



Western Canada Export Industry Brief MACHINERY PRODUCTS

OVERVIEW

Montana's machine industry trade with western Canada traditionally pertains to agricultural and heavy equipment. Machinery products sold from Montana accounted for \$32.57M in merchandise imports into Alberta, British Columbia, and Saskatchewan, ranking as the fourth most imported product classification in 2015. Montana equipment dealers often offer brands that are typically not found in Canada.

OPPORTUNITIES

Precision farming has been an integral component in U.S. agriculture for over twenty years. Technological advances have produced a next generation of machinery including the concept and function of big data. Large agricultural producers are quick to deploy such technology, but many smaller producers have yet to adopt the technology or capitalize fully on its functionality. Opportunities may exist for Montana technology businesses selling a data analysis product with focus on maintaining the producer's trust and ownership of the data. Potential advantages of integrated data analysis include predicting mechanical problems before they occur, seed performance, and livestock movement.

Top 5 Machinery Product Imports Into Alberta, British Columbia, and Saskatchewan from Montana in 2015

Data provided by WISER, at <http://www.wisetrade.org>, from Statistics Canada, International Trade Division

			2013	2014	2015
RANK	HS CODE	PRODUCT	Imports (\$US)	Imports (\$US)	Imports (\$US)
1	843351	Combine harvester-threshers	\$3.71M	\$5.96M	\$5.75M
2	841990	Parts of machinery, plant, and equipment	\$12K	\$17K	\$5.71M
3	854430	Ignition wiring sets, wiring sets of a kind used vehicles, aircraft, etc.	\$2.22M	\$2.39M	\$2.58M
4	840890	Engines, diesel, nes	\$5.58M	\$8.02M	\$1.64M
5	843149	Parts of cranes, work-trucks, shovels, and other construction machinery	\$1.55M	\$1.58M	\$1.19M

RECENT INDUSTRY TRENDS

- As a result of consolidation in Canada, dealerships are becoming farther away from Canadian producers. Montana dealerships have become geographically close enough to Canadian buyers that in some situations, it's more advantageous for the buyer to come across the border, purchase the equipment, and get back to work rather than travel farther to a Canadian dealership.
- While the currency exchange rate remains at an unfavorable level for new equipment sales, some Montana dealers have shifted to selling low-hour, used equipment. Aged tractors in Canada are typically taken apart and sold overseas, leaving the Canadian buyer without as many options for used, good condition pieces of equipment, possibly resulting in more buyers purchasing in Montana.

RELEVANT ISSUES

2016: A Transition Year for Non-Energy Industry Spending

Some Canadian economists say the rise in non-energy investment will be very gradual, as businesses begin to see a sustained and growing need to expand their capacity to meet rebounding domestic demand. Substantial growth is not expected in 2016. Some economists are looking to 2017 to see if the benefits from the U.S. exchange rate will help spur FDI in Canada, which would in turn mean more demand for certain types of Montana-made machinery.

Border Crossing Challenges

Border crossings are a source of occasional frustration for companies conducting business on both sides. Anecdotal feedback from Montana businesses regarding provision of inconsistent information by border agents or forms that are not publicized/provided online highlight frustrations but may be mitigated substantially through use of professional freight forwarders and customs house brokers—a service some Montana equipment manufacturers choose to forego. The Pacific Northwest Economic Region (PNWER) has formed a Border Working Group dedicated to the topic of streamlining border crossings.

SUMMARIZING THE IMPACT ON MONTANA

2015 was a challenging year for Montana dealers as the strength of the U.S. dollar and the currency exchange rate not only created a disincentive for Canadian buyers to purchase south of the border but also made it more affordable for Montana buyers to purchase equipment in Canada.

Even though purchasing power is expected to pick up due to a modest projected improvement in Canada's economy, revitalizing imports into western Canada will largely depend on the exchange rate returning closer to an even level. Equipment purchasing in the United States has in recent history been considered less expensive compared to buying in Canada. Even at times when the exchange rate is closer to 85 cents (U.S.), many Canadian buyers still purchase in Montana. As of March 2016, the exchange rate had risen to 74 cents, which is an improvement from the year-low level of 69 cents seen in mid-January 2016.

One of Montana's enduring value propositions is that Montana equipment dealers are able to quickly supply equipment from existing and diverse inventory. Should a piece of equipment break down during a busy harvest season, Canadian producers need an immediate replacement option. If the piece of equipment is not available nearby, the producer may come to Montana to purchase what's necessary in order to complete the job.



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