

## CEMA – European Agricultural Machinery Industry Association

### CEMA's assessment of Covid-19 impact on Agricultural Machinery – Call for temporary moratorium for machines with transition engines

EU Transparency Register: [489575310490-58](https://ec.europa.eu/transparency/regexp1/index.html?value=489575310490-58)

Brussels, 17<sup>th</sup> March 2020

CEMA strongly supports the overall business call released<sup>1</sup> on Covid-19 as responsibility, action and solidarity is urgently required to protect businesses, society and our economy.

For the Agricultural Machinery industry, manufacturers report:

- Multiple **supply chain** disruption risks, of growing importance as the outbreak increases. Our members' ability to handle these disruptions varies significantly according to individual manufacturing organizations and integration levels as well as corporate size, with SMEs being particularly exposed. Some businesses already report production plan concerns for around the summer, but many companies don't know yet how to manage the issue. In particular:
  - Engines are for now available, although under dense schedules, but suppliers of pumps, electronic cards, front axles, raw material (steel, plastic etc), counter weights, hydraulic components, valves, transmissions, seats, machine controls... already announce the risk of breakage.
  - Critical components and raw materials, notably sourced in China, Asia, Europe and more latterly North America have led to serious delays in the delivery of our finished products in time to comply with stage V regulations. The Commission and Member States may therefore want to **explore options for time sensitive products with transition engines under Stage V emissions regulation 1628/2016/EU**, as some of these machines may not be fully completed by **30 June 2020** for the lack of available components (engine related or not). We understand a temporary moratorium was previously granted for other products (mobile air conditioning units) in comparable exceptional times (2011 Tsunami in Japan) impacting the supply chain.
  - The sharp spread of the virus is expected to continue all around Europe in the coming weeks and months, and particularly in countries being at the same time major manufacturers and major markets of Ag Machinery: Italy, Germany, France and Spain. Disruption of supply chains may therefore continue also for the second half of 2020 (at least), and the issue with components supplied by China has now become a larger issue including European and North American supplies when manufacturers miss components that should have been produced in Europe and couldn't because of the severe workforce containment measures or facility closures ongoing in more and more EU Countries. As the

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<sup>1</sup>[https://www.busesseurope.eu/sites/buseur/files/media/position\\_papers/busesseurope\\_statement\\_on\\_covid19.pdf](https://www.busesseurope.eu/sites/buseur/files/media/position_papers/busesseurope_statement_on_covid19.pdf)

situation further unfolds, we believe that the Commission and Member States may also want to explore options for time sensitive machines fitted with transition engines in the range 56-130 kW which face a **June 2021 production deadline**.

- Shortage of components will impact the shipping and invoicing to Dealers, generating delivery issues as well as related potential cash flow impact.
- Manufacturers closely work with local authorities to implement voluntary and mandatory **containment measures** though health recommendations and dedicated procedures (travel limitations, e-meetings, teleworking, attendance to external events...). Factory temporary closures are now reported, including as required by law. Best practices should be shared at European level.
- Manufacturers are also working with their local government to explore and implement **mitigation measures** available locally to flex production capacity and employment and manage financial exposure. To mitigate reduced parts supply, manufacturers have imposed reductions in production hours, changes to shift patterns and revised production schedules. It is anticipated that many companies of the agri-machinery industry will strive to survive the present downturn and upcoming recession. Small manufacturers, distributors and dealers will be violently hit by the current health crisis and will experience solvency issues. Best practices should be shared at European level.
- Difficulties are experienced and expected for **inbound transports** (land and sea), while the **outbound transportation / distribution / servicing** of machines in confined area or with limited circulation of people and goods area is increasingly difficult.
- Depending on the origin of supply, some **spare parts** could quickly come under short supply, which could in turn create servicing issues in repair shops.
- The latest CEMA barometer results<sup>2</sup> capture a negative **evolution of the current and future business sentiment**, which may very well be linked to the outbreak of COVID-19. In addition, the assessment released on March 16<sup>th</sup> may already be outdated since more than half of the input was provided when the survey opened on March 3<sup>rd</sup> (90% complete by March 9<sup>th</sup>).
- **Customer** mood has been slowing down in line with the precautionary atmosphere brought by the coronavirus, and is quickly changing based on local circumstances. Many segments of our industry are serving a **seasonally driven business**, where orderbook should be filled before the season starts and deliveries done during the season. If salesmen cannot visit farmers when needed or if the sentiment of farmers is down in this critical order intake period, the impact could be felt for the whole year.
- As distributors and dealers from the sector achieve 80% of their turnover from March to September, it is essential that EU Member States see their **services** among the critical ones **to remain accessible** with the appropriate mitigation measures to be

<sup>2</sup> [https://www.cema-agri.org/images/pdf/business-barometer/2020-03\\_CEMA\\_Business\\_Barometer\\_Report.pdf](https://www.cema-agri.org/images/pdf/business-barometer/2020-03_CEMA_Business_Barometer_Report.pdf)

taken against Covid-19. Notably, round-the-clock maintenance of the machinery during the planting and harvesting seasons should be kept open in order to support farmers producing food for human consumption and avoid damageable disruptions at the farm level. As such, the distribution and service infrastructures are an essential part of the EU's food security but also of many EU trade partners.

- The European Union, through the CAP and other emergency measures, should foresee measure of support for the domestic demand in order to **help the farmers to recover and increase the productivity**. Establishing special guarantees for credits contracted by farmers could be implemented to alleviate the risks.

### ABOUT CEMA

CEMA ([www.cema-agri.org](http://www.cema-agri.org)) is the association representing the European agricultural machinery industry. With 11 national member associations, the CEMA network represents both large multinational companies and numerous European SMEs active in this sector.

CEMA represents about 4,500 manufacturers, producing more than 450 different machine types and generating an aggregated annual turnover of more than EUR 28 billion. 135,000 people are directly employed in the sector, with a further 125,000 people working in distribution and maintenance.

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