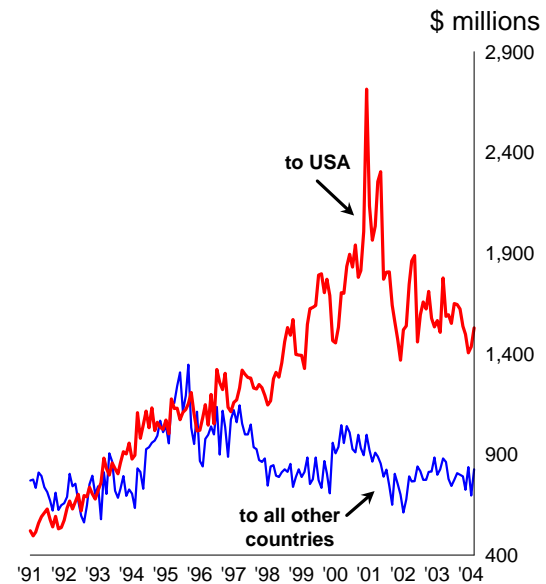


## Exports ♦ February 2004

- The value of total BC origin exports is down 4.5% in the first two months of 2004 compared to the same period in 2003. The drop is due to a particularly bad month in January, as February saw a slight improvement (+0.9%) compared to February 2003.
- Forest sector exports over the first two months of 2004 are well off last year's pace, particularly for pulp and paper products (-9.7%). Newsprint (+2.9%) is the one bright spot in the paper sector. Solid wood exports also fell (-4.2%), mostly due to a drop in shipments of products at two ends of the spectrum: value added wood products (-15.1%) and logs (-52.9%).
- Goods exports that experienced year-to-date growth include metallic mineral products (+3.3%), which have benefited from higher commodity prices, and energy products (+1.9%). The growth in energy products was due entirely to a substantial jump (+21.2%) in exports of natural gas. A significant price decline led to a big drop in the value of electricity exports

(-59.3%) and coal exports fell 13.2%, possibly due to shipment problems caused by an avalanche near Revelstoke.

*Higher commodity prices have not had much of a positive effect on BC exports so far in 2004*



- Exports to Japan continue to falter, falling 16.4% over the first two months compared to the same period last year. However, exports to the remainder of the Pacific Rim expanded 2.7% over the same period.

### SEASONALLY ADJUSTED EXPORTS

- Exports adjusted for seasonal variation climbed 5.9% in February, rebounding from a 2.7% drop in the previous month. A 14.7% increase in exports of industrial and consumer goods helped drive the growth.
- Exports to the United States rose 2.3% in February, mainly on the strength of a boost in exports of energy products (+6.7%). Exports of agricultural and fish products to the US fell 2.8%, probably due to the outbreak of the avian flu.

## BC's Animal Agriculture Exports Facing Trade Restrictions

British Columbia's cattle, poultry and swine exports are all facing restrictions that could have a serious detrimental impact on the province's agricultural exports. The cattle and beef industry has been beset by the outbreak of bovine spongiform encephalopathy (BSE), more commonly referred to as "mad cow" disease, since an infected cow was discovered in Alberta in May 2003. As a result, exports of beef and cattle from Canada were banned by several countries and effectively ceased for a few months. Some trade has since resumed, but the discovery of another infected cow in Washington State in December that was traced back to Alberta has further exacerbated the problem and has made a return to normal trade in the near future unlikely.

*BC's cattle, poultry and swine exports are all facing trade restrictions*

Poultry exports are threatened by another illness: Avian influenza. The avian flu virus was found to be present in several farms in the Fraser Valley and while this variant of the flu is quite different from the one that resulted in human deaths in Asia in that it is not thought to pose a serious threat to humans, it does have serious and deadly effects for poultry. As a result, nearly 40 countries, including the United States, have implemented a ban on poultry exports from British Columbia, with some countries extending the ban to all of Canada. The ban includes all poultry products, including eggs. The Canadian Food Inspection Agency (CFIA) has ordered a cull of all chicken and turkeys on farms in the Fraser Valley to combat the disease.

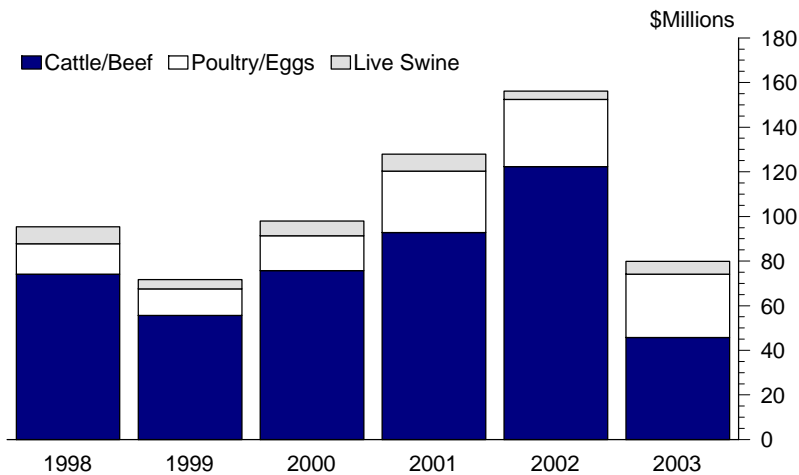
*The avian flu virus is threatening BC's poultry industry*

Meanwhile, as if diseased animals weren't enough of a headache for BC's animal agriculture sector, in a move reminiscent of the softwood lumber dispute, hog farmers in the United States have petitioned the US government to slap anti-dumping and countervailing duties against Canadian hogs for alleged unfair subsidies and dumping at below-market prices. This is not the first time that Canadian hogs have faced duties from the United States. Between 1985 and 1999 swine imports from Canada into the United States were subject to countervailing tariffs.

*American hog farmers are petitioning for duties against Canadian swine*

The combined effect of these events has the potential to seriously harm British Columbia's agri-food sector. In 2002, prior to the BSE outbreak, these three commodity groups comprised almost 11% of BC's agri-food exports. However, this amounted to only \$156.2 million, which was only 0.5% of total BC origin exports. Nevertheless, these issues have the potential to have a negative effect on the provincial economy, particularly the avian flu, since a large portion of BC's fowl and egg production is consumed domestically and the amount exported is small by comparison.

## British Columbia's animal agriculture exports are being threatened



*The effects of the BSE outbreak are reflected in the drop in value of cattle and beef exports in 2003*

### Concerns over BSE have handcuffed the cattle and beef industry

Exports of live cattle and beef products from Canada dropped to zero after the discovery of a BSE-infected cow in Alberta. It was months before some of the trade restrictions were eased and selected cuts of beef were allowed to pass over the border. For British Columbia it is not so much the halt in trade in beef that was a problem, since BC exports very little beef to begin with, but the restriction on shipments of live cattle. BC exported \$118.9 million worth of live cattle in 2002, compared to only \$3.4 million worth of beef.

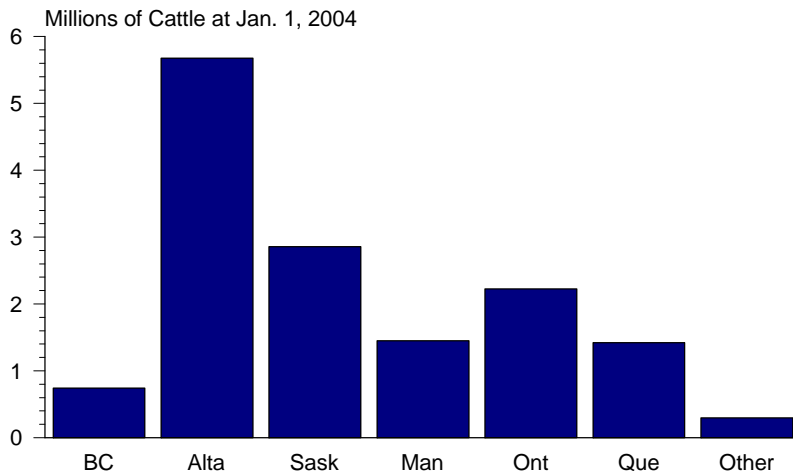
The ban on imports of Canadian cattle into the United States has resulted in an expanded livestock population in Canada. In BC, there were 74,000 cattle as of January 1, 2004 compared to only 68,300 a year earlier. There were almost 1.2 million more cattle in all of Canada compared to January 2003. The excess of cattle and no place to sell them has resulted in further problems for cattle ranchers, because the price they are getting for their cattle has dropped substantially, so even those cattle that they can sell are not bringing in much in revenue. In addition, severe drought conditions in recent years have left ranchers without good sources of feed, which is driving up their costs.

*Cattle populations are expanding across the country as farmers are having difficulty finding markets for their livestock*

As serious as the problem is, the impact on British Columbia total exports has been minimal. Together, beef and cattle exports made up only 0.4% of total BC origin exports in 2002. Only 6.5% of all cattle shipped out of Canada originated in BC in that year and a paltry 0.2% of beef exports were from BC. Compared to the Prairie provinces, particularly Alberta and Saskatchewan, BC is a bit player in the cattle industry. Even Ontario and Quebec have more head of cattle than British Columbia. Alberta has by far the most

to lose if this crisis continues to drag on. Over a third of Canadian cattle exports and three-quarters of beef exports originate in Alberta.

### Alberta has by far the most to lose due to the mad cow crisis, while BC has much less at stake



*BC is a small player in the cattle industry compared to provinces in the prairies and central Canada*

### BC's poultry industry is reeling from the avian flu

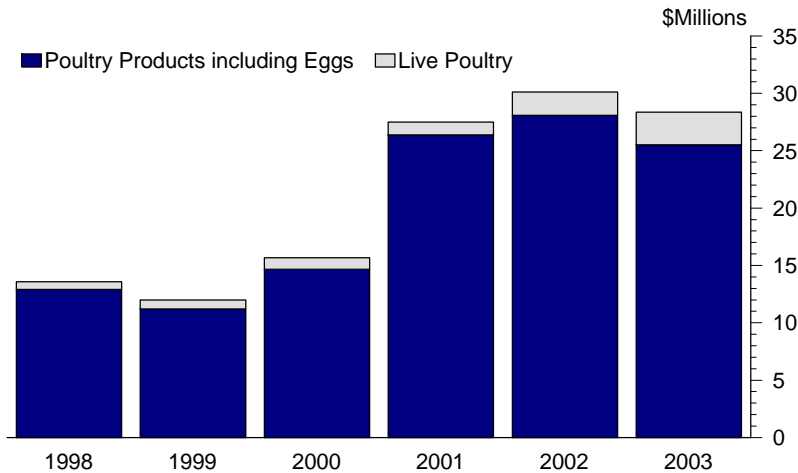
British Columbia is the third most significant poultry producer in Canada after Ontario and Quebec. In 2002, about 16.3% of all fowl and chickens and 11.0% of turkeys produced in Canada were from BC. Approximately one-tenth of the poultry produced in BC (based on weight) is destined for export. In 2003, BC was the origin of 22.2% of live poultry exports from Canada, although this amounted to only 6.2% of revenue from this trade, presumably because the birds from BC were of smaller varieties. For other poultry products, including eggs, 10.9% of the value shipped out of the country originated in BC.

*BC is the third largest poultry producer in the country after Ontario and Quebec*

The total value of all poultry and poultry products exported from BC in 2003 amounted to only \$28.4 million, which is only a small part of overall trade, but if the potential loss of the domestic market is included, the avian flu outbreak could result in significant economic damage.

The CFIA has ordered the slaughter of all chickens and other poultry within Fraser Valley, which represents approximately 80 percent of all poultry in the province. The number of birds to be destroyed could number as high as 19 million. The quick action of the CFIA has resulted in the European Union lifting the trade ban on most poultry products from Canada, excluding those from British Columbia. This is the same treatment they have extended to the United States, where restrictions on poultry from Texas remain in place. There was a similar outbreak of a different strain of the disease in Texas earlier in the year.

## The avian flu threatens almost \$30 million in potential exports of poultry products from British Columbia



*All exports of poultry and poultry products from BC are jeopardized due to the outbreak of avian flu*

Currently, World Organisation for Animal Health standards stipulate that a country can be considered free of avian influenza six months after the slaughter of the last affected bird. Although this does not necessarily mean all countries currently banning imports of BC poultry will wait that long before lifting trade restrictions, it indicates that trade in poultry products from BC could face a lengthy period of disruption before returning to normalcy, which could cause significant economic hardship for the farmers involved, as well as for their employees. Already hundreds of employees have been laid off as a result of the flu outbreak.

*It could take as long as six months after the last affected bird is slaughtered before BC will be considered free of the avian flu*

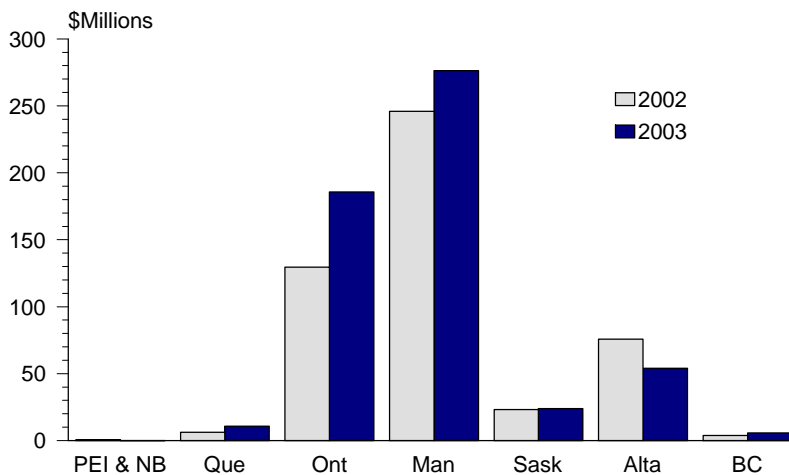
It is possible that a large percentage of the birds slated for slaughter could be salvaged. Flocks will be tested for the presence of the flu virus and will be approved for processing if the tests are negative. However, even though many farmers will be able to sell their birds and the others will probably be compensated for their lost flocks, they will likely end up losing a great deal due to the time it will take before their farms are cleared for use. The industry estimates that it could take as long as six months before poultry farmers can resume production. Farms outside the cull area could be affected as well as they may have difficulty finding suppliers for replacement chicks to keep their flocks fully stocked.

### **Americans looking to hog-tie Canadian pig farmers**

American hog producers have petitioned their government to hit imports of live swine from Canada with punitive duties ranging from 5 to 20 percent. The United States National Pork Producers Council claims that Canadian farmers are receiving unfair subsidies from the federal and provincial governments and that they are guilty of dumping live hogs into the US market at prices below those for which they are sold in Canada.

The jump in sales of live hogs to the US from 5.7 million animals in 2002 to 7.4 million in 2003 is what precipitated the move. Canadian hog farmers deny the increase has anything to do with unfair trade practises. Rather, they suggest that a combination of the rising Canadian dollar, a decline in packing capacity in western Canada and a shift towards more consumption of beef over pork (in an effort to help cattle farmers deal with the export restrictions resulting from the BSE problem) were the driving forces behind increased pig exports.

### The significant increase in exports of live hogs to the United States has prompted the petition for duties



*Exports of live hogs to the US from Canada jumped from 5.7 million head in 2002 to 7.4 million in 2003*

Canadian hog farmers have been struggling in the last several years due to low prices and prolonged droughts in Saskatchewan and Alberta that drove up the cost of feed. The jump in the value of the Canadian dollar combined with the drop in demand for pork exacerbated their problems in 2003. Many Canadian hog producers have resorted to becoming a supply source for weanling pigs to farms in the US Midwest where there is a significant supply of corn for use as feed, which makes it much cheaper to grow the hogs to market weight than in Canada, where feed is more expensive.

The imposition of duties on live hogs could end up driving many of these producers out of business. The Canadian government has pledged to fight the duties, denying that there are any unfair subsidies involved. According to data from the South Dakota Agricultural Statistics Service, there were 123.7 million head of hogs marketed in the United States in 2002. The hogs imported from Canada in that year represented less than 5% of these and even the larger number imported in 2003 is only 6% of that total.

For British Columbia, this dispute is much less of an issue compared to Manitoba and Ontario, where the bulk of Canadian live hog exports to the United States originate. In 2003, BC exported only \$5.7 million worth of live hogs to the US, which is about one percent of the Canadian total.

*BC is the origin of only a small portion of Canadian exports of live hogs to the US—most of the hogs are from Manitoba or Ontario*

The effect of the trade dispute combined with the BSE and avian flu outbreaks represents only a small portion of BC's overall trade, but the impact on the overall economy may be much larger. Of the three problem areas, the avian flu is likely to have the most significant economic impact for BC since the amount of poultry exported is only a small part of total production and domestic sales will suffer as well. It appears that the CFIA is taking all the correct steps with respect to handling the flu problem, but it will take some time before the industry returns to normal. The same can be said of the cattle industry, but there is hope for Canadian hog farmers that the American government will find the petition to place duties on Canadian hog imports is invalid and therefore trade will not be disrupted.

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

<b>04-02</b>	<i>BC's Animal Agriculture Exports Facing Trade Restrictions</i> (released April 2004)	<b>02-11</b>	<i>Canada Courts the European Union for Freer Trade</i> (released January 2003)
<b>04-01</b>	<i>China Offers Considerable Opportunities for Trade</i> (released March 2004)	<b>02-10</b>	<i>Lumber Battle Takes an Unexpected Turn</i> (released December 2002)
<b>03-12</b>	<i>Rising Commodity Prices Could Signal Turnaround for BC Exports</i> (released February 2004)	<b>02-09</b>	<i>Canada Looking to Shed Light on Trade With the Dark Continent</i> (released November 2002)
<b>03-11</b>	<i>The Lows of High Tech Trade</i> (released January 2004)	<b>02-08</b>	<i>Canada's Share of US Softwood Lumber Market Slipping</i> (released October 2002)
<b>03-10</b>	<i>Is Global Free Trade Possible?</i> (released December 2003)	<b>02-07</b>	<i>FTAA: Free Trade for the Western Hemisphere?</i> (released September 2002)
<b>03-09</b>	<i>Relatively Few Small Businesses in BC are Exporters</i> (released November 2003)	<b>02-06</b>	<i>The Changing Face of BC Exports</i> (released August 2002)
<b>03-08</b>	<i>Where's the Beef?</i> (released October 2003)	<b>02-05</b>	<i>Japan's Economic Woes Translate to Reduced Trade for BC</i> (released July 2002)
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<b>03-06</b>	<i>Natural Gas Heats Up British Columbia's Exports</i> (released August 2003)	<b>02-03</b>	<i>Chile Warms Up to Trade With Canada</i> (released May 2002)
<b>03-05</b>	<i>Value Added Wood Production in BC Lagging Rest of Canada</i> (released July 2003)	<b>02-02</b>	<i>The Threat of American Protectionism</i> (released April 2002)
<b>03-04</b>	<i>Exports and the Rising Dollar</i> (released June 2003)	<b>02-01</b>	<i>Canada Seeks to Increase Trade With India</i> (released March 2002)
<b>03-03</b>	<i>Canada Talks Trade With Turkey</i> (released May 2003)	<b>01-12</b>	<i>Is "Runaway" Film Production in Canada Harming the U.S. Industry?</i> (released February 2002)
<b>03-02</b>	<i>Rising Log Exports Fuel Controversy</i> (released April 2003)	<b>01-11</b>	<i>Team Canada Scouts Russia and Germany for New Trade Ties</i> (released January 2002)
<b>03-01</b>	<i>Review and Outlook for BC Exports</i> (released March 2003)	<b>01-10</b>	<i>Exploring China as a Market for BC's Wood Products</i> (released December 2001)
<b>02-12</b>	<i>Team Canada Returns to Europe</i> (released February 2003)	<b>01-09</b>	<i>Is Trade Threatened by Security?</i> (released November 2001)



## 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 Guatemala 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.

**Revisions**

Statistics Canada revises trade data for the previous three data years with release of the December data. The revision number is indicated in the footer of the tables (e.g., Rev 1 is the first annual revision, etc., and Prelim indicates it is the first release of data to December for that year). In addition to annual revisions, Statistics Canada revises the data for the previous data year every quarter (indicated in the footer by Rev Q1, etc).

**Service Offered for Detailed Trade Statistics**

For B.C. government statistics users requiring more detailed information on exports or imports, a special report service is offered through the address below:

**Dan Schrier - Trade Statistics****BC STATS**

P.O. Box 9410 Stn Prov Govt

Victoria, B.C.

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(250) 387-0376

This service is provided through the Trade Research and Inquiry Package (TRIP) computer reporting system. TRIP offers user-defined tabulations of export or import statistics for British Columbia, Canada, the United States and other countries. Tabulations can include information on commodities, countries, U.S. states, years, months, mode of transport, etc.