

Monthly Trade Bulletin

Volume 5 Number 8

October 2003

Key Monthly Trade Indicators (August 2003)

Highlights

- Imports fell more than exports in August so Canada's overall merchandise trade surplus with the world widened.
- Canada's trade balance with the U.S. deteriorated for the month.
- The Canadian dollar was up in August, gaining US 1.0¢ during the month.

	\$ millions	% change over	
		previous month	previous year
Exports	31,938	-3.8	-9.2
- Exports to U.S.	26,581	-4.6	-9.6
Imports	26,717	-5.9	-13.0
- Imports from U.S.	18,954	-4.0	-14.0
Trade Balance*	5,221	4,794	4,440
- Balance with U.S.*	7,628	8,124	7,365
Commodity Prices**	120.3	1.5	20.0
Canadian Dollar (US¢)*	72.2	71.2	64.2
Export Prices***	105.9	0.8	-0.8
Import Prices***	97.4	0.6	-9.3

* Data in levels only.

** Index (1982-90 = 100)

*** Index 1997 = 100

Source: DFAIT compilations based on Statistics Canada data.

This Month's Feature Report: Canada's Trade in Agriculture Products

Current analysis done by Samad Uddin of the Trade and Economic Analysis Division, DFAIT under the direction of John M. Curtis. Feature report prepared by Weimin Wang and Varsa Kuniyal of the Micro-Economic Policy Analysis Branch, Industry Canada under the direction of Someshwar Rao.

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Industry
Canada

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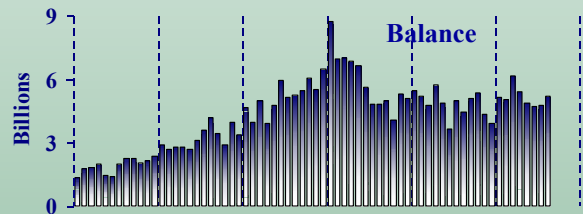
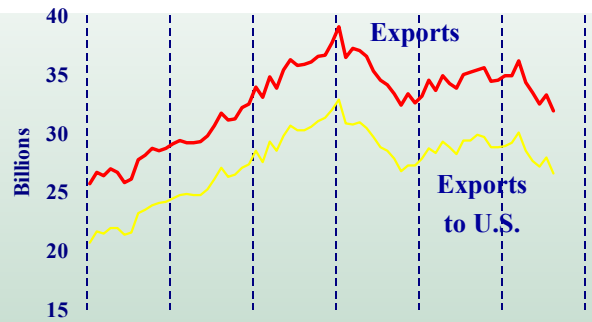
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Merchandise Trade

The trade surplus increases...

- The overall Canadian trade surplus climbed by \$428 million in August, to \$5.2 billion.
 - However, August's monthly surplus with the U.S. fell by \$497 million to \$7.6 billion.
- The trade deficits with the EU (up \$610 million) and Japan (up \$117 million) expanded.



... as does the value of the Canadian dollar

- The Canadian dollar gained value in August (up US1.0¢), after falling US3.0¢ the previous month. It closed the month at US72.2¢. The value of the dollar was US8.0¢ (or 12.5%) higher in August than its rate one year earlier.
- Commodity prices increased 1.5% in August after decreasing 3.3% in July. The terms of trade improved marginally as export prices grew more than import prices.



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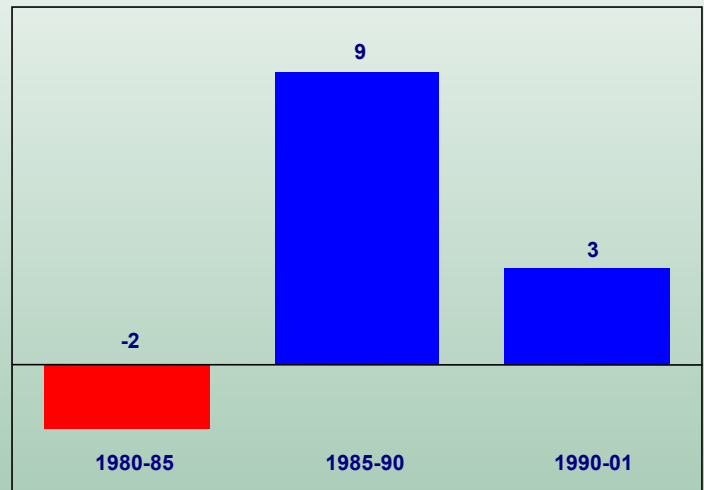
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Canada's Trade in Agriculture Products

World merchandise trade in agriculture products slowed dramatically during the 1990s.

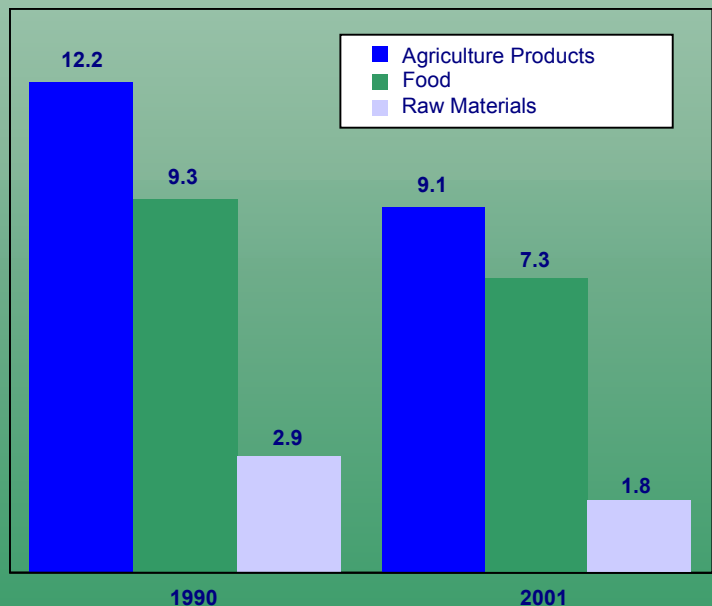
- Between 1990 and 2001, the growth in World trade in agriculture products was, on average, 3 percent, which was only one third of the rate recorded during the second half of the 1980s.
 - The value of World trade in agriculture products in 2001 was US\$ 547 billion.
- Between 1990 and 2001, the share of agriculture products in World merchandise trade declined.
 - In 2001, for all agricultural products, the share was 9.1 percent, down from 12.2 percent in 1990.
 - For food, it fell from 9.3 percent in 1990 to 7.3 percent in 2001.
 - Similarly, for agricultural raw materials the share dropped from 2.9 percent to 1.8 percent.

World Trade in Agriculture Products Annual Percentage Change (1980-2001)



Source: *International Trade Statistics 2002*, World Trade Organization.

Share of Agriculture Products in World Merchandise Trade (percent)



Source: *International Trade Statistics 2002*, World Trade Organization.

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Canada's Trade in Agriculture Products

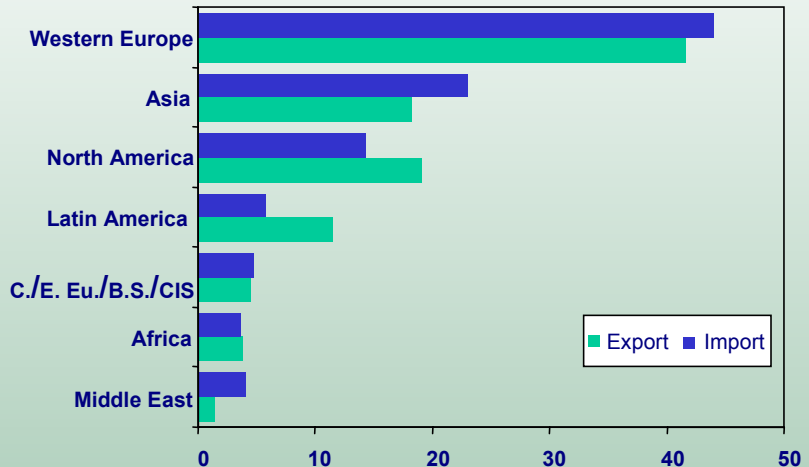
Western Europe and Asia are net importers of agriculture products, while North America and Latin America are net exporters.

- Canada is a large net exporter of agriculture products. In 2001, the value of Canada's export of agriculture products was US\$ 33.6 billion, while our imports were US\$ 15.6 billion.
- Canada's trade surplus in agriculture products increased from US\$ 13.2 billion in 1990 to US\$ 18.0 billion in 2001.
- The U.S. has a small surplus. Its export and import values of agriculture products in 2001 were US\$ 70.0 billion and US\$ 68.4 billion, respectively.

Canada is becoming a more important player in World agriculture trade.

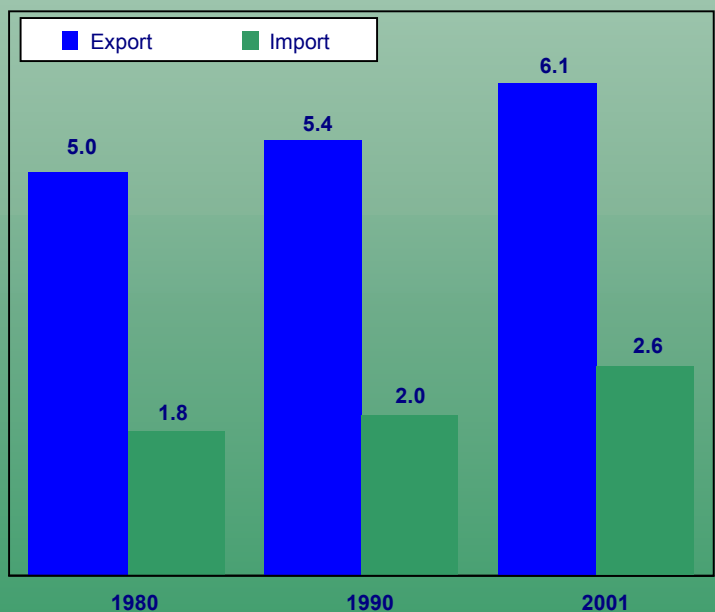
- Canada's share of global agriculture exports increased from 5.0 percent in 1980 to 6.1 percent in 2001. Its share of global imports also increased from 1.8 percent in 1980 to 2.6 percent in 2001.
- Canada's trade shares grew faster during the 1990s than in the 1980s.

Regional Shares of World Trade in Agriculture Products, 2001 (percent)



Source: *International Trade Statistics 2002*, World Trade Organization.

Canada's Export/Import Shares in World Trade in Agriculture Products (percent)



Source: *International Trade Statistics 2002*, World Trade Organization.

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Canada's Trade in Agriculture Products

Canada's trade in agriculture products experienced solid growth during the 1990s.

- Canada's exports of agriculture products increased by 50 percent between 1990 and 2001, while imports increased more than 70 percent during the same period.
- The importance of agriculture products in total Canadian merchandise exports declined from 17.5 percent in 1990 to 12.9 percent in 2001. Meanwhile, their share in total merchandise imports dropped slightly from 7.7 percent in 1990 to 7.0 percent in 2001.

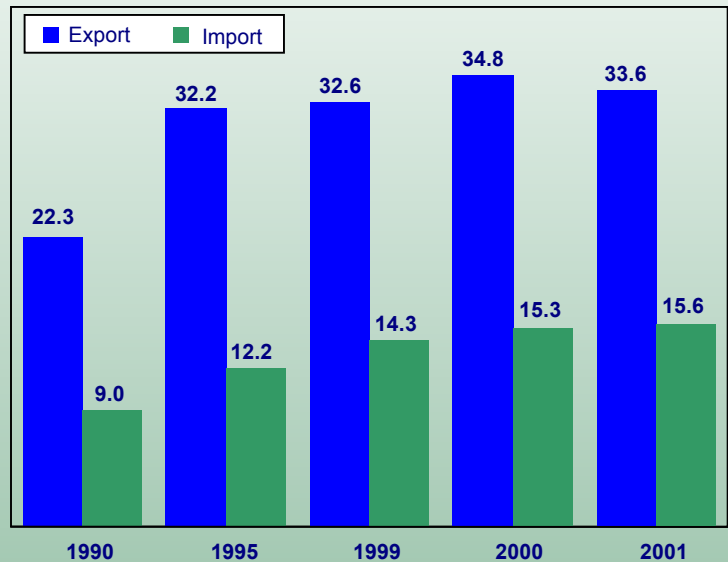
Canada is the top supplier of the U.S. agriculture imports...

- The Canadian share of the U.S. agriculture imports was 31.9 percent in 2001, almost double the share of the European Union.

...however, Canada's exports to the U.S. grew at a much slower pace than Mexico's.

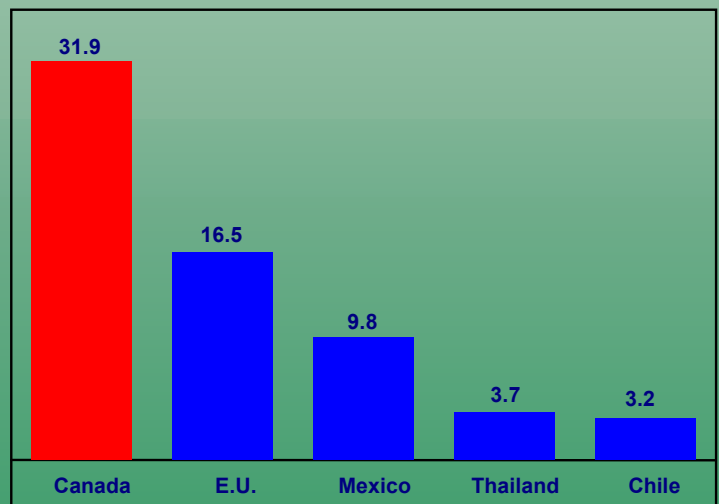
- The average annual growth in Canada's exports in agriculture products to the U.S. was 7 percent between 1990 and 2001. Mexican exports increased by 31 percent per year.

Trend in Canadian Trade in Agriculture Products, 1990-2001 (US\$ Billion)



Source: *International Trade Statistics 2002*, World Trade Organization.

Major Suppliers of U.S. Imports of Agriculture Products, 2001 (percentage shares)



Source: *International Trade Statistics 2002*, World Trade Organization.

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Canada's Trade in Agriculture Products

The Prairie provinces are important players in Canadian agriculture exports.

- Saskatchewan, Manitoba and Alberta contributed 15.6 percent, 10.6 percent and 19.8 percent, respectively, to Canadian agriculture exports in 2002, much more than their shares in agriculture GDP.
- The trade surplus of agriculture products for Saskatchewan, Manitoba and Alberta were CAD\$ 3.7 billion, CAD\$ 1.8 billion and CAD\$ 3.8 billion, respectively, in 2001.

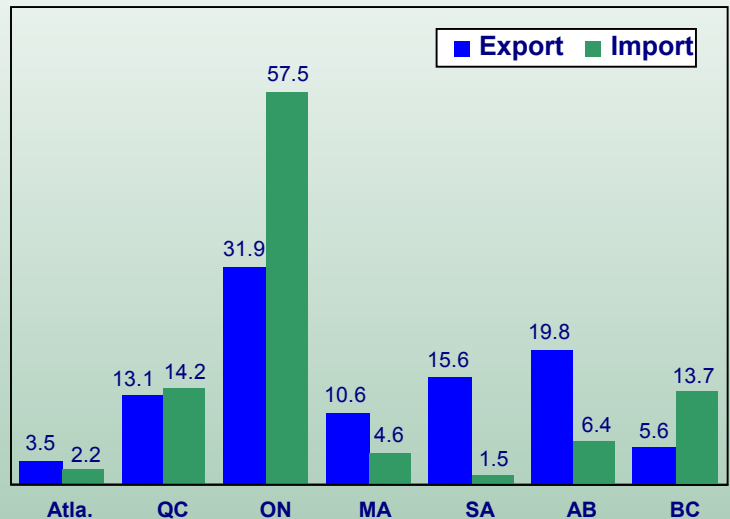
Ontario and B.C. are large net importers of agriculture products...

- Ontario and B.C. contributed 57.5 percent and 13.7 percent, respectively, to Canadian agriculture imports in 2002.
- The trade deficit of agriculture products for Ontario and B.C. were CAD\$ 3.7 billion and CAD\$ 1.4 billion, respectively, in 2002.

...and Quebec has a more balanced trade in agriculture products.

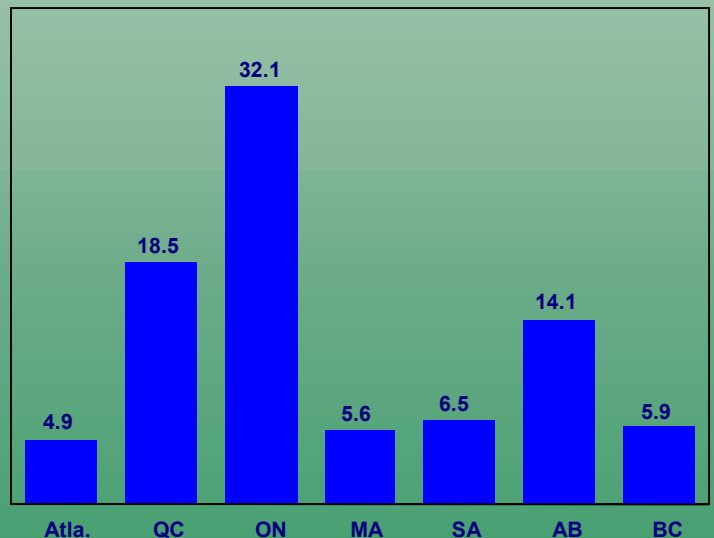
- Quebec's share in Canadian agriculture exports was 13.1 percent in 2001, quite lower than its share in Canadian agriculture GDP.
- Quebec's agriculture exports and imports in 2002 were CAD\$ 3.4 billion and CAD\$ 2.9 billion, respectively.

Regional Distribution of Trade in Agriculture Products, 2002 (percent)



Source: Trade Statistics (online), Agriculture and Agri-Food Canada.
Note: Food products made from agriculture materials are included in agriculture products.

Regional Distribution of Canadian GDP Agriculture Sector, 2001-02 (percent)



Source: Farm Income, Financial Conditions and Government Assistance: Data Book, Agriculture and Agri-Food Canada.
Note: Food products made from agriculture materials are included in agriculture products.

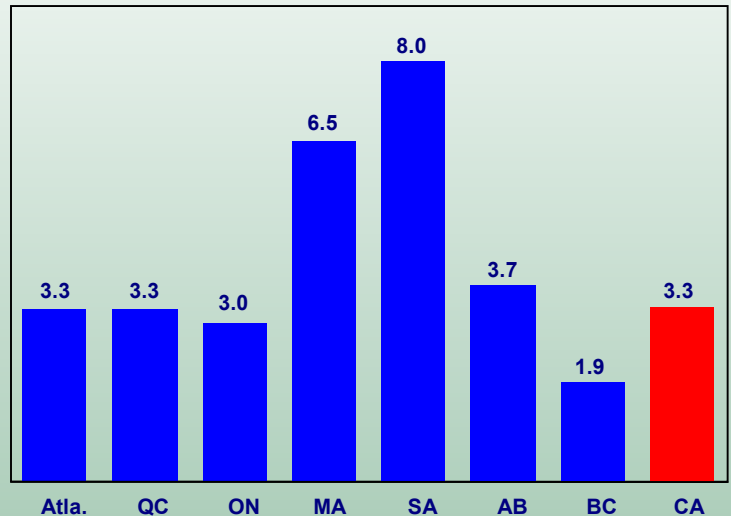
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Canada's Trade in Agriculture Products

Agriculture Share of Provincial GDP 2001-02 (percent)

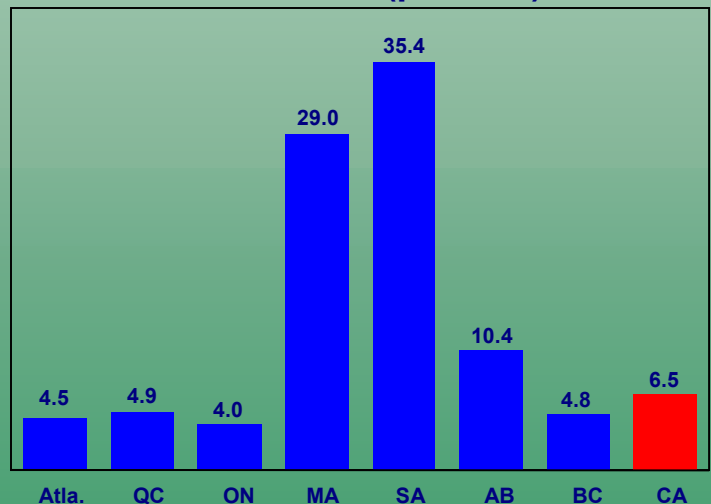


Source: *Farm Income, Financial Conditions and Government*

Assistance: *Data Book, Agriculture and Agri-Food Canada.*

Note: Food products made from agriculture materials are included in agriculture products.

Agriculture Share of Provincial Exports 2001-02 (percent)



Source: Trade Statistics (online), Agriculture and Agri-Food Canada; Industry Canada Compilation based on statistics Canada Data.

Note: Food products made from agriculture materials are included in agriculture products.

Agriculture products are more important to Prairie provinces...

- The share of the agriculture products in provincial GDP was 8.0 percent for Saskatchewan, 6.5 percent for Manitoba and 3.7 percent for Alberta in the 2001-02 fiscal year. The national average was 3.3 percent.

...and are a key export sector for these provinces.

- Shares of agriculture exports in provincial exports were 35.4 percent for Saskatchewan, 29.0 percent for Manitoba and 10.4 percent for Alberta in 2001-02 fiscal year. The national average was 6.5 percent.

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Canada's Trade in Agriculture Products

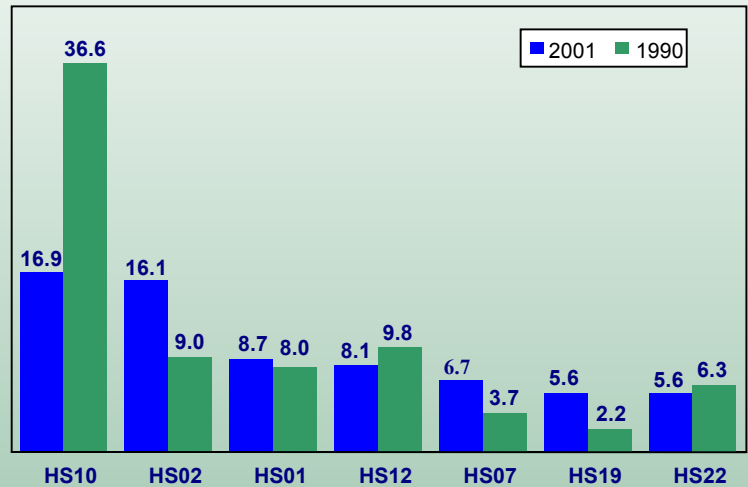
Grains, meat and live animals are the top products in Canadian agriculture exports.

- Grains, meat and live animals contributed 16.9 percent, 16.1 percent and 8.7 percent, respectively, to total Canadian agriculture exports in 2001.
- The importance of grains in Canadian agriculture exports declined by about 20 percentage points between 1990 and 2001, while that of meat increased by 7 percentage points.

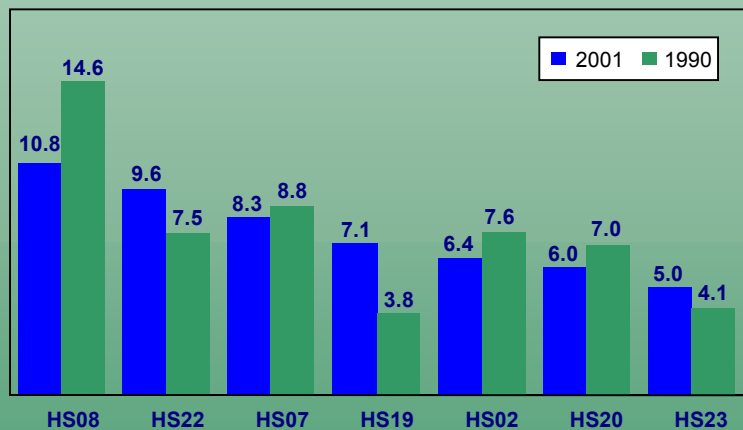
Fruits and nuts, beverages and vegetables are the top Canadian agriculture imports.

- In 2001, the shares of fruits and nuts, beverages (including spirits and vinegar) and vegetables in total Canadian agriculture imports were 10.8 percent, 9.6 percent and 8.3 percent, respectively.
- The import share of fruit and nuts declined by 4 percentage points between 1990 and 2001, while that of beverages increased by 2 percentage points.

Top Products in Agriculture Exports (percent)



Top Products in Agriculture Imports (percent)



Source: Industry Canada Compilations based on Statistics Canada data.
Note: Food products made from agriculture materials are included in agriculture products.

HS Codes: 01 – Live animals; 02 – Meat and edible meat offal; 07 – Edible vegetables and certain roots and tubers; 08 – Fruit and nuts; 10 – Grains, bulk or cereals; 12 – Oilseeds, seeds for sowing, fodder; 19 – Preparations of grains; 20 – Preparation of vegetables, fruit and nuts; 22 – Beverages, spirits and vinegar; 23 – Food industry residues & waste, prepared fodder.

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Canada's Trade in Agriculture Products

The U.S. is the dominant supplier of agriculture products to Canada ...

- The U.S. share of Canadian agriculture imports in 2001 was 63.8 percent, followed by a 12.3 percent share for the European Union.

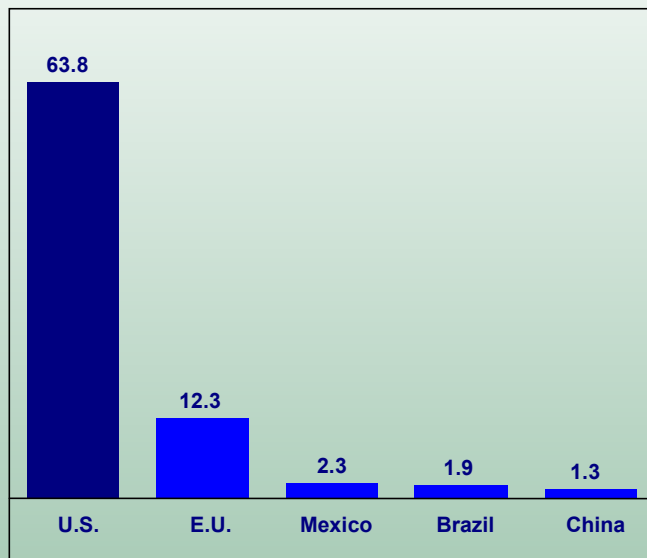
...however, Canada is still a large net exporter of agriculture products to the U.S.

- Canada's exports to the U.S. were CAD\$ 16.6 billion in 2001, compared with CAD\$ 12.3 billion of imports during the same period.
- The U.S. was the destination of 62.6 percent of Canada's agriculture exports in 2001.

Agricultural production is highly supported and subsidized in many OECD countries.

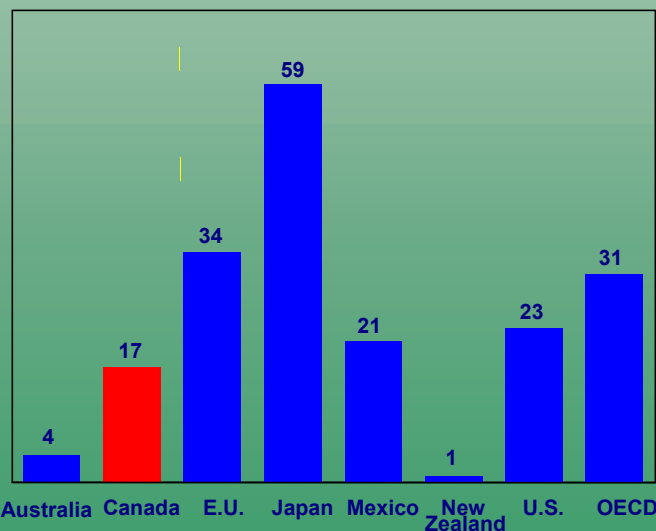
- Total support for agriculture in OECD countries, expressed as a percentage of GDP, was 1.2 percent in 2001.
- Canada's support is about two thirds of the OECD average and 20 percent below the level of U.S. support.
- Percentage Producer Support Estimate (PSE) for OECD countries in 2001 was 31 percent. This implies that transfers from consumers and taxpayers to support agricultural producers account for 31 percent of the value of agriculture products.
- Canada's PSE in 2001 was 17 percent, well below the OECD average.
- Various price stabilization schemes are main vehicles of support to agriculture producers in the OECD countries.

Major Suppliers of the Canada's Agriculture Imports, 2001 (percentage shares)



Source: Trade Statistics (online), Agriculture and Agri-Food Canada.
Note: Food products made from agriculture materials are included in agriculture products.

Producer Support Estimate, Percent of Total Production Value, 2001



Source: OECD Agricultural Policies in OECD Countries: Monitoring and Evaluation 2003.

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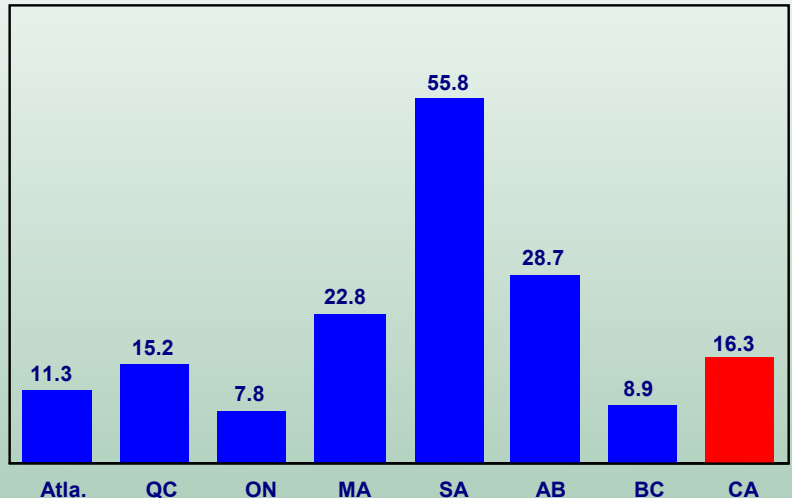
In Canada, governments play an important role in support of the agriculture sector...

- In 2001-02, government expenditures in support of the agriculture sector, measured as a percentage of the sector's GDP, was 16.3 percent.
- The percentages were higher in provinces with proportionately larger agriculture sectors.

The Prairie provinces received a higher share of support than their share of agriculture output.

- About 55 percent of government expenditures in support of agriculture in the 2001-02 fiscal year went to the Prairie provinces. These three provinces account for 26 percent of Canada's agriculture GDP.

Government Expenditure as a percent of the Agriculture Sector GDP, 2001-02

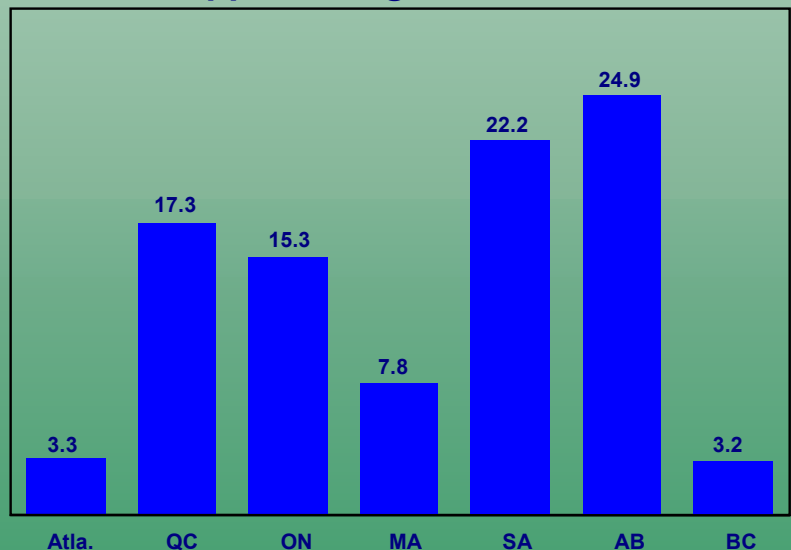


Source: *Farm Income, Financial Conditions and Government*

Assistance: *Data Book, Agriculture and Agri-Food Canada.*

Note: Food products made from agriculture materials are included in agriculture products.

Provincial Share of Government Expenditure in Support of Agriculture, 2001- 02



Source: *Farm Income, Financial Conditions and Government*

Assistance: *Data Book, Agriculture and Agri-Food Canada.*

Note: Food products made from agriculture materials are included in agriculture products.