

Family business acquires Chinese agricultural machinery manufacturer

## CLAAS expands in China

Harsewinkel / Hanover, 11./12.09.2013. The German agricultural engineering company, CLAAS, is planning a significant expansion of its business in China thanks to the majority take-over of the Chinese agricultural machinery manufacturer, Shandong Jinyee Machinery Manufacture Co. Ltd. (Jinyee), in Gaomi in the province of Shandong.

Contracts were signed on 16th July between the Chinese shareholders and CLAAS, but as is usually the case with transactions of this kind, the conclusion of the contract is contingent upon obtaining approval from the national authorities, among others. The company expects to close the deal, that is to say, complete the legal implementation of the business deal. in the next few months.



In the back from left to right: Fusheng, Fan, Party Secretary Gaomi, Head of Standing Committee of the Chinese National Communist Party; Dr. Theo Freye, Spokesman of the CLAAS Executive Board; Zhi Chen, Chairman of the Chinese Agricultural Machinery Association; Qisheng Sun, Member of the City Council and Deputy Major of the City of Weifang; Dr. Henry Puhl, Member of the CLAAS Executive Board; Jianbo, Zhan, Deputy Chairman of the Agricultural Machinery Office of the Shandong Province; Stefan Belda, CLAAS Group Executive Director, Law and Syndic  
In front from left: Hans-Jörg Mast, CLAAS, Head of Treasury and Sales Finance; Jinying Ma, Chairwoman Shandong Jinyee Machinery Manufacture Co. Ltd.

The spokesperson for CLAAS management, Dr. Theo Freye, said "China is one of the largest and fastest-growing markets for agricultural engineering in Asia. It is a market in which CLAAS has been represented for many years. By acquiring the majority share in Jinyee, we are creating local production capacity for machines aimed at the Chinese market. Through expanding our product range, we anticipate creating impetus for growth for CLAAS in other markets and CLAAS locations. We have production plants in the Western and Central European markets, as well as in the USA, Russia and India.



Purchasing a production plant in China is another step towards Asia – a step that fits in with our long-term focus on this area."

### **CLAAS in China**

CLAAS has been active in China since the end of the 1970s, and founded a Chinese CLAAS sales company in Beijing in 2012. CLAAS Agricultural Machinery Trading (Beijing) Co., Ltd markets and manages CLAAS technology in this huge country, which has a population of 1.34 billion people. A CLAAS Service & Parts Center has also commenced operations in China. In addition to its sales and marketing activities, CLAAS has been involved with the German-Chinese Ganhe Demonstration Farm for the past five years. Here we are working hand in hand with companies and institutions, such as the DLG and the Federal Ministry of Food, Agriculture and Consumer Protection.

With the majority take-over of the agricultural machinery manufacturer Jinyee, which is now about to be legally implemented, CLAAS is taking a further important step towards becoming a global player.

### **Shandong Jinyee Machinery Manufacture Co. Ltd.**

The current production area at the main plant in Gaomi in the province of Shandong s 22 hectares and Jinyee has shown highly dynamic corporate and business performance.

In addition to the main plant in Gaomi, in Shandong Province, half way between Beijing and Shanghai, Jinyee operates a plant in North-eastern China in Daqing, Heilongjiang, where four-row corn pickers are assembled as SKD units. Gaomi is a city with a population of 860,000 situated approximately 100 km from Qingdao. A coastal city with a population of 8.5 million and good infrastructure, Qingdao not only boasts an international airport but is also on course to become the world's largest seaport by the year 2020.

The current Jinyee product portfolio mainly comprises combine harvesters for wheat harvesting with cutterbars up to 2.5 m in width, as well as various maize picker models for maize harvesting. Jinyee enjoys a leading market position in the area of wheat harvesters and corn pickers.

The number of employees is growing and is currently at around 1200. Jinyee posted sales of approximately €70 million last year, and is on track for further growth this year.



### **The Jinyee dealer and service network**

Jinyee uses the Chunyu ("spring rain") brand which is an established and respected brand in the Chinese market. Customers can be reached via a comprehensive national network of several hundred dealers with numerous service branches and several spare-parts centres.

### **Agriculture in China**

China has 109 million hectares of cultivated land, which is equivalent to the entire agricultural area within the European Union. In addition to rice, China also grows wheat, maize and soya. China produces 275 million tons of maize a year, which accounts for nearly 25% of global maize production. The annual wheat output of 120 million tons is roughly equivalent to that of the EU's 27 countries, and 20% above that of the CIS. In North-eastern China there are large state-owned farms which principally cultivate maize, but also wheat, across large areas. The crops here are harvested once a year. In Central China, maize and wheat are grown on a smaller scale, at the southern end also rice is harvested twice a year. In Southern China rice is grown on terraces and harvested up to three times a year.

### **The Chinese agricultural machinery market**

China is one of the world's biggest and fastest-growing agricultural machinery markets, and the Chinese harvesting-technology market is growing rapidly. In addition to rising demand for agricultural products, the increasing level of professionalism in the agriculture sector is also expected to generate increased sales of harvesting technology. While the current level of mechanisation for wheat harvesting is already relatively high, it is still significantly lower for maize harvesting. The market will, in all likelihood, more than double in the next ten years.

### **Prospects**

CLAAS' aim is to produce goods in China for China through Jinyee, and also to establish and expand a technical edge over the local competition. There are no plans to manufacture low-cost combine harvesters for Europe. The acquisition of Jinyee therefore means real growth for CLAAS. In the medium and long term, it is conceivable that components from other CLAAS locations will be delivered to China and assembled there. In any case, CLAAS will see an overall increase in volume of business.