CBI MARKET SURVEY

THE CASTINGS AND FORGINGS MARKET IN THE NETHERLANDS

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Report summary
This CBI market survey discusses, among other things, the following highlights for the castings and forgings market in the Netherlands:

- Major end users of castings and forgings are the engineering and construction industry. Both industries are in the EU top ten and have good prospects for the years to come.
- 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 Dutch production of ferrous metal castings increased 13% in the period 2001-2004. The industry ranked twelfth in the EU, behind Finland and Belgium, but ahead of Portugal and Hungary.
- A major trend that affects the Dutch casting and forging production is the growing number of innovative applications of aluminium and magnesium. Furthermore, the growing care for the environment leads to an increased use of electric variable speed drives, engines, turbines, motors and generators. As a result, prospects for cast and forged parts in such applications are bright.
- Total import value and volume increased 20% in the period 2001-2005. Compared to 2001, the total share of developing countries (DCs) grew from 4.4% to 7.5% in 2005. The DCs' share in Dutch imports grew the fastest in the product groups articles of iron, steel or base metal and parts of machinery, railway equipment or vehicles. In most product groups China was the most important DC supplier, while other countries that were well represented in the different product groups were South Africa (leading in iron and steel products), Chile (leading in copper and zinc products) and Venezuela (leading in light and ultra light products). Among the DCs that saw the largest increase in supplies to the Netherlands were Oman, Trinidad and Tobago, India, South Africa, China, Serbia Montenegro, Saudi Arabia, Bosnia and Herzegovina and Sri Lanka.

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 demand data for castings and forgings are available, it has been decided, in consultation with industry experts, to focus on two major end user industries in the EU that offer good opportunities for developing country (DC) exporters: the engineering and the construction industry. Since in both industries many cast and forged parts and products are used, the production output of both industries is a good indication for the demand for cast and forged parts in these industries. Although the automotive industry is a very large segment, DC exporters of castings and forgings are advised not to focus on this sector. Quality requirements are usually very high, competition mainly focuses on price, and, above all, the order quantities involved are far too large for the average DC exporter.

Engineering industry

The Dutch production in the engineering industry grew 2% in the period 2001-2005, totalling €16.8 billion in 2005. While production in the mechanical engineering industry grew 5% in the period 2001-2005, the production in the electrical engineering industry declined 10% in the period 2001-2005, due to some relocation of 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 eighth in the EU, behind Spain, Sweden and Austria, but ahead of Finland, Belgium/Luxembourg 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, 2001-2005, € million

	Share of castings and forgings*	2001	2005	Change '01-'05
Total engineering		**16,568**	**16,796**	**2%**
Mechanical engineering		**12,533**	**13,181**	**5%**
Lifting and handling equipment	10%	2,119	2,184	3%
Agricultural machinery	30%	1,358	1,533	13%
Non-domestic cooling and ventilation equipm.	10%	1,360	1,325	-3%
Machinery for food, beverage and tobacco processing	25%	1,135	1,310	15%
Pumps (70%) and compressors (50%)	50-70%***	1,197	1,309	9%
Engines and turbines, ex. aircraft, vehicle	40%	790	723	-8%
Valves and taps	60-70%	485	577	19%
Machine tools, woodworking mach., welding equipm.	**	436	434	0%
Machinery for mining and construction	15-25%	239	278	16%
Bearings, gears and other driving elements	50%	275	275	0%
Machinery for textile, apparel and leather production	60-70%	256	178	-30%
Industrial furnaces and furnace burners	10%	84	107	27%
Machinery for paper and paperboard production	25%	35	60	71%
Machinery for metallurgy	20-25%	10	8	-20%
Electrical engineering		**4,035**	**3,615**	**-10%**
Other electrical equipment	5-25%	850	950	12%
Electrical distribution and control apparatus	5-10%	991	700	-29%
Electric motors, generators and transformers	30-40%	928	680	-27%
Lighting equipment and electric lamps	5-25%	359	400	11%
Electric domestic appliances	5-25%	144	170	18%
Accumulators, primary cells and batteries	5-25%	59	100	69%
Electrical equipment for engines and vehicles	5-25%	11	15	36%

* Based on estimations of industry experts and the German Foundry Association.
** 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.
*** Pumps consist for about 70% of castings and forgings, while compressors consist for about 50% of castings and forgings.
Source: VDMA (2006)

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, "valves and taps" (+19%), "agricultural machinery" (+13%) and "pumps and compressors" (+9%) performed well. On the other hand, the demand for "machinery for textile, apparel and leather production" declined (-30%), as well as the demand for "electric motors generators and transformers" (-27%) and "engines and turbines" (-8%). The market position of the Netherlands in the EU in these main castings and forgings consuming engineering categories was as follows:

- Machinery for textile, apparel and leather production: the Netherlands ranked 8th with 1% EU market share, behind Spain and Sweden but ahead of Austria and the UK.
- Pumps and compressors: the Netherlands ranked 6th with 4% market share, behind Germany (34%), France (16%), Italy (13%), the UK (12%) and Belgium (4%).

- Valves and taps: the Netherlands ranked 6th with 2% market share, behind Germany (43%), Italy (22%), France (9%), the UK (7%) and Denmark (6%).
- Bearings, gears and other driving elements: the Netherlands ranked 12th with 1% market share, behind Belgium and the Czech Republic, but ahead of Finland and Hungary.
- Machine tools, woodworking mach., welding equipment: the Netherlands ranked 11th with 1% market share, behind Poland and Finland, but ahead of Belgium and Denmark.
- Engines and turbines: the Netherlands ranked 6th with 4% market share, behind Germany (27%), Italy (18%), France (15%), the UK (13%) and Finland (7%).
- Electric motors, generators and transformers: the Netherlands ranked 12th with 2% market share, behind Ireland and the Czech Republic.
- Agricultural machinery: the Netherlands ranked 5th with 5% market share, behind Germany (24%), Italy (23%), France (14%), the UK (8%), but ahead of Spain (4%).

The positive global, EU and Dutch economic forecasts for 2007 (+4.4%, +2.3% and +2.6% respectively) and 2008, lead to a substantial strong demand for engineering products in the country. 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 2007.

Construction industry

After a stable period 2002-2005, the Dutch construction industry amounted to €64.5 billion in 2005. For the period 2005-2008 the European Network for Construction Forecasting (Euroconstruct) expects 9% growth. The year 2006 was expected to show the largest growth figures (4.0%). For 2007 and 2008, growth of construction activities in the Netherlands is forecast to slow down due to a downturn in new residential construction and civil engineering output. The medium-sized Dutch construction industry ranked sixth in the EU, far behind the UK, Italy, France and Spain, but ahead of Ireland and Austria.

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 for 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 engineering industry grew 4%.

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%

*data of non-ferrous metals are not available.
**including domestic goods
***This category includes several industries such as the aeronautics and the electronics industries.
Source: Committee of European Foundries Associations (2006)

Production

Since in the Netherlands there is no forging industry of relevance, only the foundry industry will be discussed in this section. Table 1.3 shows an indication of the production of ferrous metal castings in the Netherlands; data for non-ferrous metals are not available. The data have been collected by the Dutch Foundry Associations (AVNEG and MGB) and are based on data of member companies. In 2004, the Dutch production of metal castings totalled 148 thousand tons, an increase of 13% compared to 2001. The growth in production value in the period mentioned was smaller – 8% - to €215 million in 2004. Almost 70% of the Dutch

production was exported. According to the association, 2005 was a good year with growth of the production volume. However, prices were under strong pressure since 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. 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 is also a number of Dutch foundries which have not continuously made investments in innovative technologies. For 2007 and 2008, the outlook is positive due to the expected economic growth, although margins may stay under pressure.

Table 1.3 Dutch production volume of ferrous metal castings by type, 2001-2004, 1,000 tons

	2001	2003	2004	Change '01-'04
Ferrous metal	131	126	148	13%
Iron	57	61	63	12%
Nodular iron	68	60	78	15%
Malleable iron	6	5	6	5%
Steel	1	1	0	-20%

Source: Committee of European Foundries Associations (2006)

In 2005, the country hosted 22 large ferrous metal foundries, a decline of 20% compared to 2001. In the same period, 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 the twelfth largest in the EU, behind Finland and Belgium, but ahead of Portugal and Hungary.

Major players

The Netherlands is home to a few large foundries. Some examples are:

- Buvo Castings – http://www.buvo.nl
- Componenta – http://www.componenta.com is the Finish 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.
- Eurocast – http://www.eurocast.nl and MIFA – http://www.mifa.nl are part of Aalberts Industries
- Lovink – http://www.lovink.nl; second largest foundry in the Netherlands
- Nijmegen Iron Foundry – http://www.nijg.com
- Van Voorden Gieterij - http://www.vanvoorden.nl (castings for the maritime industry)

The country is also home to a number of non-ferrous metal foundries, such as Aluminium Gieterij Oldenzaal (http://www.algietol.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.

Trends in industrial demand and production

The major trends that influence the casting and forging demand and production in the Netherlands are:

- A 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 performs extremely well 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.

- 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.
- The care for the environment has become a strategic political issue. In the power generation industry, the search for energy efficiency and the limitation of CO_2 and NO_x emissions – which is sometimes called the "Kyoto Effect" – has led and should lead to the increased use of electric variable speed drives. 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.
- The transformation of Central and East 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.
- In recent years, some 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 recent 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. 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. However, also the opposite was visible in recent years, as 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.

Opportunities and threats

The main opportunities and threats for DC exporters are:

+ Price pressure on components and systems (refer to Section 4) as a result of an increasingly global competition, leading to increased sourcing in LCCs.
+ Growing engineering and construction markets lead to an increasing demand for castings and forgings.
+ In the electrical engineering segment there are good prospects for cast and forged parts in energy efficient applications.
+ Good opportunities for innovative applications of aluminium and magnesium, although this will be at the expense of ferrous metal castings.
– Shift of engineering production towards LCCs, which may lead to a deceleration of demand growth for castings and forgings of the Dutch engineering industry.

Useful sources

First of all, important sources are European trade associations such as:

- European Engineering Industries Association – http://www.orgalime.org
- European Foundry Association (CAEF) – http://www.caef-eurofoundry.org
- Federation of National Forging Associations (Euroforge) – http://www.euroforge.org

More can be found in the CBI market survey covering the EU market. Furthermore, per segment some country specific sources are available, such as:

Dutch engineering associations

- Association of Importers and Manufacturers of Industrial Accessories (VIFIA) – http://www.vifia.nl
- Dutch Association of Agricultural Machine Manufacturers www.agrotechniek.org
- Dutch Association of Compressed Air and Vacuum - http://www.persluchtenvacuum.nl
- Dutch Association of Engineering, Electronics and Contracting – http://www.fme-cwm.nl
- Dutch Association of Subcontracting Industry (NEVAT) – http://www.nevat.nl
- Dutch Federation for Drive Technology and Factory Automation - http://www.feda-fme.nl
- Dutch Group Textile Machinery - http://leden.fme.nl/gtm
- Dutch Steel Federation – http://www.staalfederatie.nl
- Holland pump group - http://www.hollandpompgroep.nl

Dutch construction and other associations

- Dutch Association of International Contractors (NABU) – http://www.nabu.nl
- Dutch Association of Shipbuilders - http://www.vnsi.nl

Dutch castings, forgings and related associations

- 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

2. Trade: imports and exports

Imports

Total imports

In 2005, the Netherlands was the seventh largest importer of castings and forgings in the EU, behind Spain and Belgium, but ahead of Austria and Poland. Since 2001, the total import value increased 20% (partly caused by the increasing raw material prices; refer to Section 4), amounting to €11.3 billion (8.4 million tons) in 2005. Volume growth was the same, implicating that, within total imports, the imports of low value products grew relatively fast in the period mentioned. The most important suppliers were Germany, Belgium, the USA and Finland. Besides China, other major DC suppliers to the Netherlands were South Africa, Turkey and India. Compared to 2001, the total share of DCs grew from 4.4% to 7.5% in 2005.

Imports by product group

Table 2.1 shows that, except light and ultra light products, all product groups increased in value between 2001 and 2005. Iron and steel products showed the largest growth (58%). With regard to volume of imports, all product groups saw an increase in imports with the largest growth for plastic and rubber products (66%) and parts of machinery, railway equipment or vehicles (65%). In most product groups, China was the most important DC supplier, while other countries that were well represented in the different product groups were South Africa (leading in iron and steel products), Chile (leading in copper and zinc products) and Venezuela (leading in light and ultra light products). The DCs' share in Dutch imports of some product groups showed good growth compared to 2001. These product groups are articles of iron, steel or base metal (growing from 7% to 15% in value and from 7% to 16% in volume), parts of machinery, railway equipment or vehicles (growing from 2% to 4% in value and from 8% to 13% in volume) and iron and steel products (growing from 2% to 6% in value and from 3% to 5% in volume). Among the DCs that saw the largest increase in exports to the Netherlands were Oman, Trinidad and Tobago, India, South Africa, China, Serbia Montenegro, Saudi Arabia, Bosnia and Herzegovina and Sri Lanka.

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

Table 2.1 Imports by the Netherlands and leading suppliers to the Netherlands, 2001 – 2005, share in % of value

Product	2001 € mln	2003 € mln	2005 € mln	Leading suppliers (%)	Share (%)
Total	9,419	9,594	11,324	Intra EU : Germany (28), Belgium (11), Finland (7) Ext EU excl DC: USA (7), Japan (3), Norway (2) DC : China (3), South Africa (1), Turkey (1), India (1), Indonesia (0), Brazil (0)	73 20 7
Copper and zinc products	276	241	342	Intra EU : Germany (45), Belgium (22), UK (9) Ext EU excl DC: USA (3), Russia (2), Taiwan (1) DC : Chile (3), China (1), India (0), Malaysia (0), Peru (0), Turkey (0)	86 8 6
Plastic and rubber products	1,236	1,288	1,379	Intra EU : Germany (32), Belgium (16), Italy (7) Ext EU excl DC: USA (8), Japan (5), Switzerland (2) DC : China (3), India (1), Turkey (1), Thailand (0), Brazil (0), South Africa (0)	76 19 5
Parts of machinery, railway equipment or vehicles	2,797	2,769	2,999	Intra EU : Germany (22), France (7), UK (7) Ext EU excl DC: USA (21), Japan (7), Canada (5) DC : China (2), Brazil (0), Indonesia (0), Turkey (0), Malaysia (0), India (0)	55 41 4
Articles of iron, steel or base metal	1,602	1,586	1,789	Intra EU : Germany (33), Belgium (8), UK (4) Ext EU excl DC: USA (4), Taiwan (4), Japan (2) DC : China (12), Turkey (1), India (0), Malaysia (0), Thailand (0), South Africa (0)	69 16 15
Iron and steel products	2,473	2,744	3,917	Intra EU : Germany (28), Finland (18), Belgium (16) Ext EU excl DC: Russia (2), Norway (1), Japan (1) DC : South Africa (2), India (1), Indonesia (1), Turkey (1), Brazil (0), China (0)	88 6 6
Light and ultra light products	1,035	966	898	Intra EU : Germany (23), Belgium (10), France (4) Ext EU excl DC: Norway (13), Russia (4), Japan (1) DC : Venezuela (3), Brazil (2), Turkey (2), China (1), South Africa (1), Thailand (1)	65 22 13

Source: Eurostat (2006)

Exports

The total export value of the Netherlands showed a considerable increase (38%) in the period 2001-2005, totalling €14.2 billion (10.4 million tons) in 2005. In the same period the export volume also increased 38%. In total export value, the Netherlands ranked sixth in the EU in 2005, behind the UK and Belgium, but ahead of Austria and Spain. The largest exported product group was iron and steel products(€5.1 billion in 2005), followed by parts of machinery, railway equipment or vehicles (€28 billion). Only exports of light and ultra light products declined (-5%), but this was compensated by the large growth in iron and steel products (91%) and copper and zinc products (43%). A small part of exports is probably re-exports to other EU countries, but the exact value is unknown, as Eurostat does not allow such detailed analysis.

Opportunities and threats

+ Although The Netherlands was only the seventh largest importer of castings and forgings in the EU, the value of imports still totalled more than € 11 billion in 2005.
+ Considerable import share for DCs, higher than the EU average of 6.7%
+ Total import value increased in recent years
+ Increasing share of DCs in total imports
– Imports from China grew fast and represented a considerable share of DC imports

Useful sources

- EU Expanding Exports Helpdesk – http://export-help.cec.eu.int/ ➔ go to: trade statistics
- Eurostat – official statistical office of the EU – http://epp.eurostat.cec.eu.int ➔ 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'

3. Trade structure

Trade channels

The most common target groups for DC exporters are Original Equipment Manufacturers (OEMs), subcontractors of OEMs, agents, importers and foundries or forges. Although there are several options, supplying directly to OEMs and subcontractors of OEMs 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 supplier relationships with OEMs and subcontractors of OEMs in the EU. By working together, DC exporters have the best chances in succeeding as they are able to offer higher-added value products to EU customers. Please refer to the CBI market survey covering the EU market for castings and forgings for a detailed explanation on the trade channels in this sector. Please refer to Table 3.1 for some examples of companies in the Netherlands that may be interesting to DC exporters. Please note that most Dutch companies are not aware of other sourcing opportunities than China and India.

Table 3.1 Some examples of potential trade partners in the Netherlands

Company	Type; Products	Website
ASM International	Production; machinery for producing electric and electronic components.	http://www.asm.com
Boon Edam	Production; door systems	http://www.boonedam.nl
Doedijns International	Production; hydraulics	http://www.doedijns.nl
ECW	Import and distribution; castings and other metal products	http://www.ecw.nl
Hendling	Import and distribution; forgings and profiles	http://www.hendling.nl
Nefit	Production; central heating systems (with an in-house foundry)	http://www.nefit.nl
Nijhuis Pompen	Production; pumps (with an in-house foundry)	http://www.nijhuis.com
Van der Wel Trading	Sourcing agency, independent; castings and forgings	http://www.vdweltrading.com
Vekagesta	Import and distribution; castings and forgings	http://www.vekagesta.nl

Source: Facts Figures Future (2007)

While Van der Wel Trading is an independent sourcing agency, 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 logistics issues and price negotiations, as well as the possibility of selecting suppliers on the basis of quality, reliability and continuity.

Useful sources

Section 1 ('Useful sources') and Section 6 ('Selecting a suitable trading partner') contain some very useful sources to find potential trade partners in the Netherlands.

4. Prices and margins

Prices and margins

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. A product that does not need much extra care, like finished and ready-to-use products such as valves, will be sold with a smaller margin than a product that needs extra handling or even needs to be stored.

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. In the last few years, the global economic recession, problems within the EU economy and the global competition have placed severe pressure on the prices and therefore on the margins of intermediate goods in the supply chain, although the price level of engineering products in the Netherlands increased more than in most other EU countries (11.1% in the period 2001-2005). Even when economic conditions are improving, importers/agents and OEMs as well as their suppliers will continue to look for opportunities to reduce cost prices by 10-30%.
- In recent years, rapidly increasing prices of materials like 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 its 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 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
- European Engineering Industries Association (Orgalime) – http://www.orgalime.org
- 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 through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns.

Legislative requirements

National legislation in EU countries is compulsory for all products traded within the country concerned. Therefore, as an exporter in a developing country you have to comply with the legislative requirements that are applicable to your products. For information on legislation go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select your market sector, and the EU country of your interest in the category search, click on the search button and click on legislative requirements for an overview of all documents on legislation in your country of interest.

Non-legislative requirements

Social, environmental and quality related market requirements are of growing importance in international trade and are often requested by European buyers through labels, codes of conduct and management systems. For information on non-legislative requirements, go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select your market sector and the EU country of your interest in the category search, click on the search button and click on your

subject of interest under non-legislative requirements for an overview of all documents on the subject concerned in your country of interest.

Packaging, marking and labelling

Legislative requirements

You can download information on requirements on packaging, marking and labelling in specific EU countries from the CBI website. Go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select your market sector and the EU country of your interest, click on the search button and click on 'market surveys' for an overview of documents on the country of your interest.

Customer requirements

Packaging should always ensure that the products arrive dry and undamaged in Europe, but in practice, shipments have been and are still sent back to the supplier due to bad packaging. The websites below on packaging may be helpful to exporters in order to pack properly and to prevent bad packaging. If an import duty -no matter the country of origin- applies to a component that enters the EU, the exporter should be able to show a certificate of origin. Furthermore, a Bill of Lading (B/L) and a commercial invoice are obligatory. If a 0% duty applies, the so called Eur 1 Form for ACP countries for customs tax exemption is common. Refer to the CBI market survey covering the pipes and process equipment market in the EU for more information.

Tariffs and quota

Developing countries benefit from several trade preferences. The most important one is called 'Generalised System of Preferences' (GSP). Following this system, most import tariffs from DCs of castings and forgings are zero, although it also depends on the degree to which the products cause, or threaten to cause, serious difficulties to producers of similar or directly competing products. Furthermore, there are practically no quotas. To determine import duties and/or quota for your own product(s) and from your specific country, consult the Taric database, as mentioned below. Refer to the CBI market survey covering the castings and forgings market in the EU for more information.

Useful sources

Tariffs and quota

- European Customs in the Netherlands - http://www.belastingdienst.nl
- Export Helpdesk for Developing Countries - http://export-help.cec.eu.int
- Taric database - http://ec.europa.eu/taxation_customs/dds/en/tarhome.htm: type the 4, 6 or 8 digit HS code (if known) or type the keyword of your product.
- VAT tariff information - http://ec.europa.eu/taxation_customs/taxation/vat/traders/vat_number/index_en.htm

Packaging

- International Safe Transit Association - http://www.ista.org
- Material Handling Equipment - http://www.ie.ncsu.edu/kay/mhetax/UnitEq: examples of packaging and pictures.
- PACKit module of the International Trade Centre - http://www.intracen.org/ep/packaging/packit.htm

6. Business practices

Selecting a suitable trading partner

There are many ways to find potential trading partners in the Netherlands. In this section, the focus will be on the internet, sources in your own country and the target country. In general, remember the following cultural tips when you visit Dutch trade partners:

- The Dutch are familiar with doing business with foreigners because of their long history of international trade.
- The Dutch are interested in your academic credentials and the period of time your company has been in business.
- It is important to demonstrate how your relationship would be beneficial to both sides.
- Making an appointment is necessary when you want to speak to someone.
- Punctuality is very important.
- Meetings are rather formal and little time is spent on pleasantries.
- Courtesy is the "golden key" to doing business in the Netherlands.
- Replying promptly to requests for price quotations and orders is very important.
- Most Dutch speak their minds and will not waste your time or their own if they are not interested in your product.
- Care must be taken to assure that delivery dates will be met and that after-sales service will be promptly honoured.

Internet

Some examples of available sources to find clients, besides the ones mentioned in Section 1:

- Company database with a focus on the Netherlands - http://www.abcdirect.nl
- Direct Industry - http://www.directindustry.com
- Dutch Association of Subcontracting Industry (NEVAT) – http://www.nevat.nl. Click 'Databank' to find companies of the sector.
- Europages – http://www.europages.com
- Kellysearch - http://www.kellysearch.com
- Kompass – http://www.kompass.com (mostly fee based, but the free part is useful too)
- Thomas Global Register Europe - http://www.trem.biz

For more details on how to search some of these databases, please refer to the CBI Export Manual 'Digging for Gold'.

Your own (DC) country

- Diplomatic and consular representatives
- Public and private trade promotion bodies
- The Dutch Embassy in your country. Find it at http://www.embassyworld.com.

The Netherlands

- Dutch Chamber of Commerce – http://www.kvk.nl
- Dutch association of intermediaries - http://www.vnt.org (commercial agents directory)
- Trade associations for individual product groups mentioned in 'Useful sources' in Section 1.

Also refer to CBI's Export Planner (http://www.cbi.eu), an export manual that provides information on the different steps to be taken during the export process to the EU market.

Reaching an agreement with your trade partner

Drawing up an offer

In the industry, custom made offers are most common, as every product and application differs. Tailor made offers are provided to clients that have asked the exporter for a quotation. A common price calculation is the 'pricing based on real costs'. The exporter adds all his costs for labour, raw materials and other expenses. Some other suggestions to convert an offer into an order: always treat the client as special, for instance by making a telephone call to ask whether the offer (and the brochures or samples, if applicable) has arrived and ask whether additional information is needed. This allows an extra contact moment with the client. Also respond fast to enquiries, since companies in the Netherlands expect such a response within 3 days. Some more points of interest you could consider when setting an export price can be found in the CBI market survey covering the castings and forgings market in the EU.

Method of payment

Most transactions are executed with a Letter of Credit. One of the advantages of this method is that subsidies, if any, are only granted with L/Cs.

Terms of delivery

The most common delivery conditions in the industry are the FOB and CIF condition (Cost Insurance & Freight). CFR (Cost & Freight) occasionally occurs as well. In other occasions, it is possible that clients arrange their own transport. Then, Ex Works could be the delivery condition. However, supplier and client are free to negotiate and agree whether quotations and subsequent trade are based on CFR or FOB prices.

Sales promotion

For DC exporters, trade press and trade fairs 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 press

The magazines with global coverage may present country-specific information. Examples are:

- Aluminium International Today - http://www.aluminiumtoday.com
- Foundry Trade Journal - http://www.foundrytradejournal.com
- Furnaces International - http://www.furnacesinternational.com
- Incast - http://www.investmentcasting.org/incast.asp
- Metalforming - http://www.metalformingmagazine.com
- MetalMag (metal in construction) - http://www.metalmag.com
- Steel Times International - http://www.steeltimesint.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 (machinery) - http://www.machinebouw.net
- Technische Revue - http://www.tr-online.nl
- Technisch Weekblad - http://www.technischweekblad.nl

Trade fairs

Visiting and participating in a trade fair abroad 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. There is one relevant trade fair in the country, which is ESEF (http://www.esef.nl; biennially, March, 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). Find more trade fairs at http://www.eventseye.com and http://www.auma.de.

This survey was compiled for CBI by Facts Figures Future in collaboration with Kommanet.