BC STATS
ServiceBC
Ministry of Labour and Citizens' Services

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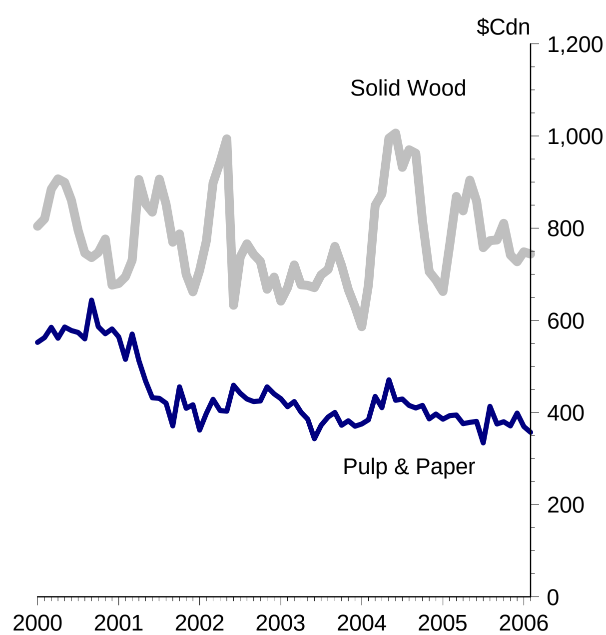
Exports ◆ February 2006

- Through the first two months of 2006, the value of BC origin exports are up 14.2% compared to the same period a year earlier. Soaring energy exports have been the main reason for the significant year-over-year increase.
- Overall, the value of energy exports climbed 73.2% in the January to February period, compared to the first two months in 2005. International shipments of natural gas doubled to lead the way, but coal exports (+55.5%) also experienced substantial growth. Price inflation was responsible for all the growth in coal shipments, as the quantity exported actually fell. Higher prices were also responsible for most of the growth in natural gas exports, although the quantity shipped also increased. Electricity was the one energy commodity that bucked the trend, with the value of electricity exports slumping 58.4%.
- The forest sector continued to experience a mixed performance with solid wood product exports rising 4.6%, while pulp and paper product shipments fell 6.7%.
- A 25.9% slump in exports of molybdenum ores and concentrates was the main driver in a 4.3% drop in exports of metallic mineral products. Shipments of unwrought zinc (-3.2%) also declined; however, unwrought aluminum exports (+9.2%) and shipments of copper ores and concentrates (+6.4%) both saw increases.
- A 27.1% jump in exports of fish products to the United States helped drive up overall fish exports 11.0%. Whole salmon (+32.7%) was the product of choice as shipments of other fish products declined.
- BC exports of machinery and equipment were up 11.1%, mainly on the strength of a 31.8% rise in shipments of electrical, electronic and communications equipment.
- There was strong growth in exports to the US (+19.0%), the United Kingdom (+53.4%) and China (+20.4%), but shipments to India slumped 47.4% after having experienced strong growth all through 2005.

Performance in the forest sector has been mixed with solid wood exports up year-to-date, while pulp & paper exports have been slumping



SEASONALLY ADJUSTED EXPORTS

Seasonal adjustment supplies a means of making month-to-month comparisons by removing the regular periodic seasonal fluctuations that occur. Variations from normal seasonal patterns are revealed in the seasonally adjusted data series.

- A 4.2% slump in exports of forest products drove overall exports down 1.1% in February, despite increases in all other major commodity groups.
- With the exception of energy (+1.1%), exports to the United States for all major commodity groups fell in February. Forest product shipments experienced the largest decline (-6.9%), but agriculture and fish products (-3.0%), machinery, equipment and automobiles (-1.6%) and industrial and consumer goods (-1.5%) all saw significant drops.

A drop in shipments of forest products drove overall exports (adjusted for seasonality) down in February

BC Exports, Seasonally Adjusted ($Millions)

Month	Agriculture & Fish	Energy	Forest Products	Machinery& Equip, Auto	Industrial, Consumer	Total	Exports to USA
Feb 2004	187	353	1,057	334	460	2,391	1,532
Mar	188	353	1,159	318	452	2,470	1,619
Apr	190	344	1,187	314	497	2,532	1,649
May	196	442	1,335	340	532	2,844	1,766
Jun	198	384	1,307	345	491	2,725	1,788
Jul	206	386	1,274	354	497	2,717	1,767
Aug	187	376	1,274	341	520	2,699	1,762
Sep	200	297	1,263	340	491	2,592	1,716
Oct	208	335	1,182	341	501	2,567	1,654
Nov	197	454	1,115	339	489	2,593	1,703
Dec	185	450	1,121	327	512	2,596	1,675
Jan 2005	193	451	1,116	336	556	2,652	1,668
Feb	185	428	1,189	338	557	2,697	1,757
Mar	180	447	1,125	337	508	2,597	1,729
Apr	184	498	1,110	351	515	2,658	1,743
May	187	540	1,120	357	534	2,737	1,726
Jun	206	612	1,105	360	591	2,874	1,772
Jul	176	681	990	359	480	2,686	1,806
Aug	203	797	1,068	363	550	2,981	1,837
Sep	197	773	1,046	365	584	2,965	1,830
Oct	201	837	1,120	373	526	3,058	2,015
Nov	208	709	1,121	375	581	2,993	2,009
Dec	202	825	1,183	392	588	3,190	2,008
Jan 2006	200	758	1,180	369	534	3,041	2,033
Feb	201	761	1,130	372	543	3,007	1,968

Log Exports Becoming More of a Private Affair

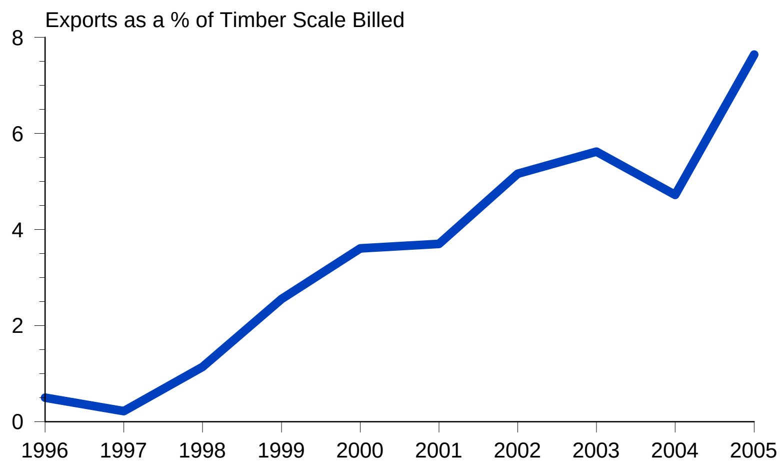
Log exports from BC have long been a source of controversy

One of the more controversial issues in the forest sector in British Columbia is that of log exports. There have been disputes around this issue and just recently, a group in Port Alberni called “Save Our Valley Alliance” conducted a count of logging trucks carrying logs out of their valley as a way of highlighting the fact that the timber was not being processed at local mills.

The proportion of timber harvested in BC that is bound for export has grown substantially over the last decade. Based on export data from Statistics Canada and harvest data from the Ministry of Forests and Range,[1] the percentage of timber harvested in the province that is exported as unprocessed logs has risen from approximately 0.5% in 1996 to 7.6% in 2005.

The proportion of the logs harvested in BC that is exported has risen substantially in the last decade

There has been a significant increase in log exports as a percent of harvested timber in the last ten years



Sources: Statistics Canada, BC Ministry of Forests

While there are no outright prohibitions on exports of unprocessed logs from British Columbia, there are restrictions on sales outside the province for timber from both private and public lands. Timber harvested from private land granted by the Crown prior to March 12, 1906 that is outside a tree farm license area, or from federal land or First Nations reserves, is under federal jurisdiction. Logs harvested from these lands can be sold outside the province only after they have been offered for sale within BC and no buyer has been found.

All timber harvested from provincial Crown land is under provincial jurisdiction. In addition, timber from private land that is within a tree farm license area, or from private land granted by the Crown after March 12, 1906, is also under provincial jurisdiction. The *Forest Act* specifies that this timber must be used or

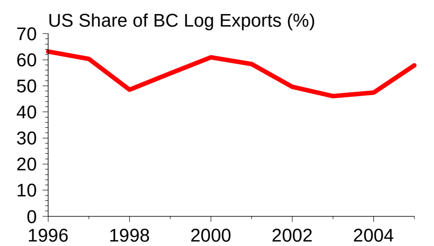
[1] Actually the data from the Ministry of Forests and Range is timber scale billed, which is a proxy measure of harvest.

processed within British Columbia except in exceptional circumstances when they may be exempt from this requirement. Section 128 of the *Forest Act* specifies that these circumstances exist if the timber is surplus to the requirements of BC's processing facilities, if it cannot be processed economically near the harvesting area and cannot be transported economically to another facility in BC, or if allowing exports would prevent waste or improve the utilization of the wood.[2] In 2004, the provincial government tightened the restrictions further by implementing a fee in lieu of manufacture for the Coast ranging from 5% of domestic log values for lower grades of timber to 15% for Douglas fir. Previously, the fee was determined by the difference between the export price and average log values in the province with a minimum rate of one dollar per cubic metre. The fee in the Interior remains at a flat rate of one dollar per cubic metre.

The provincial government increased the fee in lieu of manufacture in an effort to stem the flow of logs out of the province...

The increased fees may have helped level the playing field somewhat for manufacturers faced with significant duties on lumber exports to the US. With BC manufacturers paying a substantial duty on lumber exports to the United States (27% at the time the revised fees were introduced, although it has now been reduced to just under 11%), mills in the US can afford to pay higher prices for logs harvested in BC. With over half the unprocessed logs shipped to the US (58% in 2005 – Asia was the destination of most of the remainder, particularly Japan, which imported 33% of BC's log exports), this amounts to a double whammy for sawmills in BC that have to compete with American mills while facing duties deemed illegal by successive NAFTA panels.

The US Share of BC log exports has fluctuated from 45% to 65% in the last decade



However, despite the imposition of higher export taxes, the volume of logs exported from the province has continued to grow. In 1996, less than 0.4 million cubic metres of unprocessed timber was exported from BC out of the country and by 2005, this figure jumped to 4.7 million cubic metres, an increase of well over 1,000%.

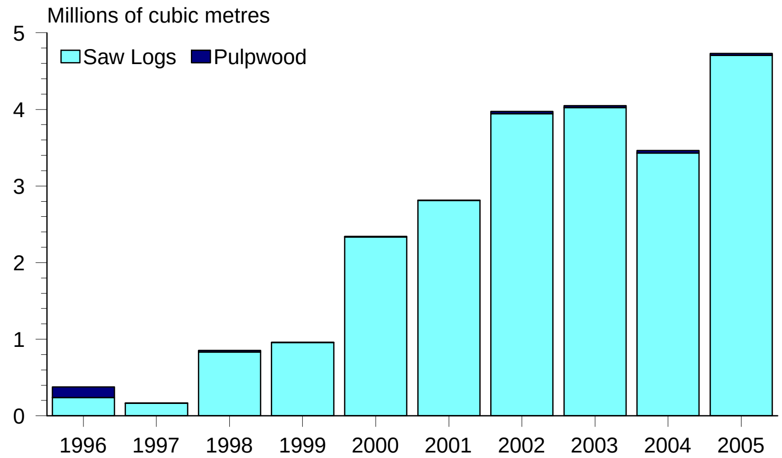
…nevertheless, the volume of logs exported has continued to grow

There are also logs imported into the province, but imports of unprocessed timber have been few in the last couple of years.[3] In addition, the quality of timber exported out of the province is generally higher than that imported into BC. Almost all the logs exported from BC are saw logs, while most of the imported timber is comprised of pulpwood logs.

[2] The complete text of the *Forest Act* is available on-line at: http://www.qp.gov.bc.ca/statreg/stat/F/96157_00.htm.

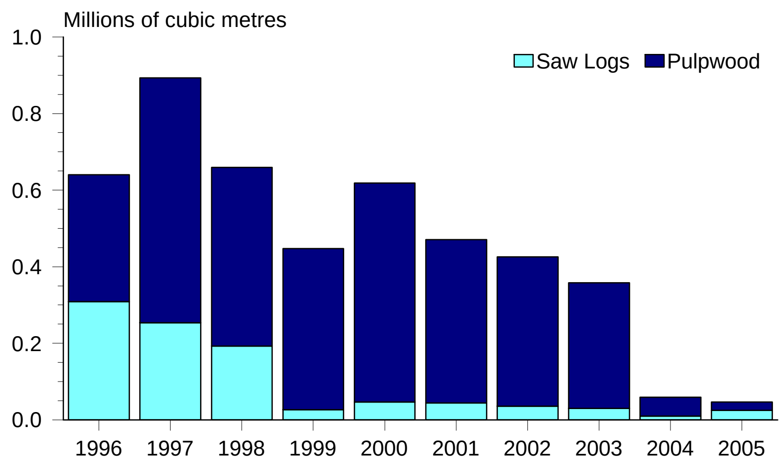
[3] Note that there are no data available on imports consumed within BC. All import figures refer to shipments of logs cleared through BC customs ports. It is possible that a portion of these imports was shipped to another province after entering BC, but it is likely that the large majority was consumed within the province.

Virtually all the logs exported from BC are saw logs...



Exported logs tend to be saw logs…

...while the reverse is true for imports

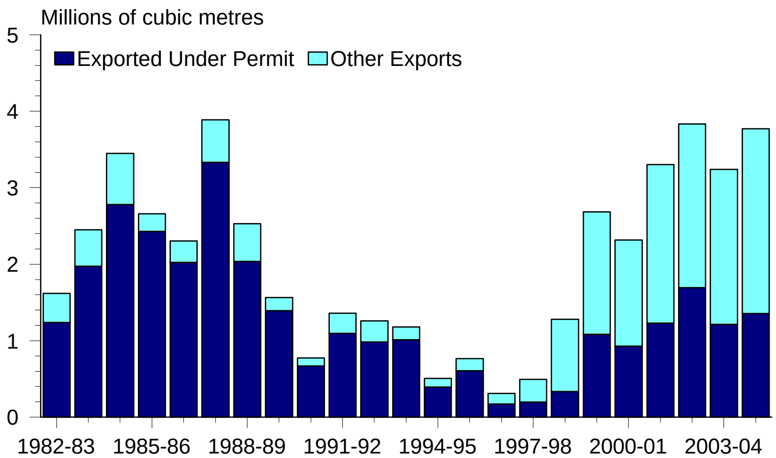


Source: Statistics Canada

…while imported logs are mainly lower quality pulpwood

One significant change in the nature of log exports over the last several years is that there has been a shift away from logs exported under permit from Crown lands and toward exports of logs from private lands under federal jurisdiction. Compared to the 1980s when between 80% and 90% of BC's logs were exported under a permit, that figure has dropped to under 40% in recent years. While exports under permit are well up from the 1990s, exports of unprocessed logs from private lands have increased even more and now comprise the majority of logs exported from the province. From 1996-97, when log exports were at their lowest level in the last two decades, to 2004-05, the latest year for which data is available from the Ministry of Forests and Range, exports of unprocessed timber that require an export permit increased almost eight fold, but the volume of exports of other logs soared to almost 18 times the 1996-97 level. Although export volumes from provincial Crown lands are higher than they were in the 1990s, they are nowhere near the levels seen in the 1980s. Yet the switch to exports from private lands has driven overall log export levels as high as they were in the peak years of the 1980s.

Log exports have shifted from logs exported under permit to other exports



Source: Ministry of Forests Annual Reports

The origin of logs exported from the province has shifted from provincial Crown land to private lands under federal jurisdiction

This return to the higher volumes of log exports seen in the 1980s has spawned protests, but defenders of exports of unprocessed timber suggest that exporting logs is not necessarily equivalent to exporting jobs. For example, mixed timber stands may sit idle because it is not economic to cut them and therefore there will be no logging, processing or transportation jobs associated with that timber. However, if there is an export market for some of the lower-priced timber, such as hemlock, then the stands may be harvested and the higher-valued timber, such as cedar, can be processed locally. In this way, there are jobs created not only in logging, but also in processing and ancillary industries, such as transportation.

However, the majority of exported logs from BC are Douglas fir, while lower-valued species, such as hemlock, make up a much smaller share.[4] Detractors of log exports argue that the export of this unprocessed timber means fewer processing jobs in British Columbia and less value received for BC's resources.

The softwood lumber dispute has put an even greater emphasis on log exports, since duties on Canadian lumber have created an uneven playing field for competing mills in Canada and the US, but this issue has been the cause of controversy for a long time and is likely to continue to elicit an emotional reaction for some time to come, even after the softwood lumber dispute is finally put to rest.

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[4] In 2005, Douglas fir comprised 55% of BC log exports, hemlock accounted for 25%, cedar was 7% and various species made up the remaining 13%.

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

06-02 *Log Exports Becoming More of a Private Affair*
(released April 2006)

06-01 *BC Exports: 2005 in Review*
(released March 2006)

05-12 *Electricity Puts a Charge into BC Exports*
(released February 2006)

05-11 *Pulp Friction: Challenging Times for BC's Pulp Industry*
(released January 2006)

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(released November 2005)

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03-09 *Relatively Few Small Businesses in BC are Exporters*
(released November 2003)

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.

The **European Union** is the membership as of May 1, 2004: Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, United Kingdom.

'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:

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Victoria, B.C. V8W 9V1
(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.