

Trade with Canada

BACKGROUND

The United States and Canada entered into a Free Trade Agreement in 1989, creating what has become the world's largest trading partnership. Cross border trade was valued at more than \$445 billion (U.S.) in 2004, which supported some 5.2 million jobs in the United States alone.

How does trade between these two nations affect America's farmers and ranchers, including those right here in Washington state?

OVERVIEW

Canada's short growing season has made it the largest market for America's agricultural exports, buying more than \$9 billion worth of agri-food products in 2003, according to [Agriculture and Agri-Food Canada](#). That amounts to some \$294 per Canadian.

U.S. agricultural exports to Canada have increased by 317 percent since the bilateral trade pact was signed. American exports to the rest of the world grew by only 33 percent over that same period of time.

American farmers supply more than 60 percent of Canada's [horticultural](#) imports each year, at a value of \$2.7 billion in 2003.

Canada is a large purchaser of American [grains and oilseeds](#), importing an average of \$340 million of U.S. corn and \$215 million of our wheat annually. American farmers also sold \$165 million of soybeans and meal to Canadian buyers in 2003.

Live [cattle and beef trade](#) between the two nations grew from \$700 million in 1989 to \$2.5 billion in 2002. Some 7.3 million head of cattle were traded between the U.S. and Canada during the five years prior to the border closure in 2003. Two-way trade in animal feed was valued at \$9 billion over the past five years.

Canada and the United States enjoy a thriving trade in [pork and swine](#), which reached \$1.2 billion in 2003. Pork exports from both the U.S. and Canada have increased dramatically, going from a combined share of world markets of 25 percent in 1994 to a forecasted 45 percent in 2004. Canada and the United States are now the two largest pork exporters in the world outside of the European Union.

According to U.S. Department of Agriculture's Foreign Agriculture Service and American Farm Bureau Federation's Economic Analysis Team,

Canada took record levels of many key U.S. commodities in 2000-2002: coarse grains, soybean meal, feeds and fodders, sweeteners, fresh vegetables, fresh fruits, snack foods, poultry meat, live animals, pet foods, dairy foods, vegetable oils, planting seeds, breakfast cereals, tree nuts, nursery products, and red meats.

But trade is a two-way street. American consumers demand more choices and lower prices. Accordingly, agricultural imports from Canada have grown some 43 percent since 1999, to nearly \$11.5 billion in 2004, according to the U.S. Department of Commerce, Foreign Trade Statistics.

Indeed, [Agriculture and Agri-Food Canada](#) reports that more than half of that nation's agricultural exports are bound for the U.S. market, accounting for about 20 percent of America's agricultural imports. Canada is a net exporter of wheat, mixes and dough, canola oil and meal, and oats to the U.S.

However, it is important to note that of the increased agricultural products we have imported from Canada since 1994, only about one-third were competitive or partially competitive with crops produced domestically.

The Canadian government also points out that, "A significant portion of the flow of trade between Canada and the United States is complementary. While the United States supplies fresh fruits and vegetables to Canadians in the wintertime, Canada supplies the United States with a blend of ... products that meet the needs of certain geographic markets...."

Similarly, both nations supply each other with essential agricultural inputs, namely, Canada provides energy and fertilizers while the U.S. offers pesticides and machinery.

It should also be mentioned that between 1995 and 2002, the U.S. dollar was particularly strong against other world currencies. The [USDA Foreign Agriculture Service](#) explains that this hurt our exports and made imported goods more affordable for American consumers. However, trade losses to Canada due to a strong dollar were more than offset by gains made through greater market access since U.S. tariffs were already low even before either the Canadian Free Trade Agreement or North American Free Trade Agreement was signed. "In other words, *imports from Canada ... would have grown sharply even if there had been no NAFTA agreement while our exports to [Canada] grew largely because of NAFTA.*"

CANADA-WASHINGTON STATE TRADE

According to the [Consulate General of Canada](#), Washington state exported \$3.7 billion of goods to Canada and imported \$11.2 billion worth of products in 2004. That was an increase of 20 percent from the prior year, making Canada our state's second largest export market, behind Japan.

Washington's top five exports to Canada for 2004 were:

1. Transportation (\$861 million),
2. Agriculture (\$686 million),
3. Energy (\$508 million),
4. Forest products (\$316 million), and
5. Metals (\$288 million).

The top five imports from Canada in 2004 were:

1. Energy (\$6.8 billion),
2. Forest products (\$1.2 billion),
3. Agriculture (\$676 million),
4. Transportation (\$535 million), and
5. Equipment (\$459 million).

The \$686 million of agricultural products Washington state sent to Canada in 2004 included \$187 million of fish and seafood, \$130 million of fresh fruit as well as \$77 million worth of cereals and cereal preparations. Canadians also bought \$46 million worth of coffee from our state.

Agricultural products imported from Canada included \$96 million of vegetables and \$90 million of whole or dressed fish.

Trade with Canada supports 108,000 jobs in Washington state. SNC-Lavalin Constructors, Inc., Extendicare Homes, Inc., and Great Pacific News Company, Inc. are the top three Canadian employers in this state.

Tourism is also an important component of trade between Washington state and Canada. Washingtonians made 1.53 million visits to Canada, spending \$411 million on those trips, while Canadians made 1.55 million trips to Washington and spent \$224 million.

STATUS

Trade between Canada and the United States, including Washington state, continues to be impacted by concerns about the beef and cattle industry.

The Canadian government reports that since the [border closure](#), its industry has restructured, expanding slaughter capacity by 18 percent. Actual slaughter figures for 2004 were 26 percent higher than 2003, while U.S. cattle slaughter fell by eight percent.

The ban on cattle from Canada created excess slaughter capacity in the United States, forcing some meatpackers to cease or reduce operations, resulting in layoffs. Permanent plant closures in the United States could result in fewer packers competing for a growing number cattle, thus adversely affecting future sales prices.

“A Kansas State University study ... suggest[s] that the estimated decrease in production could affect nearly 5,000 U.S. jobs and decrease U.S. income by about \$282 million annually,” according to the Canadians who go on to explain that “experts involved in the processing industry have noted that when smaller plants close in rural America, the impact is significant on these communities, and these jobs will likely never be recaptured.”

POLICY

208 - Marketing and Development Programs

We believe that trade between the United States and any other nation should provide for equal access to each other’s markets, however we should control importation of products that are directly subsidized by the exporting nation.

We support programs that increase present market share or programs that develop new markets for our products.

We will oppose any unilateral action by the United States to eliminate import restrictions and subsidies without equivalent commitments by other countries.

We favor elimination of trade barriers against United States products. We support any effort made by our state agencies and Legislature toward dissolving barriers against Washington products. Trade issues should be equal in regard to fair practices between nations in ag chemicals, inspections, regulations, grading, containers, and label regulations.

204 - Bovine Spongiform Encephalopathy (BSE)

We support holding all countries with confirmed cases of Bovine Spongiform Encephalopathy (BSE) to uniform health and OIE (Office International des Epizooties, also known as the World Organization for Animal Health) standards with regards to the importation and exportation of animal and animal products.

We believe there should be no announcement of BSE test results until they are confirmed due to the adverse effects on the market. (2003, Amended 2004)

ACTION

Trade-related job and income growth for this state and its residents will depend upon the continued success of international trade agreements. That’s why Washington Farm Bureau members strongly support programs and agreements that increase market share or develop new markets for our members’ products.

For more information contact Patrick Connor, National Affairs Director, at (800) 331-3276.