

Canada

Type: Strategic Market; High Volume, Large Market Share

Canada remains a top market for U.S. exporters of all sizes. It is by far the largest export market for U.S. agricultural equipment. U.S. exports in 2014 totaled \$3.6 billion. Machinery and equipment used to cultivate grain and other commodity row crops dominate U.S. sales to Canada. As a result of falling prices for those commodities, U.S. agricultural equipment exports dropped sharply in 2014 as Canadian grain farmers cut their investments in new equipment. Although exports to the livestock and fresh produce sectors increased, they were unable to compensate for declines in the row-crop sector.

U.S. Exports*:
1

Export Growth*:
8

U.S. Import Market
Share: 70.2%

*Note: Ranking based on a comparison of U.S. exports to forty strategic markets including signatories of major trade agreements and all members of the European Union and the Organization for Economic Cooperation and Development.

ITA expects U.S. agricultural exports to Canada will decline in 2015, although at a slower rate than in the previous year. In 2016, exports are likely to flatten out and may grow modestly, as global grain prices stabilize and Canadian farmers cautiously move to replace older equipment.

Overview

Canada is a strategic market for U.S. agricultural equipment exporters, given the country's large and highly advanced agricultural economy, proximity to the United States, and status as a North American Free Trade Agreement (NAFTA) trading partner. U.S. exports account for 70 percent of Canadian imports. Strong domestic and third-country competitors challenge U.S. suppliers across all major categories of agricultural equipment sold in Canada.

Canada is by far the United States' largest export market for agricultural equipment, worth \$3.6 billion in 2014. Machinery and equipment for producing grains, oilseeds, and other commodity row crops represented 43 percent of total U.S. exports, worth \$1.6 billion. Exports related to livestock and fresh produce represented 6.6 and 2.4 percent of total exports, respectively, worth \$237.3 million and \$87.0 million. Exports of tractors in the 40-100hp and less than 40hp ranges, combined, accounted for 8 percent of exports worth \$288.2 million. Agricultural sprayers represented less than two percent of overall exports. Exports of parts, at 23.2 percent of the total, worth

\$838.3 million, were proportional to global U.S. exports in this category.

Despite the market's importance, exports to Canada fell sharply in 2014, declining 17.3 percent from the previous year. This was due in large part to the steep decline in grain prices beginning in 2011-2012, combined with the Canadian market's strong orientation to machinery and equipment for producing grains and oilseeds (rapeseed/canola, wheat, soybeans, corn, etc.), and other row crops (potatoes, lentils and other legumes, beans, etc.).

Canada: Major Crops

- Grains oilseeds, and other row crops: rapeseed/canola, wheat, soybeans, corn, barley, oats, linseed potatoes, lentils, dry peas, dry beans (50.0 percent).
- Poultry (23.3).
- Red Meat (11.3).
- Dairy: fresh milk (11.0).
- Other: blueberries, tomatoes, mushrooms and truffles (2.6).

(Percentage share of the top 20 commodities produced in 2012, by value; Source: U.N. Food and Agriculture Organization.)

Increases in U.S. exports to the much smaller livestock sector (5.8 percent), as well as the 40-100hp and less-than-40hp tractor segments, were insufficient to mitigate the overall decline.

Parts exports fell even more steeply in 2014 than total agricultural equipment shipments to Canada, however. Overall parts exports declined 28.3 percent last year. Parts exports encompass both the demand for after-markets parts and components from dealers and their customers, and the requirements of Canada's robust agricultural equipment manufacturing sector.

The decline in U.S. parts exports is likely due to the impact of falling commodity prices on Canada's domestic agricultural equipment industry. Major manufacturers in Canada include Buhler Industries (100+ hp tractors; Winnipeg, Manitoba), MacDon Industries (harvesting equipment; Winnipeg), and CNH-Industrial's Case-IH and New Holland business units (implements and sprayers; Saskatoon, Saskatchewan and Niagara Falls, Ontario).⁸

In a recent survey, Canadian agricultural equipment dealers expected slightly negative revenue growth in 2015. The dealers believed best sales prospects included agricultural implements, such as disc harrows and field cultivators, as well as farm loaders and precision agriculture technology. Big ticket items, such as combine harvesters, 4-wheel drive tractors, and self-propelled sprayers, were ranked last.⁹

Despite the sharp downturn in 2014, Canada will remain a strategic market for U.S. exporters of agricultural equipment. U.S. exports to Canada tripled over the ten years ending in 2012, growing at an annual rate of 11.5 percent. The country is a major global producer and exporter of staple crops that will remain in high demand around the world. Canada's large farms and high-technology agricultural practices are very well-suited for American products, regardless of the ups and downs of global commodity markets.

Canada has a highly productive agricultural economy. The country is a leading global exporter of wheat, rapeseed (canola), rapeseed oil, and dried peas. Like the United States, and other developed, industrial countries, agriculture represents less than two percent of GDP. Only two percent of the workforce is employed in agriculture. Arable land represents less than five percent of the total land area, which is substantial given the geographic size of Canada.

Major Canadian Farm Shows

Agri-Trade Exposition

Red Deer, Alberta
www.agri-trade.com

Canada's Farm Progress Show

Regina, Saskatchewan
www.myfarmshow.com

Western Canadian Crop Production Show

Saskatoon, Saskatchewan
<http://www.cropproductiononline.com/>

Canada's Outdoor Farm Show

Guelph, Ontario
www.outdoorfarmshow.com

Ottawa Valley Farm Show

Ottawa, Ontario
www.ottawafarmshow.com

Canadian agricultural is highly mechanized and very capital intensive. Precision agricultural technology—to maximize the productivity of agricultural inputs and farming methods—is in especially high demand, in light of the extremely price-sensitive nature of international markets for Canadian agricultural commodities. These characteristics, plus the large farms found in many parts of the country, suit U.S. machinery very well for the Canadian market.

Impact of Commodity Prices

Since 2011-12, easing global demand for key agricultural commodities and high yields on increased acreage for Canada's leading grain crops have resulted in significantly lower prices for the country's farmers. At the same time, the cost of production inputs remains a concern. As a result, most Canadian farmers are likely to hold off making significant new investments in machinery and equipment until at least 2016.

The impact of declining grain prices is mitigated somewhat by higher global prices for meat, and since mid-2014, declining petroleum prices which are likely to reduce the cost of fuel in 2015.

Market Access/Trade Barriers¹⁰

Barriers to U.S. agricultural equipment exports to Canada are negligible. Canada eliminated tariffs on all industrial and most agricultural products imported from the United States in 1988. In 2010, Canada announced the unilateral elimination of import tariffs on manufacturing inputs. Most tariffs were eliminated

immediately and the remainder will be eliminated by 2015.

Determining whether a specific product qualifies for duty-free status under the NAFTA Rules of Origin can be complex. As a result, the U.S. Department of Commerce created the [NAFTA Certificate of Origin Interactive Tool](#). An explanation of NAFTA certificates of origin, as well as a “What’s My Tariff” tool, can be found at: <http://export.gov/FTA/nafta/index.asp>.

Exports to Canada must be properly documented for customs purposes; customs regulations and information are available from the Canada Border Services Agency webpage at www.cbsa-asfc.gc.ca.

The United States and Canada maintain different regulations regarding product labeling. The requirement that Canadian label information be provided in English and French creates extra costs for U.S. exporters.

End-user prices of U.S. products and services to Canadian customers, in Canadian dollars, are substantially affected by exchange rate changes between the U.S. dollar and the Canadian dollar. The value of the U.S. dollar hovers near parity in relation to the Canadian dollar. Canadian buyers are price-sensitive. U.S. should have price lists denominated in Canadian currency.

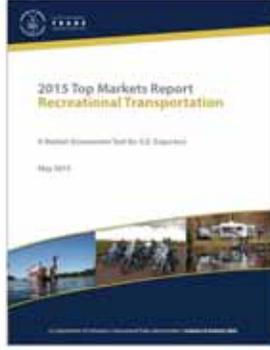
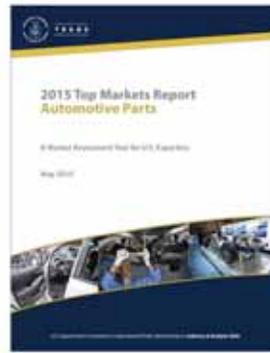
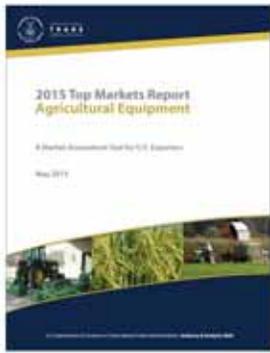
Canada remains on the U.S. government’s Special 301 Watch list due to concerns over its protection of intellectual property rights. U.S. copyright or patent

protection does not automatically provide equivalent protection in Canada. Companies should seek guidance and advice from local attorneys or intellectual property specialists.

For more information on doing business in Canada, consult ITA’s “Doing Business in Canada: 2014 Country Commercial Guide for U.S. Companies,” www.buyusainfo.net/docs/x_5578582.pdf

Many U.S. agricultural equipment manufacturers already maintain extensive dealer networks in Canada and exhibit—often through their dealers—at Canadian farm equipment shows.

Among the leading Canadian farm shows, the U.S. Foreign and Commercial Service in Calgary, Alberta notes that **Canada’s Farm Progress Show** (Regina, Saskatchewan) is the country’s largest agricultural equipment exhibition; the success of the show is highly dependent on the weather, however, since heavy rain can interrupt the harvest season and limit event participation. The **Western Canadian Crop Production Show** (Saskatoon, Saskatchewan) is the leading farm show in Saskatchewan—often referred to as Canada’s “breadbasket”—and neighboring provinces; the show’s focus is on grain industry and field equipment directly related to crop production. Historically, only a handful of U.S. firms have routinely attended the **Agri-Trade Exposition** (Red Deer, Alberta); however, a new Show Manager is in place for the 2015 show and recruitment for greater U.S. participation is likely.



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