



Canada: Agriculture Implements

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Summary

According to the Agriculture Manufacturers of Canada, the Canadian agriculture equipment market is currently valued at approximately US\$4.5 billion. Within this group, the Canadian agriculture implement subsector is forecasted to reach approximately US\$1.0 billion in 2008, with 67 percent of total imports originating from the U.S. Growth is expected to remain strong in this sector, with increased demand as a result of continued profitable grain prices, lower steel prices and the value of the Canadian dollar.

Best prospects will be tied to overall demand for crop cultivation and associated products. This report examines the market trends of the Canadian agriculture implement industry and product segments that offer the prosperous export opportunities for U.S. manufacturers and points of entry in Canada.

Market Demand

Growth potential within this market is heavily dependent on the expected performance of agriculture commodities and associated product derivatives. Increased demand of agriculture products and alternative fuels will play the role of key drivers in the future.

However, the Canadian agriculture implement industry is facing difficult times. Competition from low cost labor countries are presenting themselves as strong alternatives to Canadian manufactures. The Canadian dollar has also seen increased valuation due to bullish sentiment on natural commodities, decreasing export attractiveness, and favoring importation. While overall industry has historically displayed strong consistent growth, future forecasted rates however are expected to decrease in the face of financing woes caused by the credit crunch crises, and expected recessions amongst G20 nations. The Canadian agriculture implement market is no exception with projections for 2009 reflecting reduced demand. Sectors with high export orientation and low imports will continue to suffer under unnaturally high Canadian dollar schemes, and poor market conditions.

According to industry specialists, the Canadian agriculture implement market showing growth, with the majority of the manufacturers located in Saskatchewan. This subsector currently is experiencing a labor shortage, with many of the manufacturers searching for additional employees in other countries. Canadian agriculture implements are continually viewed in high regard as well engineered and high in quality suited for various agriculture uses. Canadian agriculture implements continue to play an important role in the Canadian economy and represent significant opportunities for American exporters.

Market Data

HS Codes	Description
HS841931	Non domestic dryers for agricultural products (excluding tobacco and processed food products)
HS842481	Mechanical appliances for projecting, dispersing, or spraying liquids/powders for agri/horticulture
HS842832	Continuous action elevators and conveyors for goods/materials – bucket types NES
HS842833	Continuous action elevators and conveyors for goods/materials – belt types NES
HS842839	Continuous action elevators and conveyors for goods/materials – other NES
HS843210	Ploughs (for agriculture, horticulture, or forestry)
HS843221	Disc harrows (for agriculture, horticulture, or forestry)
HS843229	Scarifiers, cultivators, weeders, and hoes (for agriculture, horticulture of forestry)

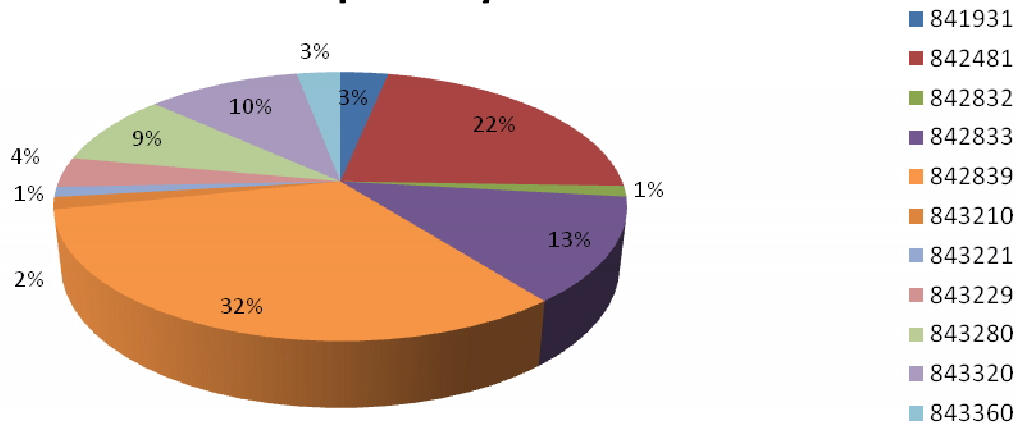
HS843280 Rollers, stone-movers and other soil preparation or cultivation machinery
 HS843220 Others mowers NES (including cutter bars for tractor mounting)
 HS843360 Machines for cleaning, sorting or grading eggs, fruit or other produce

	2006	2007	2008
Total Market Size	\$ 874	\$ 919	\$ 1,000
Total Production	\$ 878	\$ 917	\$ 958
Total Exports	\$ 370	\$ 404	\$ 462
Total Imports	\$ 366	\$ 406	\$ 504
Imports from the US.	\$ 270	\$ 288	\$ 339

(In millions of US Dollars)

The total market size for Canadian agriculture implements for 2008 is estimated to be approximately US\$1 billion, representing an increase of 8.8% over 2007. Reasons for strong interest in this sector can be partially attributed to renewed growth in demand for grain products and associated machinery. Production of Canadian agriculture implements for 2008 is expected to grow at approximately 4.4%. However, imports for 2008 are forecasted to be roughly 24% higher, representing an unprecedented rate of growth for this sector. Of the US\$504 million, U.S. imports will account for US\$339 million, representing just over 67% of total gross imports. The U.S. continues to remain by far the largest single supplier of agriculture implement products to the Canadian region, and an important market for prospective suppliers.

Total Canadian Imports by HS Product Code



The Canadian agriculture implement market is composed of a multitude of industrial equipment, with design variations among product lines (most notably conveyor belts). Continuous action conveyor belts (other NES) 842839 constitute the largest percentage of this industry weighing in at 32%. Aggregating conveyor belt design variants HS842832, HS842833, HS842839, the HS8428 family alone accounts for US\$186 million, or roughly 46.12% of all total Canadian agriculture implement imports. The HS8428 group generated a weighted average return of 11.48% in the periods 2003-2007, and 9.79% in 2006 respectively. Trends for the imports exceeding 10% of total imports are as follows.

Total imports for HS842839 (Continuous action elevators and conveyors for goods/materials – other NES) were valued at US\$130 million in 2007, US\$86 million coming from the U.S. The largest segment within the Canadian agriculture implement industry, it has made a steady increase following a precipitous drop in 2004. Overall imports from the U.S. have been on a steady rise for this HS code.

Total imports for HS842481 (Mechanical appliances for projecting, dispersing, or spraying liquids/powders- for

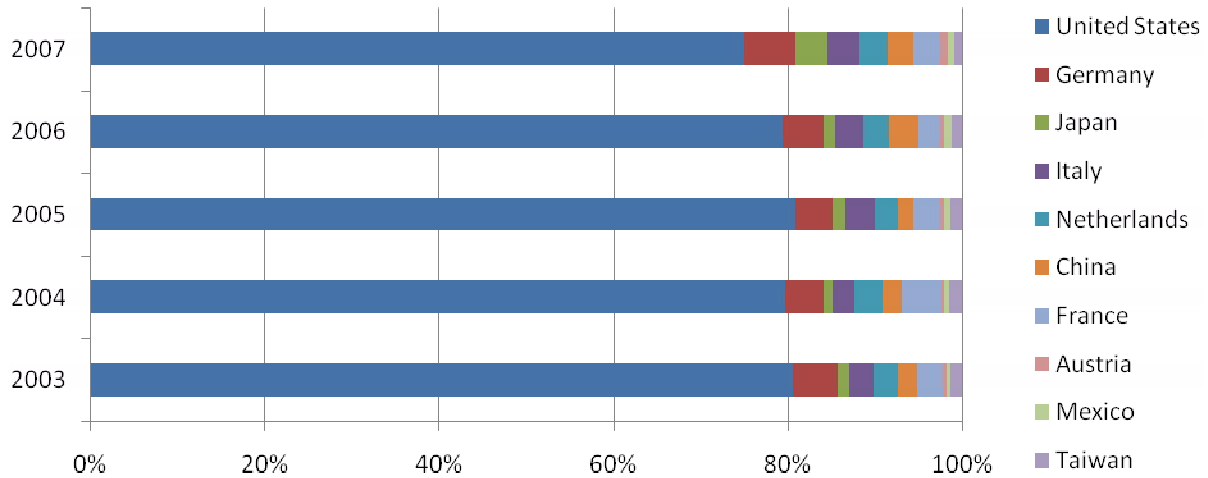
agri/horticulture) were valued at US\$90 million in 2007, US\$74 million coming from the U.S. While constituting 22% of total imports, HS842481 has seen a steady decline since 2003, averaging -10%. While it gained 5% since 2006 import figures suggest a decreased demand for this type of product.

Total imports for HS842833 (Continuous action elevators and conveyors goods materials –belt type NES) were valued at US\$50.4 million in 2007, US\$40 million coming from the U.S. This particular product has shown an increased growth of 50% from the periods 2003-2007. From 2006-2007 HS842833 increased by 30% alone. Barring a slight decrease in 2005, growth in this area continues to be strong.

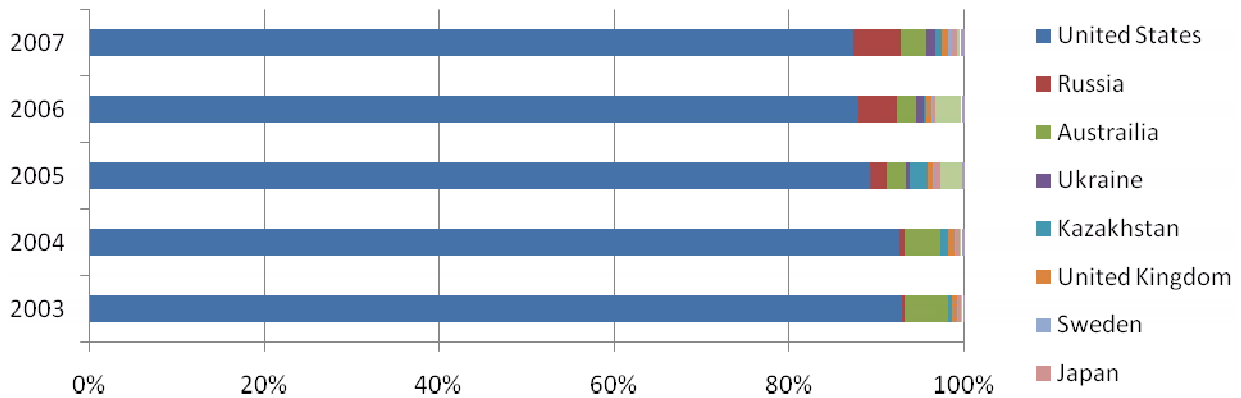
Total imports for HS843320 (Other Mowers NES including cutter bars for tractor bars) were valued at US\$42 million in 2007, US\$30 million originating from the U.S. Growth is moderate relative to other HS products at 10% since 2003. Since 2006, growth unexpectedly dropped 8%. Historic numbers however indicate a general upward trend.

Regional market distribution shows a high concentration of activity in Ontario commanding a 47.7% of market share based on import figures. Manitoba, Saskatchewan, and Alberta generate an approximately equal amount, constituting about 35% in aggregate. Saskatchewan has seen noted growth, increasing its imports by 58% since growing to US\$47 million from US\$26 million in 2003. Conversely, the export distribution paints a similar picture reflecting the state of local manufacturing. Ontario continues to dominate the production sector with 42% market share. However Manitoba now accounts for 20%, which has seen its share increase by 38% since 2003.

Canadian Total Imports by Country (Top 10)



Canadian Total Exports by Country (Top 10)



Best Prospects

Some of the best prospects by import volume in 2007 include:

Continuous action elevators and conveyors for goods/materials-bucket type NES (HS842832) imports for 2007 were valued at US\$5.26 million, representing an increase of 189% since 2003. Current U.S. imports account for roughly US\$3.96 million representing 75% of total gross domestic imports for 2007.

Disc Harrows (HS843221) imports for 2007 were valued at roughly US\$4.93 million, representing an increase of 40% since 2003. Current U.S. imports account for an estimated US\$4.24 million representing 85% of total gross domestic imports for 2007.

Rollers, stone-removers and other soil preparation or cultivation machinery (HS84328) imports for 2007 were valued at US\$35.4 million, representing an increase of 66% since 2003. Current U.S. imports account for approximately US\$21.3 million, representing 60% of total gross domestic imports for 2007.

Continuous action elevators and conveyors for goods/materials – belt type NES (HS842833) imports for 2007

were valued at US\$51 million, representing an increase of 50.8% since 2003. Current U.S. imports account for roughly US\$40.26 million, representing 79% of total gross domestic imports for 2007.

Non-Domestic dryers –for agricultural products (excluding tobacco and processed food products) (HS841931) imports for 2007 were valued at US\$13.1 million representing an increase of 79.15% since 2003. Current U.S. imports account for roughly US\$12.03 million, representing 92.1% of total gross domestic imports for 2007.

Other product groups have also interesting opportunities for U.S. Manufacturers. The U.S. Commercial Services can assist in identifying these opportunities and in developing the business in the Canadian market.

Key Suppliers

John Deere Canada	http://www.deere.com
Kubota	http://www.kubota.com
Massey Ferguson	http://www.masseyferguson.com
Buhler	http://www.buhler.com
AGCO	http://www.agcocorp.com
New Holland	http://www.newholland.com
Case IH	http://www.caseih.com
McCormick Canada	http://www.mccormickcanada.ca

Prospective Buyers

Typical Canadian agriculture implement buyers would be those engaged in the primary horticulture/agriculture production sector. Small to very large farms heavily rely on farm machinery to improve yield and machinery. Of particular note, the Canadian government has unveiled several initiatives to help foster the development of biofuel based crops, with particular emphasis on wheat (see Ethanol Expansion Plan) to help generate high grade ethanol for power usage. Under the proposed ecoENERGY biofuels initiative, Canada is expected to generate approximately 2 billion liters of ethanol derived from renewable crop sources by 2010. Secondary users involved in milling, sorting, and mowing also falls under the prospective buyer demographic.

Market Entry

The United States and Canada enjoy a long tradition of co-operative and lucrative trade. The North American Free Trade Agreement (NAFTA) provides a very favorable framework with no significant trade barriers such as tariffs or import quotas impeding imports of Canadian agriculture implements into Canada. There are no significant labeling and regulatory issues for Canadian agriculture implement equipment, with the requirements being similar to those in the U.S. However, for products destined to be marketed to consumers, labeling issues should be considered, mainly language regulations (bilingual English and French requirements) imposed by the Consumer Packaging and Labeling Act.

Standards used in Canada are the same or similar to the ones used in the U.S. Certifications are, however, required: mainly the CSA (Canadian Standard Association) and the ULC (Underwriter Laboratories of Canada). Safety regulations are also similar and the certification authorities are with provincial organizations. In Ontario, the organization is called TSSA (Technical Standards and Safety Authority) and detailed information on the Elevating Devices section is available at <http://www.tssa.org/regulated/elevating/default.asp>. Additional information on standardization and labeling regulations, including web addresses for Canadian standard and certification organizations, are available in the Country Commercial Guide at Doing Business in Canada – CCG 2008 Chapter 6: Trade Regulations and Standards. In additions, further information on market access can be found on Industry Canada's website at www.ic.gc.ca.

Entering the Canadian market requires the manufacturer to meet the needs of the end-user, as well as, those of all government specifications. Provided the product has already obtained the required certifications, a manufacturer-representative is generally the best vehicle to penetrate the market. Distributors with strong relationships in the Canadian agriculture implement industries are aptly situated to facilitate product entry or

improve presence. Additionally, given the advantage held by U.S. firms in R&D, there is room for U.S.-based production companies to establish working relationships with Canadian-based companies who may have an established market share or who can impart industry knowledge.

Trade Events

Canadian International Farm Show 2009

6900 Airport Road Toronto, Ontario
February 3-5

Alberta Farm and Ranch Show 2009

Northlands Park, Edmonton, Alberta
March 25-28

Western Canada Show 2009

IPSCO Place, Regina, Saskatchewan
June 17-19

Agri-Trade International Exposition

Westerner Park, Red Deer, Alberta
November 11-14

Resources & Contacts

Agriculture Manufacturers of Canada	www.a-m-c.ca
Prairie Agriculture Machinery Institute	www.pami.ca
Agriculture & Agri-food Canada	www.ats.agr.gc.ca
Industry Canada	www.ic.gc.ca

For More Information

The U.S. Commercial Service in Calgary, Canada can be contacted via e-mail at: Crystal.Roberts@mail.doc.gov; Phone: 403 265 2116; Fax: 403 266 4743; or visit our website: www.buyusa.gov/canada

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Comments and Suggestions: We welcome your comments and suggestions regarding this market research. You can e-mail us your comments/suggestions to: Customer.Care@mail.doc.gov. Please include the name of the applicable market research in your e-mail. We greatly appreciate your feedback.

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