



Romania

Agricultural Machinery Market

A FRD Center Market Entry Services
analysis

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Introduction

This presentation is produced by **FRD Center** – www.frdcenter.ro - one of the pioneer privately owned independent *market entry consulting and M&A advisory firms* in Romania.

Since 2000, FRD Center offers tailor-made market research and intelligence, B2B matchmaking and M&A consulting services to foreign organisations interested to enter Romania and the emerging markets in Europe as exporters, consultants, investors or joint-ventures, to relocate their operations, or to source in CE, SE and Eastern Europe.

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As part of the CSR activity, FRD Center endorses the
Sibiu International Theatre Festival SibFest FITS - www.sibfest.ro

The Sibiu International Theatre Festival is the most complex festival in Romania. Internationally, it has become the most important performing arts festival in Europe, judging by its ampleness, dimension, and quality of events, before Edinburgh International Festival (Great Britain) and Avignon Festival (France)



Why Romania?

Romania is the most dynamic large market in Europe, a strong democracy, a NATO and EU member. After a GDP growth of 4.8% in 2016, in Q1 2017 Romania registered the highest GDP growth rate in the EU: 5.6%.

With unemployment average of 5.5%, the purchasing power of the Romanian population increased with 12% in 2016 and the consumption with 9%.

Additional to the local consumption growth and increasing purchasing power, **Romania's strategic advantage is its position as a GATEWAY to the EU**, on one hand, and to large markets such as Russia, Turkey, Ukraine, Kazakhstan that are not part of the EU.

Romania presents interest to foreign investors or manufacturers looking to acquire a local player and set up operations in the country, thus accessing the EU market (510 million people) and relevant markets in Eastern Europe.



SECTOR OVERVIEW

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Romania has a territory of 23.8 million hectares, out of which the agricultural area is approximately 14.7 million hectares. The country has some 3.6 million agricultural holdings, representing 30% of the total number of farms in the EU. The average surface of an agricultural holding in Romania is 3.6 hectares.

Almost 75% of the farms in Romania have less than 2 hectares and the percentage of the farms with less than 10 hectares is 98%. The farms with over 100 hectares represent only 0.5% in the total farms in Romania.

According to latest data, out of the agricultural surface in Romania, 64.3% is arable land, 22.4% pastures, 10.5% hayfields and 2.8% vineyards and orchards.

SECTOR OVERVIEW

The production of wheat and rye in Romania has totalled 8.457 million tonnes in 2016, up by 6% compared to 2015. Furthermore, the domestic production of barley has recorded 1.268 million tonnes in 2016, up by 18% compared to the previous year. The production of maize grains has registered 10.746 million tonnes in Romania in 2016, up by 19% compared to 2015.

In 2016, Romania ranked 5th in the EU for both the wheat cultivated area and the wheat production. Furthermore, in 2016, Romania ranked 1st in the EU in terms of the area cultivated with maize and 2nd place in the EU in terms of the maize production.

The contribution of the agriculture, forestry and fishing to the nominal value of the GDP in Romania has been 3.9% in 2016. The population employed in the agriculture, forestry and fishing sectors represent approximately 30% of the total employment in Romania.

SECTOR OVERVIEW

At the end of 2015, the fleet of agricultural machines in Romania was including:

- 199,284 agricultural tractors
- 159,334 ploughs for tractors
- 30,355 mechanical cultivators
- 77,560 mechanical sowers
- 5,607 mechanical sprayers and dusters
- 27,485 self-propelled combines for cereal harvesting
- 891 self-propelled combines for fodder harvesting
- 5,403 combines and potato harvesters
- 11,966 straw and hay packing presses
- 1,254 windrovers for fodder harvesting



SECTOR OVERVIEW

The agricultural fleet is insufficient and the majority of the farms in Romania face a very low level of the agricultural equipment mechanisation. Approximately 73% of the tractors in Romania exceeded the recommended operation period of use. For example, 30% of the tractors used in Romania are over 20 years old.

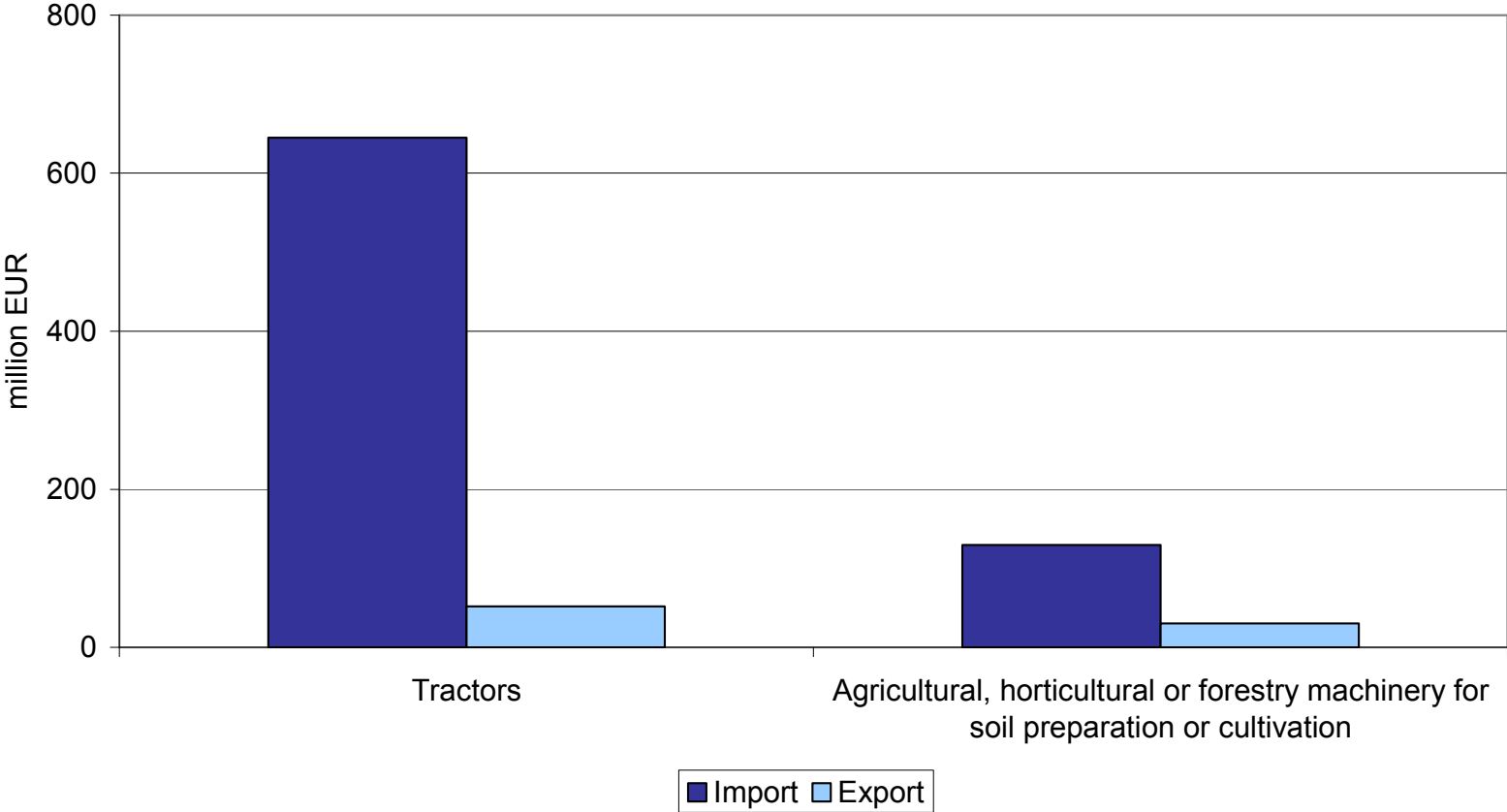
The offer of agricultural equipment is diversified in Romania, the market being dominated by imported brands.





IMPORTS & EXPORTS

Romanian imports and exports of agricultural equipment - 2016



Source: FRD Center, Comdata

IMPORTS & EXPORTS

The imports of tractors (TARIC 8701) in Romania have recorded approximately EUR 645m in 2016, **up by 25%** compared to 2015.

The imports of agricultural, horticultural or forestry machinery for soil preparation or cultivation (ploughs, harrows, scarifiers, cultivators, weeders, hoes, seeders, planters, transplanters, spreaders) (TARIC 8432) in Romania have registered almost EUR 130m in 2016, **up by 15%** compared to the previous year.

The Romanian exports of tractors have recorded some EUR 52m in 2016, a decrease by 14% compared to 2015.

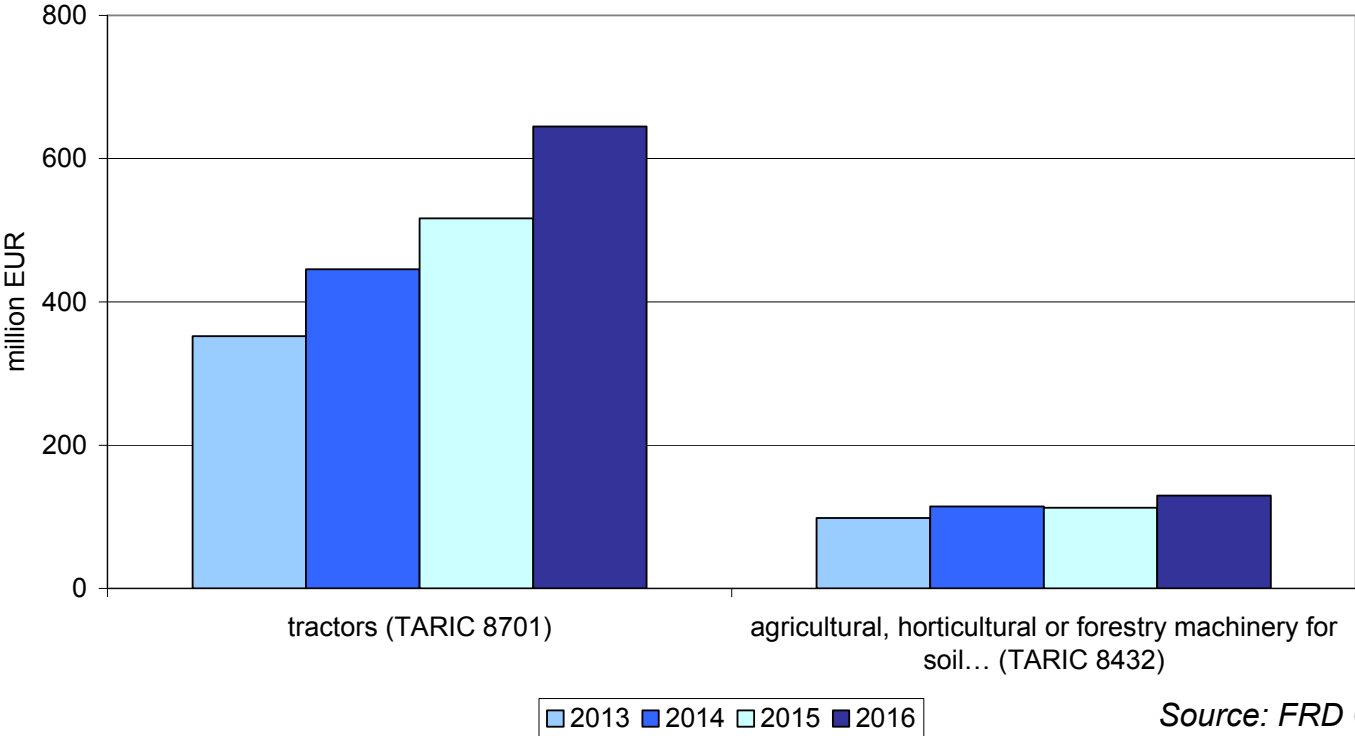
The Romanian exports of agricultural, horticultural or forestry machinery for soil preparation or cultivation (ploughs, harrows, scarifiers, cultivators, weeders, hoes, seeders, planters, transplanters, spreaders) have registered approximately EUR 30m in 2016, up by 14% compared to 2015.



IMPORTS

According to a FRD Center analysis, the Romanian imports of Tractors (TARIC 8701) and of Agricultural, horticultural or forestry machinery for soil preparation or cultivation, lawn or sports-ground rollers (TARIC 8432) have been registering constant growths for the last 4 years.

Imports of agricultural machinery in Romania, 2013 - 2016



Source: FRD Center, Comdata

MAIN PLAYERS

Producers of agricultural machinery

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Since 1990, the production of large agricultural machinery in Romania has decreased significantly, the main factors being the fragmentation of the arable land and the lack of funds.

By becoming an EU member in 2007, Romania has received funds to be accessed by farmers - this has started to revitalize the agriculture, but in the absence of strong local producers, the farmers prefer to acquire imported agricultural machinery.

According to the FRD Center research, some of the main local manufacturers of agricultural machinery with Romanian ownership are **IRUM**, **Mecanica Ceahlau** and **MAT Craiova**



Producers of agricultural machinery IRUM

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Set up in 1953, IRUM produces agricultural and forestry equipment. It has a plant with the surface of 175,000 sqm in Reghin, Mures county (Centre Romania).

The company has the annual production capacity of 250 forestry tractors, 500 agricultural tractors and 1,200 tonnes of moulded pieces. The company targets to increase its production by 15% in 2017.

IRUM has recorded a net turnover of EUR 16m in 2016, up by 5% compared to 2015. The company has over 400 employees.



Producers of agricultural machinery Mecanica Ceahlau

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Established in 1921, Mecanica Ceahlau produces various types of agricultural equipment: soil processing machinery, seeding machinery, harvesting machinery etc.

Its HQ is located in Piatra Neamt, Neamt county (NE Romania). The company targets to invest EUR 1m in 2017 in the modernisation of its production activities.

Mecanica Ceahlau has reached a net turnover of EUR 8.3m in 2016, up by 24% compared to 2015. The company has over 200 employees. It is listed on Bucharest Stock Exchange.



MECANICA CEHLĂU
Agricultural machinery and equipment

Producers of agricultural machinery MAT Craiova

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MAT Craiova has a tradition of over 135 years.

The company produces tractors, ploughs, harrows, seeders etc in its plant in Craiova, Dolj county (SE Romania).

MAT Craiova has registered a net turnover of EUR 1.3m in 2016.

The company has approximately 70 employees. It is listed on Bucharest Stock Exchange.

Producers of agricultural machinery Maschio Gaspardo Romania

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The main local manufacturer of agricultural machinery with foreign ownership is Maschio Gaspardo Romania.

It is part of the Italian Group Maschio Gaspardo.

The company has opened its plant in Chisineu Cris, Arad county (Western Romania) in 2003.

Maschio Gaspardo Romania has recorded a net turnover of EUR 36.3m in 2016, up by 45% compared to 2015.

The company has approximately 300 employees.





MAIN PLAYERS

Importer-distributors and dealers of agricultural machinery

The agricultural equipment market in Romania has recorded a growing trend in the past years mainly based on imports. Romania imports new and second-hand agricultural machinery and farm equipment from Germany, Italy, USA, Austria, France, Hungary, Bulgaria, Turkey, China etc.

The small farmers in Romania - 2.8 million small farms of less than 2 hectares - usually prefer to acquire second-hand farm equipment and machinery.

The main importers of agricultural equipment in Romania usually offer integrated services to their clients: selling of agricultural machinery, selling of spare parts, service, consulting and financial facilities.

Some main multi-brand importers and distributors of agricultural machinery in Romania are: IPSO, Mewi Import Export Agrar Industrietechnik, NHR Agropartners and General Leasing. They have distribution networks covering the entire country



MAIN PLAYERS

Importer-distributors and dealers of agricultural machinery



The Romanian market of agricultural machinery is dominated by imported brands, such as: New Holland, Steyr, John Deere, Valtra, Fendt, Kuhn, Claas, Massey Ferguson, Case, Horsch, Hardi, Geringhoff, JCB, Pottinger, Hydrac, Vatra, Lemken, Knoche, Rauch, Fella, Krone etc.

Importer-distributors and dealers of agricultural machinery - IPSO

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IPSO, part of the French Group Monnoyeur, imports and distributes a wide range of agricultural machinery.

Its portfolio includes the following brands: John Deere, Kuhn, Manitou, Bednar FMT, Fliegl, Pichon, Perard, Kemper, Zurn, Geringhoff, Grasdorf, Laforge etc.

IPSO has recorded a net turnover of EUR 151m in 2016, up by 31% compared to 2015.

The company has around 360 employees.





Importer-distributors and dealers of agricultural machinery - Mewi



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MEWI[®]
pure agricultura pe roate!

Founded in 1995, Mewi Import Export Agrar Industrietechnik imports and distributes a diversified range of agricultural machinery.

Some examples of brands in its portfolio are: Fendt, Vatra, Geringhoff, Lemken, Horsch, Knoche, Rauch, Fella, Challenger, Merlo, HAWE etc.

Mewi has registered a net turnover of EUR 61m in 2016, up by 54% compared to 2015.

The company has approximately 140 employees.



Importer-distributors and dealers of agricultural machinery - NHR Agropartners



NHR Agropartners started in 1998 as New Holland Representative Office in Romania and from 2001 it belongs to VA Intertrading Linz (Austria).

It is the official importer and distributor of agricultural machinery from New Holland (Agriculture), Poettinger, Hardi, Bogballe, Sfoggia, Dondi, Brantner, Muething and other brands in Romania.

The company has recorded a net turnover of EUR 17m in 2016, up by 7% compared to 2015.

It has over 180 employees.



AGRO
PARTNERS



Importer-distributors and dealers of agricultural machinery - General Leasing



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Established in 1993, General Leasing is exclusive dealer in Romania of Massey Ferguson, Laverda, Dieci agricultural machinery. They also import and distribute large machinery like tractors and combines of the brands Mazzotti, Siloking, Olimac, Clemens etc.

The company has recorded a net turnover of EUR 10.3m in 2016.

It has a team of approximately 120 employees.

Other examples of Importer-distributors and Dealers of agricultural machinery

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General Confort



General Confort imports, distributes and sells plant protection sprayers, disc harrows, slurry wagons, snow blowers. The company has registered a net turnover of 1.2 million EUR in 2014. It has over 10 employees.

Mondistar



Set up in 2000, Mondistar imports and distributes disc harrows, plant protection sprayers, slurry wagons. It has a storage platform of 10,000 square meters. The company has a distribution network at national level. Mondistar has registered in 2014 a net turnover of 1.2 million EUR. It has over 20 employees.

Lantec Industries



Established in 1999, Lantec Industries imports and distributes slurry tankers, plant protection sprayers. The company offers integrated solutions to the agricultural players in Romania and distributes its products all over the country. Lantec Industries has recorded a net turnover of 2.6 million EUR in 2015. The firm has approximately 40 employees.

Agrosez Com



Set up in 2004, Agrosez Com imports and distributes plant protection sprayers, conveyers, slurry tankers, disc harrows. In 2014, Agrosez Com has recorded a net turnover of one million EUR. It has over 10 employees.



MARKET AND SECTOR SPECIFICS

Strengths and Opportunities

The Romanian agricultural sector has significant potential for growth that is still insufficiently exploited, the agriculture restructuring and the rural economy revitalisation representing important keys for the country's future economical development.

The main opportunity on the Romanian market of the agricultural machinery is the fact that **the market needs to be modernised**, as the existent mechanisation and technology level is very low and the agricultural fleet is insufficient.

The Romanian agricultural equipment market has recorded **investments** over the past years, some of the main contributing factors being: the available EU funds, the special credits for agriculture or the wider use of the second-hand equipment.

The current trend in Romanian agriculture is **positive**, both in regards to output and productivity, as in regards to numbers of companies involved in the sector.

Favourable weather, increasing investments in agriculture, revival of consumption, price evolution and development of business relations at regional level could make Romanian agriculture to record the best results in a decade.



MARKET AND SECTOR SPECIFICS Funding

Within the Axis 1 - “Improving the competitiveness of agricultural and forestry sector”, Measure 121 – “Modernisation of Agricultural Holdings”, the National Rural Development Programme 2007 – 2013 has financed investments for the acquisition of agricultural machinery and technologies, the production diversification, the income increasing etc, through EU and national public assistance and private co-financing.

Within the Sub-Measure 4.1 - “Investments in Agricultural Holdings” of the National Rural Development Programme 2014 – 2020, **1,280 projects with the value of approximately EUR 538m** have been selected in Romania by 29 June 2017.

In order to acquire agricultural machinery, farmers collaborate with banks and non-banking financial institutions. With the purpose to facilitate the access of the farmers to agricultural credits, the Romanian Payments and Intervention Agency for Agriculture has signed conventions with financial-banking and non-banking institutions. Furthermore, the main producers and importer-distributors of agricultural equipment offer financial solutions for their clients through credits. Despite all these aspects, the banking credits for Romanian farms remain at a low level of 110 EUR / hectares compared to 1,700 - 2,000 EUR / hectares in the EU.

MARKET AND SECTOR SPECIFICS

Challenges

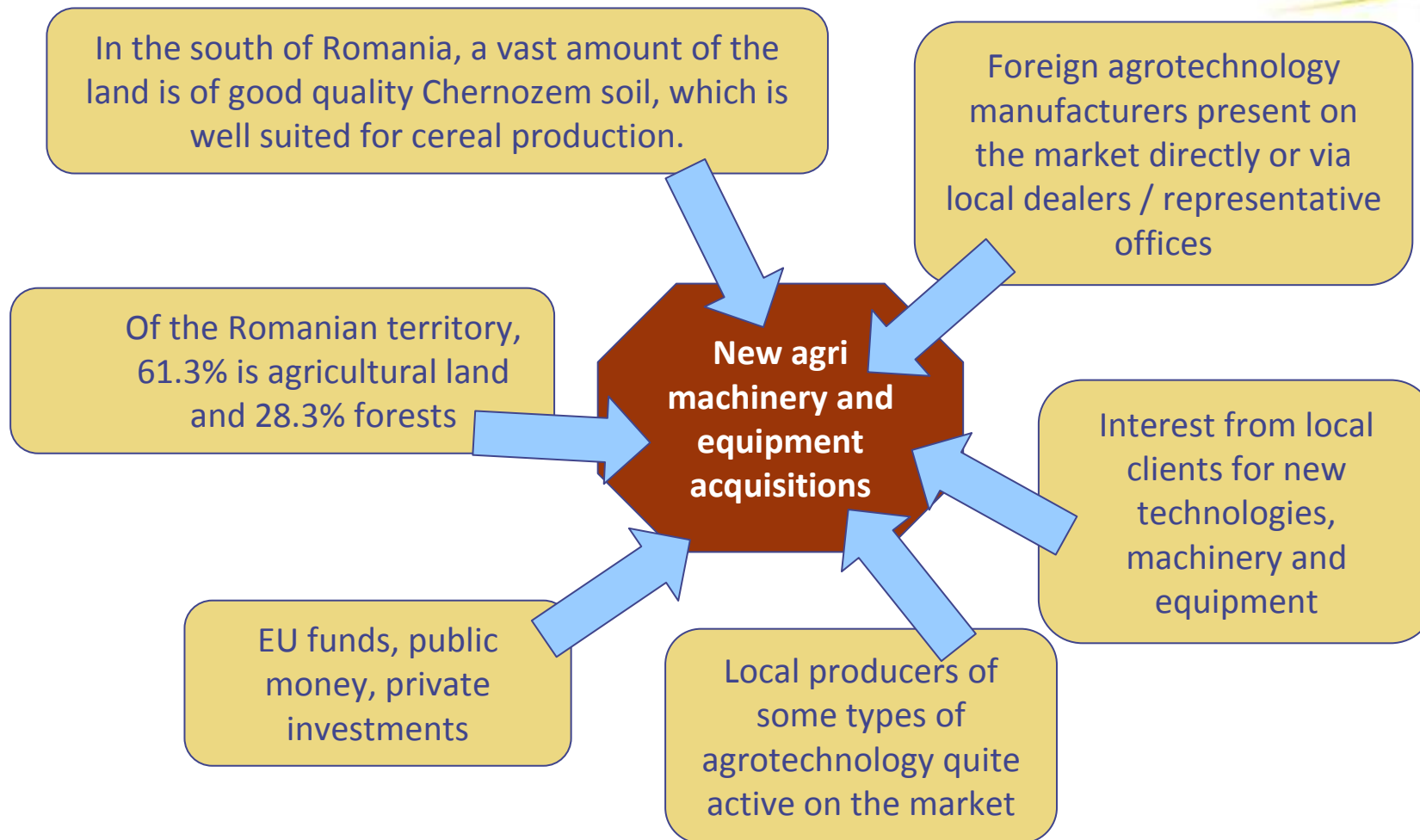
The main challenges of the agricultural machinery market in Romania are:

- the internal structure of the majority of the local farms (low sizes and high fragmentation)
- the high number of the semi-subsistence farms
- the insufficient usage of the available EU funds
- the low y/y increasing rates of the labour productivity in agriculture
- the poor existing infrastructure
- the farmers' inadequate access to information

One challenge of replacing aging equipment is the fact that the Governmental Buy-Back Programme for the enhancement of the renewal of the national park of tractors and self-propelled agricultural machines has not been as successful as expected.



MARKET AND SECTOR SPECIFICS Conclusions



Market Entry into the Romanian Agrotechnology Sector



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Entry onto the Romanian market of agricultural equipment and farm machinery can be done via **acquisition of a local player** (e.g. specialised importer-distributor or local manufacturer with own distribution network).

Also, market entry can be done through **commercial collaboration** with a well-established specialised multi-brand dealer or an importer-distributor of agricultural machinery.

For all market entry options it is recommended that a trusted local **Market Entry Adviser** should be involved.

FRD Center Market Entry Services assists foreign players interested to enter the Romanian market and other markets in CE, SE and Eastern Europe with:

- Market opportunity assessment and research
- Deal Origination
- Target Search and Selection
- B2B Matchmaking
- Background checks, In-Depth analysis of Players
- Follow-up, Pursuit of Targets
- Local support and on the ground assistance

For tailored Market Research, B2B Matchmaking with local players in the sector, Deal Origination and M&A assistance feel free to contact

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