

Euler Hermes report: Dutch agri-food exports up by 4% despite Russian sanctions

's-HERTOGENBOSCH - 18 NOVEMBER 2014 - In spite of the Russian sanctions, Dutch agri-food sector exports should post a 4% increase for 2014. However, while exports are increasing, margins have come under pressure. These are the key findings of the latest report by Euler Hermes, the worldwide leader in credit insurance, entitled "Agri-food in the Netherlands: The bumpy road continues".

The Netherlands agri-food sector occupies an important place in the global economy. According to the study, it accounts for 7.5% of global sector exports. The EU is the largest client at 70% of Dutch agri-food exports; the remaining 30% are distributed widely in the rest of the world.

Increased dairy exports to Russia

In 2014, the Russian sanctions had a relatively limited impact on total Netherlands exports. And in 2013, ahead of the sanctions, with the exception of the dairy sector, total exports to Russia actually decreased slightly compared to 2008.

"In the past three years, dairy product sales have grown by 27%, largely through cheese exports," said Walter Toemen, Risk Director at Euler Hermes Nederland. "Compared with 2008, that's a fourfold increase."

Delayed payment terms lead to €100 million extra financing requirement

In spite of the healthy export figures, relatively low margins remain a risk for the sector. In the past four years Netherlands food manufacturers have seen operating margins fall by a third, to 3.2%.

"Agri-food manufacturers must constantly try to balance rising raw materials prices and reductions in production costs. Competition is fierce, so prices are under pressure," added Toemen

At the same time, the stretching of payment terms is having major consequences for the sector. In 2013, payment times to agri-food sector suppliers increased by a further two days vs 2010. This translates to the sector having to finance an extra €100 million.

The future: more attention to innovation and R&D

The sector continues to rely heavily on traditional forms of financing, with 90% of loans to agri-food companies sourced from the banking sector.

According to Toemen, "Innovations such as crowd-funding are slowly gaining ground. In order to remain strong in the future, the sector must above all commit to continued innovation and R&D activities."

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