

## Feature: British Columbia Wood Product Exports Lose U.S. Market Share to Other Provinces

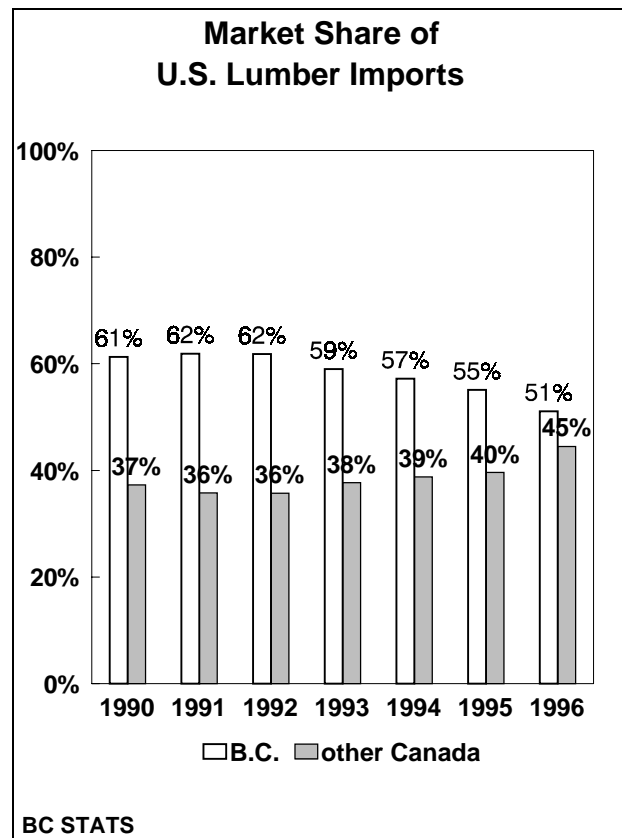
The strongest competition for British Columbia exports in the U.S. market comes from other provinces and, for several key export commodities, British Columbia is losing ground.

Although British Columbia exports to the United States have risen for most categories, for some they have risen less quickly than exports from other provinces or other countries. This has caused a loss of U.S. market share for several key export commodities.

In the U.S. lumber market, which British Columbia still relies on for 35% of its export revenue from the United States, the province has steadily ceded market share to producers in other provinces in recent years. British Columbia's share of the total value of U.S. lumber imports shrank from 62% in 1992 to 51% in 1996. Over the same period, the share claimed by other provinces grew from 36% to 45%.

There are some indications that the province may have increased its share in other world lumber markets over this period, possibly implying some healthy broadening of market focus for the forest industry. However, the U.S. is still the destination for 62% of lumber exports so that persistent loss of share in that market may have important implications regarding the competitive position of the province's lumber producers.

Mike Apsey, Chairman of the Council of Forest Industries cites a limited supply of available timber as one reason for British Columbia's declining share of U.S. lumber imports. He observes that, 'reduced allowable cut and a more restrictive forest practices code have meant that fewer logs are available for milling.' The comment echoes concerns expressed by economic experts meeting with Finance Minister Andrew Petter in February, about the ability of the province's resource sectors to compete in a global market, given their cost structure and the regulatory environment.



Commenting on the stronger performances of other provinces in exporting wood to the United States, Mr. Apsey notes that, 'Other provinces have been building more sawmills and have been directing logs to sawmills that would have gone to pulp a few years ago.'

Competition among provinces selling lumber in the United States became regulated, in effect, with the signing of the *Canada-USA Softwood Lumber Agreement* in April last year.

The accord was negotiated to win a 5 year respite in the long series of trade actions initiated by U.S. lumber interests. It deals only with exports to the United States of British Columbia, Alberta, Ontario and Quebec. Volume quotas were established for each of these provinces determining their portion of the 14.7 billion board feet that could be shipped to the United States without payment of a fee.

Allocation of quotas was made on the basis of information received from companies about their exports in previous years.

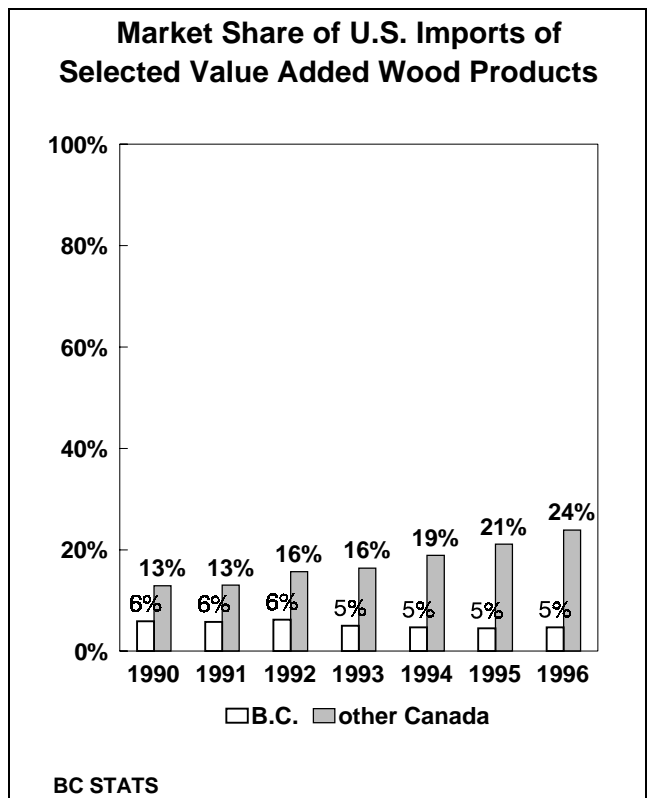
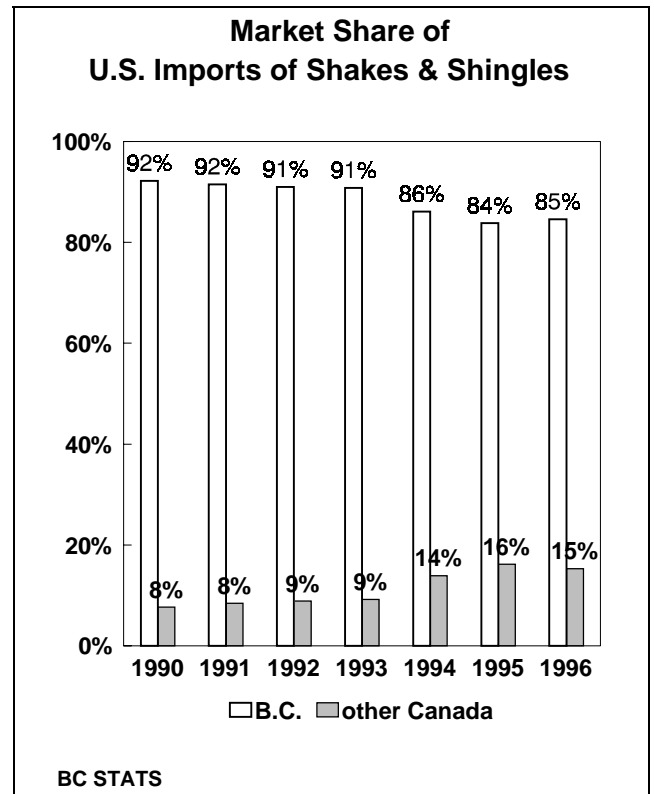
The same shortages of available timber identified as a factor in British Columbia's loss of U.S. market share for lumber, are also cited as a factor in the loss of U.S. market share for shakes and shingles.

U.S. imports of wooden shakes and shingles from British Columbia fell from 91% in 1992 to 85% in 1996, as imports from other provinces grew from 9% to 15%.

Jack Davidson of the British Columbia Shake and Shingle Association notes that, 'The demand is very high, but because of regulation and red tape there is a shortage of wood available for logging.' He adds that this shortage has been made more acute by the recent setting aside of large tracts of forest land for parks.

As diminishing supplies of accessible timber have been constraining growth of British Columbia wood product exports, the focus has turned increasingly to value added wood products as the means to sustain more jobs with fewer trees.

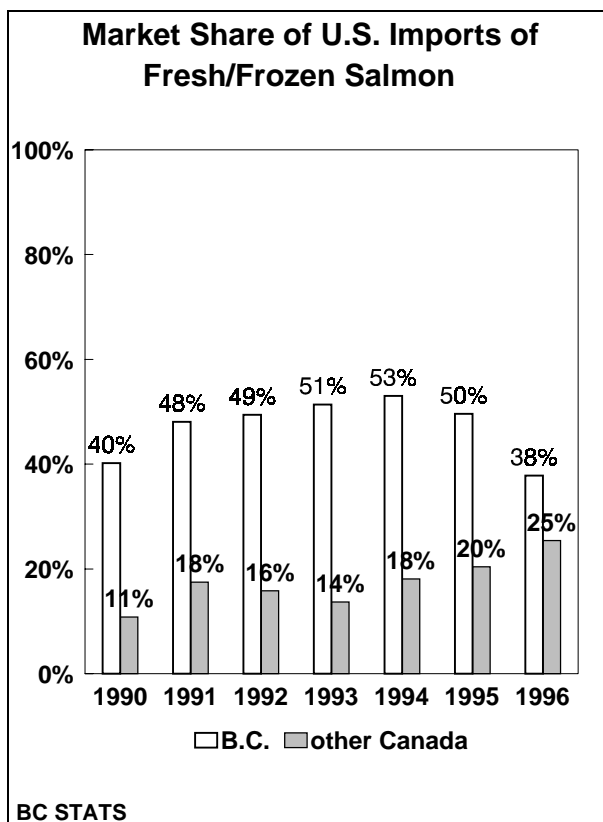
Although U.S. imports of these products from British Columbia rose 45% between 1990 and 1996, the increase did not keep pace with the expanding market. For a selection of the most important value added wood products, British Columbia exports have lost market share since the beginning of the 1990's, sinking from 6% of the U.S. import market in 1990 to 5% in 1996. Over the same years, other provinces nearly doubled their collective share, from 13% to 24%. Included in the selection are doors, windows, furniture, prefabricated houses and mouldings.



## Competing To Sell Salmon In the United States

Wood products have not been the only British Columbia export category that has lost U.S. market share to other provinces. Nor is it the only category for which environmental and regulatory issues have been a factor in constraining export growth.

Fresh and frozen salmon, long a staple of British Columbia's export mix, now competes increasingly with salmon produced in New Brunswick. In recent years, exports from New Brunswick have won a growing share of the U.S. market, as British Columbia exports have lost ground. The British Columbia share of United States fresh or frozen salmon imports fell from 51% in 1993 to 38% in 1996, as other provinces (mainly New Brunswick) increased their combined share from 14% to 25%.



Salmon marketed in fresh or frozen form are harvested more from fish farms than from the 'wild' fishery. Allan Kinney, a Vancouver based consultant to the aquaculture industry observes that, 'the British Columbia (salmon farming) industry has tremendous potential to grow', but that 'growth has been constrained by limited access to new sites.' Kinney says that there has been an unofficial moratorium on new salmon farming sites since 1991, with only a few new sites granted in 1996.

Kinney notes that Chile has been the single most successful competitor at expanding its salmon exports into the United States market. The Chilean share of U.S. fresh or frozen salmon imports grew from 22% in 1994 to 29% in 1996.

## Mixed Progress For Exports of Non-Resource Products to United States

Opportunities opened by the North American Free Trade Agreement have led to more Canadian exports of non-resource products. Like other provinces, British Columbia has boosted its exports to the United States for a variety of products that are not tied to its natural resource assets.

For some of these non-resource based products, British Columbia has made stronger export gains than other provinces.

In the labour and technology intensive electronics sector, for example, British Columbia has made particularly strong gains. The value of United States imports of British Columbia electronic goods grew 229% between 1990 and 1996, far outstripping the 81% growth in imports from the rest of Canada. However, the value of British Columbia's 1996 share still amounted to only \$US 248 million, small by comparison with the \$US 8.2 billion exported from the rest of Canada.

Some agricultural exports from British Columbia have done well in the U.S. market since the implementation of the Canada - United States Free Trade Agreement in 1989. U.S. imports of fruit from British Columbia grew 73% between

1990 and 1996, while imports of British Columbia vegetables grew 231%. Growth rates for the rest of Canada were 27% and 65% respectively.

Even more promising in terms of employment generation, have been strong increases in U.S. purchases of processed food products from British Columbia.

Between 1990 and 1996, British Columbia produced processed food consumed in the United States grew 215%, while imports from the rest of Canada grew 193%.

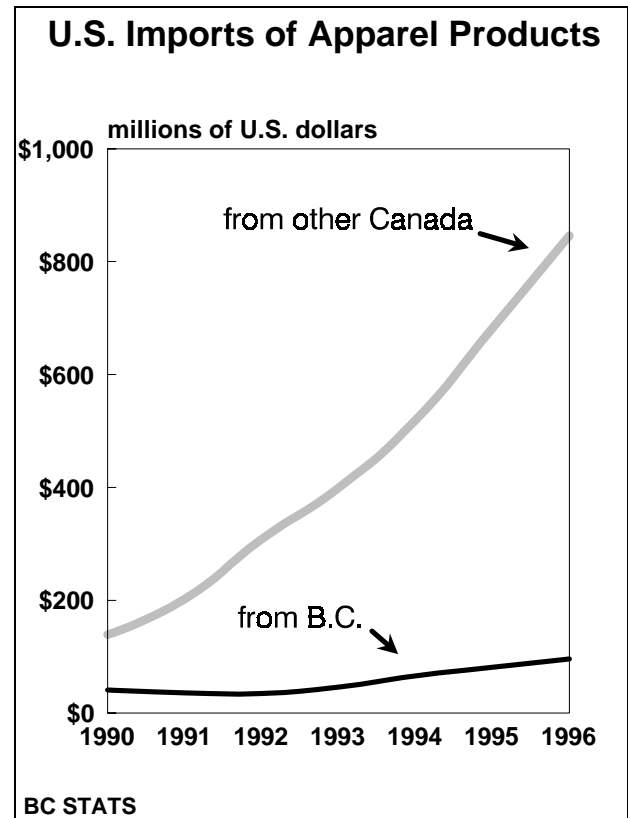
In other non-resource categories, British Columbia has been less successful in the U.S. market than other provinces.

U.S. meat imports from British Columbia actually dropped by over 60% between 1990 and 1996, as imports from the rest of Canada increased 84%.

In the huge U.S., apparel market British Columbia producers increased their sales substantially, but still did not keep up with producers in other parts of Canada. The very respectable 210% growth in U.S., imports of apparel from British Columbia between 1990 and 1996 fell considerably short of the 508% increase for all other provinces taken together.

Industry officials in British Columbia are unfazed by the relatively stronger export growth in the U.S. market of Quebec and Ontario based apparel makers.

For the most part, British Columbia apparel makers have grown up expecting to compete in the rough and tumble of world markets, specialising in products that can compete with imports in their home market while actively seeking customers overseas.



Maureen Drew of the British Columbia Apparel Association characterises apparel making businesses in the province as much younger, smaller and more agile than the eastern industry.'

'Some of our companies were little more than basement operations a few years ago,' she notes, 'but they have grown quickly into very good niche market players, particularly for outdoor wear.'

She adds that, 'the British Columbia industry is increasingly focusing on high value markets in Asia and Europe for its future growth.'