipment and with manufacturers, associations and provincial government officials in Canada. Through an established network of contacts Canadians will acquire market intelligence and information that will identify opportunities for product sales and strategic alliances. A first market study on this sector will need to be refined and updated in line with feedback from the Canadian industry and associations. Canadian industry—through the appropriate trade associations—will be asked to comment on participation at Euro Tier and Agritechnica trade fairs in Hannover.