BRITISH COLUMBIA

BC STATS

Ministry of Management Services

Contact: Dan Schrier
Tel: (250) 387-0376
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Exports ◆ April 2001

- BC exports continue to climb in 2001 on the strength of unprecedented growth in exports of energy products. Year-to-date to April, exports are up 20.1% compared to the same period in 2000.

- The value of exports of energy products in the first four months of 2001 are over three times higher than the value accrued in the same period in 2000. Electricity exports continue to lead the way, increasing in value twelve times over the same period last year. The value of natural gas exports is four times that of the January to April period of last year. Price inflation is the main reason for the phenomenal growth in this sector.

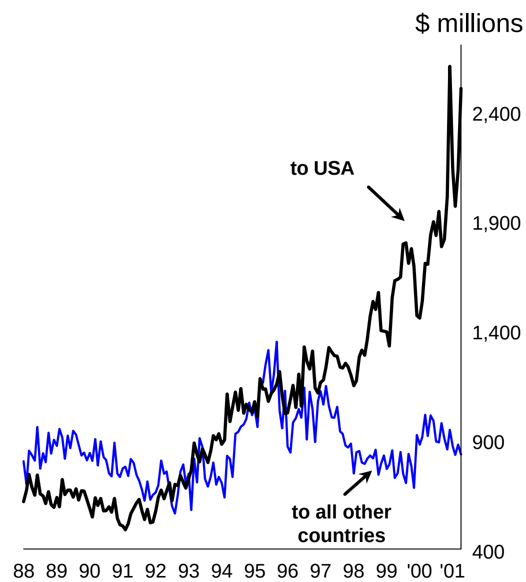
- Exports in the forest sector continue to lag behind last year's performance. Solid wood product exports are significantly lower compared to the first four months of 2000, down over 12%. Exports of pulp and paper products dropped 6%.

- Softwood lumber exports to the United States are the single largest component contributing to the decline in solid wood exports. Much of the decline is due to a sharp drop in price. The Industrial Product Price Index (IPPI) for British Columbia softwood lumber fell from 152.6 (1992=100) in April 2000 to 130.2 in April 2001. However, prices are starting to rebound. According to Madison's Lumber Reporter, prices for Western Spruce Pine Fir (WSPF) lumber were higher in May than at any time in 2000. This may signal a turnaround in the value of lumber exports in the months to come, although the uncertainty regarding possible retroactive duties imposed by the Americans could continue to curtail exports.

- Energy exports to the United States have been the driving force for the dramatic rise in the value of exports to that country year-to-date compared to the same period last year.

- In contrast, exports to the Pacific Rim (including Japan) continue to lag behind last year's pace, down 14% in the first four months of 2001 compared to the same period last year.

Growth in total exports is being driven by energy exports to the United States



Attack of the Canadian Tomatoes

The trade dispute between Canada and the United States over softwood lumber exports has been well documented, but is only one of several thorny issues facing Canadian exporters. Another battleground in Canada/US trade is the greenhouse tomato industry. American greenhouse tomato growers are making claims that their Canadian counterparts are **dumping** under-priced tomatoes on the American market. A coalition of greenhouse tomato growers in the US has petitioned the US Department of Commerce to impose a duty on Canadian exports of greenhouse tomatoes. The American industry alleges that Canadian greenhouse tomato producers are selling their wares in the US at prices below production cost and that this is inflicting material injury upon the US industry.

Dumping – sale of goods in a foreign market at prices less than received in domestic markets, or below the cost of producing the goods

The US International Trade Commission has ruled that there is a reasonable indication that imports of Canadian greenhouse tomatoes are causing material injury to the American greenhouse tomato industry. As a result, the US Department of Commerce will initiate a formal antidumping investigation.

The title of this article aside, this potential trade action is no joke to Canadian tomato producers. Spurred on by consumer demand, the greenhouse tomato industry has expanded rapidly, particularly in British Columbia and Ontario, and has become a multi-million dollar industry.

When is a tomato not just a tomato?

One sticking point in the dispute is whether tomatoes grown in a greenhouse should be grouped together with field tomatoes. Canadian tomato growers have argued to the US Department of Commerce that the merchandise subject to investigation should include all tomatoes, fresh and chilled, regardless of whether they were grown in a greenhouse or outside in a field. They suggest that greenhouse tomatoes must compete alongside those grown in a field and therefore pricing of field tomatoes affects that of the greenhouse variety.

The American greenhouse tomato growers have made a compelling argument that tomatoes are all not made the same and cannot simply be compared regardless of how they are grown. They say that there are differences not only in production, cost, pricing and marketing, but also physically. Basically, they argue that the higher cost of production, and consequently higher price of the product, have to be justified in order to market the greenhouse variety of tomato. In essence, the tomatoes sell despite their higher price because they are better tasting and are grown using fewer (if any) pesticides and other noxious chemicals. This, in effect, differentiates them sufficiently from field-grown tomatoes such that they should be classified separately.

However, while it may be true that greenhouse tomatoes and field tomatoes are different, it does not necessarily follow that the quantity and price of field-grown tomatoes do not affect those grown in a greenhouse. If high quantities of field tomatoes flood the market driving prices down, it is not only possible, but also highly likely that some substitution effects will occur. In other words, the price differential between field tomatoes and greenhouse tomatoes will lead some consumers to decide that the merits of the greenhouse variety do not justify the added cost and those consumers will choose instead to buy the field type. As a result, the reduced demand for greenhouse tomatoes will inevitably drive down the price. This, in essence, is the claim of Canadian tomato growers who charge that the Americans are growing tomatoes in such large volumes that it has driven the price down. In fact, Canadian producers have suggested that perhaps Canada should investigate the American field tomato industry for dumping their products on Canadian markets.

Substitution effects mean that despite their differences, field and greenhouse tomatoes still have to compete in the marketplace

Just what is so different about a greenhouse tomato?

In British Columbia, the largest organised group of greenhouse vegetable growers (and in fact, the largest in North America) is the BC Hot House Growers' Association, which has over 55 members.[1] Members of this association market their produce under the BC Hot House brand label.

Hot House tomatoes are grown in glass-covered structures of aluminum and steel in which every aspect of the plant's growth is controlled, from the amount of heat and light to which it is exposed, to the amount of nutrients it gets. One of the selling points for consumers is that these tomatoes are grown without using herbicides and minimal use of pesticides. Herbicides are not necessary because the plants are not grown in dirt, but rather use hydroponics, and therefore weeds are not a problem. Pesticides are used very rarely because most pests are taken care of using natural predators like ladybugs and wasps.

While this method of growing tomatoes tends to produce a better crop yield and, according to many consumers, tastier tomatoes, it is also a more intensive process, and therefore more expensive, which is why greenhouse tomatoes are generally priced significantly higher than field tomatoes.

Greenhouse tomatoes are a growing industry

In 2000, in British Columbia, the total value of greenhouse tomato production was $73.6 million.[2] For Canada as a whole, the value was $287.7 million. This industry has undergone rapid growth in the last several years and exports have followed this trend.

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[1] BC Hot House Growers' Association web site (http://www.bchhga.bc.ca).
[2] Statistics Canada, *Greenhouse, Sod and Nursery Industries*, catalogue 22-202.

Exports of Tomatoes to the U.S.

	British Columbia		Canada	
Year	Quantity (Millions KG)	Value Cdn $Millions	Quantity (Millions KG)	Value Cdn $Millions
1988	2.1	$2.7	3.3	$4.3
1989	1.0	$1.3	1.1	$1.3
1990	1.5	$1.6	3.1	$3.9
1991	1.2	$2.2	2.7	$5.2
1992	3.2	$4.0	5.2	$6.8
1993	2.7	$4.9	4.7	$8.3
1994	3.7	$7.5	7.7	$14.4
1995	3.9	$9.2	11.7	$24.6
1996	6.2	$17.9	21.8	$53.0
1997	10.2	$25.5	37.5	$84.6
1998	19.6	$53.2	61.7	$153.0
1999	29.4	$70.6	79.6	$180.1
2000	38.8	$98.2	101.4	$244.0

Source: Statistics Canada

An expanding greenhouse industry combined with soaring demand in the US for greenhouse tomatoes has led to substantial growth in tomato exports to the US

Exports of tomatoes to the United States from BC have skyrocketed from less than 2 million kilograms (kg) in the early nineties, to just under 39 million kg in 2000. The growth of exports from Canada as a whole is even more phenomenal, from around 3 million kg to 101 million in 2000. Although export data specifically related to tomatoes grown in greenhouses is not available, the majority of the tomatoes exported, particularly from BC, are greenhouse grown. There were 37.7 million kg of greenhouse tomatoes produced in BC in 2000, compared to only 1.1 million kg of field tomatoes.[3] The comparable Canadian figures are 182.4 million kg of greenhouse tomatoes and 519.2 million kg of the field variety, of which almost 99 percent were grown in Ontario. Ontario was also responsible for 72 percent of Canadian greenhouse tomato production.

Note that data on tomato production is based on surveys whereas export data comes from administrative sources. This is likely the reason why total BC tomato exports in 2000 exceed total production. In reality there was certainly domestic consumption of BC-grown tomatoes, but it was apparently a small portion of total production.

Despite the tremendous growth in tomato exports to the US, the amount of tomatoes imported into Canada from the US is still significantly higher. Over the last decade, annual imports of American tomatoes to BC have averaged around 20 million kilograms. The Canadian figure is approximately 130 million kilograms. In the last three years BC exports of tomatoes have exceeded imports giving BC a trade surplus with the US in tomatoes for the first time. Canada as a whole has always had a significant trade deficit with the US when it comes to tomatoes, at least in terms of quantity. This deficit has diminished rapidly in the last 10 years, from a peak of 134 million kg in 1992 to only just under 40 million kg in 2000.

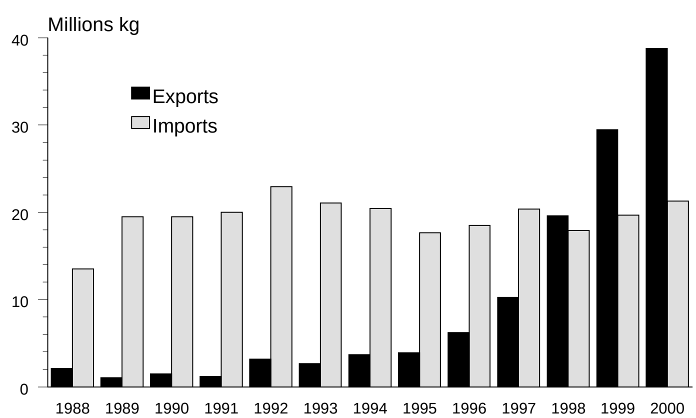
[3] Statistics Canada, *Greenhouse, Sod and Nursery Industries*, catalogue 22-202, and *Fruit and Vegetable Production, February 2001*, catalogue 22-003.

Imports of Tomatoes from the U.S.

	British Columbia		Canada	
Year	Quantity (Millions KG)	Value Cdn $Millions	Quantity (Millions KG)	Value Cdn $Millions
1988	13.5	$12.0	110.9	$97.4
1989	19.5	$13.7	130.5	$107.1
1990	19.5	$11.3	119.4	$82.3
1991	20.0	$14.7	122.0	$105.6
1992	22.9	$21.2	139.2	$141.2
1993	21.1	$18.2	135.6	$128.7
1994	20.4	$18.2	129.1	$128.2
1995	17.6	$14.6	123.6	$121.7
1996	18.5	$14.4	124.1	$112.4
1997	20.4	$19.3	128.7	$136.3
1998	17.9	$22.9	115.8	$143.2
1999	19.7	$20.0	133.2	$138.4
2000	21.3	$25.1	141.0	$163.3

Source: Statistics Canada

BC tomato exports to the US have grown exponentially and now exceed imports



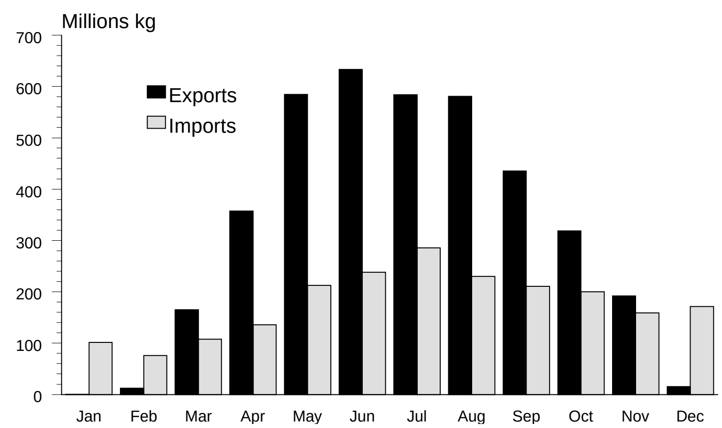
However, since Canadian tomato exports are mostly greenhouse-grown tomatoes, which are priced significantly higher than field-grown tomatoes, the balance of trade in tomatoes has been in Canada's favour for the last three years in value terms. Similarly, BC has had a trade surplus with the US in terms of the value of tomatoes traded for the last five years. The price difference is quite obvious if the value of exports and imports are divided by the respective quantities. In 2000, the unit cost (per kg) of BC exports to the US was $2.53, compared to $1.18 for imports from the US. Some of this difference is due to slight measurement differences in the value of exports versus imports (e.g., which transportation costs are or are not included), but, for the most part, the difference is due to the variation in quality.

Due to the price difference between greenhouse and field-grown tomatoes, Canada has a trade surplus in tomatoes with the US despite shipping fewer tomatoes south than are being shipped north

Tomato trade follows a seasonal pattern

The growing season for greenhouse tomatoes in BC is more or less yearlong, but the prime harvest months are in the summer. This fact is reflected in the seasonality of BC tomato exports to the United States. Imports from the US also follow a seasonal pattern, but to a much lesser extent. This is because most of BC imports come from California and Florida where the growing season is more evenly distributed throughout the year due to the warmer climate.

BC tomato trade with the United States is very seasonal



Trade in tomatoes follows the seasonal pattern of the tomato harvest

Tomato trade is restricted to a select group of states

British Columbia exports tomatoes all over the United States, but over 90 percent of them go to just five states: California, Washington, Connecticut, Texas and Florida. The distribution of states from which BC imports tomatoes is even narrower, with over 98 percent of imports to BC originating in either California or Florida. In fact, just under twice the quantity of tomatoes (by weight) were imported from Florida as all citrus fruit (for which Florida is famous) combined.

Top 5 US destinations for BC tomato exports, 2000

State	Quantity (Millions KG)	Value Cdn $Millions
California	15.0	$38.6
Washington	9.4	$27.8
Connecticut	6.9	$16.7
Texas	2.4	$4.6
Florida	1.3	$2.6

Source: Statistics Canada

Over 90% of BC tomato exports to the US go to just five states

Top 5 US origins for BC tomato imports, 2000

State	Quantity (Millions KG)	Value Cdn $Millions
California	13.7	$15.9
Florida	7.2	$8.5
Arizona	0.3	$0.4
Washington	0.1	$0.1
Oregon	0.02	$0.04

Source: Statistics Canada

Over 98% of BC tomato imports from the US come from either Florida or California

The US receives the bulk of Canadian tomato exports

Internationally, in 2000, Canada exported tomatoes to only four countries: the United States, Hong Kong, Japan and Cuba. BC exported only to the first three of those, and was the lone Canadian supplier to Hong Kong and Japan. BC was responsible for 38 percent of Canadian tomato exports to the US. For both BC and Canada as a whole, the United States represented 99.9 percent of the tomato export market, which underlines just how important this trade dispute is to Canadian tomato growers.

The United States is the destination of 99.9% of Canadian tomato exports

Canada is an important market for American tomato producers as well, as approximately 80 percent of all US tomatoes exported in 2000 headed to Canada.[4] Tomatoes exported to Canada amounted to approximately 10 percent of all American tomato production.[5]

BC tomato growers depend on the US market

For British Columbia tomato growers the American market is particularly crucial. The large majority of tomatoes produced in BC are exported to the US. If the American allegations were true and BC greenhouse tomato growers were dumping their produce in the US market at prices below the cost of production, this would mean that BC tomato growers would be losing money on virtually every tomato they sold.

Most greenhouse tomatoes produced in BC are exported to the US

A more likely scenario is that greenhouse operators in BC have had a head start on their competitors south of the border and over time have developed efficiencies in their operations such that they have lower production costs than those relatively new to the industry. Also, the climate in BC, while mostly unsuitable for growing field tomatoes, is perfectly suited to growing tomatoes in greenhouses, which means BC growers achieve good crop yields at lower costs for environmental control. As a result of these lower production costs, BC growers have a competitive advantage and can afford to sell their produce at prices lower than their competitors.

Lower production costs give BC growers a competitive advantage

[4] US Department of Commerce.
[5] Based on production data from the US Department of Agriculture National Agricultural Statistics Service.

American greenhouse tomato growers point to declining market shares, falling prices, and reduced profits as indications that the Canadian industry has been dumping its product in the US market and is inflicting material injury on the US industry. The Canadian industry claims that they are taking advantage of the North American Free Trade Agreement (NAFTA), using their competitive advantage to gain market share in the US. As for falling prices, the Canadians suggest that the abundance of field tomatoes grown in the US has driven prices down for tomatoes in general, including those grown in greenhouses.

While it is beyond the scope of this paper to determine whether or not Canadian greenhouse tomatoes are being dumped in the US market, common sense suggests that the industry could not survive if it was selling its product in its main marketplace at below the cost of production. Unfortunately, even if the US Department of Commerce finds that Canadian tomato growers are not dumping their produce in the US, the Canadian industry can not recoup its legal costs incurred in fighting this battle. This means that no matter what the final decision, Canadian greenhouse tomato growers will incur a financial loss. In the end, as is the case with most trade disputes, it will likely be the consumer that pays as costs endured by the producers are passed on in the form of higher prices.

Recent Feature Articles In British Columbia Origin Exports Release
Listed By Statistical Reference Date of Issue

01-03 *The Softwood Lumber Dispute (released May 2001)*

01-02 *(no article)*

01-01 *(no article)*

00-12 *(no article)*

00-11 *After Much Economic Diversification, B.C. Exports Are Still Mainly Resource Based (released Jan. 00)*

00-10 *Ambitious Western Hemisphere Trade Agreement Could Help Shape Canadian Trade In the New Decade (released Dec. 00)*

00-09 *Trade Growth Tied To Transportation Infrastructure (released Dec. 00)*

00-08 *Some Familiar Patterns Developing In Trade Between China and British Columbia (released Nov. 00)*

00-07 *International Trade In Services Produces B.C.'s Only Trade Surplus (released Oct. 00)*

00-06 *Value Added Wood Exports Grow Fast In B.C., But Faster In Rest of Canada (released Aug. 00)*

00-05 *What Has Free Trade Meant For B.C.'s International Trade? (released July 00)*

00-04 *British Columbia Shipping Smaller Portion of Canadian Forestry Products (released June 00)*

00-03 *1990s Brought New Markets and New Products For B.C. Exports (released June 00)*

00-02 *United States Continues Substantial Log Exports In 1999 (released April 00)*

00-01 *B.C. Goods Export Growth Among Lowest In Canada During 1990s (released Mar 00)*

99-12 *British Columbia Trade Becoming More Continental Than Global (released Feb 00)*

99-11 *Growing Cross Border Trade In Agricultural Food Products (released Jan 00)*

99-10 *Trade Imbalances Growing Within NAFTA (released Dec 99)*

99-09 *B.C. Exports Recovering In Some Asian Markets, Still Declining In Others (released Nov 99)*

99-08 *British Columbia Exports to United States Move Increasingly By Truck (released Oct 99)*

99-07 *Export Changes During 1990s Reduce Resource Dependency (released Sep 99)*

99-06 *British Columbia Losing Dominant Position In World Lumber Markets (released Sep 99)*

99-05 *September Team Canada Mission To Visit Japan and Australia (released Jul 99)*

99-04 *New Export Industries Depend Heavily On Air Freight Services (released Jul 99)*

99-03 *United States Log Exports (released May 99)*

99-02 *British Columbia Losing Ground In United States Lumber Market (released Apr 99)*

99-01 *British Columbia Export Reliance On U.S. Market Highest Since Early 1960s (released Mar 99)*

98-12 *(no article)*

98-11 *Diversification of Export Mix Accelerates In 1998 (released Jan 99)*

98-10 *Offsetting Export Losses In Asia With Gains In the United States Market (released Dec 98)*

98-09 *Half A Century of B.C. Exports, From British Empire to the U.S. & Asia (released Nov 98)*

98-08 *Asian Fallout Has British Columbia Exporters Relying Heavily On U.S. Market (released Oct 98)*

98-07 *No Ignoring Chinese Presence On World Trading Scene (released Sep 98)*

NOTES

Countries Included Within World Regions:

(1) Western Europe: United Kingdom, Ireland, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland.
(2) Eastern Europe: other Europe, including all of Russia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, etc.
(3) South East Asia: Malaysia, Brunei Darussalam, Singapore, Myanmar, Kampuchea, Laos, Indonesia, Philippines, Thailand, Vietnam.
(4) Africa: continental Africa, excluding Ethiopia, Libya, Somalia, Sudan, Egypt.
(5) South America: continental South America from Colombia and Venezuela south to Chile and Argentina, including offshore islands, but not Caribbean.
(6) Central America and Caribbean: from Guatamala and Belize to Panama, plus Caribbean Islands.
(7) Pacific Rim (including Japan): Japan, Hong Kong, Malaysia, Brunei Darussalam, Singapore, Laos, Mongolia, China, Indonesia, North Korea, South Korea, Philippines, Macau, Taiwan, Thailand, Vietnam, Australia, Fiji, New Zealand.
(8) Pacific Rim: as above, but excluding Japan.
(9) Middle East: from Turkey and Iran south through the Arabian Peninsula. Excluding Afghanistan and Pakistan, but including Cyprus, Ethiopia, Egypt, Somalia, Sudan and Libya.

'Selected Value-added Wood Products' category includes prefabricated houses, doors, windows, furniture, moulding, siding, etc. It does not include panel products, shakes, shingles or any pulp and paper products.

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