II - CONCLUSIONS OF THE PEAT MARWICK STUDY

The agricultural machinery industry encompasses a wide range of product sectors. The products included in the study are: parts of tractors and farm machinery such as parts of ploughs, rotary tillers, planters, drillers, balers, mowers, swathers, binders, feed cutters and combines. These products account for the largest agricultural machinery import markets served by firms of major developed countries.

U.S. shipments of agricultural machinery for 1987 reached over $6.5 billion (U.S.) (est.) while U.S. imports of the products of concern to this study are estimated at over $1.6 billion (U.S.) in 1987. The European market share in the United States, accounting for nearly half of total imports, has declined since 1986, while the market share of all other countries as well as Japan and Canada has increased slightly. The U.S. market for agricultural machinery is expected to sustain modest growth for the next five years. Canadian firms, therefore, must replace U.S. imports from other countries in order to achieve significantly larger volumes of exports to the U.S. market.

The survey of U.S. importers of the products under examination indicated that over 95% of the respondents were facing rising costs for their foreign imports due to the devaluation of the U.S. dollar. As a consequence, the majority of those who had not yet tried Canadian products expressed interest in looking at Canadian sources of supply. In addition, over one-third of U.S. importers contacted, reported that they would increase their purchases from Canada in the event of a Free Trade Agreement between Canada and the United States. A small percentage (18.2%) had not yet considered the consequences of such an agreement on their purchasing patterns.

U.S. importers interested in Canadian products said they would prefer to obtain product information directly from the Canadian company through brochures and product listings, trade fairs and personal contact. Price and quality were said to be the more significant considerations in importers' decisions to source outside the United States rather than the lack of availability of the product in the United States. A little over a third of the U.S. companies interviewed, however, did import products to supplement their domestic supplies.

The survey of U.S. associations connected with the agricultural machinery industry indicated that Canadian goods are well regarded in the U.S. market and are very competitive given the relatively