

## CBI MARKET SURVEY

## The castings and forgings market in the Netherlands

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**Report summary**

This CBI market survey discusses the following highlights for the castings and forgings sector in the Netherlands:

- The Dutch engineering industry is a major end-user of castings and forgings. The engineering industry ranked seventh in the EU and is expected to show an increasing output in 2008.
- The Dutch production of ferrous metal castings increased in recent years. One of the key issues in the industry is the high costs of energy, forcing the foundries to implement measures to reduce energy expenditure.
- In recent years, some engineering production has been relocated to low cost countries (LCCs). This trend is expected to continue even more in the future, which may lead to a deceleration of demand growth for castings and forgings in the Dutch engineering industry.
- The Netherlands was a large importer of castings and forgings, ranking seventh in the EU. The total import value annually increased by 11% in the period 2002-2006. The country ran large trade deficits for articles of iron, steel or base metal (€386 million), light and ultra light products (€268 million), parts of machinery, railway equipment and vehicles (€152 million), and trade surpluses for plastic and rubber products (€697 million) and iron and steel products (€2.2 billion).
- Imports from DCs annually increased by 32% in value. The total share of DCs in import value increased from 4.4% in 2002 to 8.8% in 2006. China accounted for 40% of all imports coming from DCs, followed by South Africa (13%), Turkey (9%), Indonesia (8%), India (7%) and Brazil (5%). The DCs that saw the largest increase of their share to the country were South Africa, Chile, Peru, the Philippines, Lebanon, India and Indonesia.
- Dutch companies value long term relationships with trade partners who can work according to their methods and standards. Problems in the area of quality, logistics and communication have been reasons why Dutch companies decided to stop working with Chinese foundries.
- The price pressure on components and systems as a result of strong global competition, in combination with an ongoing strong demand for engineering and construction products, has made room for an increase of sourcing in DCs. However, DC exporters are still not capable of supplying the quality yet that is necessary for the EU market. Although DCs saw an increase in exports of castings and forgings to the Netherlands, these parts are assembled into products that are directed to markets with lower quality standards, such as Africa.

This survey provides exporters of castings and forgings with sector-specific market information related to gaining access to the Netherlands. By focusing on a specific country, this survey provides additional information, complementary to the more general information and data provided in the CBI market survey 'The castings and forgings market in the EU', which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used as well as information on other available documents for this sector. It can be downloaded from <http://www.cbi.eu/marketinfo>.

## 1 Market description: industrial demand and production

### Industrial demand

Because no data for the demand for castings and forgings are available, this survey puts a focus on two major end-user industries in the Netherlands that offer good opportunities for developing country (DC) exporters: the engineering and the construction industry. Since both industries use many cast and forged parts and products, the production output of both industries is a good indication of the demand for cast and forged parts in these industries.

### Engineering industry

The Dutch engineering industry is a leading end-user of ferrous metal castings, accounting for 15% of locally produced ferrous metal castings. It is also a major end-user of forgings, consuming between 10-45% of all forgings. The Dutch production in the engineering industry grew 5% per year in the period 2002-2006, totalling €19.5 billion in 2006. While production in the mechanical engineering industry grew 5.8% per year in the period 2002-2006, the production in the electrical engineering industry increased by only 2.2% per year, due to relocation of some production to low cost countries (LCCs), such as the relocation of production of one electronic division of Honeywell to the Czech Republic. The medium-sized Dutch engineering industry ranked seventh in the EU, behind Spain and Sweden, but ahead of Austria and Poland. Refer to Table 1.1 for more information on the market size of the several engineering categories, as well as the estimated shares of castings and forgings in these categories.

**Table 1.1 Dutch engineering production, by category and including the production value share of castings and forgings, 2002-2006, € million**

	Share of castings and forgings*	2002	2006	Annual change '02-'06
<b>Total engineering</b>		<b>16,035</b>	<b>19,525</b>	<b>5.0%</b>
<b>Mechanical engineering</b>		<b>12,516</b>	<b>15,685</b>	<b>5.8%</b>
Lifting and handling equipment	10%	2,071	2,589	5.7%
Agricultural tractors and machinery	30%	1,365	1,592	3.9%
Machinery for food, beverage and tobacco processing	25%	1,167	1,477	6.1%
Non domestic cooling and ventilation equipment	10%	1,330	1,474	2.6%
Pumps and compressors	50-70%**	1,278	1,442	3.1%
Engines and turbines	40%	705	658	-1.7%
Valves and taps	60-70%	537	638	4.4%
Machine tools, woodworking mach., welding equipm.	***	441	515	4.0%
Bearings, gears, gearing and driving elements	50%	203	475	23.7%
Machinery for mining, quarrying and construction	15-25%	234	393	13.8%
Machinery for textile, apparel and leather production	60-70%	202	166	-4.8%
Industrial furnaces and furnace burners	10%	84	158	17.1%
Machinery for paper and paperboard production	25%	50	60	4.7%
Machinery for metallurgy	20-25%	10	10	0.0%
<b>Electrical engineering</b>		<b>3,519</b>	<b>3,840</b>	<b>2.2%</b>
Other electrical equipment	5-25%	845	1,000	4.3%
Electric distribution and control apparatus	5-10%	663	750	3.1%
Electric motors, generators and transformers	30-40%	854	650	-6.6%
Lighting equipment and electric lamps	5-25%	371	550	10.3%
Electric domestic appliances	5-25%	176	170	-0.9%
Accumulators, primary cells and primary batteries	5-25%	32	100	33.0%
Electric equipment for engines and vehicles	5-25%	10	20	18.9%

Source: European Union Enterprise and Industry (2007)

\* Based on estimations of industry experts and the German Foundry Association.

\*\* Pumps consist for about 70% of castings and forgings, while compressors consist for about 50% of castings and forgings.

\*\*\* While machine tools have a large share of castings and forgings (40-50%), woodworking machinery (10-20%) and welding equipment (5%) have a far smaller share of castings and forgings.

As becomes clear from Table 1.1, several categories contain a relatively large production value share of castings and forgings. Of the most relevant categories, "bearings, gears, gearing and driving elements" (+23.7% per year), "valves and taps" (+4.4%), "machine tools, woodworking machinery and welding equipment" (+4.0%) and "agricultural tractors and machinery" (+3.9%) performed the best. On the other hand, the demand for "electric motors, generators and transformers" declined (-6.6%), as well as the demand for "machinery for textile, apparel and leather production" (-4.8%) and "engines and turbines" (-1.7%). The position of the Netherlands in the EU in these main castings and forgings consuming engineering categories was as follows:

- Pumps and compressors: the Netherlands ranked sixth with 4% EU market share, behind the UK (11% EU market share) and Belgium (5%), but ahead of Spain (4%) and Denmark (3%).
- Agricultural tractors and machinery: the Netherlands ranked fifth with 5% EU market share, behind France (14% EU market share) and the UK (8%), but ahead of Finland (4%) and Spain (4%).
- Valves and taps: the Netherlands ranked seventh with 2% EU market share, behind Denmark (6% EU market share) and Sweden (3%), but ahead of Spain (2%) and Poland (1%).
- Engines and turbines: the Netherlands ranked ninth with 3% EU market share, behind Spain (3% EU market share) and Poland (3%), but ahead of Belgium (3%) and the Czech Republic (2%).
- Bearings, gears, gearing and driving elements: the Netherlands ranked eleventh with 1% EU market share, behind Belgium (2% EU market share) and Austria (2%), but ahead of the Czech Republic (1%) and Finland (1%).
- Electric motors, generators and transformers: the Netherlands ranked thirteenth with 1% EU market share, behind the Czech Republic (2% EU market share) and Poland (1%), but ahead of Belgium (1%) and Hungary (1%).
- Machine tools, woodworking machinery, welding equipment: the Netherlands ranked eleventh with 1% EU market share, behind Finland (1% EU market share) and Poland (1%), but ahead of Belgium (1%) and Denmark (1%).
- Machinery for textile, apparel and leather production: the Netherlands ranked ninth with 1% EU market share, behind Sweden (2% EU market share) and Austria (1%), but ahead of the UK (1%) and Denmark (1%).

The world, EU and Dutch economic growth forecasts for 2008 (+3.8%, +1.7% and +1.9% respectively) and 2009 (+3.9%, +1.8% and +2%) lead to a substantial strong demand for engineering products in the country. Economic growth will stimulate industrial spending activity, the major determinant of engineering products demand. Yet it is difficult to predict to what extent the Dutch manufacturers will benefit, as outsourcing may also increase. However, the European Engineering Industries Association (Orgalime) expects growth in the Dutch engineering production for 2008. Please also note that, although the EU is far from running the risk of recession, the EU and Dutch economy are and will be clearly affected by the housing and credit crisis in the United States.

### ***Construction industry***

After a stable period 2002-2005, the Dutch construction industry amounted to €64.5 billion in 2005. The year 2006 showed high growth figures (+4.6%) while for 2007, growth of construction activities in the Netherlands was forecast to slow down. In reality, in 2007 the construction industry booked the highest growth (+10%) in years. After the record year 2007, growth in 2008 is expected to slow down. The medium-sized Dutch construction industry ranked sixth in the EU, far behind the Germany, the UK, Italy, France and Spain, but ahead of Ireland and Austria. The Dutch construction industry uses 4-5% of locally produced ferrous metal castings.

### Market segmentation

As no data of forgings are available, only the market segmentation of castings is discussed in this section.

### Castings

As shown by the data in Table 1.2, iron castings largely go to the automotive industry. Please note that these data are only of domestically produced iron and nodular iron castings, as other data are not available. Although the automotive industry still represented 43% of the use of nodular iron castings in 2004, its share decreased 4% compared to 2001, while the share of the engineering industry grew from 14% to 18%.

**Table 1.2 Dutch ferrous\* metal casting production, by segment, 2004, shares**

	Pipes and fittings	Construction **	Engineering industry	Automotive industry	Other***
Iron	-	10%	12%	64%	14%
Nodular iron	31%	-	18%	43%	8%

Source: Committee of European Foundries Associations (2007)

\*data of non-ferrous metals are not available.

\*\*including domestic goods

\*\*\*This category includes several industries such as the aeronautics and the electronics industries.

### Production

Since there is no forging industry of relevance in the Netherlands, only the foundry industry will be discussed in this section. According to the Dutch Foundry Associations (AVNEG and MGB), based on data of their member companies, the production of ferrous metal castings totalled 155 thousand tonnes in 2005, an annual increase of 4.4% compared to 2001. Production of nodular iron accounted for 53% of total production output, followed by iron (43%), leaving the balance for malleable iron. The total production value was €215 million in 2004. Almost 70% of the Dutch production was exported. In the period 2001-2004, the average turnover per employee increased, although the exact value in 2005 is unknown. In 2003, the average turnover per employee amounted to €107,000 –, an amount which was comparable to the Austrian average, but below the German and French average. The Dutch foundry industry was comparable in size to the Slovenian, Belgian, Portuguese and Finnish foundry industries.

According to the Dutch associations, as a result of the generally positive economic situation in the Netherlands, the foundry industry in the Netherlands was doing well in 2006 and 2007. Most of the 20 member foundries of AVNEG were producing at full capacity. However, prices were under strong pressure as it was not always possible to pass on the increasing energy costs. Despite the strong competition from LCCs, the country is still home to some low added-value serial production, although some foundries have the intention to outsource this production to countries such as Poland, Turkey and Asia. On the other hand, the country is home to a number of leading foundries, which, for example, have already used the lost foam production method for many years. Contrary to that, there are also a number of Dutch foundries that have not continuously made investments in innovative technologies. For the period 2008-2009, the outlook is positive due to the expected economic growth, although margins may stay under pressure.

### Interesting players

Some examples of Dutch foundries are:

- Componenta – <http://www.componenta.com> – refer to the text box below for more information. More interesting information on this company – such as names of its major customers – can be found in its annual reports, which can be downloaded (go to ‘Releases and Publications’).

- Eurocast – <http://www.eurocast.nl> (both iron and aluminium) and MIFA – <http://www.mifa.nl> are part of Aalberts Industries.
  - Lovink – <http://www.lovink.nl> - second largest foundry in the country, after Componenta.
  - Nijmegen Iron Foundry – <http://www.nijg.com> – also owns a French foundry, and its trading department (<http://www.tti-bv.com>) acts as an importer of castings from two Chinese foundries.
  - Van Voorden Gieterij - <http://www.vanvoorden.nl> - castings for the maritime industry and for other industrial applications, up to 25 tonnes. This company plans to relocate its production to a newly built, larger, foundry, within a short distance of the current foundry.
- The country is also home to a number of non-ferrous metal foundries, such as Aluminium Gieterij Oldenzaal (<http://www.algietol.nl>) and Buvo Castings (<http://www.buvo.nl>). There are hardly any forges in the country. One example is Polynorm-Voestalpine (<http://www.polynorm.nl>), with production for the (German) automotive industry.

Most of the websites mentioned above offer comprehensive information on production capacity, products made, as well as details of the production process and equipment.

**Componenta in the Netherlands** - Componenta is the Finnish mother of two Dutch foundries with 550 employees in total. The foundries supply complex cast components for the off-road industry, the heavy truck industry and for compressors and pressure vessels. The acquisition of the 2 foundries in 2005 brought Componenta new foundry know-how, new customer relations and, last but not least, a good market position in Central Europe. According to the mother company, the Dutch foundry activities performed well in 2007, running at high capacity. However, one of the production lines did not perform in line with expectations. Since the acquisition in 2005, Componenta made large investments in this foundry, aiming at improving operation efficiency. Beside, investments were made in the production of cast components for wind power gears, as the company expected the wind power industry's demand for cast components to increase fast. Due to the increasing number of wind power equipment producers, competition increased and prices decreased quickly. In addition, the competition among supplying foundries also increased, which lead to lower prices for cast and forged wind turbine parts.

### Trends

The major trends that influence the castings and forgings demand and production in the Netherlands are:

- **Growing number of innovative applications of aluminium and magnesium.** This trend is expected to continue, as the automotive industry seeks new ways to save weight and gain fuel efficiency and performance. One Dutch company that outperforms in this area is Brabant Alucast (<http://www.brabantalucast.com>), one of the daughter companies of Euralcom (<http://www.euralcom.com>). Brabant Alucast has been chosen to produce the magnesium die-cast bottom of 6-inline petrol engines for BMW.
- **Care for the environment has become a strategic political issue.** High energy prices along with a growing awareness of the environmental impact of energy consumption are set to emerge as major drivers for the growth of the electric drives market in the Netherlands. In helping companies optimise their energy consumption, the new government in the Netherlands is implementing energy savings programmes, in which companies will receive financial incentives for reducing energy consumption. Considering the fact that electric drives represent a key area of power usage and potential saving, this is anticipated to have a significant impact on the sales of electric drives in new as well as retrofit applications over the next years. The engines, turbines, motors and generators markets will also show good growth due to the Kyoto effect. As a result, prospects for cast and forged parts in such applications are bright.
- **Reduction of energy expenditure at foundries.** Forced by the increasing energy prices (refer to Section 4) and the stringent environmental legislation, Dutch companies look for ways to reduce their expenditure on energy. This goes particularly for those companies

that have to use large amounts of energy as part of their production process, such as foundries. Recently, the reduction of energy expenditure has become one of the key action plans for the Dutch Association of Engineering, Electronics and Contracting (FME-CWM). According to this Association, the supply costs of energy in the Netherlands are among the highest in the EU and in the world. Energy efficient technologies and energy saving measures should improve the competitive position of the Dutch industry.

- **Just-In-Time supply.** End-users increasingly expect their castings suppliers to deliver Just-In-Time. As a result, some Dutch foundries have started to hold products in stock, while they try to arrange efficient logistics with full truckloads, if necessary in combination with products of other companies. By doing so, the Dutch foundries try to compensate for the costs of stock keeping.
- **Changing suppliers' position.** Producers of engineering products are increasingly cooperating with each other. The same development can be seen with their suppliers; they also cooperate more intensively. As a result, the suppliers' position changes and the suppliers have to re-think their position towards their clients. The producers demand a lot from their suppliers in the field of prices, quality, transport and delivery reliability. Furthermore, product development is becoming increasingly important.
- **Dutch industry benefits from low-cost production in CEE countries.** The transformation of Central and Eastern European (CEE) countries into market-oriented economies is beneficial to the Dutch engineering and foundry industry. A division of labour has arisen which enables Dutch firms to utilise a cheap labour supply to improve price competitiveness in international markets. One of the companies that makes good use of this opportunity, is Eurotech (<http://www.eurotechgroup.nl>), which acquired a Czech foundry for the casting and working of larger series, while the small series and high-tech products are produced in the Dutch foundry. Generally speaking, especially for end products that face quick price erosion, the price pressure on components and systems leads to relocation of production.
- **Outsourcing to LCCs continues to increase.** In recent years, some – especially electrical – engineering production has been outsourced to LCCs. So far, outsourcing often concerns large volumes of labour-intensive and standard products and parts that can easily be made in LCCs. A good illustration is the decision of the Finnish OEM Wartsila to switch the production (including casting) of small steerable thrusters from the Netherlands (Drunen) to China, while Wartsila Drunen will focus on the assembly of larger thrusters for the offshore industry. One of the reasons was the fact that the major markets for the small ship components have been in Asia for many years. For the Drunen facility, Wartsila has planned to invest €300 million in 2007 and 2008 in order to improve operation efficiency. Industry experts expect the outsourcing trend to continue in the future, which may lead to a deceleration of demand growth for castings and forgings in the Dutch engineering industry.
- **Dutch companies import castings and forgings from DCs, but often not for engineering products destined for the EU market.** Also in the Netherlands, engineering companies have been looking for new sources of castings and forgings. Because of the strong demand for their products, they have started to differentiate their sourcing policy. Although no company will admit officially that castings and forgings are imported from DCs, several Dutch companies have started to do so. The castings and forgings they source from DCs are imported to the Netherlands and assembled into the final product. However, in several cases these final products are directed to markets with lower quality demands, such as Africa and South America. For the products for the European market, these companies continue to use castings and forgings from Europe, since the strict quality demands of EU customers.
- **Switch from China to local supply.** In recent years, some Dutch customers that sourced their parts in CEE countries or China returned to their Dutch suppliers, as a result of increasing prices and problems in the area of quality, logistics and communication. Also in Section 2 (textbox: 'Some tips of a Dutch importer'), it can be read that Dutch companies value long term relationships with trade partners who can work according to their methods

and standards. Be warned: if a DC exporter is not able to do so, the Dutch customer will decide to return to its Dutch or European supplier.

### Opportunities and threats

Trends and market developments offer opportunities and threats to exporters. A given trend can be a threat to some and an opportunity to others at the same time. The following trends should, therefore, always be analysed in relation to your specific circumstances. The main opportunities and threats for DC exporters are the following:

- + Growing engineering and construction markets lead to an increasing demand for castings and forgings. In the electric engineering segment there are good prospects for cast and forged parts in energy efficient applications.
- + The Netherlands is still home to some low added-value serial production of castings. This offers opportunities for DC foundries that can take over this kind of production.
- + The price pressure on components and systems (refer to Section 4) as a result of strong global competition, in combination with an ongoing strong demand for engineering products, has made room for increasing sourcing in DCs.
- ± Rising demand for innovative applications of aluminium and magnesium, although this will be at the expense of ferrous metal castings.
- ± Dutch companies expect DC exporters to work according to their methods and standards. Problems in the area of quality, logistics and communication have been reasons why Dutch companies decided to stop working with Chinese foundries.
- Often, DC companies are still not capable of supplying the desired quantity.
- Shift of engineering production towards LCCs, which may lead to a deceleration of demand growth for castings and forgings of the Dutch engineering industry.

Refer to Section 7 of the CBI market survey covering the EU market for more information on opportunities and threats.

### Useful sources

- Dutch Aluminium Association – <http://www.aluminiumcentrum.nl>
- Dutch Association of Ferrous Metal Foundries (AVNEG) and the Association of Non-ferrous Metal Foundries (MGB) are part of the Dutch Association of steel manufacturing – <http://www.metaalunie.nl> and <http://www.metaalgieten.nl>
- European Foundry Association - <http://www.caef-eurofoundry.org>
- European Network for Construction Forecasting - <http://www.euroconstruct.org>
- European Union Enterprise and Industry - <http://ec.europa.eu/enterprise>
- Federation of National Forging Associations - <http://www.euroforge.org>

## 2 Trade channels for market entry

### Trade channels

The most common trade channels for DC exporters are direct sales to end-users, trade via traditional importers, supply agents, traditional agents, or subcontracting by EU foundries or forges. Although there are several options, supplying directly to end-users has some advantages and could be one of the most interesting trade channels, because there is a larger chance of a long-lasting relationship. DC exporters should therefore put efforts into building up supplier relationships with end-users. Refer to the CBI market survey covering the EU market for a detailed explanation of relevant trade channels in this market. Some examples of companies in the Netherlands that may be interesting to DC exporters are:

- ASM International - <http://www.asm.com> - production; machinery for producing electric and castings and forgings.
- Boon Edam - <http://www.boonedam.nl> - production; door systems
- Doedijns International - <http://www.doedijns.nl> - production; hydraulics
- ECW - <http://www.ecw.nl> - import and distribution; castings and other metal products
- Hendling - <http://www.hendling.nl> - import and distribution; forgings and profiles
- Nefit - <http://www.nefit.nl> - production; central heating systems (with an in-house foundry)

- Nijhuis Pompen - <http://www.nijhuis.com> - production; pumps (with an in-house foundry)
- Van der Wel Trading - <http://www.vdweltrading.com> and <http://www.vdwel sourcing.nl> - importer; castings
- Vekagesta - <http://www.vekagesta.nl> - importer/agent; castings and forgings

Please note that most Dutch companies are not aware of other sourcing opportunities than China and India.

While there are several independent importers in the Netherlands, Aalberts Industries (<http://www.aalberts.nl>) is an example of a Dutch company that started its own sourcing office in China in 2005. It provides the Aalberts' group companies with purchasing support services, including logistic issues and price negotiations, as well as the possibility to select suppliers on the basis of quality, reliability and continuity.

### Some tips of a Dutch importer

#### 1 - Be aware of the Dutch culture

To successfully work with Dutch business partners, a DC exporter needs to be aware of the Dutch business culture. This can't be stressed enough, according to a Dutch importer of cast (mostly worked) parts for machinery and sheet metal parts.

#### 2 - Find a reliable sourcing agent in your own country who can represent you

A spokesman of the company has experienced that it is very difficult for a DC exporter to gain business in Europe with products that are primarily destined for the home market, unless it is a very special product. Instead, it is better to supply products according to the request from and specification of European customers. In this process, you could call this importer a 'supply agent'. European end-users that are not satisfied with their current supplier, contact the supply agent, asking for a 'solution' for their problem. The supply agent in turn makes use of so-called sourcing agents in DCs, in order to define the best sourcing solution for the product. According to the importer, making use of a sourcing agent in your own DC, in conjunction with a supply agent in Europe, is by far the best method to gain successful business in Europe. The only thing a DC foundry or forge has to focus on is production, leaving all other activities such as logistics, marketing and communication to the sourcing agent and supply agent.

#### 3 – Be active at trade fairs

Being present as an exhibitor at trade fairs is not enough. It is really important that the DC exporter keeps an active attitude, which will help the DC exporter to stand out from the other companies.

#### 4 – Sourcing in DCs will continue to increase

Every year, companies from the Netherlands, but also from other Western European countries like the UK, Germany and Belgium, ask the Dutch importer for support in the search for a reliable DC supplier. These companies value long term relationships with trade partners who can work according to their methods and standards. This trend will continue as the underlying reasons for sourcing production to DCs - the stringent environmental policies in Europe and sometimes also the high energy prices - will continue to have a boosting effect on prices of cast parts produced in Europe.

Source: interview Facts Figures Future (2008)

### Price structure

It is very difficult to give a general idea of the price structure in this industry, as prices and margins differ to a great extent. They may depend on size of the order, length and type of distribution chain, terms of delivery, added value / finishing and materials concerned. Bearing this in mind, some rough indications of margins in the chain could be given. Agents work with margins between 3-7%, for importers this is 15–35%. The margin depends on the level of care and attention an intermediary has to give to the process. Products that do not need much

extra care, like finished and ready-to-use products as valves for example, will be sold with a smaller margin than products that need extra handling or even need to be stored.

### Selecting a suitable trading partner

There are many ways to find potential trading partners in the Netherlands. The following country-specific websites may be very useful to find potential Dutch trade partners:

- Company database with a focus on the Netherlands - <http://www.abcdirect.nl>
- Dutch Association of Subcontracting Industry - [http://www.nevat.nl/nieuw/en/index\\_en.htm](http://www.nevat.nl/nieuw/en/index_en.htm) - click on 'Databank' to find companies.
- Association of Importers and Manufacturers of Industrial Accessories – <http://www.vifia.nl> – click on 'English' and on 'memberlist'.
- Dutch Association of Agricultural Machine Manufacturers – <http://www.agrotechniek.org> – click on 'English' and on 'members' search'.
- Dutch Association of the Technical Trade – <http://www.vertaz.nl> (only in Dutch) – click on 'presentatie leden'.
- Dutch Federation for Drive Technology and Factory Automation - <http://www.feda.nl> (only in Dutch) - click on 'leden'.
- Dutch Group Textile Machinery - <http://leden.fme.nl/gtm> - click on 'members'.
- Dutch Steel Federation – <http://www.staalfederatie.nl> – click on 'English' and on 'Companies'.
- Holland pump group - <http://www.hollandpompgroep.nl> – click on 'members'.
- Dutch Association of Shipbuilders - <http://www.vnsi.nl> – click on 'English' and on 'VNSI companies'.
- Dutch Chamber of Commerce – <http://www.kvk.nl>
- Dutch association of intermediaries - <http://www.vnt.org> - commercial agents directory

Refer to Section 6 for main sales promotion tools.

## 3 Trade: imports and exports

### Imports

In 2006, the Netherlands was a large importer of castings and forgings, ranking seventh in the EU, behind Spain and Belgium, but ahead of Poland and Austria. Between 2002 and 2006, the total import value annually increased by 11% to €14.7 billion (10.9 million tonnes) in 2006. The increase in value was partly caused by the increasing prices of raw materials (refer to Section 4). The product group shares were as follows:

- Iron and steel products: 37% of total. Annual increase in import value of 20%.
- Parts of machinery, railway equipment and vehicles: 27% of total, 8% growth.
- Articles of iron, steel or base metal: 15% of total. Annual increase in import value of 7%.
- Plastic and rubber products: 10% of total. Annual increase in import value of 4%.
- Light and ultra light products: 8% of total. Annual increase in import value of 6%.
- Copper and zinc products: 3% of total. Annual increase in import value of 20%.

Of all intra-EU imports a small part may be re-exports, but the exact value of re-exports is unknown because Eurostat does not allow for such detailed analysis.

**Table 3.1 Imports by and leading suppliers to the Netherlands, 2002 - 2006, share in % of value**

Product	2002 € mln	2004 € mln	2006 € mln	Leading suppliers in 2006 (share in %)	Share (%)
Total	6,400	8,331	10,420	Intra-EU : Germany (25), Belgium (12), Finland (9), UK (6), France (5)	72
	2,516	2,253	2,677	Extra-EU ex. DC : USA (7), Japan (3), Norway (2), Taiwan (1), Canada (1)	19
	415	700	1,266	DC : China (4), South Africa (1), Turkey (1), Indonesia (1), India (1), Brazil (<0.5), Venezuela (<0.5), Thailand (<0.5), Malaysia (<0.5), Egypt (<0.5)	9

Product	2002 € mln	2004 € mln	2006 € mln	Leading suppliers in 2006 (share in %)	Share (%)
Iron and steel products	2,293	3,386	4,612	Intra-EU : Germany (24), Finland (23), Belgium (15), UK (4), France (4)	86
	198	251	328	Extra-EU ex. DC : Russia (1), Norway (1), Taiwan (1), South Korea (1), Japan (1)	6
	70	150	446	DC : South Africa (3), Indonesia (1), China (1), India (1), Turkey (1), Brazil (1), Venezuela (<0.5), Bosnia and Herz. (<0.5), Egypt (<0.5), Thailand (<0.5)	8
Parts of machinery, railway equipment and vehicles	1,322	1,723	2,087	Intra-EU : Germany (20), France (9), UK (8), Italy (5), Belgium (4)	55
	1,299	1,189	1,436	Extra-EU ex. DC : USA (20), Japan (6), Canada (4), Singapore (3), Switzerland (2)	40
	72	144	181	DC : China (3), Malaysia (1), Turkey (<0.5), Indonesia (<0.5), Brazil (<0.5), Jordan (<0.5), India (<0.5), Thailand (<0.5), Philippines (<0.5), South Africa (<0.5)	5
Articles of iron, steel or base metal	1,049	1,253	1,392	Intra-EU : Germany (29), Belgium (12), UK (5), Italy (4), France (4)	68
	447	303	356	Extra-EU ex. DC : USA (5), Taiwan (3), Japan (2), South Korea (1), U. A. Emirates (1)	16
	112	222	344	DC : China (12), Turkey (1), India (<0.5), Malaysia (<0.5), Thailand (<0.5), Egypt (<0.5), South Africa (<0.5), Vietnam (<0.5), Croatia (<0.5)	16
Plastic and rubber products	941	1,017	1,116	Intra-EU : Germany (32), Belgium (16), Italy (7), UK (6), France (5)	76
	289	280	260	Extra-EU ex. DC : USA (7), Japan (4), Switzerland (2), South Korea (1), Taiwan (1)	18
	37	49	97	DC : China (3), Turkey (1), Indonesia (1), India (1), Thailand (1), Brazil (<0.5), Vietnam (<0.5), Malaysia (<0.5), Egypt (<0.5), South Africa (<0.5)	7
Light and ultra light products	587	684	767	Intra-EU : Germany (22), Belgium (11), France (4), Italy (3), Austria (3)	64
	261	204	268	Extra-EU ex. DC : Norway (13), Russia (5), Japan (1), USA (1), Canada (1)	22
	111	118	159	DC : China (2), Venezuela (2), Brazil (2), South Africa (2), Turkey (1), Bahrain (1), Thailand (1), Croatia (<0.5), Lebanon (<0.5), Jordan (<0.5)	13
Copper and zinc products	209	268	445	Intra-EU : Germany (40), Belgium (26), UK (10), France (4), Italy (2)	87
	23	26	28	Extra-EU ex. DC : USA (2), Taiwan (1), Japan (1), Switzerland (1), Israel (<0.5)	6
	13	18	39	DC : Chile (3), Egypt (2), China (1), Peru (1), India (<0.5), Malaysia (<0.5), Vietnam (<0.5), Turkey (<0.5), Saudi Arabia (<0.5), Brazil (<0.5)	8

Source: Eurostat (2007)

### Imports from DCs

Between 2002 and 2006, imports from DCs annually increased by 32% in value. Compared to 2002, the total share of DCs in import value increased from 4.4% to 8.8% in 2006. The DCs' shares in imports of some product groups showed better growth compared to other product groups, as can be seen below:

- Iron and steel products: growing from 2.7% to 8.3% in value.
- Articles of iron, steel or base metal: growing from 6.7% to 15.6% in value.
- Plastic and rubber products: growing from 2.9% to 6.6% in value.
- Parts of machinery, railway equipment and vehicles: growing from 2.6% to 5.1% in value.
- Copper and zinc products: growing from 5.2% to 7.7% in value.
- Light and ultra light products: growing from 11.6% to 13.3% in value.

China accounted for 40% of all imports coming from DCs, followed by South Africa (13%), Turkey (9%), Indonesia (8%), India (7%), and Brazil (5%). The Chinese share of DC exports to the Netherlands did not grow as fast as in the EU on average (43% compared to 57%). The DCs that saw a larger increase of their share to the country were South Africa, Chile, Peru, the Philippines, Lebanon, India and Indonesia.

## Exports

In 2006, the Netherlands was a large exporter, ranking sixth in the EU, behind Belgium and the UK, but ahead of Austria and Spain. The total export value of the Netherlands showed an annual increase of 11% in the period 2002-2006, totalling €17.7 billion in 2006. Exports consisted of:

- Iron and steel products, accounting for 39% of total exports (€6.8 billion). Annual increase in export value of 22%.
- Parts of machinery, railway equipment and vehicles, accounting for 27% of total exports (€4.8 billion). Annual increase in export value of 6%.
- Articles of iron, steel or base metal, accounting for 14% of total exports (€2.4 billion). Annual increase in export value of 11%.
- Plastic and rubber products, accounting for 11% of total exports (€1.9 billion). Annual increase in export value of 4%.
- Light and ultra light products, accounting for 7% of total exports (€1.3 billion). Annual increase in export value of 1%.
- Copper and zinc products, accounting for 3% of total exports (€468 million). Annual increase in export value of 17%.

Probably 30-40% of exports – mainly iron and steel products – consists of re-exports to other EU countries, due to the transit function of the Rotterdam port. Re-exports are mainly to neighbouring countries. The exact value of re-exports is unknown because Eurostat does not allow such a detailed analysis.

## Opportunities and threats

- + The Netherlands was the seventh largest importer of castings and forgings in the EU.
- + The Netherlands ran trade deficits (imports are higher than exports) for articles of iron, steel or base metal (€386 million), light and ultra light products (€268 million), parts of machinery, railway equipment and vehicles (€152 million), copper and zinc products (€17 million).
- + The total import value of all product groups increased in the period 2002-2006.
- + The DC share of total imports doubled in the period 2002-2006, which was faster than in the EU on average (81%).
- + The import share of DCs was 8.8% in 2006, above the EU average (8.2%).
- ± The Chinese share of DCs' exports to the Netherlands did not increase as fast as in the EU on average (43% compared to 57%). Several DCs saw a larger increase of their share.
- In 2006, the Netherlands was a net-exporter of castings and forgings, running trade surpluses for plastic and rubber products (€697 million) and iron and steel products (€2.2 billion).
- China accounted for 40% of all imports coming from DCs, which was just above the EU average (39%).

## Useful sources

- EU Expanding Exports Helpdesk - <http://exporthelp.europa.eu> → go to: trade statistics
- Eurostat - official statistical office of the EU - <http://epp.eurostat.ec.europa.eu> → go to 'themes' on the left side of the home page → go to 'external trade' → go to 'data – full view' → go to 'external trade - detailed data'.
- Understanding Eurostat: Quick guide to EasyComext - [http://epp.eurostat.ec.europa.eu/newxtweb/assets/User\\_guide\\_Easy\\_Comext\\_20080117.pdf](http://epp.eurostat.ec.europa.eu/newxtweb/assets/User_guide_Easy_Comext_20080117.pdf)

## 4 Price developments

Major trends that affect the costs and revenues of Dutch castings and forgings production are price pressure, increasing raw material and energy prices and wage costs:

- Prices and margins are and will continue to be under pressure. Global competition has placed severe pressure on the prices and therefore on margins of intermediate goods in the

supply chain. Therefore, importers/agents and OEMs as well as their suppliers keep on looking for opportunities to reduce costs of parts. This can be best seen from the fact that the import price of the product group 'parts of machinery, railway equipment and vehicles' decreased by 11% per year between 2002 and 2006.

- In recent years, rapidly increasing prices of among others, plastics, aluminium, steel and scrap steel, have caused problems in the industry, although Dutch producers have tried to translate soaring raw material prices into material-cost surcharges as soon as possible.
- The recent rapid increase in electricity prices in the Netherlands has affected the competitiveness of the industry as far as those price increases were higher than in other regions. Especially commodity production was badly hit by the high energy costs, as their prices are set globally and therefore increases in energy costs that occur solely in the Netherlands can not be passed on to the customers without significant losses in their market share.
- Wage costs still account for a large share of the average production costs in the industry. In 2005, the Netherlands ranked fifth in the EU with regard to wage costs per man-hour in the metal industry (€25.45), less expensive than (former West) Germany, Finland and Belgium, but more expensive than Sweden, Luxembourg, Austria, France and the UK.

Please refer to the CBI market survey covering the EU market for castings and forgings for a detailed explanation on these major trends.

### Useful sources

Sources of prices include, among other things:

- CAEF Eurofoundry - <http://www.caef-eurofoundry.org>
- Eurofer – <http://www.eurofer.org/statistics/scrap.htm>
- Eurostat - official statistical office of the EU - <http://epp.eurostat.ec.europa.eu> - by comparing import value and volume, it is possible to get an idea of development of import prices.
- London Metal Exchange – <http://www.lme.co.uk>

## 5 Market access requirements

As a manufacturer in a developing country preparing to access the Netherlands, you should be aware of the market access requirements of your trading partners and the Dutch government. Requirements are demanded on legislation and on labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns. You need to comply with EU legislation and have to be aware of the additional non-legislative requirements that your trading partners in the EU might request.

For information on legislative and non-legislative requirements, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select castings and forgings and the Netherlands in the category search, click on the search button and click on market access requirements.

### Useful sources

- Additional information on packaging can be found on the ITC website on export packaging: <http://www.intracen.org/ep/packaging/packit.htm>
- Information on tariffs and quota can be found at <http://exporthelp.europa.eu>

## 6 Doing business

General information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) can be found in CBI's export manuals 'Export Planner' and 'Your image builder'. Furthermore cultural awareness is a critical skill in securing success as an exporter.

### Sales promotion

For DC exporters, trade press, trade fairs and website promotion are among the most important promotional tools; they are briefly discussed below. For more information, also refer to CBI's Export Planner and Your Image Builder – <http://www.cbi.eu>, as well as the CBI market survey covering the castings and forgings market in the EU.

### Trade fairs

Visiting and participating in a trade fair in the EU can be an efficient tool to communicate with prospective customers. It provides more facilities for bringing across the message than any other trade promotional tool. It can also be an important source of information on market development, production techniques and interesting varieties. The most important trade fair in the country is ESEF (<http://www.esef.nl>; biennially, March, even years, Utrecht), covering metal working, engineering, rubber, plastics, stamps and moulds. Triennially, the Netherlands is also home to the Stainless Steel World Conference and Expo (Maastricht, November, annually). Find more trade fairs at <http://www.eventseye.com> and <http://www.auma.de>.

### Trade press

An interesting story on your company or new product introduction will boost the company's image. In that respect, building up contacts with the trade press will be helpful and should be used whenever possible. The magazines with global coverage may present country-specific information, such as the Foundry Trade Journal - <http://www.foundrytradejournal.com>.

Furthermore, relevant Dutch magazines are:

- Aluminium - <http://www.uitgeverijtcm.nl>
- Gietwerk Perspectief - <http://www.metaalgieten.nl/gietwerkperspectief-online>
- Metaalnieuws - <http://www.metaalnieuws.nl>
- Metaal & Techniek - <http://www.metaalunie.nl> - click on 'publications'.
- Metalektro Profiel - <http://www.fme.nl>
- Mikroniek - <http://www.precisieportaal.nl>
- Nieuwsbrief Machinebouwnieuws - <http://www.machinebouw.net> - machinery
- Technische Revue - <http://www.tr-online.nl>
- Technisch Weekblad - <http://www.technischweekblad.nl>

### Website promotion

These days, it is an absolute must to have a professional website, which is aimed at your main target groups. Make it interactive and promote it in the right way. More information can be found in the CBI Export Manual 'Website Promotion', available at <http://www.cbi.eu/marketinfo>.

### Business culture

Cultural awareness is a critical skill in securing success as an exporter. Information on cultural differences in the EU can be found in Section 3 of CBI's export manual 'Exporting to the EU'. These manuals can be downloaded from <http://www.cbi.eu/marketinfo> - go to search publications. Furthermore, refer to Kwintessential for practical tips on business culture and etiquette in the Netherlands: <http://www.kwintessential.co.uk>. Click on 'Country Profiles' at the section 'Intercultural resources and tools' and click on 'the Netherlands'.

### Other useful sources

Next to a number of relevant sources already mentioned in previous sections, another useful source that contains information on doing business in the Netherlands is the Dutch Association of Engineering, Electronics and Contracting – <http://www.fme-cwm.nl>.

This survey was compiled for CBI by Facts Figures Future  
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