

**Covid-19**



# Market Watch: Agritech & Machinery Industry Bulletin

16th April 2020



# The View From Ireland



**Anne Fitzpatrick**  
Head of Engineering  
Enterprise Ireland

The Irish Agricultural Machinery and Tech sector has been designated as a critical service. It is open for business and is committed to the continued supply of product to its overseas customers as Northern Hemisphere farmers approach peak season. Health and Safety managers have implemented government guidelines related to cleanliness, social distancing and staggered breaks to safeguard employees and future proof on-going operations. Clients are committed to supplying parts to customers and fulfilling current and future orders.

Whilst the sector is open, the Covid-19 crisis presents significant challenges. Companies are actively managing their supply chains to ensure continuity of production. They are managing cash and working capital against a backdrop of volatility in currency exchange rates. Demand is being impacted by market uncertainty and reduced beef and dairy prices affecting farmers' income. Whilst the sectors international dealers are mostly open, regulations prohibit salespeople from visiting them. The same is true of visits to farms. Additionally, clients will be restricted in showcasing their capability at international demand generating trade shows which are being cancelled through to year end. Continued uncertainty is likely to impact sales in Q3 and Q4.

Innovation is a hallmark of this sector and despite the challenges, some clients are prioritising increased R&D, to ensure new product availability for when the crisis abates. A trend toward increased digital/virtual interaction with customers and with the dealer channel, to mitigate demand risk, is also evident.

In these challenging times, Enterprise Ireland is here to support you, to navigate the challenges and address concerns. For full information on Enterprise Ireland's Covid-19 Business Response and supports, visit:

[www.enterprise-ireland.com/businessresponse](http://www.enterprise-ireland.com/businessresponse)





# Introduction



**Brian Hourihane**

Lead MA

Agritech & Machinery

Despite the Covid-19 pandemic, farming and food production must continue. Enterprise Ireland's machinery manufacturers are committed to supporting farmers to grow and harvest crops, transport produce and feed livestock, throughout the vital spring and summer seasons ahead.

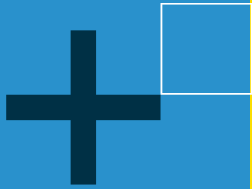
Across the world, farming is recognised as an essential industry and therefore requires continued access to machinery, equipment, servicing and spare parts to ensure the supply of food to the general public.

Our Market Watch for the Agri industry provides insights from Enterprise Ireland's market advisors across the world, which you should find beneficial as you seek a comprehensive guide to what Covid-19 may mean for your business moving forward.

Reporting from each market, we share information on the client, buyer sentiment and outlook, and also consider production demand, supply chain constraints and expectations from partners in market. We look at overall challenges and opportunities from leading markets and manufacturing strongholds as well as the different Government mandates and financial supports in place for businesses impacted by Covid-19.



# Agritech – UK, Northern & Central Europe



## SUMMARY

- Enterprise Ireland client companies are working hard to maintain the supply of machinery to the regions dealers, distributors and farmers. Demand from the market looks set to decrease in the coming months and dealers will be reluctant to sit on large stocks during this uncertain time. Border restrictions across the region are making access to certain markets very difficult, and this will apply to both sales and servicing teams.
- Another key challenge for clients is uncertainty around their supply chain. Chinese supply has returned to normal service since the lifting of restrictions there and it is hoped that the European component manufacturers can come back online in a similar fashion over the coming weeks.

## DEVELOPMENTS

- Dealers and distributors continue to operate. Sales teams, vulnerable and non-essential employees are working from home and cannot visit customers.
- Companies are aiming to maintain a continuous parts and service operations for customers over the coming months. Machinery hire departments remain open, branches offer safe collection points and service engineers continue call outs whilst practicing social distancing.
- Many countries are experiencing shortages of seasonal farm workers, this is hitting the fruit and veg sectors particularly hard at the moment and is expected to be seen throughout all crop harvest seasons whilst travel is restricted.

## SUPPORTS

- There are various government announcements on supports and incentives for farmers, food producers, contractors, SME business and employees throughout the region. Please connect with the Regional Market Advisor (contact details below) regarding specific supports that may be applicable to your business in the UK, Nordics and Central Europe & Russia.

## OPPORTUNITIES/CHALLENGES

- Clients are encouraged to stay close to their partners/distributors appreciating that marketing budgets are likely to be impacted by financial and market uncertainty.
- Irish exporters of equipment which requires installation and commissioning may experience delays to their processes due to restrictions around the movement of people in various countries.
- Currency fluctuation needs to be monitored closely throughout the region, Polish zloty has lost 7% - 9% versus EUR, this will squeeze importers margins and is leading to some buyers holding off on making decisions until the Covid-19 situation settles.
- Buyers in certain regions currently face lead-times of 8-10 months for some machinery. With Irish manufacturers continuing to operate throughout this period there may be the opportunity to pick up sales.



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Contact: Brian Hourihane, Market Advisor, UK  
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# Agritech – Eurozone

## SUMMARY

- Our clients are still manufacturing and distributing machinery throughout Europe. Spring is a key season for sales of agri equipment and our Irish exporters are working within the recommended government guidelines to fulfil existing and new orders. Countries such as Italy and Spain have been impacted a lot more severely than others in the region. Border and travel restrictions are having a major impact on clients ability to fulfil customer deals and develop new leads.

## DEVELOPMENTS

- The closure of key component suppliers throughout Italy, Germany and France has forced the majority of Europe's leading tractor assembly lines to reduce or halt their operations.
- With sales and marketing staff working from home many dealers are taking the opportunity to develop their digital presence and look at new opportunities.
- Clients with strong online and digital content will have an advantage showcasing their machinery and targeting international farmers, agri-machinery dealers, importers, contractors, co-ops and investors.

## SUPPORTS

- Reduced movement of people and border closures are leading to severe labour shortages of seasonal workers throughout the region. Germany is forecasting shortages of up to 300,000 agricultural workers. In an attempt to overcome this the government has increased its short term employment allowance from 70 to 115 days without the need for social security contribution. These and similar initiatives in other countries will hopefully support farmers to harvest crops, maintain usual practice and buying habits.
- Various financial support schemes have been introduced by governments within the region, these are available to farmers, dealers and other stakeholders in the supply chain. For information on a specific country please contact Heike John (details below).

## OPPORTUNITIES/ CHALLENGES

- Travel restrictions are presenting challenges for our clients service and technical support teams. Companies are having to adapt to this through use of online applications and improved support manuals.
- Opportunities are available for exporters of innovative and automated solutions to support the harvest season.



# Agritech – Asia Pacific

## SUMMARY

- Clients exporting to Asia are seeing delays to their ongoing projects due to sector shutdowns and difficulty shipping equipment into some countries. Sentiment from the region is one of caution, with unemployment rising. An economic slowdown will almost certainly reduce spending and investment in the Agritech sector.
- New Zealand and Australian agriculture went into this crisis in a relatively strong position with a decent milk price. Australia had also been recovering from severe droughts, machinery expenditure had been increasing with Enterprise Ireland companies starting to see the fruits of this. Covid-19 is likely to halt this upturn and clients should stay close to their partners/distributors and Enterprise Ireland offices in the area for market updates.

## DEVELOPMENTS

- Primary industries and agriculture in particular have been declared essential services across the Asia Pacific region.
- The closure of the food services sector in many countries is playing havoc with the demand for produce such as high value cuts of meat. The collapse of the hospitality industry has also led to workers from this sector looking for regional work on farms and therefore maintaining a healthy supply of labour despite travel restrictions.
- The main season for machinery sales in Australia and New Zealand is from August to October.
- Autumn sales are traditionally muted and its hoped that by spring the market will be recovered and there will be opportunities for clients and their distributors.

Contact: Niall Casey, Market Advisor, Australia  
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## SUPPORTS

- In Australia, farmers are receiving an one off payment of \$750 and from 27 April a Covid-19 Supplement of \$550 per fortnight will be paid to farm households. In New Zealand, Rural Assistance Payments are also being offered to farmers. Supports such as this are designed to help the farmer during the pandemic and will hopefully allow a return to normal spending practice in the later half of 2020.
- For specific information on sector or region supports please contact Niall Casey (details below).

## OPPORTUNITIES/CHALLENGES

- The cancellation of major farm machinery trade shows presents a considerable challenge for Enterprise Ireland clients. For many clients, these events are where sales for the region would be generated. Large shows are the focal points around which many Irish companies arranged meetings and annual travel to the region.
- The weakening of the NZD and AUD will have a significant impact on Irish companies competitiveness in the given markets and reduce their overall margins.
- Clients are encouraged to develop their digital presence and online engagement. Travel restrictions are delaying the progress of client/buyer project meetings in the region. One positive is that countries across the region are realising the need to move away from one to one meetings and improve online communications.





# Agritech – Middle East, India, Africa

## SUMMARY

- Existing clients operating in this region remain optimistic about the long term prospects and scope to develop business here. Opportunities are slow at the moment with local buyers focusing on navigating the Covid-19 pandemic. Client companies are working closely with distributors and Enterprise Ireland offices within the regions countries to monitor the situation as it unfolds.

## DEVELOPMENTS

- India has announced a complete lockdown until 15 April. However state borders are still open for essential commodities including food & health products. In a bid to maintain the country's food production the government has also listed agri inputs as essential goods permitted for inter state travel.
- In South Africa clients are continuing to trade and identify market distributors with EI support. Farming here has been hit by the pandemic and the government have allocated funds for small scale farmers and loans via the Land Bank to bolster the continued supply of food.
- As the Covid-19 virus spreads in this region we are likely to see further border closures and travel restrictions, for more information on this please keep in contact with your Enterprise Ireland contact in the specific area.

## SUPPORTS

- There are various government announcements on supports and incentives for farmers, food producers, contractors, SME business and employees throughout the region. Please connect with the Regional Market Advisor Dr Ureshnie Govender (details below) for more information on a specific country or sector.

## OPPORTUNITIES/ CHALLENGES

- Where possible Enterprise Ireland clients are continuing to fulfil orders for their Middle East and North Africa customers. Projects that are due to begin or had been agreed in principle have been put on hold until at least September. The regions travel and operations restrictions are particularly stringent which is presenting major challenges for trade and planned visits.
- Clients exporting technology and machinery to Sub-Saharan Africa face challenges as currencies weaken across markets, effects from the Covid-19 lockdown and weakened economies coupled with climate and weather effects are of concern. Additionally, East African agriculture is also experiencing issues with locust swarms at the moment.



Contact: Dr Ureshnie Govender , Senior Market Advisor, South Africa  
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# Agritech – North America

## SUMMARY

- Enterprise Ireland client companies are mixed in their sentiments about the US market during the Covid-19 crisis, one client described the mood as “cautiously optimistic” when discussing plans for the rest of 2020. Operations wise, US farmers producing staple crops such as cereals using large machinery will continue relatively unaffected. Smaller scale farms where fruits, organic crops and higher value goods are produced will struggle due to labour shortages, social distancing regulations and a reliance on sales to the food services sector.

## DEVELOPMENTS

- Clients offering Agri-Tech solutions depend on face-to-face communication for initial market tests and winning new business. US farmers are generally wary of new technology and need to be convinced in person. Covid-19 has halted this opportunity, presenting a challenge for agri-tech clients.
- Conversely, agricultural machinery buyers are still purchasing equipment from large dealers. Most farmers are taking the “long-term” view approach to Covid-19
- Dairy and Beef farmers are experiencing price reductions, in the case of beef this could be up to \$200 - \$300 per head. This will have a major impact on their ability to invest in new technology and machinery in the coming year.

## SUPPORTS

- The \$2 trillion federal coronavirus relief package (“CARES”) includes ~\$23.5 billion for farmers. This resulted from lobbying by large corporate farming groups. Covid-19 has had a huge impact on markets, this funding has been introduced to push farmers into sowing crops and prevent the breaking of the food chain. Hopefully as prices recover farmers will see reward for crops planted during this time and continue to invest in machinery imports.

## OPPORTUNITIES/ CHALLENGES

- Many farmers are maintaining CAPEX purchases with the expectation that markets will improve next year.
- Some customers are still willing to meet clients face-to-face, particularly in lower-risk areas in Midwest USA. However in many other areas this type of interaction is not feasible right now.
- Increased price pressure on farmers may open opportunity for technological solutions to cut costs.
- Supply chain cuts could present a challenge, particularly for EI clients without available parts / inventory for finished goods.
- Shipping containers are scarcer, driving up the price of transport for ag-machinery clients.
- Weakening of prices in dairy and beef. Dairy prices below break-even.



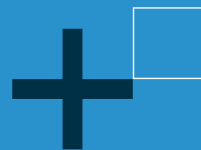


# Industry Insights

See the following reports from Fitch Solutions, McKinsey & Company, Frost & Sullivan and Industry Associations:

- **Global Industry Roundup, Agribusiness Chapter** (see report [here](#))
- **CEMA – CEETTAR – CLIMMAR Joint Statement** (See statement [here](#) & further information [here](#))
- **Farm Tractor and Machinery Trade Association (FTMTA)** Members should follow the organisations statements on the manufacturing guidelines.
- **Covid-19: Implications for business** (see report [here](#))
- **Getting ahead of the next stage of the coronavirus crisis** (see report [here](#))
- **Impact of the Coronavirus on Business** (see report [here](#))

Please contact the Enterprise Ireland Market Research Centre at [market.research@enterprise-ireland.com](mailto:market.research@enterprise-ireland.com) for additional information, access to full articles and industry specific reports.





# Thank You.



Enterprise Ireland is the government organisation responsible for the development and growth of Irish enterprises in world markets. We work in partnership with Irish enterprises to help them start, grow, innovate and win export sales in global markets.

In this way, we support sustainable economic growth, regional development and secure employment.

Learn more at [www.enterprise-ireland.com](http://www.enterprise-ireland.com)

During this unprecedented period Enterprise Ireland is on hand to support you across our network of 40 overseas offices to help you secure and sustain existing business relationships and to research emerging opportunities.

Please connect with our experienced Market Advisors to discuss further.



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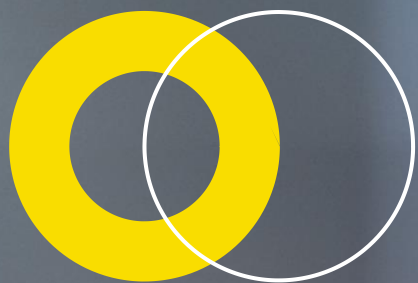
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# Enterprise Ireland Helping You Respond to the Covid-19 Crisis

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Part of Enterprise Ireland's Covid-19 client communications response strategy.

