

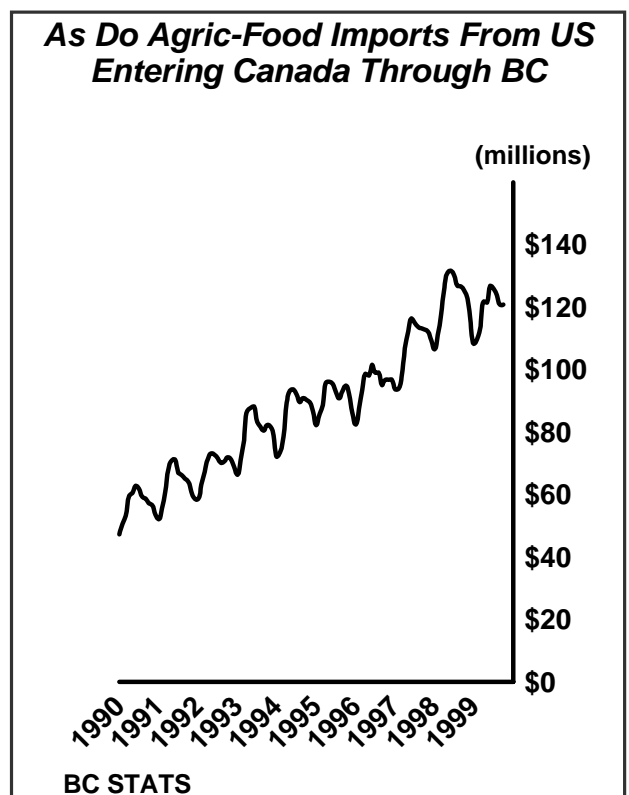
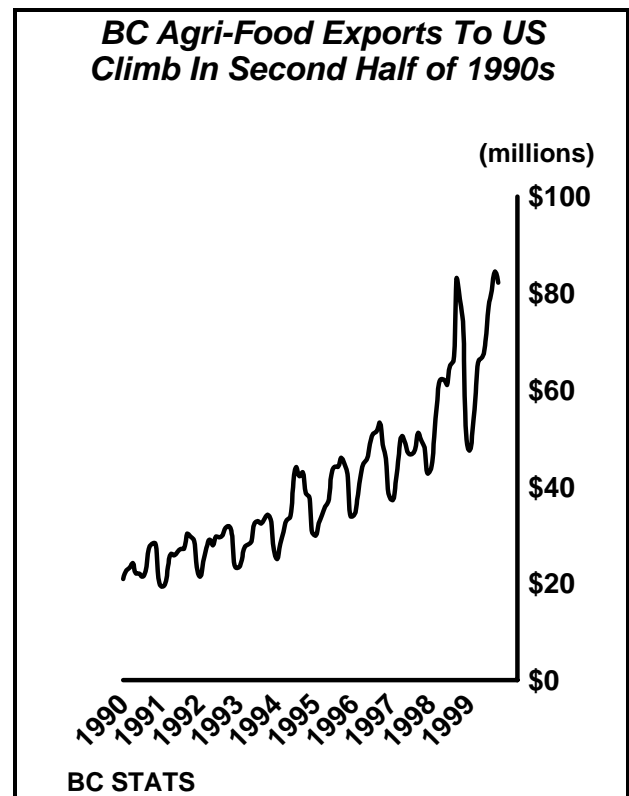
Growing Cross Border Trade In Agricultural Food Products

Trade in agricultural food (excluding fish) between British Columbia and the United States grew rapidly during the 1990s, as tariff barriers were eliminated and the decline of the Canadian dollar made Canadian food cheaper for Americans to buy.

Continental trade liberalisation has also led to some 'rationalisation' of cross border food trade, encouraging farmers and food processors in British Columbia to concentrate on goods for which they hold a competitive advantage. This has meant much stronger increases for exports of some food products than for others.

In the decade that North American free trade has been in place, British Columbia farmers and food processors have become more dependent on American customers for their markets, and British Columbia consumers have become more dependent on American suppliers for their food requirements.

Trade statistics indicate that food imports from the United States are growing, but they cannot determine exactly how much of the food imported into Canada through British Columbia is consumed in the province. Import statistics only measure the value or amount of food entering Canada at customs offices located in British Columbia. Some of this food moves on to other provinces, and some American produced food consumed in British Columbia enters Canada through other provinces.



These statistical limitations mean that it is not possible to calculate British Columbia-United States trade balances. Nonetheless, the import numbers can offer some indication as to whether British Columbia-United States food trade is becoming more balanced or less, for particular food commodities.

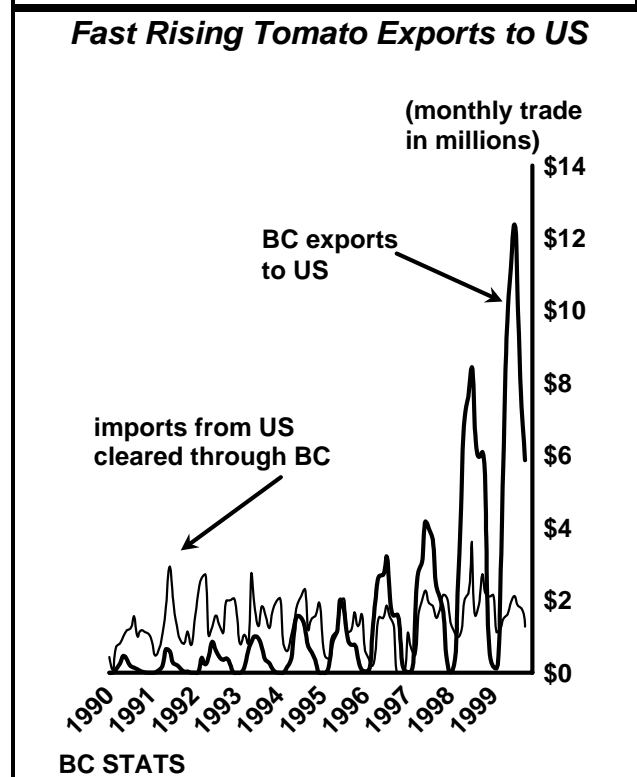
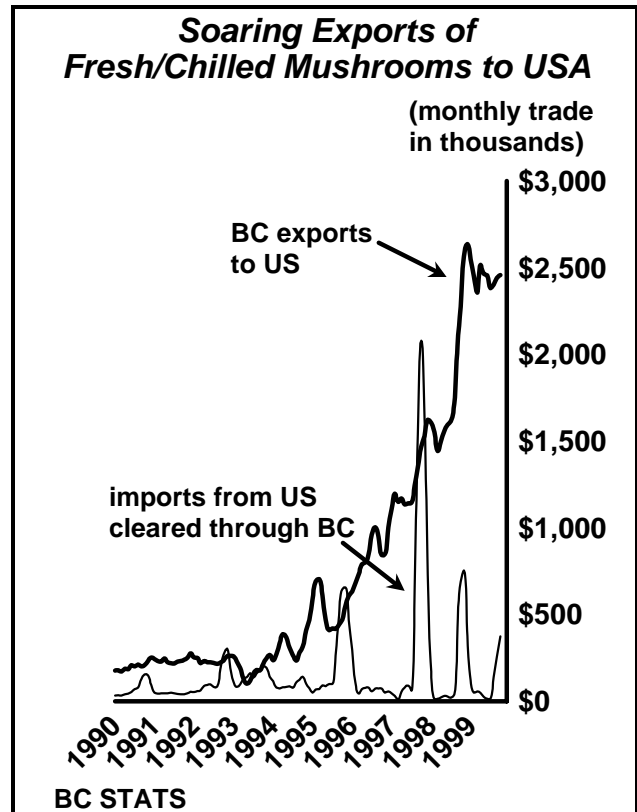
New Fresh Produce Exports

Mushrooms were one of British Columbia's important export success stories in the 1990s.

Mushroom trade between British Columbia and the United States is mainly a one way commerce. There have been occasional shipments delivered from the United States to British Columbia (producing spikes on the graph below), but these have been minor by comparison with the value of shipments in the other direction.

Mushroom exports to the United States rose from about \$20 thousand per month in the early 1990s to around \$2.5 million monthly through most of 1999. The most rapid growth was after 1995, when the Canadian dollar had fallen sharply against the U.S. dollar.

The British Columbia mushroom business is largely concentrated in a single company - Money's Mushrooms of Langley. Money's has made several acquisitions in recent years and is now the largest mushroom producer in Canada. Very rapid growth in British Columbia mushroom exports to the United States during the late 1990s was largely the result of this company's expansion into the United States market.



Other fresh produce export success stories are associated with the province's fast growing greenhouse industry. The rapidly expanding area under greenhouse cultivation in British Columbia has led to sharp rises in the value of tomato and pepper exports.

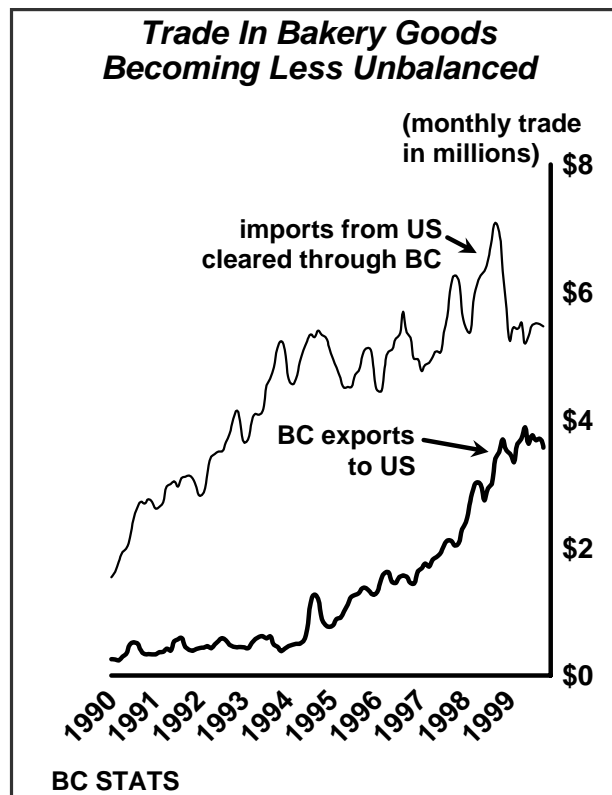
Commercial greenhouse operators in British Columbia enjoy the advantages of relatively mild temperatures in both winter and summer. They have acquired good transport links to U.S. population centres through the development of Vancouver International Airport as a continental transportation hub. This has brought much of the United States into accessible range for lower mainland producers of perishable high value food products.

Tomato exports to the United States (including both hothouse and field tomatoes) rose from about \$1 million monthly in 1995, to \$8 million monthly in 1999.

Pepper exports rose from about \$1 million monthly in 1995, to about \$3 million in 1999.

Bakery Product Exports To United States More Than Tripled Since 1995

Trade figures indicate (although they cannot absolutely prove) that British Columbia still imports a greater value of baked goods from the United States than it exports to that country. However, bakery product exports to the United States rose sharply between 1995 and 1999, as imports of U.S. baked goods entering Canada through customs ports in British Columbia levelled off.



This implies that cross border trade for these products is becoming less unbalanced.

With the introduction of free trade at the beginning of the decade, large American producers of baked goods were easily able to expand their markets across the border. Canadian producers, having developed their businesses in smaller markets with tariff protection of up to 17.5 per cent on some goods, were not as well positioned to profit from more open continental trade.

So it is not surprising that in the first five years of free trade, imports from the United States rose quickly, as British Columbia exports to the United States remained at comparatively low levels. Imports of baked goods from the United States entering through British Columbia ports rose sharply from around \$2 million monthly in 1990, to

about \$5 million in 1994, as monthly exports to the United States remained at about a quarter to a half million dollars.

But in 1995 exports to the United States began to rise as imports from that country entering Canada through British Columbia remained at about the same level. British Columbia exports of baked goods to the United States climbed to about \$1 million monthly in 1995, and then kept rising over the next four years to reach about \$3.5 million monthly in 1999.

The decline in value of the Canadian dollar was doubtless an important factor. But it is also likely that British Columbia producers of baked goods had adjusted to the new continental market environment by the mid 1990s, so that they had become better able to pursue market opportunities south of the border.

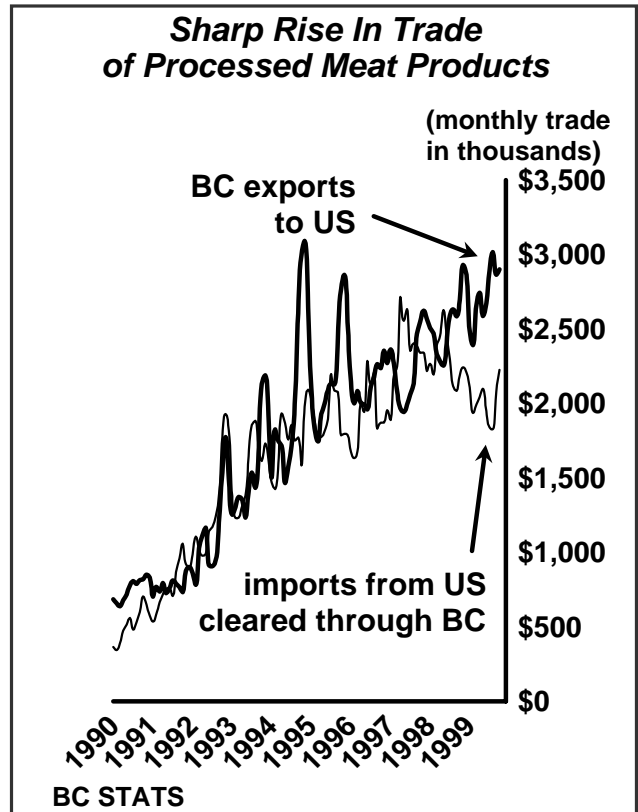
Processed Meats

Trade in processed meat products (sausages, hams, etc.) between British Columbia and the United States grew rapidly in both directions during the 1990s. Between 1990 and 1998 imports entering Canada through customs ports in British Columbia were roughly equal to the value of exports from British Columbia to the United States. Both reached monthly levels of about \$2.5 million in 1998.

During 1999, British Columbia's exports to the United States continued to rise, reaching monthly levels of \$3 million late in the year. However monthly imports from the United States declined from their highs of 1998, slipping to about \$2 million per month at the end of the year.

Exports to the United States have been mainly hams and sausages, while imports

from the United States clearing customs in British Columbia have been mainly chicken products.



Strong Seasonal Cycles In Cross Border Apple Trade

Cross border trade in fresh apples has grown in both directions, particularly during the second half of the 1990s. The value of fresh apples entering from the United States is somewhat higher than the value of British Columbia apples shipped to the United States.

There is a strong seasonal pattern to the trade determined by harvest periods in British Columbia. Similar to patterns for cross border trade in other food products, British Columbia exports of apples to the United States grew fastest after 1994. However, imports entering Canada through British Columbia also grew during the second half of the 1990s, so there is little indication that the balance of trade is changing. Exports of fresh apples to the United States averaged almost \$2 million monthly in the second half of the decade, as monthly imports entering through British Columbia averaged about \$2.5 million.

Live Cattle Exchanged For Beef

Large volumes of fresh beef enter British Columbia from the United States, but very little is shipped in the opposite direction. On the other hand, British Columbia exports a considerable value of live cattle to the United States, and very little is shipped in the opposite direction.

Cattle exports to the United States averaged about \$4 million monthly through the 1990s. Imports of beef from the United States cleared through customs in British Columbia amounted to about the same value. Neither British Columbia cattle exports to the United States nor imports of beef entering Canada through British Columbia showed any consistent signs of growth or decline over the 1990s.

