

OAKLAND BUSINESS REVIEW

May 8, 2008

Canadian market helps offset Michigan's economic challenges

By Pamela A. Zinkosky | Oakland Business Review May 08, 2008 07:00AM

International trade is one way companies can offset less-than-stellar domestic market conditions, and Michigan's neighbor across the border is its biggest trade partner. Michigan exported \$25.6 billion worth of goods to Canada in 2007 and automotive products made up 60.6 percent of that.

A case in point is \$1.1 billion TriMas Corp. of Bloomfield Hills. There's been about a 10 percent drop in domestic demand for trailer, RV and recreational products sold by its Cequent subsidiary, said Sherry Lauderback, vice president of investor relations and global communications.



Cequent's building in Plymouth. Although the company is based in Bloomfield Hills, most of the products shipped to Canada are made at this Plymouth plant.

Cequent, which makes towing, trailer and cargo management products, has grown its market nonetheless, Lauderback said.

"In 2007, end market demand was down approximately 10 percent, but RV and trailer was up 4.2 percent, and recreational accessories was up 1 percent," she said.

"While the U.S. portion of these businesses is seeing the weak end market, our Canadian exports and Australian business have stronger marketplaces since the economies are not as tough at this point," Lauderback said.

Cequent's sales were just under \$500 million last year, with \$30 to \$40 million of that coming from Canadian exports.

Cequent has been selling its trademarked Hidden Hitch and Draw-Tite products to Canadian dealers and other aftermarket installers for 30-plus years. The company has a "substantial market share" in Canada -- an estimated 50 percent of the market for these products, Lauderback said.

Cequent's size and alignment with TriMas give it a competitive edge, Lauderback said. Smaller companies that compete with Cequent don't have the financial stability for new product development or expansion into international markets like Cequent does, she said.

Nevertheless, Cequent is challenged just to keep sales flat in Michigan's economic climate, Lauderback said. Demand is down for discretionary purchases such as trailers and other travel equipment.

"We are seeing a downturn in volume that we're trying to offset," Lauderback explained. The Canadian market is one place the company is looking, she said, noting that growth in Canadian sales has been in low- to mid-single digits over last few years. "It looks like another solid year," she said.

According to the U.S. Department of Commerce, Michigan in 2007 exported more goods to Canada than any other state, and that destination was also the top in percentage increase from 2006. Exports to Canada were up 7.7 percent from 2006, and automotive exports increased 13.8 percent.

More than 12,000 Michigan companies exported goods to Canada in 2006, according to the U.S. Census Bureau, including smaller companies like Hazel Park-based Universal Flow Monitors Inc. It manufactures flow meters and controls for fluids used in automated processes such as painting and welding, which are essential for auto making. Customers include Chrysler, Honda and auto suppliers.

"We've always done business in Canada," said Universal Flow Monitors co-owner Erik Rosaen, but Canadian business has increased since winning the business of a Toronto Chrysler plant.

Three years ago, Canadian sales amounted to about a quarter million dollars. Canadian sales last year were about \$500,000, with total sales at \$10 million, Rosaen said.

It would be "unthinkable" to eliminate the Canadian market from his business, Rosaen said, and in fact he sees it increasing.

Michigan and Detroit continue to be major players in world and Canadian exports.

"All of our automotive clients have plants in Canada, and it will remain an integral part of the manufacturing process," said Greg Humes, president of Detroit-based NLM, a third-party logistics management company that serves the Detroit Three and other automotive firms.

A 2006 report by the U.S. Bureau of the Census Foreign Trade Division found that the Detroit-Warren-Livonia metropolitan area (including Oakland, Wayne, Lapeer, Livingston, Macomb and St. Clair counties) was the top world exporter in Michigan and one of the top areas in the country, based on origin of exports.

The metro area exported \$43.3 billion in merchandise to all countries that year, 74 percent of Michigan's total. Nearly \$18 billion of its merchandise went to Canada, with Mexico coming in second at some \$15 billion.

Pamela A. Zinkosky is a freelance writer.