

Agricultural Technology and Equipment Sector Profile^[1] - Upper Midwest, USA

Quick Facts

Market Highlights

- Exports of Canadian agricultural machinery equipment to the region totalled \$202 Million^[2] in 2006
- The U.S. Upper Midwest contains three of the country's top-ten states for employment in this sector

Opportunities

- Consistent local market demand for farm equipment including, sprayers, planters and rotary cutters.
- Local dealers see the shortline manufactured products as integral to their long-term sales and marketing efforts and look to Canadian manufacturers for innovation and speed to market.
- Established network of manufacturers' representatives eager to add Canadian manufactured goods to their portfolio.
- Rapid emergence of large property owners and hobby farmers are creating a new customer base for farm equipment products including small tractors and attachments.

Key Players

- Lindsay Corporation is the largest agricultural machinery manufacturing firm headquartered in the region. The company manufactures center pivot and lateral move irrigation systems
- The largest Canadian agricultural machinery company with a facility in the region is Bühler. Many other large Canadian manufacturers including MacDon Industries and Rite Way utilize manufacturers' representatives within the Midwest region.
- Toro, headquartered in Minnesota, services a diverse group of customers including golf course superintendents, groundskeepers, sports field managers, landscape contractors, fruit and vegetable growers, and homeowners.

Business Environment

- Business culture in Minnesota is very similar to Canada's, even by U.S. standards
- There are no tariff barriers to the importation of agriculture machinery products into the region

1. Sector Overview

The Upper Midwest is one of the United States' primary markets for agricultural machinery. The states of Iowa, Minnesota, Nebraska, North Dakota and South Dakota have the agricultural industry as the heart of their economies.

The table below shows imports from Canada and exports to Canada from each of the five Upper Midwest states for the last five years (values in thousands of Canadian Dollars):

| | | 2002 | 2003 | 2004 | 2005 | 2006 |
|---------------------|----------------------|----------|----------|----------|----------|----------|
| Iowa | Total Imports | 36,184 | 36,649 | 50,923 | 61,032 | 50,027 |
| | Total Exports | 334,225 | 327,136 | 305,640 | 295,346 | 269,756 |
| Minnesota | Total Imports | 36,118 | 35,162 | 52,530 | 45,593 | 38,946 |
| | Total Exports | 98,478 | 117,819 | 91,086 | 111,684 | 90,963 |
| Nebraska | Total Imports | 19,493 | 15,017 | 21,377 | 24,097 | 17,870 |
| | Total Exports | 46,042 | 35,591 | 42,671 | 104,603 | 125,658 |
| North Dakota | Total Imports | 107,738 | 96,665 | 102,830 | 103,853 | 77,833 |
| | Total Exports | 117,691 | 113,048 | 69,338 | 88,745 | 86,906 |
| South Dakota | Total Imports | 20,164 | 18,111 | 23,275 | 22,338 | 17,301 |
| | Total Exports | 5,484 | 5,134 | 5,479 | 5,566 | 6,200 |
| Total | Total Imports | 219,697 | 201,604 | 250,935 | 256,912 | 201,976 |
| | Total Exports | 601,921 | 598,728 | 514,214 | 605,944 | 579,481 |
| | Trade Balance | -382,224 | -397,125 | -263,280 | -349,032 | -377,505 |

Each state, with the exception of South Dakota, sends more goods to Canada than it receives. However, the border states of Minnesota and North Dakota have a far smaller ratio of exports to imports than the non-border states, showing accessibility is a major factor to import levels.

United States manufacturers of agricultural machinery and equipment employed a total of 59,200 workers in 2005. The lion's share of U.S. agricultural machinery and equipment manufacturing facilities are located in major agricultural centers. The top 10 states in the U.S. - Iowa, Wisconsin, Illinois, Nebraska, Kansas, Minnesota, Georgia, Ohio, Texas, and Tennessee - employed 42,400 individuals in the manufacture of agricultural machinery and equipment, or about 71.6% of total industry employment. The importance of the agricultural machinery and equipment industry to overall employment varies dramatically from state to state.

Agricultural machinery and equipment manufacturing employment in Iowa totalled 8,648 in 2005, representing 14.60% of industry employment at the national level. For Iowa, employment in the manufacture of agricultural machinery and equipment accounted for 0.70% of total state-wide employment.

Nebraska's employment in this sector totalled 4,360 in 2005, which was 7.36% of industry employment at the national level. Minnesota's agricultural machinery and equipment manufacturing employment totalled 3,733 in 2005, representing 6.30% of industry employment at the national level.

Agricultural machinery manufacturing companies headquartered in the U.S. Upper Midwest include:

- Lindsay Corporation, Nebraska
- Dethmers' Manufacturing, Iowa
- Sukup Manufacturing, Iowa
- Toro, Minnesota

It can also be noted that other industry leaders, headquartered outside the U.S. Upper Midwest, are active in the territory. These include John Deere and Case; the former is the largest agriculture machinery employer in Iowa.

Winnipeg-based Bühler Industries operates a heavy machinery production plant in Fargo, ND, employing around 100. The facility has been operational since 2002 and gives the company an excellent distribution channel to the Upper Midwest.

2. Market and Sector Challenges - Strengths/Opportunities:

Proximity to Canada

The Upper Midwest's obvious strength is its proximity to the Canada-U.S. border. There are also 12 border crossing points between North Dakota and Manitoba. The Emerson, MB/Pembina, ND crossing is the second busiest international border crossing point in Western Canada/U.S., with almost 400,000 commercial crossings each year. The annual value of trade passing through Emerson/Pembina is approximately \$14 billion.

Minnesota currently shares 7 border crossings with Manitoba and Ontario. The Pigeon River Bridge crossing, midway between the Lake Superior ports of Duluth, MN and Thunder Bay, ON is a key trade gateway for the Upper Midwest.

Ease of Transportation

Movement of materials through Customs on a timely basis can be challenging during peak times (e.g. at the end of financial quarters). Minnesota and North Dakota's geographical location gives firms doing business in the state the flexibility to import and export goods through Customs offices at either Minneapolis or Chicago, thereby reducing reliance on only one Customs point.

Exporters of large agricultural machinery should be aware, however, that some points of entry into the United States may have a gate which is too small to fit an oversized load through. When deciding on a route, please consult the U.S. Customs and Border Patrol office at your chosen point of entry to ascertain whether the gate will be large enough to fit a load through. A list of the point of entry offices (with contact details) can be found at www.cbp.gov/xp/cgov/toolbox/ports.

There are no special regulations for an oversized load crossing the border. A Customs and Border Patrol agent at the point of entry office will supply information regarding paperwork required.

There are varying regulations for transporting oversized loads on highways in the Upper Midwest. Please contact the Consulate General of Canada in Minneapolis for information.

Policy and Access

The Canada-U.S. Free Trade Agreement and the North American Free Trade Agreement (NAFTA) both committed the United States to eliminate tariff and non-tariff barriers for trade between the two countries.

Similarity to Canada's Business Environment

Canadian agricultural equipment and machinery enjoys a good reputation in the U.S. market. Traditionally, manufacturers use manufacturers' reps or distributors to sell their products. Some companies have set up their own distribution/warehouse facilities in the U.S.

As a starting point for finding reps and distributors, there are several associations to contact:

- Agricultural and Industrial Manufacturers' Representatives Association (AIMRA)
- Farm Equipment Manufacturers Association (FEMA)
- Farm Equipment Wholesalers Association (FEWA)

Manufacturers can become associate members of these groups, attend the annual conventions and receive the membership directories.

Trade shows play an important role in introducing and promoting equipment to the marketplace. Some trade shows offer demonstration sites, which are especially good for introducing new features or new equipment. The Canadian Consulates General in the U.S. can assist you in determining the best shows for your equipment.

Opportunities for Canadian Companies

Canadian products entering this territory are judged, for the most part, on their own merits. Design, price, quality, availability, ease of doing business and prompt service are the most important factors that buyers assess in viewing a new resource. Canadian companies may benefit from the general perception that equipment built in Canada is seen as innovative, highly productive and reliable.

The Association of Equipment Manufacturers (AEM) projects an overall increase in US spending on tractors, combines and tillage equipment and is projecting a generally positive demand for the majority of other types of agricultural machinery. The optimism regarding the increased demand for agricultural equipment is linked to the US economy's continued focus on renewable energy which is creating higher demand and commodity prices resulting in upward movement of net farm incomes and ultimately fuelling confidence regarding farm equipment sales.

Canada is seen as an expert in shortline manufacturing delivering innovation and speed to market for specialized and niche products. While US dealers still rely on full-line manufacturers to meet professional farmer demands, shortlines are viewed as critical in responding to new demands and evolving farming practices such as changing tillage practices and cropping trends. Canadian shortline manufacturers can continue to fulfill a key role within the US agricultural equipment market by leveraging R&D programs to aggressively stay ahead of major manufacturers in product development and delivery.

Weaknesses/Threats:

Strength of Canadian Dollar

In November 2007, the Canadian Dollar hit an all-time high against the U.S. Dollar. This has adversely affected the number of US companies importing from Canada. However the current economic environment presents Canadian manufacturers with an opportunity to make key capital investments to improve production efficiency and productivity.

3. Sub-Sector Identification

The agricultural machinery sector is in itself a sub-sector of the larger advanced manufacturing sector that traditionally encompasses farm machinery and equipment, powered mowing equipment and other powered home lawn and garden equipment.

Canadian Government Contacts

Consulate General of Canada in Minneapolis

E-mail: katherine.saba@international.gc.ca

Internet: <http://www.minneapolis.gc.ca>

Foreign Affairs and International Trade Canada

125 Sussex Dr.

Ottawa, ON K1A 0G2

Internet: <http://www.infoexport.gc.ca>

Useful Internet Sites

- Agricultural and Industrial Manufacturers' Representatives Association (AIMRA) - <http://www.aimrareps.org>
- Farm Equipment Manufacturers Association (FEMA) - <http://www.farmequip.org>
- Farm Equipment Wholesalers Association (FEWA) - <http://www.fewa.org>
- Association of Equipment Manufacturers (AEM) - <http://www.aem.org>

[1] *The Government of Canada has prepared this report based on primary and secondary sources of information. Readers should take note that the Government of Canada does not guarantee the accuracy of any of the information contained in this report, nor does it necessarily endorse the organizations listed herein. Readers should independently verify the accuracy and reliability of the information.*

[2] *All monetary amounts are expressed in Canadian dollars, unless otherwise indicated. Foreign exchange rate is based on CAD\$1 = USD\$1.07 on November 6th, 2007.*