

# GERMANY

The largest destination for U.S. agricultural equipment exports to the European Union, Germany is a high volume, low risk market. U.S. exports to Germany grew 12.1 percent in the first six months of 2016. Expectations for product quality, technological sophistication, and reliability are extremely high. The recent growth in U.S. exports has been led by a robust but unexpected increase in shipments of equipment for grains, oilseeds, and other commodity crops—and by increased shipments of tractor parts, engines, and engine parts. Extremely low interest rates in this Eurozone country boost prospects for U.S. exports.

Overall  
Rank:

1

## Opportunities

- **Precision Agriculture** – Across all major OEM categories, not only for application on individual machines but for networking with the rest of the value chain.
- **Grain, Oilseed, and Other Commodity Crop Equipment** – Germany is already Europe’s largest producer of oilseeds, rye, barley, and potatoes; and second-largest producer of sugar beets, wheat, oats and other grains. Deregulation of sugar production in 2017 is expected to result in more efficient German producers expanding their dominant position in this crop sector.
- **Tractor Parts, Engines, and Engine Parts** – Germany’s own formidable agricultural equipment industry remains an attractive market for U.S. suppliers of parts and components—if they can meet the demanding technical requirements.
- **Equipment for Produce and High-Value Crops** – This relatively small sub-sector has shown consistent growth for at least a decade, and is unaffected by global ag commodity prices.

## Data and Discussion

From 2012 to 2015, the German market for U.S. agricultural equipment exports declined at about the same rate as U.S. exports globally, although the rate of decline slowed in 2015 in contrast to U.S. exports overall. This pattern changed in 2016, when total U.S. exports to Germany grew 12.1 percent from January through June—even as U.S. exports to the world declined a further 11.7 percent. All major categories of OEM equipment saw increased shipments, with the exception of products for raising livestock. Tractor parts, engines, and engine parts also registered significant growth.<sup>i</sup>

Leading the way in terms of both volume and the rate of growth was equipment for cultivating grain, oilseeds, and other commodity crops, which grew 24.5 percent in the first six months of 2016 over the previous year, accounting for 33.7 percent of total U.S. exports. Tractor parts, engines, and engine parts grew 33 percent from 2015, representing 18.0 percent of U.S. exports. Low- and medium-horse power tractors, less than five percent of U.S. exports to Germany, nevertheless grew at a robust rate of 24.3 percent following even more dramatic

performance in 2015. Exports of mowers and related equipment, equipment for produce and high-value crops, and agricultural sprayers grew at more modest rates.<sup>ii</sup>

The only major export category to decline in 2016 was equipment for raising livestock, which fell 40 percent in the first six months of the year.

### Technology

German farmers do business in a densely populated country where land is arguably the scarcest resource. Technologies for making the most of this resource, as well as other production inputs, have long been a high priority for German farmers. Increasingly, both the German private and public sectors are turning to digital technologies to optimize agricultural production.

The emphasis on digital technology extends well beyond equipping individual machines with IT hardware and software, sensors, and other technology. Both the German private sector and the German Government are calling for construction of a rural broadband infrastructure that would enable the eventual networking of the entire agribusiness value chain. While this infrastructure is not yet in place, U.S. exporters should be prepared to meet increasing demand for sophisticated digital technologies in the German market.<sup>iii</sup>

### Ag Economy Fundamentals

Producer prices for most of the country's leading agricultural commodities are likely to fall during 2017-18.<sup>iv</sup> Anticipated rates of decline vary from 1.8 and 1.9 percent for wheat and other coarse grains, respectively, to 4.9

## Germany: U.S. Exports at a Glance

<b>Equipment Types</b>	<b>2015 Exports U.S.\$ Millions</b>	<b>Percent of Ag Equipment Exports</b>	<b>Change 2012-15</b>	<b>Change Jan.-June 2016</b>
For Grain, Oilseeds, & other Commodity Crops ---	\$128.9	33.8%	-16.1%	24.5%
Mowers & Power Equipment ---	128.4	33.6%	-4.2%	3.8%
Tractor Parts, Engines & Engine Pts. ---	68.7	18.0%	-7.5%	33.0%
For Raising Livestock ---	17.7	4.6%	249.5%	24.3%
Low- & Medium-HP Tractors ---	17.6	4.6%	-8.3%	-40.1%
For Produce & High Value Crops ---	15.0	3.9%	3.7%	3.2%
Sprayers ---	2.7	0.7%	-30.1%	2.2%
<u>Other</u>	<u>2.9</u>	<u>0.8%</u>	<u>14.6%</u>	<u>-68.0%</u>
<b>TOTAL</b>	<b>\$381.9</b>	<b>100.0%</b>	<b>-8.5%</b>	<b>12.1%</b>

percent for poultry meat. Exceptions are pork and dairy products, which are projected to rise at rates of 8.7 and 2.5 percent, respectively.

The loss of Russia as an export market for many German ag products since 2014 has not helped the German agricultural economy. The Russian Government imposed sanctions in August 2014 against a wide range of European and U.S. food imports, in retaliation for sanctions imposed the U.S. and the EU over the conflict in Ukraine.<sup>v</sup> Subsequently, German agricultural exports to Russia fell 52 percent, and Russia dropped from being Germany's second-largest non-EU market for such products in 2013 to fifth-largest in 2015—a decline in value of more than \$1 billion in nominal terms.<sup>vi</sup>

The on-going crisis in the German dairy sector—part of the larger European dairy crisis, with production costs far exceeding the prices farmers receive for their milk—accounts for the sharp drop in U.S. exports of livestock equipment. In 2015, the decline in shipments of farm dairy equipment accounted for more than the total value of the livestock sub-sector's decline in 2015 (exports of some other livestock-related products increased, partially offsetting the difference). Low prices, overproduction, and increasing debt continue to plague Germany's dairy farmers.<sup>vii</sup>

In response to the current crisis—which followed on the elimination of EU dairy production quotas in 2015 and the imposition of Russian sanctions against EU dairy products—the European Commission in September 2015 and again in July 2016 announced aid packages for the dairy sector totaling €1 billion.<sup>viii</sup> The German Federal Ministry of Food and Agriculture followed suit in November 2016, announcing a €116 million “Milk Package” which combined a “liquidity subsidy” with limits on the volume of production.<sup>ix</sup> Whether these measures will stabilize Germany's dairy sector remains to be seen. In the meantime, the trend of German farmers exiting dairy production and shifting to

crops such as grains, sugar beets, or oilseeds may also contribute to increased U.S. exports of equipment for grains, oilseeds, and other commodity crops.<sup>x</sup>

Exceptionally low interest rates, while they last, appear to be having a positive impact on U.S. exports. The European Central Bank (ECB) overnight lending rate—the ECB's rate for overnight deposits from commercial banks—is negative and currently stands at -0.4 percent.<sup>xi</sup> The OECD projects a short-term interest rate of -0.3<sup>xii</sup> and a long-term interest rate of 0.1 percent for Germany for 2017.<sup>xiii</sup> In July 2016, the German-government affiliated Agricultural Rentenbank offered an effective 10-year fixed rate of 1.0 percent on a 30-year loan for its most preferred customers.<sup>xiv</sup> A number of German commercial banks specialize in services for the agribusiness sector, as well including DZ Bank, Nord/LB, Bremer Landesbank, DKB, and akf Bank.<sup>xv</sup>

### **Challenges and Obstacles**

The United States and the 28 Member States of the EU share the largest and most complex economic relationship in the world. Trade and investment flows between the United States and the EU are a key pillar of prosperity on both sides of the Atlantic. Nevertheless, U.S. exporters still face persistent barriers to entering, maintaining, or expanding their presence in certain sectors of the EU market.

As a member of the European Union, Imports of agricultural equipment into Germany must comply with the extensive EU regulatory regime. U.S. agricultural equipment exporters must ensure their products receive the “CE” mark in order to sell in Germany. U.S. products must also comply with EU regulations such as REACH (Registration, Evaluation, Authorization and Restrictions of Chemicals), WEE (the Waste Electrical and Electronic Equipment Directive), RoHS (the Restriction of Hazardous Substances Directive), and others. See the links below for more detailed information.

The EU standards and conformity assessment regimes—integral to obtaining the CE mark—present a variety of challenges for U.S. exporters. Products sold in the EU must comply with relevant European legislation. If a manufacturer uses European regional standards (called European harmonized standards or ENs), its products are presumed to be in compliance with the requirements. The CE mark is applied to products that conform to the relevant EN standard, or to certain “international” standards as defined by the EU (from the ISO, IEC, or ITU).

The CE mark indicates that the product complies with EU legislation, and is able to move freely within the European single market. While it is possible, theoretically, to use other standards to meet essential requirements, U.S. manufacturers report that in practice the costs and uncertainty associated with not using an EN or EU-recognized international and demonstrating that the alternative standards fulfill essential requirements can be prohibitive.<sup>xvi</sup>

Germany's own regulations and bureaucratic procedures can be a difficult hurdle for companies wishing to enter the market and require close attention by U.S. exporters. Complex safety standards, not normally discriminatory but sometimes zealously applied, complicate access to the market for many U.S. products. U.S. suppliers are well advised to do their homework thoroughly and make sure they know precisely which standards apply to their product and that they obtain timely testing and certification.<sup>xvii</sup> The U.S. Government Country Commercial Guides for Germany and the European Union (see links below) can provide more detailed information for interested U.S. exporters.

For more information, see the:

- **Country Commercial Guide for Germany:**[https://www.export.gov/article?series=a0pt0000000PAtqAAG&type=Country\\_Commercial\\_kav](https://www.export.gov/article?series=a0pt0000000PAtqAAG&type=Country_Commercial_kav);

- **Country Commercial Guide to the European Union:**  
[https://www.export.gov/article?series=a0pt0000000PAtkAAG&type=Country\\_Commercial\\_kav](https://www.export.gov/article?series=a0pt0000000PAtkAAG&type=Country_Commercial_kav);
- **The 2016 National Trade Estimate Report:**  
<https://ustr.gov/sites/default/files/2016-NTE-Report-FINAL.pdf>;
- **German Agricultural Society (Deutsche Landwirtschaft Geselleschaft):**  
<http://www.dlg.org/home-de.html>
- **German Federal Ministry of Food and Agriculture:**[http://www.bmel.de/EN/Homepage/homepage\\_node.html](http://www.bmel.de/EN/Homepage/homepage_node.html)

## **Trade Events**

### ***Agritechnica 2017***

**Description:** The world’s largest agricultural equipment exhibition, Agritechnica features machinery, equipment, and related goods and services for use in raising in crops.

**Location:** Hanover, Germany

**Dates:** November 12-18, 2017.

**Website:** <https://www.agritechnica.com/en/>

### ***EuroTier 2018***

**Description:** A leading global exhibition for machinery, equipment, and related good and services for use in cultivating livestock, milling animal feed, and bio-mass energy production.

**Location:** Hanover, Germany

**Dates:** Second week of November, exact dates November 13-16, 2018

**Website:** <https://www.eurotier.com/en/>

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<sup>i</sup> United States Department of Commerce, Bureau of the Census, Foreign Trade Division, TPIS Database: USHS EXPORTS, Revised Statistics for 1989-2014, Unrevised for 2015-2016.

<sup>ii</sup> Ibid.

<sup>iii</sup> Dr. Bernd Scherer, Manager of the VDMA Agricultural Machinery Association; "Die digitale Agrarwende bietet Chancen"; *Agrarzeitung*, July 29, 2016; p. 26. Christian Schmidt, Federal Minister for Food and Agriculture; "Im Fokus: Chancen der Digitalisierung"; *Landwirtschaft verstehen*, Bundesministerium für Ernährung und Landwirtschaft; May 2016. Hubertus Paetow, Chairman of the DLG Test Center for Technology and Operating Methods; "Landwirtschaft 4.0 lässt auf sich warten"; *DLG-Mitglieder-Newsletter 41/2016*; Deutsche Landwirtschaft Gesellschaft.

<sup>iv</sup> *OECD-FAO Agricultural Outlook 2016-2025*, Executive Summary, pp. 1-4. Paris and Rome, 2016.

<sup>v</sup> Neil MacFarquhar and Alison Smale, "Russia Responds to Western Sanctions With Import Bans of Its Own"; *New York Times*; August 7, 2014.

<sup>vi</sup> United Nations COMTRADE Database TPIS Database: UNHS IMPORTS.

<sup>vii</sup> Yvan Polet, *Global Agricultural Information Network*, "A Perfect Storm for EU Dairy Prices"; U.S. Department of Agriculture, Foreign Agriculture Service; August 4, 2015.

<sup>viii</sup> Emmet Livingstone, "Europe offers €500 million to help dairy farmers"; *Politico*; July 15, 2016. URL: <http://www.politico.eu/article/europe-awaits-last-ditch-effort-to-save-its-milk-farms-commission-overproduction/>

<sup>ix</sup> "Statement von Bundesminister Christian Schmidt zum Gentechnikgesetz, Milchpaket und Klimaschutzplan"; Bundesministerium für Ernährung und Landwirtschaft; November 2, 2016.

<sup>x</sup> *AgrarZeitung*, "Milchkrise weitet sich aus"; July 26, 2016; page 1.

<sup>xi</sup> European Central Bank, March 16, 2016; officially the "Deposit Facility Rate." The deposit facility rate is one of the three interest rates the ECB sets every six weeks as part of its monetary policy. The rate defines the interest banks receive for depositing money with the central bank overnight. Since June 2014, this rate has been negative. URL:

<https://www.ecb.europa.eu/explainers/tell-me/html/what-is-the-deposit-facility-rate.en.html>.

<sup>xii</sup> OECD, Short-term interest rates forecast. Short-term interest rates are the rates at which short-term

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borrowings are effected between financial institutions or the rate at which short-term government paper is issued or traded in the market. Short-term interest rates are generally averages of daily rates, measured as a percentage. Short-term interest rates are based on three-month money market rates where available. Typical standardized names are "money market rate" and "treasury bill rate". URL: <https://data.oecd.org/interest/short-term-interest-rates-forecast.htm#indicator-chart>.

<sup>xiii</sup> OECD, Long-term interest rates forecast. Long-term interest rates refer to government bonds maturing in ten years. Rates are mainly determined by the price charged by the lender, the risk from the borrower and the fall in the capital value. Long-term interest rates are generally averages of daily rates, measured as a percentage. These interest rates are implied by the prices at which the government bonds are traded on financial markets, not the interest rates at which the loans were issued. In all cases, they refer to bonds whose capital repayment is guaranteed by governments. Long-term interest rates are one of the determinants of business investment. Low long-term interest rates encourage investment in new equipment and high interest rates discourage it. Investment is, in turn, a major source of economic growth. URL: <https://data.oecd.org/interest/long-term-interest-rates-forecast.htm#indicator-chart>.

<sup>xiv</sup> *Agrarzeitung*, "Die etwas andere Bank"; page 30; July 29, 2016.

<sup>xv</sup> Ibid., "Viele banken haben Agrarkunden im Visier"; page 29.

<sup>xvi</sup> Ibid. P. 140.

<sup>xvii</sup> U.S. Department of Commerce, U.S. Department of State: *Country Commercial Guide* for Germany; July 22, 2016.