



State of Trade 2020

Saskatchewan

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CONNECTING SASKATCHEWAN BUSINESS WITH THE WORLD



CONNECTING **SASKATCHEWAN** BUSINESS WITH THE WORLD

Saskatchewan Trade and Export Partnership (STEP) was officially launched on August 21, 1996 with a mandate to increase Saskatchewan's exports to existing markets and to tap into new markets by initiating sales, contracts and projects for Saskatchewan exporters.

Operating as a government/industry partnership, STEP champions the province's export industry and assists provincial businesses in realizing global marketing opportunities.

As a non-profit, membership-based organization, STEP brings these resources together to provide world-class specially tailored services and programs to companies who are exporting outside the borders of Saskatchewan. These services include Trade Development, Market Intelligence, Export Education, Advice & Guidance and Funding Support.

For over 20 years, STEP has been providing Saskatchewan exporters with market research on-demand. STEP provides its members with approximately 300 customized Market Intelligence reports every year. Recently, STEP has expanded its set of offerings to include prepared Market Intelligence reports related to some of the most commonly requested exporting information. These reports are available to our members in addition to the general public.

STEP's reports are primarily based on secondary research accessed from our various licensed database subscriptions, Internet sources and STEP's wide network of worldwide contacts.

For more information on our organization, please check out our web site at www.sasktrade.com.

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Summary

The past year demonstrates the impact in which uncertainty and geo-politics can play out on international trade. As an export-driven province, Saskatchewan both benefits from and is exposed to the health of global markets. Overall, exports in the province fared relatively well in 2019 considering the events which impacted Saskatchewan exporters, with the value of goods shipments declining just under 3% from the previous year. 2019 started out with weakened commodity prices, acting to subdue export potential. As well, few could foresee the level of impact that political-relations with China would have on the province. Following the arrest of Huawei Executive Meng Wanzhou in December 2018 tensions between Canada and China continued to rise, most impactfully culminating in non-tariff barriers being imposed on Canadian canola seed resulting in a loss of over CAD\$1 billion in exports from Saskatchewan during 2019.

Outside of canola seed, exports remained steady. Growth in crude oil and potash shipments helped to minimize the decline in the value of exports, while commodities like lentils and peas both experienced growth, products which have struggled in recent years due to mostly tariffs in India. Additionally, Saskatchewan made significant export gains in markets like Brazil, India, Bangladesh, United Arab Emirates (U.A.E.) and Algeria, among others. At the same time, Saskatchewan also saw exports decline to our major trading partner, the United States (U.S.), with notable declines in wood and agricultural products.

Looking ahead, uncertainty around China and the global economic climate in general remains. The impact of Brexit is likely to not be realized until after 2020. Add in the unknown impacts of the newly minted U.S.-China trade deal on Saskatchewan agricultural commodities and the current and future impacts of the coronavirus both within and outside China and Saskatchewan exporters face tremendous uncertainty among the province's major trading partners. However, food, fuel and fertilizer continue to be in demand in a growing world, with potash exports having grown consistently in recent years and oil exports remaining steady. Partial recovery in canola product exports to China is expected to be realized and hopefully further gains can be realized in India around pulses. Given all of these factors STEP forecasts exports to be flat with a potential for an increase of 2-3% in 2020.

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Export Performance

The last year saw Saskatchewan exports decline by 2.97% from 2018. While various markets and products witnessed growth and declines in export levels, the primary reason for the overall decline in exports was due to the restrictions placed on Canadian canola seed within the Chinese market. Taking into account the over CAD\$1 billion in lost canola seed sales due to these restrictions, it is most likely that the province would have witnessed positive export growth. Overall, Saskatchewan was one of only three provinces in Canada to witness a decline in export in 2019.

Total Saskatchewan Goods Exports, 2010-2019 (CAD Millions)*



Source: Trade Data Online

*The trade data contained within this report was sourced from the Government of Canada's Trade Data Online database. This data consists of merchandise exports only. The released trade data for 2019 contained within this report is to be considered as preliminary data and is subject to adjustment over the upcoming months as further information is acquired.

Provincial Total Goods Export Comparison, 2018-19 (CAD Thousands)

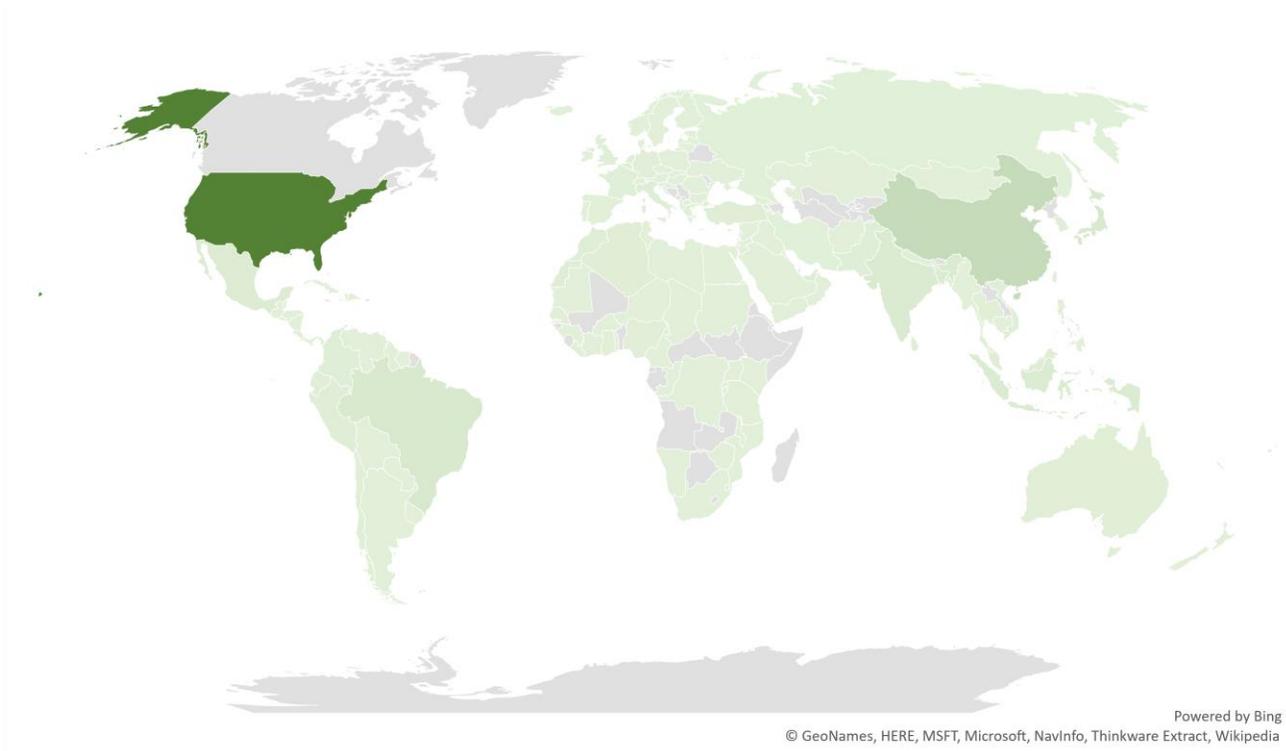
Province	2018 Total Exports (CAD Thousands)	2019 Total Exports (CAD Thousands)	% Change
Ontario	\$243,662,791	\$252,814,516	↑3.76%
Alberta	\$118,143,967	\$117,562,528	↓0.49%
Quebec	\$92,426,536	\$93,476,597	↑1.14%
British Columbia	\$47,408,642	\$44,437,613	↓6.27%
Saskatchewan	\$30,669,948	\$29,758,340	↓2.97%
Manitoba	\$15,731,374	\$16,102,063	↑2.36%
Newfoundland	\$13,508,632	\$14,786,377	↑9.46%
New Brunswick	\$12,648,643	\$13,082,323	↑3.43%
Nova Scotia	\$5,806,059	\$6,142,677	↑5.80%
Prince Edward Island	\$1,456,077	\$1,704,595	↑17.07%

Source: Trade Data Online

Markets

Saskatchewan truly is a global province. As a key source of food, fuel and fertilizer it is not surprising that in many global business circles the “Canada/Saskatchewan” brand is well known. In 2019 Saskatchewan continued to maintain a strong global footprint, exporting goods to 157 countries with 27 countries receiving over CAD\$100 million in Saskatchewan exports.

Where Saskatchewan Exported in 2019



The U.S. and China remain the top two export markets accounting for approximately 65% of the province’s total exports. While exports declined within the province’s top three markets, strong export growth was witnessed in markets such as Brazil, India, Bangladesh, the U.A.E. and Algeria.

Top 10 Saskatchewan Export Destinations (CAD)

Country	2018	2019	% Change	% of Total Exports (2019)
United States	\$16,843,843,407	\$16,160,561,851	↓4.06%	54.31%
China	\$4,602,373,597	\$3,139,444,018	↓31.79%	10.55%
Japan	\$1,123,014,289	\$1,090,110,558	↓2.93%	3.66%
Brazil	\$931,146,490	\$1,048,670,567	↑12.62%	3.52%
India	\$629,359,514	\$775,326,820	↑23.19%	2.61%
Indonesia	\$791,533,350	\$658,328,180	↓16.83%	2.21%
Bangladesh	\$291,986,324	\$635,835,930	↑117.76%	2.14%
Mexico	\$820,111,064	\$596,115,263	↓27.31%	2.00%
United Arab Emirates	\$292,554,630	\$411,020,320	↑40.49%	1.38%
Algeria	\$298,537,489	\$365,073,220	↑22.29%	1.23%
Other	\$4,045,488,117	\$4,877,852,983	↑20.58%	16.39%
Total	\$30,669,948,271	\$29,758,339,710	↓2.97%	100.00%

Source: Trade Data Online

Within the province's top export market, the U.S., exports declined by just over 4% in 2019. While oil and potash shipments to the U.S. grew, declines in wheat, wood products and other agricultural commodities contributed to the reduced export levels. Notably exports of uranium declined by over 86%. Although Saskatchewan's uranium continues to be heavily impacted by global market forces, much of the decline in uranium export figures are the result of Saskatchewan product being sent to Ontario for further processing prior to being exported to the U.S., which is reflected in a considerable increase in uranium exports from Ontario in 2019.

Overall, canola oil shipments from Saskatchewan to global markets increased slightly in terms of both volume and value in 2019 from 2018. In terms of canola seed, exports were down in 2019 both in terms of value and volume with total value declining 23% and volume declining by 16%, with the difference being due to softer prices.

In China, the value of Saskatchewan exports decreased by 32% in 2019 largely the result of canola seed being restricted within the market. This resulted in a loss of over CAD\$1 billion in exports for the province. Within North America, reduced exports of canola, wheat and propane were the primary drivers of lower exports to Mexico.

However, there were very positive gains for Saskatchewan exports in 2019. While India continues to have restrictive market access for pulse products, lentil imports to India increased by over 300% to reach CAD\$267 million in 2019. Additionally, potash exports to the market remain strong. Durum exports to Italy, Turkey and Tunisia witnessed robust growth. Meanwhile, Saskatchewan agriculture exports to Bangladesh made considerable gains leading to exports more than doubling to the market in 2019, largely due to increases in commodity shipments related to wheat, soybeans, lentils, peas and canola seed. In the Middle East, rising canola and pulse shipments drove export growth in the U.A.E. Other notable growing markets included Pakistan (canola and lentils) and Colombia (lentils).

In terms of the largest growing markets, a dramatic rise in soybean exports to Iran fueled the single largest increase in percentage change of all Saskatchewan export markets, while agriculture commodity exports helped to drive increases in Tunisia, Portugal, Australia and other markets.

Top 10 Growing and Declining Saskatchewan Export Markets with Over \$50 million in Goods Export, 2019 (CAD)

Country	2018	2019	% Change
Iran	\$3,378,471	\$62,543,818	↑1,751.25%
Tunisia	\$5,045,165	\$51,222,304	↑915.28%
Russia	\$14,868,859	\$61,324,840	↑312.44%
Portugal	\$16,022,064	\$57,904,286	↑261.4%
Australia	\$64,903,813	\$155,475,900	↑139.55%
Thailand	\$65,094,074	\$149,557,221	↑129.76%
Italy	\$133,396,295	\$303,482,371	↑127.50%
Bangladesh	\$291,986,324	\$635,835,930	↑117.76%
Germany	\$58,790,899	\$108,491,925	↑84.54%
Turkey	\$164,236,605	\$269,028,296	↑63.81%
United Kingdom	\$82,582,641	\$77,455,217	↓6.21%
Morocco	\$312,346,544	\$290,559,140	↓6.98%
Malaysia	\$271,024,468	\$251,320,942	↓7.27%
Sri Lanka	\$95,334,908	\$88,224,262	↓7.46%
Chile	\$177,348,017	\$151,831,971	↓14.39%
Indonesia	\$791,533,350	\$658,328,180	↓16.83%
Nigeria	\$139,819,237	\$116,257,739	↓16.85%
Vietnam	\$125,944,557	\$104,365,335	↓17.13%
Mexico	\$820,111,064	\$596,115,263	↓27.31%
China	\$4,602,373,597	\$3,139,444,018	↓31.79%

Source: Trade Data Online

Products

Crude oil continues to be Saskatchewan's largest export. However, over the last ten years potash exports have been closing the gap. Both crude oil and potash export remained steady showing modest gains. Total agri-food exports declined in 2019 by 2%. Overall, the primary driver of export decline in Saskatchewan in 2019 was among canola seed to China.

Top 25 Saskatchewan Exported Products (CAD Thousands)

General Product Description	HS6 Code	2018	2019	% Change
Crude Petroleum Oil	270900	\$7,174,448	\$7,459,924	↑3.98%
Potash	310420	\$6,384,337	\$6,520,246	↑2.13%
Canola Seed – Low Erucic Acid	120510	\$3,188,643	\$2,463,476	↓22.74%
Wheat	100199	\$2,376,552	\$2,383,530	↑0.29%
Durum Wheat	100119	\$1,195,136	\$1,319,721	↑10.42%
Lentils	071340	\$929,357	\$1,108,134	↑19.24%
Canola Oil – Not Crude	151419	\$1,001,013	\$1,014,058	↑1.30%
Dried Peas	071310	\$674,242	\$741,458	↑9.97%
Canola Meal	230641	\$781,259	\$665,601	↓14.80%
Canola Oil – Crude	151411	\$635,034	\$634,393	↓0.10%
Soybeans	120190	\$447,173	\$423,149	↓5.37%
Barley	100390	\$373,123	\$401,855	↑7.70%
Oats	100490	\$290,852	\$320,177	↑10.08%
Oil & Gas Line Pipe	730519	\$255,058	\$285,058	↑11.76%
Petroleum Bitumen	271320	\$275,082	\$242,454	↓11.86%
Flax	120400	\$267,520	\$219,594	↓17.91%
Oriented Strad Board (OSB)	441012	\$240,021	\$163,833	↓31.74%
Other Petroleum Oils	271019	\$110,848	\$146,447	↑32.12%
Cattle – Other	010229	\$152,059	\$142,906	↓6.02%
Malt – Not Roasted	110710	\$105,812	\$120,667	↑14.04%
No-Till Seeders	843231	\$106,004	\$117,512	↑10.86%
Canary Seed	100830	\$91,124	\$103,295	↑13.36%
Chickpeas	071320	\$81,571	\$95,548	↑17.13%
Uranium	284410	\$555,829	\$88,470	↓84.08%
Others	-	\$2,624,080	\$2,296,029	↓12.50%
Total	-	\$30,669,948	\$29,758,340	↓2.97%

Source: Trade Data Online

Major Trade Events

North American Trade Deal

Since Canada, the U.S. and Mexico signed the Canada-United States-Mexico Agreement (CUSMA) in November 2018, both the U.S. and Mexico have approved the agreement and Canada continues to navigate the process of negotiating and approving the trade deal internally, which will go into effect once the federal government signs off.

The new agreement maintains preferred access (zero tariffs) for Saskatchewan's exports into the province's largest export market.

China

The trade and political issues with Saskatchewan's second largest trading partner, China, in 2019 were significant and numerous. Starting with the arrest of Huawei Executive Meng Wanzhou in December 2018 Canada-China diplomatic relations have been strained. After landing in Canada, Meng Wanzhou was arrested by Canadian authorities on an international warrant levied by U.S. authorities related to bank and wire fraud charges regarding business dealings in Iran. Subsequently, nine days after this event China arrested two Canadians on espionage charges further escalating the situation. Meng Wanzhou has been under house arrest in Canada since that time. In January 2020, she faced a hearing around her extradition from Canada to the U.S. Upon completion of this hearing, a Canadian supreme court judge reserved judgement on the case with a decision likely to come before April 2020. In terms of practical impact, this situation left many exporters at that time wondering if they should travel into the market, but to a large degree did not itself disrupt trade dramatically.

In March 2019, Chinese customs authorities claimed pest issues with canola seed shipments from a prominent Canadian canola seed exporter and revoked their license in response, a move many considered to be politically motivated. Soon thereafter Chinese importers reduced purchasing from all Canadian canola seed exporters. In April 2019 there were no Saskatchewan shipments of canola received by China and in the following months export levels were and continue to be greatly reduced, resulting in a cumulative loss of over CAD\$1 billion in exports from Saskatchewan in 2019.

To further complicate the situation for Saskatchewan's two largest trading partners, the U.S. and China spent most of 2019 in the midst of a contentious trade war. In the midst of this global dispute, these two countries managed to sign a trade deal in January of 2020, which was negotiated throughout much of 2019. While not a free trade agreement, the deal does pledge that China will increase imports of American goods by a minimum of USD\$200 billion over the next two years, of which USD\$40-50 billion will

consist of agricultural products, including commodities and machinery. As an important trading partner of agricultural goods with China, such a deal is concerning to the province and time will tell what the impact on Saskatchewan agricultural exporters will be.

Finally, the emergence and subsequent outbreak of the Coronavirus in Wuhan, China in late December 2019 has dramatically impacted the day-to-day lives of persons living in China and has moved to halt travel to the country. Air Canada has suspended flights into China, and the Canadian embassy in Beijing has limited all communications to “emergencies only” due to a lack of staff. As more Chinese factories shutdown, the effect on global industrial supply chains could linger for years. For Saskatchewan, in-market trade development efforts into the Pacific Rim have been negatively impacted due to the cancellation and postponement of major trade shows. This situation could certainly widen in terms of the geographic area impacted.

Brexit

While the referendum took place in 2016, with the voters of the United Kingdom (U.K.) voting to the exit the European Union (E.U.), it wasn’t until late January 2020 until the U.K. was able to ratify their agreement marking their official exit from the E.U., referred to as Brexit. Following the official date of Brexit there is a 11-month transition period (which could be extended) where the U.K. will continue to maintain E.U. rules, including trade regulations. The hope is that during this period the U.K. can establish a trade agreement with the E.U.

In practical terms, for Saskatchewan exporters there is no change to U.K. trade rules, which will maintain E.U. rules and tariffs. Upon the end of the transition period, barring any extensions, the U.K. will not be included under the Canada-European Union Comprehensive Economic & Trade Agreement (CETA). Given this, Saskatchewan exports to the U.K. will be subject to the U.K.’s established Most Favoured Nation (MFN) tariff rates in the case that Canada and the U.K. fail to establish a bilateral trade agreement. Senior U.K. trade officials have assured STEP that they are free-traders and they value their trading relationship with Canada and Saskatchewan’s export industry.

Saskatchewan’s Growth Plan

2019 saw the unveiling of Saskatchewan’s Growth Plan “The Next Decade of Growth, 2020-2030.” This plan outlines the Government of Saskatchewan’s strategy for growing the province’s economy over the next decade. Overall, the plan emphasizes aggressive export growth as a strategic pillar to overall economic growth and outlines actions and goals for exports focused around several areas including, but not limited to:

- Growing the value of overall exports by 50%.
- Increasing the value of manufacturing exports by 50%.
- Growing agri-food exports to CAD\$20 billion.

- Reduce interprovincial trade barriers.

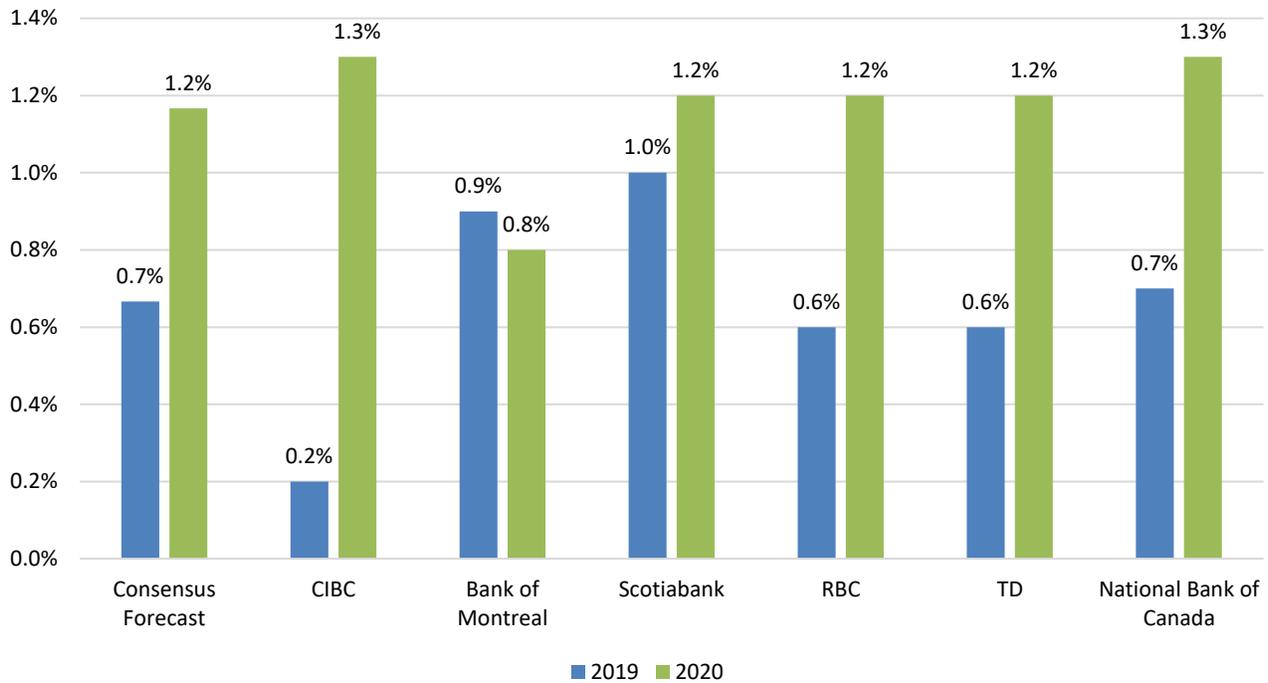
The Growth Plan also calls for the establishment of additional Saskatchewan international offices in Tokyo, Singapore and New Delhi.

The goals within this plan demonstrate a recognition of the importance of exporting within the province and a dedication to enhancing the competitiveness of the sectors and companies most reliant on markets outside of the provincial borders.

Saskatchewan Economic & Export Forecast

Looking ahead to 2020, economists from Canada’s major financial institutions are forecasting that Saskatchewan’s real gross domestic product (GDP) will have grown an average of 0.7% in 2019 and forecast that growth to reach 1.2% in 2020.

Saskatchewan Economic Growth Forecast, 2019-20 (Annual Real GDP % Change)



Overall, economists are predicting that the oil and gas sector will continue to remain subdued due to the global economic climate. Meanwhile, weakness in global commodity markets remains impacting both the manufacturing and agricultural sectors. Further, the outlook for the Chinese market is uncertain and the impacts of the coronavirus globally have yet to be fully understood or realized. The uranium industry continues to be impacted by the headwinds faced in global markets and recovery is uncertain in the near-term. On a positive note, global potash markets are expected to help maintain export levels. Export Development Canada (EDC) forecasted in the fall of 2019 that Saskatchewan exports will grow by 6% in 2020.¹ Since that time global markets have witnessed new events. STEP expects canola shipments to China to continue to partially recover in 2020. However, given the uncertainty of global markets, most notably China and the unknown full impact of the coronavirus on global markets, STEP forecasts exports to be flat or grow at a weaker rate of 2-3%.

¹ Export Development Canada, “Global Export Forecast – Fall 2019,” <https://www.edc.ca/en/guide/global-export-forecast.html>, accessed February 28, 2020.