

THE AGRICULTURAL EQUIPMENT AND FARM MACHINERY MARKET IN CE, SE AND EASTERN EUROPE

**ROMANIA
UKRAINE
TURKEY
RUSSIA
BULGARIA**



Romania

Romania is the 2nd largest grain producer in the region and the 5th in the European Union.

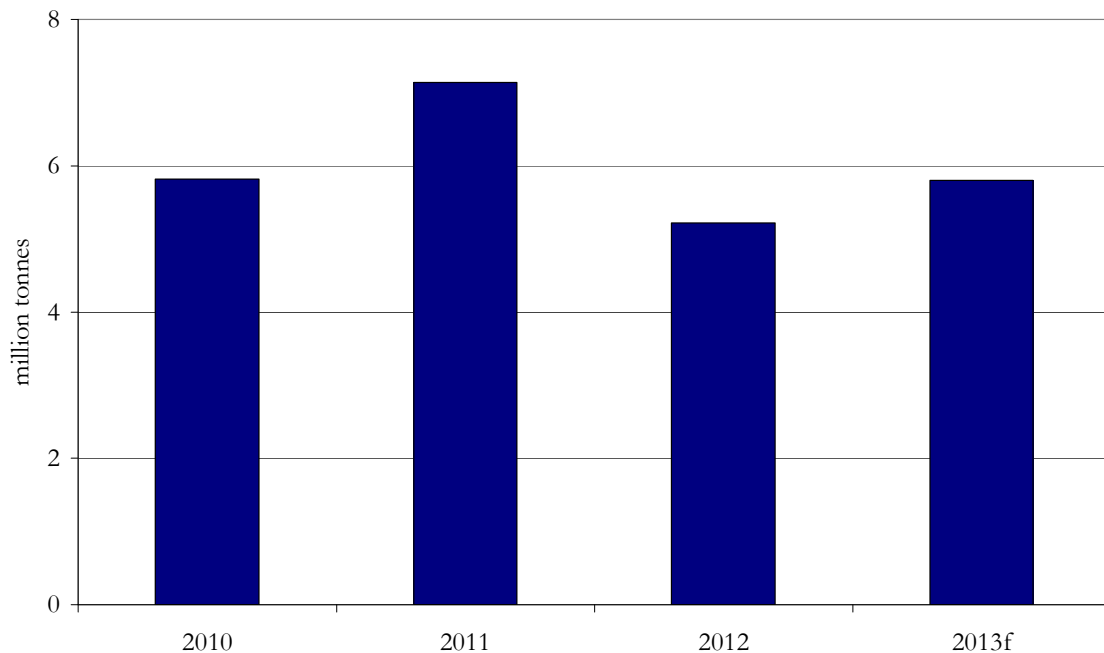
According to the FRD Center research based on official data, the wheat production in Romania recorded approximately 5.2 million tonnes in 2012 on a surface of 1.98 million hectares. The wheat yield recorded approximately 2.63 kg / ha in 2012.

According to the National Institute of Statistics, Romania occupied in 2012 the 5th place among the EU Member States taking into account both the wheat cultivated area and the wheat production.

In 2012, the area cultivated with wheat represented 36.7% of the total area cultivated with cereals for grains in Romania.

According to the European Commission, the wheat production in 2013 in Romania is expected to reach 5.8 million tonnes. This represents an increase of approximately 11% compared to 2012.

Wheat production in Romania



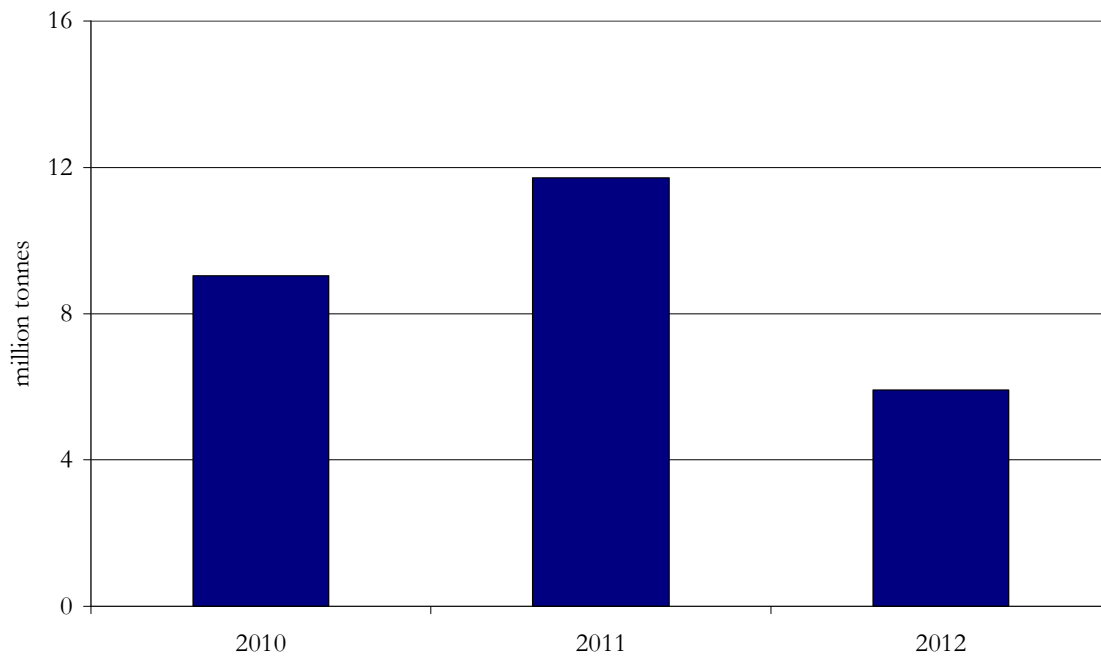
Source: National Institute of Statistics, European Commission

Our research revealed that, according to official data, the maize grains production in Romania recorded 5.92 million tonnes in 2012 on a surface of 2.73 million hectares. The maize yield registered 2.17 kg / ha in 2012.

According to the National Institute of Statistics, Romania occupied in 2012 the 1st place in the European Union in terms of the area cultivated with maize and the 3rd place in terms of the maize production.

In 2012, the area cultivated with maize grains represented 50.4% of the total area cultivated with cereals for grains in Romania.

Maize grains production in Romania



Source: Institute of National Statistics

According to the provisional data of the National Institute of Statistics, the crop production in Romania in 2012 was as follows:

- wheat: 5,215 thousand tonnes
- barley and two-row barley: 968 thousand tonnes
- oat: 336 thousand tonnes
- maize grains: 5,922 thousand tonnes
- sunflower: 1,389 thousand tonnes
- rape: 159 thousand tonnes

- soy: 102 thousand tonnes
- sugar beet: 739 thousand tonnes
- potatoes: 2,464 thousand tonnes
- vegetables (tomatoes, cabbage, cucumbers, carrots, onion, green peppers, water melons and melons): 3,457 thousand tonnes

Our research revealed that some of the largest independent producers of cereals in Romania are: TCE 3 Brazi, Interagro Group, Racova Group, Agro Chirnogi, Cerealcom Dolj, Agrofam Holding etc.

TCE 3 Brazi exploits a surface of over 55,000 hectares in Insula Mare a Brailei, this representing the biggest agricultural farm in Europe, and approximately 3,200 hectares in Neamt. The company estimates for 2013 a crop of 117,000 tonnes of wheat (17.5 million EUR) on the land in Insula Mare a Brailei. In the last years, TCE 3 Brazi made investments of 32 million EUR in the irrigation systems.

Interagro Group exploits approximately 55,000 hectares of agricultural land, located in the southern area of the country.

Racova Group exploits approximately 54,000 hectares in the north-eastern region of the country (Moldova region). For the next years, the Group intends to continue the acquiring of agricultural land and to expand the silo capacity to 350,000 tonnes.

Agro Chirnogi exploits approximately 35,000 hectares of agricultural land. The land is located in the Giurgiu, Calarasi and Timis regions.

In 2012, Cerealcom Dolj cultivated 13,000 hectares of wheat and some 10,000 hectares of maize and sunflower. The company recorded in 2012 the average wheat production of 5.5 tonnes / hectare. Cerealcom Dolj has silos with the storage capacity of 450,000 tonnes.

Agrofam Holding exploits approximately 17,000 hectares of agricultural land. The company has silos with the storage capacity of some 100,000 tonnes and it plans to invest approximately two million EUR in order to expand its storage capacity.

FRD Center research revealed that significant investments in the development of the agricultural equipment have been registered on the Romanian market over the last years. The main factors contributing to this development were:

- the EU funds available for the farmers
- the Buy-Back “Rabla” Programme for agricultural machinery

- the special credits for co-financing
- the wider using of second-hand equipment
- the increase of the number of modern and efficient farms with large surfaces and financial capacity

The Measure 121: Modernisation of Agricultural Holdings within the Axis 1: Improving the competitiveness of agricultural and forestry sector of the National Rural Development Programme 2007 - 2013, finances investments for the acquisition of tractors, agricultural machinery and other equipment specific to the vegetal and animal sectors, through public assistance (EU and national) and private co-financing. The Romanian authority in charge with this Programme is the Payment Agency for Rural Development and Fishing, subordinated to the Ministry of Agriculture and Rural Development.

By 27 June 2013, within the Measure 121 in Romania, 2,333 projects with the public value of approximately 966.7 million EUR have been approved. The payments within the Measure 121 recorded approximately 438.8 million EUR by 27 June 2013.

According to the FRD Center research, based on the data provided by the Financial Companies Association - ALB Romania, in the second trimester of 2012, the agricultural equipment represented 6.6% of the Romanian leasing market.

According to BCR Leasing, the leasing market of the agricultural equipment in Romania could reach 130 million EUR in 2013.

The Romanian market of agricultural equipment recorded a growing trend in the last years mainly based on imports. Romania imports agricultural equipment from Germany, Italy, Austria, France, Hungary, Bulgaria, Turkey, China etc.

In 2012, Romania imported 882 combine harvesters worth 96,894,310 USD and 2,096 pieces of harvesting machinery worth 13,651,916 USD.

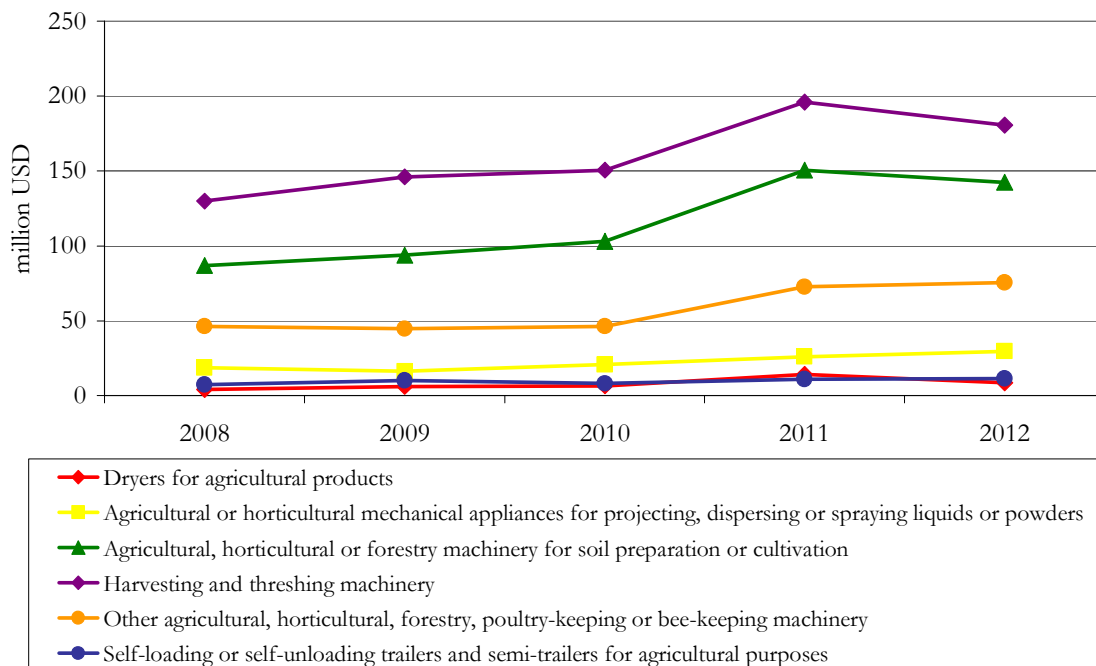
In regards of equipment for vineyards, vegetable plots and orchards, our research revealed that the Romanian market is dominated by imported machinery. The main users of this equipment are vineyards (such as Murfatlar, Jidvei, Cotnari, Odobesti, Pietroasa, Vincon, Segarcea, Dealu Mare, Tarnave etc), orchards (such as Hortifruct, Kronstadt Fructe, Pombis). The most popular machines in this category used on the Romanian market are: trailed atomisers, lift mounted atomisers, trailed sprayers, lift mounted sprayers and hand sprayers. The products are acquired mainly from importer - distributors on the local market.

According to the FRD Center research, the large vineyards and orchards in Romania use mainly trailed and lift mounted atomisers and sprayers. The smaller vineyards and orchards use mainly hand sprayers. The atomisers and sprayers used on the domestic market are mainly brands from Italy, Germany, Spain, France, Slovenia, Denmark, USA, Japan, China etc. The Romanian users prefer to acquire imported equipment for vineyards, vegetable plots and orchards due to the fact that the domestic production is limited and the foreign offer is very wide and has good quality. The Romanian users prefer to acquire new equipment rather than used machinery for vineyards, vegetable plots and orchards and the decision is made based on price, quality, payments conditions etc.

According to our analysis, y/y increases of the Romanian imports in 2012 were recorded for the following categories of agricultural equipment:

- Agricultural or horticultural mechanical appliances for projecting, dispersing or spraying liquids or powders: approx. 14%
- Other agricultural, horticultural, forestry, poultry-keeping or bee-keeping machinery: approx. 4%
- Self-loading or self-unloading trailers and semi-trailers for agricultural purposes: approx. 5%

Imports of agricultural equipment in Romania



Source: National Institute of Statistics

Main importers of agricultural equipment and farm machinery in Romania include: IPSO, NHR Agropartners, Agrocomert Holding, MEWI and Agrowest-BMB.

The main agribusiness international trade fair in Romania is Indagra: www.indagra.ro. The 18th edition of the fair takes place in Bucharest during 30 October - 03 November 2013. In 2012, the fair recorded over 55,000 visitors and approximately 400 exhibitors on a total area of over 30,000 square meters. In 2012, approximately 40% of the participants were international companies.

Ukraine

The agriculture has an important role in the Ukrainian economy, benefiting of fertile black soil and temperate climate.

According to the Food and Agriculture Organization of the United Nations, Ukraine may become the 6th largest world exporter of wheat by 2021.

Our research revealed that specialists consider that by 3rd of July 2013, the Ukrainian farmers have harvested 3.4 million tonnes of winter wheat, 2.2 million tonnes of winter barley, 186 thousand tonnes of spring barley, 311 thousand tonnes of rape and 71 thousand tonnes of peas. The average yields record 2,400 kg / ha compared to 1,700 kg / ha in the past year.

According to the FRD Center research, during the agricultural year 2012 - 2013, Ukraine exports reached nearly 23 million tonnes of cereals, out of which 13.5 million tonnes of maize and 6.8 million tonnes of wheat, compared to approximately 22 million tonnes of cereals in the past agricultural year, these representing some of the best indices since 1989. For the last five years, the export average volume was of 14.7 million tonnes of cereals per year.

According to the Ministry of Agrarian Policy and Food, the Ukrainian exports of grains are forecasted to record 26 million tonnes in the agricultural year 2013 - 2014, this representing an absolute record for the Ukrainian grain exports.

In its June World Agricultural Supply and Demand Estimates, the United States Department of Agriculture forecasts a wheat production in Ukraine of 15.76 million metric tons in 2012 - 2013 and of 22 million metric tons in 2013 - 2014.

According to the State Statistics Service, the production of main agricultural crops in 2012 in Ukraine was as follows:

- grain and leguminous (without the cleaning): 46,216.2 thousand tonnes

- sugar beet (factory): 18,438.9 thousand tonnes
- sunflower seeds (without the cleaning): 8,387.1 thousand tonnes
- potatoes: 23,250.2 thousand tonnes
- vegetables (grown in the open): 10,016.7 thousand tonnes

The animal production in Ukraine during the period January - May 2013, according to the State Statistics Service, was as follows:

- meat (in live weight): 1,328.8 thousand tonnes
- milk: 4,303.5 thousand tonnes
- eggs: 8,246.2 million pieces

Ukraine and the EU signed the Association Agreement which is expected to provide long-term economic advantages for Ukraine, including in the agricultural sector.

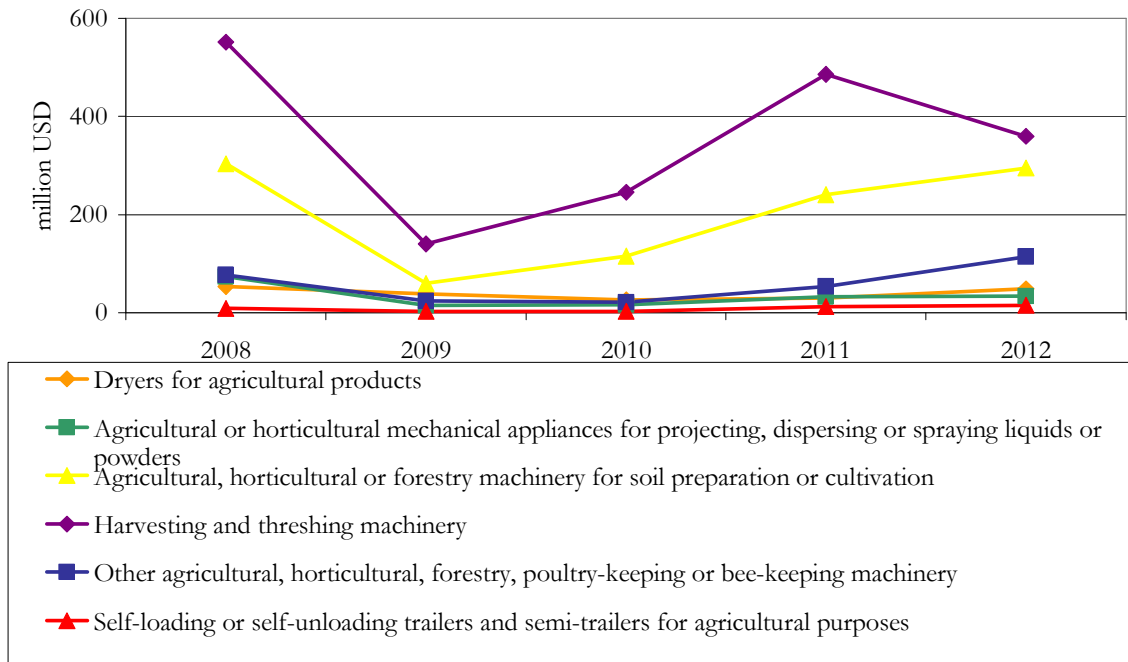
The Ukrainian Ministry of Agrarian Policy and Food plans to attract investment in the sector of the agricultural machinery due to the fact that the country needs to significantly upgrade its agricultural equipment.

Our research revealed that the agricultural sector in Ukraine attracted approximately two billion USD of capital investments in 2012, up by 11% compared to 2011. The authorities forecast that the agricultural companies in Ukraine will attract 30 billion USD in the next ten years.

Following our analysis, it resulted that the imports of the agricultural machinery in Ukraine recorded growths in 2012 compared to 2011 for the following categories:

- Dryers for agricultural products: approx. 64%
- Agricultural or horticultural mechanical appliances for projecting, dispersing or spraying liquids or powders: approx. 4%
- Agricultural, horticultural or forestry machinery for soil preparation or cultivation: approx. 23%
- Other agricultural, horticultural, forestry, poultry-keeping or bee-keeping machinery: approx. 114%
- Self-loading or self-unloading trailers and semi-trailers for agricultural purposes: 26%

Imports of agricultural equipment in Ukraine



Source: State Statistics Service

Our research revealed that some of main importers of agricultural equipment and farm machinery in Ukraine include John Deere, Case Corporation, New Holland and AGCO. Local importers include Profiagro Ltd., ZapAgroTech Ltd. and Technovector Ltd.

The main agribusiness international trade fair in Ukraine is the Agro Expo Show: www.agro-expo.com. The organizer of the event is the Ministry of Agrarian Policy and Food of Ukraine. The 25th edition of the fair took place during 22 - 25 May 2013 in Kiev. The edition in 2012 registered 1,522 exhibitors from 19 countries, 121,220 visitors from 33 countries and 50 business events (seminars, conferences, presentations) on a total exhibition area of 20,200 sqm.

Turkey

Turkey is the largest producer and exporter of agricultural products in the Near East and North Africa regions. Such a significant agricultural sector has resulted in a strong and developed agricultural machinery sector in Turkey.

The country's traditional agriculture sector accounts for about 25% of employment.

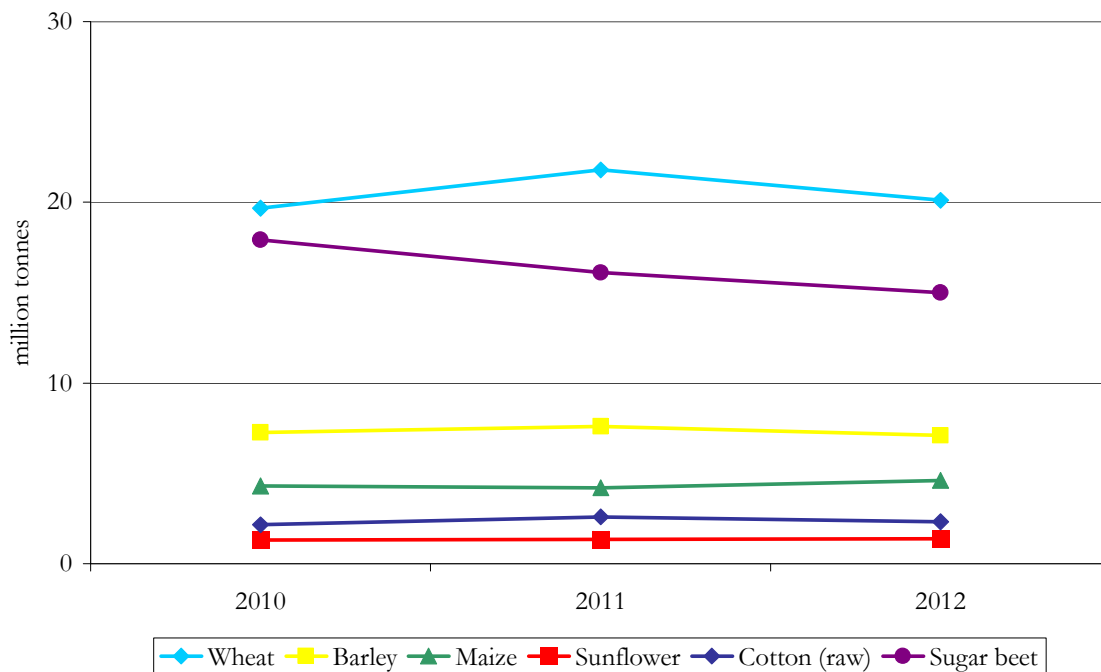
According to the Turkish Statistical Institute, the value of the crop production in 2012 recorded 87,849,891,988 TL (approx. 35.2 million EUR), out of which:

- cereals and other crop products: 33,109,392,225 TL (approx. 13.3 million EUR)
- vegetables: 25,523,049,611 TL (approx. 10.2 million EUR)
- fruits, beverages and spices crops: 29,217,450,151 TL (approx. 11.7 million EUR)

The area of cereals and other crop products recorded 19,750 thousand hectares in 2012 in Turkey, out of which 15,464 thousand hectares of sown area and 4,286 thousand hectares of fallow land.

Our research revealed that the wheat production in Turkey in 2012 recorded 20.1 million tonnes, this representing a decrease by approximately 8% compared to 2011. The Turkish maize production recorded an increase by 9.5% in 2012 compared to the previous year, reaching 4.6 million tonnes.

Crop production in Turkey



Source: Turkish Statistical Institute

The value of the animal production in Turkey in 2012 recorded 112,868,484,420 TL (approx. 45.3 million EUR), according to the Turkish Statistical Institute, out of which:

- livestock: 63,546,623,452 TL (approx. 25.5 million EUR)
- animal products: 49,321,860,968 TL (approx. 19.8 million EUR)

According to the Turkish Statistical Institute, the fleet of agricultural machines and equipment in Turkey in 2012 included:

- 1,178,253 tractors (up by 4.7% compared to 2011)
- 14,813 combine – harvesters (up by 3.5% compared to 2011)

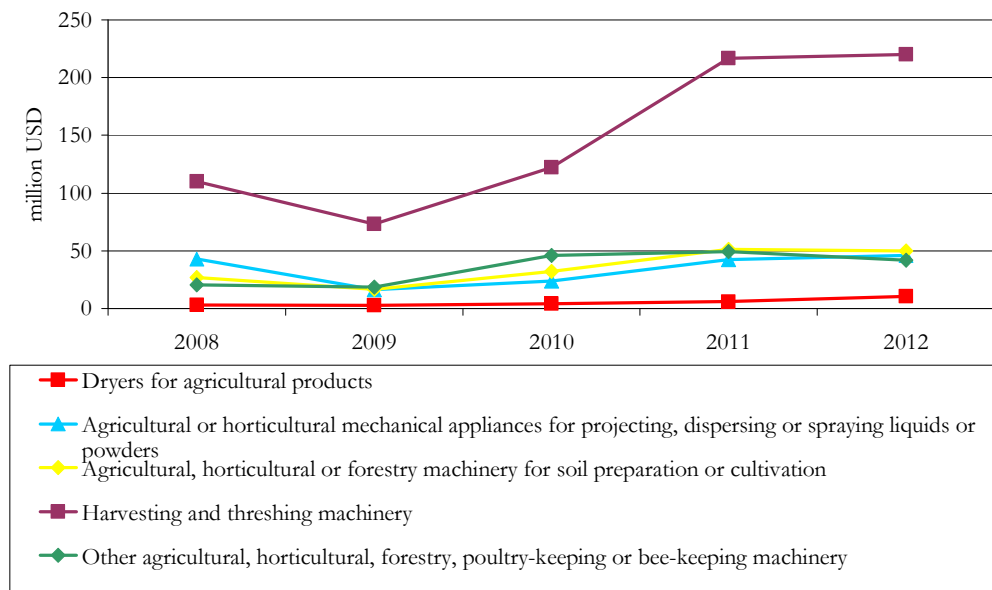
Within the Instrument for Pre - Accession Assistance (IPA), Turkey has a funding allocation of 902.9 million EUR in 2013. The agriculture and rural development receives 23% of the IPA funds.

FRD Center research revealed that Turkey attracted significant amounts of FDI in the agriculture sector in the last ten years. The FDI in the food and agriculture sectors in Turkey reached 2.1 billion USD in the first ten months in 2012.

According to the FRD Center analysis, in 2012 compared to the previous year, increases of the imports of agricultural machinery in Turkey were recorded as follows:

- Dryers for agricultural products: 82%
- Agricultural or horticultural mechanical appliances for projecting, dispersing or spraying liquids or powders: approx. 10%
- Harvesting and threshing machinery: approx. 2%

Imports of agricultural machinery in Turkey



Source: Turkish Statistical Institute

The FRD Center research revealed that some of the main manufacturers of agricultural equipment operating in Turkey are: TürkTraktör, Agrimir, Agrional, Alparslan Tarım, Çekişkesen, Alpler, Hisarlar, Atespar, Birleşim, Muzaffer Kagitcioglu and Palazoğlu. TürkTraktör will receive a loan of 75 million EUR from EBRD in order to modernise its plant in Ankara and to build a brand new plant in Erenler.

Some of the main importers of agricultural equipment and farm machinery in Turkey include Harman Traktor ve Bicerdover San ve Tic, Mercan Traktör ve Ziraat Makineleri Tic, Öztrak Özmenler Traktör Komisyon Tarım Aletleri İnşaat San ve Tic.

One significant exhibition in Turkey is Growtech Eurasia International Greenhouse, Agricultural Equipment and Technologies Fair: www.growtech.com.tr. The 13th edition of the event takes place during 04 - 07 December 2013 in Antalya. In 2012, the exhibition registered 612 national and international exhibitors and 69,726 visitors on a surface of 35,000 sqm. For 2013, Growtech Eurasia Fair targets the participation of over 650 national and international exhibitors and over 70,000 visitors.

Turkey has ambitious targets for 2023, the 100th anniversary of the Republic, including:

- a gross agricultural domestic product of 150 billion USD
- an agricultural export of 40 billion USD

Russia

Russia is one of the largest grain producers in the world. The country is the world's second largest exporter of wheat.

The agriculture plays a significant role in the Russian economy. Despite representing only 4.2% of GDP, the agriculture employs over 10% of the labour force, with significant contribution to the rural development. Therefore, the agriculture receives at present special attention from the Russian government.

Our research revealed that, according to the specialists, by 2nd of July 2013, Russia has harvested 9.3 million tonnes of cereals, up by 90% compared to the previous year, on a surface of 2.5 million hectares. The average yield records approximately 3,720 kg / ha. In the North and South Caucasus regions the grain harvesting continues. Also, it has started the harvesting in the Privolzh Region.

By 2nd of July 2013, the wheat production recorded 7.4 million tonnes, up by 72% compared to the previous year, on a surface of 2 million hectares, resulting a wheat yield of approximately 3,700 kg / ha.

Also, by 2nd of July 2013, the country registered a production of 1.5 million tonnes of barley and 189.4 thousand tonnes of rape.

In its June World Agricultural Supply and Demand Estimates, the United States Department of Agriculture forecasts a wheat production in Russia of 37.72 million metric tons in 2012 - 2013 and of 56 million metric tons in 2013 - 2014.

According to the Federal State Statistics Service, the animal production in 2012 in Russia was as follows:

- livestock and poultry for slaughter (in live weight): 11.6 million tonnes
- milk: 31.9 million tonnes
- eggs: 42 billion pieces

Russia is expected to spend approximately 7.8 billion EUR in 2013 in order to support its farmers, out of which approx. 4.1 billion EUR will come as direct grants, approx. 3.5 billion EUR as easy credits and approx. 0.2 billion EUR as leased farming machinery and processing equipment.

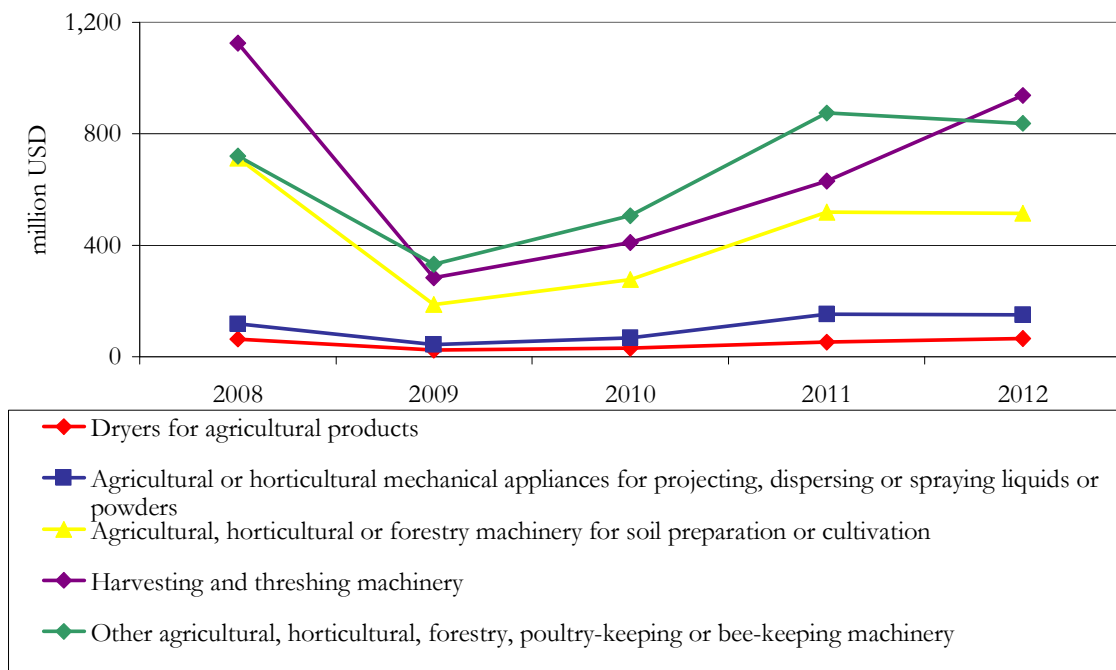
According to the FRD Center research, the Swedish agricultural company Alpcot Agro AB invests in Russia and Ukraine, taking into account the favourable farming climate conditions. Alpcot Agro controls approximately 280,000 hectares of farmland in Russia and Ukraine and operates also livestock farms. The company's total area of commercial crops for harvest in Russia and Ukraine covers 128,900 hectares in 2013, compared to 126,000 hectares harvested in 2012

The international company Cargill has operations in Efremov, Russia that include a corn and wheat sweeteners plant, a vegetable oil refinery, an animal feed mill and a malt facility. In June 2013, Cargill opened a chicken processing facility in its complex in Efremov, following investment of 40 million USD. Since 1994, Cargill has invested over 400 million USD in upgrading its facilities in Efremov. Currently, Cargill employs over 1,000 people in Efremov.

According to our analysis, increases of the Russian imports in 2012 compared to the previous year were recorded by the following categories of agricultural machinery:

- Dryers for agricultural products: 24%
- Harvesting and threshing machinery: approx. 49%

Imports of agricultural machinery in Russia



Source: Federal State Statistics Service

Our research revealed that among the main importers of agricultural equipment in Russia there are AgroDok and Agro-Master.

One significant agricultural fair in the country is AgroTech Russia: www.agrotechrussia.com. The 8th edition of the event takes place during 9 - 12 October 2013 in Moscow. The edition in 2012 registered 512 exhibitors from 29 different countries and over 22,000 expert visitors and on a surface of 34,000 sqm.

Bulgaria

According to the forecasts of the Ministry of Agriculture and Food published in April 2013 by the Bulgarian press, the production of wheat in Bulgaria is expected to record 4.5 million tonnes in 2013, compared to approximately 4.4 million tonnes in 2012. This will be achieved based on the grain yield increasing.

According to the National Statistical Institute, the real income index in agriculture in Bulgaria increased by 8.7% in 2012 compared to 2011. Compared to 2011, the net operating surplus / net mixed income in agriculture increased by 10.4% which was mainly due to the

increasing of subsidies (by approx. 98 million EUR) while the net entrepreneurial income increased by 10.7%.

Our research revealed that Bulgaria was the only Black Sea country that recorded y/y increase of the wheat production in 2012. The wheat production grew mainly due to a higher average yield despite the decrease of the wheat cultivated area by 5.4%.

According to the estimates of the National Statistical Institute, the crop output in Bulgaria recorded 5,164.9 million BGN (approx. 2,637 million EUR) in 2012, out of which:

- cereal crops: 2,581.4 million BGN (approx. 1,318 million EUR)
- industrial crops: 1,580.6 million BGN (approx. 807 million EUR)
- fodder crops: 385.8 million BGN (approx. 197 million EUR)
- vegetables: 218.7 million BGN (approx. 112 million EUR)
- potatoes: 60.7 million BGN (approx. 31 million EUR)
- fruit: 317.7 million BGN (approx. 162 million EUR)
- other crop products: 20 million BGN (approx. 10 million EUR)

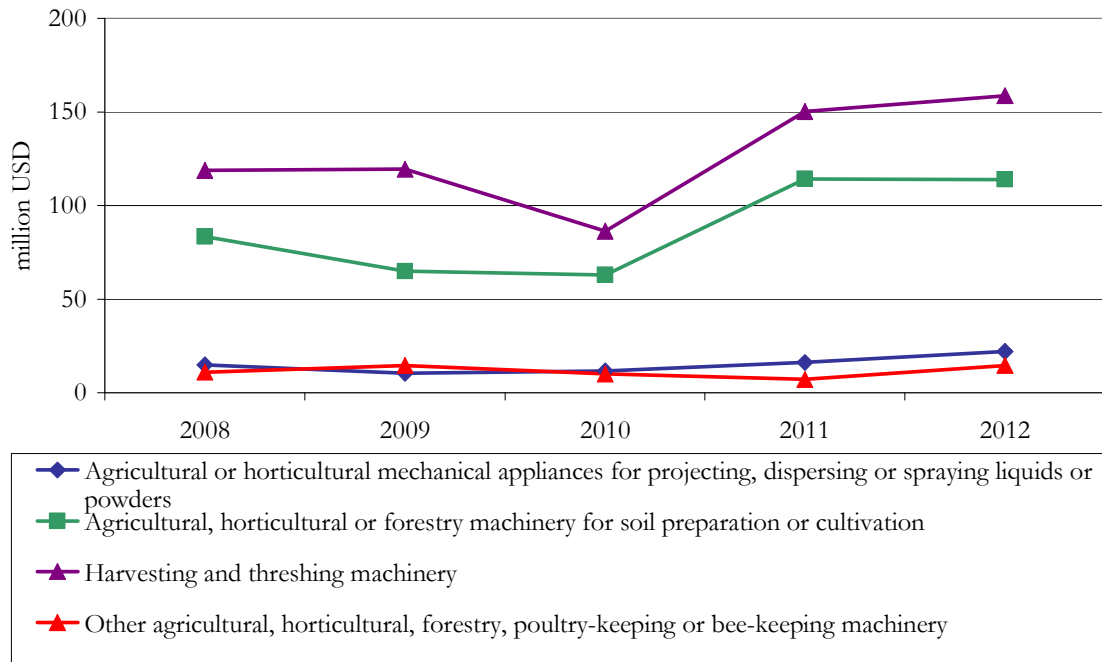
According to the FRD Center research, the Ministry of Agriculture and Food in Bulgaria announced in February 2013 that the agricultural producers will receive grants of nearly 1.073 billion BGN (approx. 0.55 billion EUR) in EU subsidies for 2013. Also, 15 billion BGN (approx. 7.7 billion EUR) will be pumped into the Bulgarian agriculture during the period 2014 - 2020.

Within the Measure 121: Modernization of Agricultural Holdings of the Rural Development Programme, 107 new projects with a total subsidy of approximately 13.6 million EUR will be financed in Bulgaria. These projects involve the purchasing of equipment for the cereal production, the purchasing of equipment for the production of vegetables and fruits, the purchasing of irrigation systems, the construction of vegetables greenhouses, the upgrading of animal farms etc.

According to our analysis, the imports of the agricultural machinery in Bulgaria recorded growths in 2012 compared to 2011 in case of the following categories:

- Agricultural or horticultural mechanical appliances for projecting, dispersing or spraying liquids or powders: approx. 35%
- Harvesting and threshing machinery: approx. 6%
- Other agricultural, horticultural, forestry, poultry-keeping or bee-keeping machinery: approx. 103%

Imports of agricultural equipment in Bulgaria



Source: National Statistical Institute Bulgaria

Our research revealed that some of the main importers of agricultural machinery in Bulgaria are: Agritrack, Farmer 2000, Opticom, Agromachina, Rapid KB, Titan Machinery Bulgaria, Megatron, Universal NVG and Stoychevi.

One significant event organised in Bulgaria is the International Agricultural Exhibition AGRA: www.fair.bg. The fair took place during the period 5 - 9 March 2013 in Plovdiv.

Sources:

National Institute of Statistics in Romania, Ministry of Agriculture and Rural Development in Romania, Payment Agency for Rural Development and Fishing in Romania, Ministry of Economy in Romania, Financial Companies Association in Romania, State Statistics Service of Ukraine, Ministry of Agrarian Policy and Food in Ukraine, Ukrinform, Turkish Statistical Institute, Federal State Statistics Service in Russia, Ministry of Agriculture and Food in Bulgaria, National Statistical Institute in Bulgaria, Bursacereale.com, European Commission United States Department of Agriculture, the companies

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