



SASKATCHEWAN

STATE OF TRADE

2020



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ABOUT STEP

STEP is an independent, not-for-profit agency contracted by the provincial government to provide export promotion programs and services to Saskatchewan exporters. We are membership based, with nearly 400 members in nearly every industry and from all areas of the province. Our team of trade professionals provide valuable services and information on markets, regulatory requirements, and transportation and logistics, in addition to a full suite of programs that are designed to reduce the unique risks of doing business on the international market place.

It's all about connecting Saskatchewan business with the world!

For information visit: www.sasktrade.com

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INTRODUCTION

The Saskatchewan State of Trade report is a brief summary of Saskatchewan's export performance and environment in 2020 using preliminary year-end total¹ export statistics (goods). The report also considers the road ahead. All dollar figures are expressed in \$CAD. Major highlights from the 2020 Saskatchewan State of Trade include:

Saskatchewan exports reached \$30.41 billion in 2020, growing 2.5 per cent from 2019.

Saskatchewan export growth led all Canadian provinces in 2020.

Saskatchewan agri-food exports reached \$16.97 billion in 2020, growing 31.4 per cent from 2019.

Outside of the U.S. market, Saskatchewan experienced significant export growth in most major markets.

Saskatchewan lentil exports grew 95.9 per cent in 2020.

STEP forecasts Saskatchewan exports to grow 3-5 per cent in 2021.



Agri-Food Export Growth

Saskatchewan agri-food exports grew 31.4 per cent in 2020.

¹Total export statistics include re-exports and have slight differences from domestic export statistics. Given this, the figures reported in this report may differ than other reports using domestic export statistics.

EXPORT PERFORMANCE

While most Canadian province's exports declined in 2020, Saskatchewan exports of goods grew 2.5 per cent from 2019. The major driver of this growth was agricultural commodities and food product (agri-food products) exports. Most major agricultural commodities experienced robust price growth over 2020, along with a surge in global demand, due to increased food purchases from households. Not all industries experienced growth - crude oil exports declined with weakened demand and prices continuing to remain subdued. Potash also witnessed negative export numbers.

Total Saskatchewan Goods Exports, 2016-20 (CAD Millions)*



In 2020, Saskatchewan goods exports reached \$30.41 billion.

Source: Trade Data Online

*The trade data contained within this report was sourced from Statistics Canada. This data consists of merchandise exports only. The released trade data for 2020 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.

Saskatchewan exports outperformed all other Canadian provinces and was the only province to show positive total export growth.

Total Goods Exports by Province, 2019-20 (CAD Thousands)

	2019 Exports	2020 Exports	% Change
Ontario	\$252,723,948	\$227,698,525	↓9.9%
Alberta	\$117,692,356	\$91,849,090	↓22.0%
Quebec	\$93,309,817	\$85,761,912	↓8.1%
British Columbia	\$44,511,447	\$40,892,883	↓8.1%
Saskatchewan	\$29,651,637	\$30,405,993	↑2.5%
Manitoba	\$16,102,573	\$15,782,628	↓2.0%
Nfld. & Labrador	\$14,823,597	\$10,503,589	↓29.1%
New Brunswick	\$13,107,310	\$10,306,508	↓21.4%
Nova Scotia	\$6,151,698	\$5,281,497	↓14.2%
PEI	\$1,704,909	\$1,648,136	↓3.3%
Nunavut	\$1,191,030	\$1,225,735	↑2.9%
Northwest Territories	\$1,657,938	\$992,625	↓40.1%
Yukon	\$17,321	\$74,956	↑338.5%

Source: Trade Data Online

Saskatchewan was the only Canadian province to experience total export growth in 2020.

MARKETS

Saskatchewan continues to expand its global footprint. Focused around supplying what the world needs (namely food, fuel and fertilizer), the Saskatchewan brand continues to be well known and exploited throughout the globe. In 2020, Saskatchewan exported goods to 162 countries with 34 of those countries receiving over CAD\$100 million in Saskatchewan exports.

In 2020, the United States (U.S.) and China continued to represent the top two export markets for Saskatchewan. However, the share of overall exports to the U.S. declined with that market receiving less than half of Saskatchewan's total exports (43.2 per cent), down 18.2 per cent from 2019. While the U.S. market grew for most Saskatchewan exports (notably for wood products and agricultural equipment), most of the decline can be attributed to lower crude oil exports, both in terms of volume and value. In 2020, crude oil exports to the U.S. declined by \$2.4 billion. Exports to China grew significantly in 2020 as canola shipments continued to recover in the market.

Beyond the U.S. market, most major export markets for Saskatchewan experienced robust growth during 2020. This growth was primarily driven by strong demand for Saskatchewan agricultural commodities. The fastest growing major markets in 2020 for Saskatchewan exports: China (canola products, peas, wheat), Japan (barley, durum, canola oil), India (lentils), Mexico (canola, malt, lentils), United Arab Emirates (canola, lentils) and Italy (durum).

Outside of the United States, Saskatchewan exports to major markets increased significantly in 2020.

Top Saskatchewan Export Markets

	2020 Total Exports (CAD)	YoY Growth	% of Total Exports
United States	\$13,141,455,726	↓18.2%	43.2%
China	\$4,139,665,905	↑32.5%	13.6%
Japan	\$1,240,180,352	↑14.8%	4.1%
India	\$1,204,329,596	↑55.3%	4.0%
Brazil	\$977,765,385	↓6.8%	3.2%
Mexico	\$710,763,023	↑19.2%	2.3%
Indonesia	\$676,852,310	↑2.8%	2.2%
Bangladesh	\$632,897,974	↓0.4%	2.1%
United Arab Emirates	\$627,058,330	↑52.2%	2.1%
Italy	\$543,448,390	↑79.1%	1.8%

Source: Trade Data Online

Top Saskatchewan Export Markets by Export Value Growth

	2020 Total Exports (CAD)	Change from 2019 (CAD)
China	\$4,139,665,905	↑\$1,015,195,282
India	\$1,204,329,596	↑\$429,002,776
Italy	\$543,448,390	↑\$239,996,017
Netherlands	\$298,006,502	↑\$218,968,809
United Arab Emirates	\$627,058,330	↑\$215,110,787
Turkey	\$471,812,644	↑\$202,784,348
France	\$382,034,504	↑\$181,970,820
Japan	\$1,240,180,352	↑\$159,577,460
Morocco	\$425,302,561	↑\$134,743,421
Peru	\$341,284,767	↑\$115,412,629

Source: Trade Data Online

Largest Declining Saskatchewan Exports Market by Export Value Decline

	2020 Total Exports (CAD)	Change from 2019 (CAD)
United States	\$13,141,455,726	↓\$2,934,192,655
Algeria	\$292,317,595	↓\$72,755,625
Brazil	\$977,765,385	↓\$70,905,182
Malaysia	\$207,922,115	↓\$43,398,827
Thailand	\$124,217,909	↓\$25,339,312
Portugal	\$39,183,547	↓\$18,720,739
Kuwait	\$11,805,864	↓\$17,711,918
Uruguay	\$18,333,590	↓\$15,413,187
Russia	\$50,241,274	↓\$11,083,566
Argentina	\$9,527,209	↓\$9,239,722

Source: Trade Data Online

PRODUCTS

Select Major Saskatchewan Exports, 2020

	HS6	2020 Domestic Exports (CAD Thousands)	YoY Growth
Potash	310420	\$6,016,967	↓7.7%
Crude Petroleum Oil	270900	\$4,996,648	↓32.3%
Canola Seed – Low Erucic Acid	120510	\$3,601,832	↑47.3%
Wheat	100199	\$2,730,390	↑14.7%
Dried Lentils	071340	\$2,170,691	↑95.9%
Durum Wheat	100119	\$1,736,185	↑31.5%
Dried Peas	071310	\$1,211,665	↑63.4%
Canola Oil – Low Erucic Acid – Non-Crude	151419	\$1,072,781	↑5.8%
Canola Meal	230641	\$801,076	↑20.4%
Canola Oil – Low Erucic Acid – Crude	151411	\$622,578	↓1.9%
Soybeans	120190	\$573,758	↑35.5%
Barley	100390	\$473,564	↑18.9%
Oats	100490	\$357,587	↑11.7%
Oriented Strand Board (OSB)	441012	\$322,138	↑96.6%
Flax	120400	\$267,545	↑22.0%
Semi-Chemical Wood Pulp	470500	\$240,158	↓14.5%
Petroleum Bitumen	271320	\$158,820	↓34.6%
Cattle	010229	\$133,125	↓6.8%
Oats – Hulled, Pearled, Sliced or Kibbled	110422	\$116,629	↑37.9%
No-Till Direct Seeders, Planters or Transplanters	843231	\$112,317	↓4.5%
Coniferous Lumber >6mm	440719	\$104,007	↑29.1%
Malt – Not Roasted	110710	\$96,636	↓19.9%
Canary Seeds	100830	\$95,292	↓7.8%
Chickpeas	071320	\$84,581	↓11.5%
Corn	100590	\$77,424	N/A*

Source: Trade Data Online

*There were no recorded corn exports in 2019.

MAJOR EVENTS

COVID-19

The ongoing restrictions imposed to combat the spread of COVID-19 were the most impactful world-wide event in 2020. The global pandemic reshaped the lives of people around the world and forced business to adapt to an ever-shifting environment. For exporters, the pandemic caused most key market economies to plummet and created a high amount of business uncertainty. While this uncertainty appears to be receding, it continues to be an ongoing risk for exporters. Exporters have been forced to closely manage logistics and supply chains and adopt or expand the use of virtual mediums as international business travel was restricted and in-person trade events were cancelled or postponed.

While the global pandemic has resulted in significant human cost, Saskatchewan exporters have fared relatively well. Notably, demand for Saskatchewan agri-food (HS1-24) exports, which accounted for 55.8 per cent of the province's total exports in 2020, has increased. In fact, Saskatchewan agri-food exports increased 31.4 per cent in 2020 to their highest level ever. Much of this increase can be attributed to both increased commodity prices and volumes, driven in-part by pandemic influenced demand.

Progress in Market Access

Over the last few years, Saskatchewan has faced access issues in leading export markets for several of our key agricultural products. This has resulted in hundreds of millions of dollars in lost export sales. However, 2020 saw some progress surrounding major issues.

Advances in market access for pulses in India occurred in 2020, most notably around lentils. A reduction in tariffs, which in recent years had a significant impact on Saskatchewan lentil exports to India, has buoyed the market. Saskatchewan lentil exports to India reached \$677.5 million, up 153.3 per cent from 2019.

In 2019, China revoked licenses from two major Saskatchewan canola seed exporters (due to what some consider to be political motivations) drastically reducing canola seed exports to the market. While these issues continue to exist and impact Saskatchewan canola exports to China, industry and government are working to resolve this issue. In the meantime, Saskatchewan canola seed (HS 120510) exports reached \$829.3 million in 2020, up 76.0 per cent from 2019.

CUSMA & the U.S.

Following intense negotiations and often combative rhetoric, the Canada-United States-Mexico Agreement (CUSMA), signed in 2018, came into force on July 1, 2020. CUSMA effectively replaces the previous North American Free Trade Agreement (NAFTA), and will continue to facilitate and strengthen a free trade environment within the North American continent and with Saskatchewan's number one trading partner, the U.S. and Mexico, a growing export market. The agreement maintains zero tariffs across most of Saskatchewan exports into these markets.

Under President Joe Biden, trade relations with the U.S. are anticipated to improve if only with the advent of more predictable and rationale U.S. trade policy. Ongoing concerns under the Biden administration include the expansion of "Buy America" provisions and the cancellation of the Keystone XL pipeline.

Brexit

Uncertainty caused by Brexit dampened European Union (E.U.) markets - 2020 signalled that final year that the United Kingdom (U.K.) was formally a part of the E.U. In response, the Canadian government and U.K. officials established the Canada-United Kingdom Trade Continuity Agreement (Canada-UK TCA), ensuring that advantages achieved through the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) are maintained. This will ensure that an open trading environment between Canada and the U.K. continues until a new bilateral trade agreement can be achieved.

Shifting Export Mix

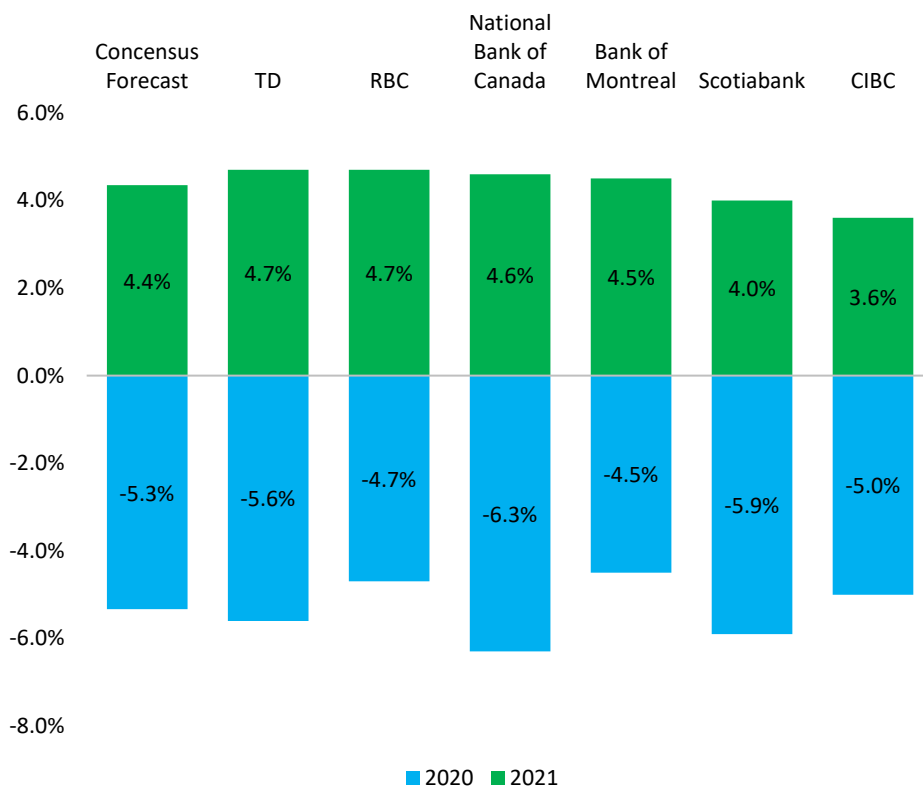
While the three F's (food, fuel and fertilizer) have long formed the foundation of Saskatchewan's economy, the weight of these items shifts from time to time. Between 2010 and 2019, crude oil held the top position among Saskatchewan major exports. While exports in both commodities have been dampened of late, in 2020, potash overtook crude oil. However, agricultural and food exports eclipsed both potash and crude oil combined.

While the oil & gas and mining sectors remain cornerstones of the provincial economy, the growth in food and agricultural exports is remarkable and is a primary driver of economic growth within the province.

SASKATCHEWAN ECONOMIC & EXPORT FORECAST

Looking ahead, economists from Canada's major financial institutions are predicting that Saskatchewan's real gross domestic product (GDP) will rebound from the declines seen in 2020. These institutions are forecasting, on average, that Saskatchewan's economy will record a decline of 5.3 per cent in 2020, before returning to positive growth in 2021, with a consensus forecast of 4.4 per cent GDP growth.

Saskatchewan Economic Growth Forecast, 2021 (Annual Real GDP % Change)



Saskatchewan's Real GDP is forecasted to reach 4.4 per cent in 2021.

In 2020, the Saskatchewan economy, like all others across Canada, witnessed a significant impact to the domestic service sector and overall employment due to COVID-19. However, export driven sectors performed well overall and continue to support the province during difficult times. The agri-food sector witnessed robust

growth, which offset the declines found within the oil & gas sector.

Moving into 2021, Saskatchewan exports will continue to be driven by global agri-food demand and supporting agricultural commodity prices. Outside of agri-food exports, agricultural equipment is expected to witness growth, driven in-part by demand from producers for equipment upgrades/replacement, which will be supported by positive commodity prices.

When looking at our largest exports outside of the agri-food sector, global consumption of crude oil improved in the second half of 2020, but consumption is not expected to reach 2019 levels until into 2022. Given this and some modest improvement in prices, Saskatchewan oil exports are expected to remain flat in 2021. Potash demand in 2021 is expected to be supported by growth in agriculture and gains are expected. Additionally, potential expansion over the next decade will support long-term export growth in the province, although anticipated global supply growth could limit price growth.

In their Autumn Global Export Forecast, Export Development Canada predicts that Canadian exports will rise 2 per cent in 2021.² STEP believes that Saskatchewan's export economy will continue to outperform the overall Canadian export economy and realize export growth of 3-5 per cent in 2021.

However, Saskatchewan's export economy continues to face significant uncertainty in 2021. Many facets of Saskatchewan's future export growth will be impacted by factors outside of the province's control including COVID-19. However, there remains significant pent-up demand among the province's exporters to aggressively get back into global markets. It would not be a significant leap to say that similar sentiments would be found among our trading partners. Low interest rates, government support and supportive commodity prices, along with a positive vaccine outlook, support STEP's export growth outlook.

Over the longer-term, provincial government economic goals and policies to increase value-add production coupled with new infrastructure investments in irrigation and rare earth elements processing bodes well for the future.

*STEP forecasts
Saskatchewan
exports to grow 3-5
per cent in 2021.*

² Export Development Canada, "Global Export Forecast," (PDF file), downloaded from EDC.Ca, <https://www.edc.ca/en/events/webinar/economic-and-export-forecast-with-peter-hall.html>, accessed February 4, 2021.