Catalogue 11-001-X (ISSN 1205-9137)

The Daily

Statistics Canada

Wednesday, October 8, 2014
Released at 8:30 a.m. Eastern time

Releases

Releases

Study: Cross-border shopping, 2006 to 2012

Cross-border shopping by Canadians in the United States rose between 2006 and 2012, but even with those increases, purchases from the United States were between 1% and 2% of total Canadian retail sales.

Estimates on the exact economic impact of cross-border shopping have varied, depending on the data cited and methodology employed. By using data derived from a range of survey and administrative data sources, this new study attempts to bring these data together to provide an upper and lower bound estimate for cross-border shopping.

Cross-border shopping by Canadians in the United States was an estimated $4.7 billion in 2006, according to the study. Since then, annual increases, with the exception of a decline in 2009, have taken the total to $8.0 billion in 2012, 72% higher than in 2006.

Overall retail trade sales in Canada also increased every year from 2006 to 2012 except in 2009, when there was a 2.9% decline. Even with that one-year drop, annual sales rose from $389 billion in 2006 to $468 billion in 2012. Comparing the two figures, cross-border shopping by Canadians in the United States accounted for 1.7% of total Canadian retail sales in 2012.

The study examines three spending scenarios, low, medium—the one cited above—and high expenditures. In these scenarios, the annual total for cross-border shopping ranged from $5.9 billion to $10.8 billion in 2012, or between 1.3% and 2.3% of total retail sales.

About three-quarters of Canadians live within 160 kilometres of the Canada–US border. Therefore, many consumers use their relatively easy access to the United States as a shopping option. This is especially true for those living right along the border when it comes to shopping for goods that are traditionally cheaper in the United States, like gasoline and groceries.

Cross-border shopping estimates are composed of four elements: spending on same-day trips; spending on overnight trips; postal and courier imports; and motor vehicle imports. Since 2006, both same-day and overnight trips have risen steadily, with the exception of 2009. In 2012, Canadians made almost 56 million visits to the United States, up 38% from 2006.

Every category except motor vehicle imports has also seen significant growth in its share of cross-border shopping. The annual amount brought back to Canada from same-day trips grew from $370 million in 2006 to $844 million in 2012. At the same time, the annual total from overnight trips doubled from $1.8 billion in 2006 to $3.6 billion in 2012.

Goods imported into Canada from abroad by post and courier were also factored into the estimates of total cross-border spending. The value of these goods increased from 2006 to 2012 and was estimated at $3.1 billion in 2012, up 12.7% from a year earlier and 50% higher than in 2006.

Motor vehicle imports saw both increases and declines over the study period. Included in this category are purchases of passenger vehicles, trucks, buses, multi-purpose vehicles, snowmobiles, motorcycles and trailers. Motor vehicle imports totalled $426 million in 2006 and then more than doubled to over $1 billion in both 2007 and 2008. By 2012, they had declined to a level almost identical to that in 2006.

In 2012, overnight trips (45.3%) and goods delivered from abroad by post and courier (38.9%) accounted for most of the cross-border shopping total, while same-day trips (10.5%) and motor vehicle imports (5.3%) made up the rest.

Several factors can contribute to the growth in cross-border shopping. Among them is the relative strength of the Canadian dollar over the study period, as well as price differentials, changes in retailer landscape, duty-free limits, tax changes and economic conditions.

The *System of macroeconomic accounts* module, accessible from the *Browse by key resource* module of our website, features an up-to-date portrait of national and provincial economies and their structure.

The paper "Estimates of Cross-border Shopping, 2006 to 2012" is now available as part of the *Income and Expenditure Accounts Technical Series* (**13-604-M**) from the *Browse by key resource* module of our website under *Publications*.

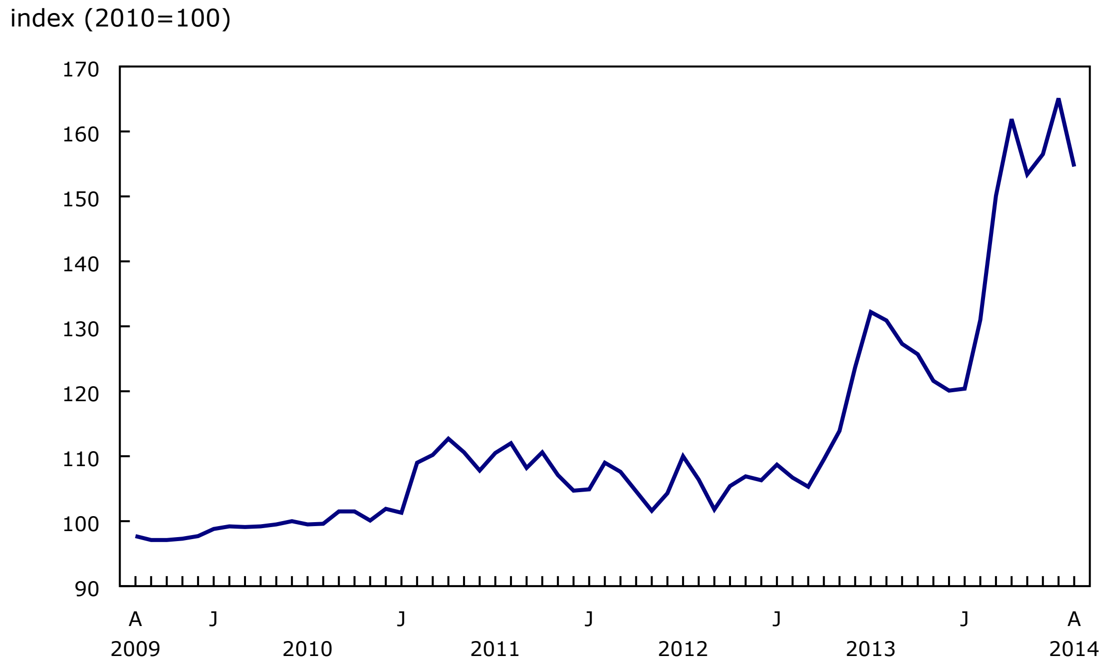
For more information, or to enquire about the concepts, methods or data quality of this release, contact us (toll-free 1-800-263-1136; 514-283-8300; **infostats@statcan.gc.ca**) or Media Relations (613-951-4636; **mediahotline@statcan.gc.ca**).

Producer prices at a glance: The rise of pork prices, 2012 to 2014

The manufacturer's price (manufacturing gate price) for fresh and frozen pork was relatively stable between 2010 and 2013. As a seasonal product, however, some upward movement in the spring is common with higher demand due in part to the start of the summer barbeque season. Between May and July 2012, the price of fresh and frozen pork increased by 8.3%.

In the spring of 2013, the price of fresh and frozen pork again began to rise, but the increase was much sharper compared with recent years, climbing 16.1% from May to July. Prices rose again in early 2014, with fresh and frozen pork prices rising 34.5% from January to April.

Chart 1
Fresh and frozen pork



The main reason for the higher prices can be traced to supply concerns. In May 2013, the United States reported its first case of the Porcine Epidemic Diarrhea Virus (commonly known as PEDV). PEDV has a substantial economic impact because it is highly contagious and survives well in cold weather, resulting in significant mortality rates in piglets. To date, the virus has killed millions of hogs, mainly in the United States. In January 2014, PEDV was first reported on Canadian farms.

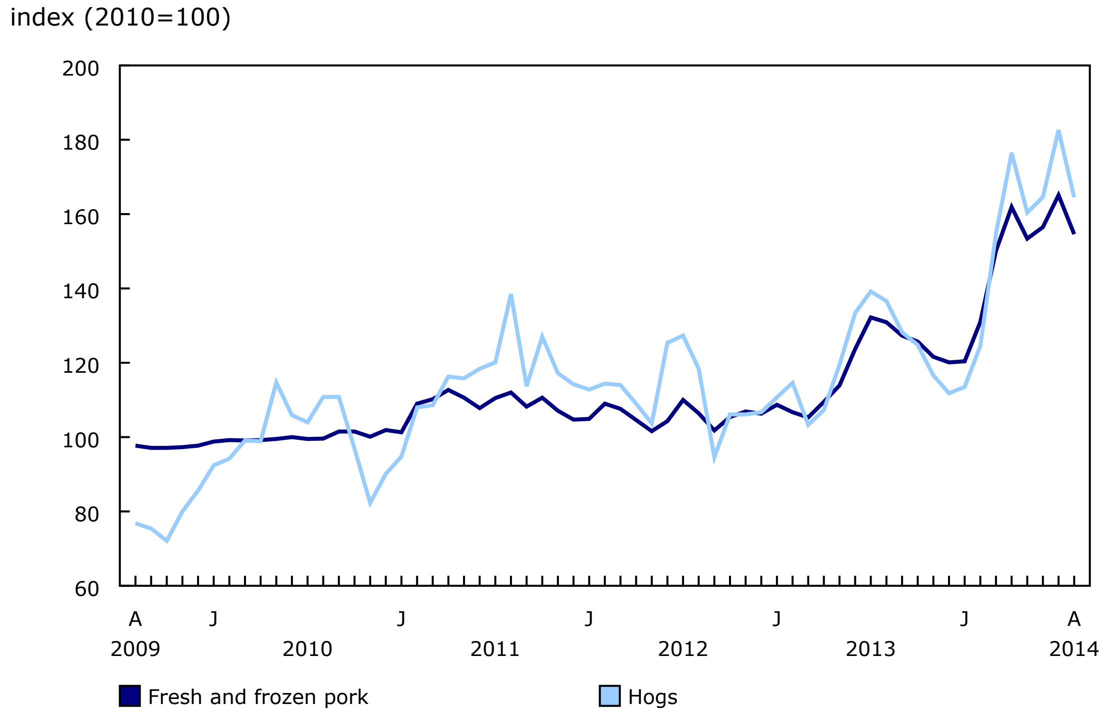
As of 2013, the United States was the second largest pork exporter in the world after Germany, exporting over $4.4 billion. Canada's pork exports were roughly half that, with just over a quarter destined for the United States. Given the size of the US pork market relative to the Canadian market and the proximity of the two nations for trade, Canadian hog prices are strongly influenced by prices in the United States. As such, the supply of hogs in the United States has had a large impact on the price in Canada. Between May and July 2013, the price of Canadian hogs rose by 16.5%, while between January and April 2014, prices rose 55.5%, ultimately driving up the price for fresh and frozen pork.

Table 1
Top exporters for meat of swine, fresh, chilled or frozen, 2013

	Value	Share of total exports
	millions of dollars	%
Total exports	**30,852**	**100[1]**
Germany	5,290	17
United States	4,434	14
Denmark	3,393	11
Spain	3,171	10
Canada	2,556	8
Other countries	12,009	39

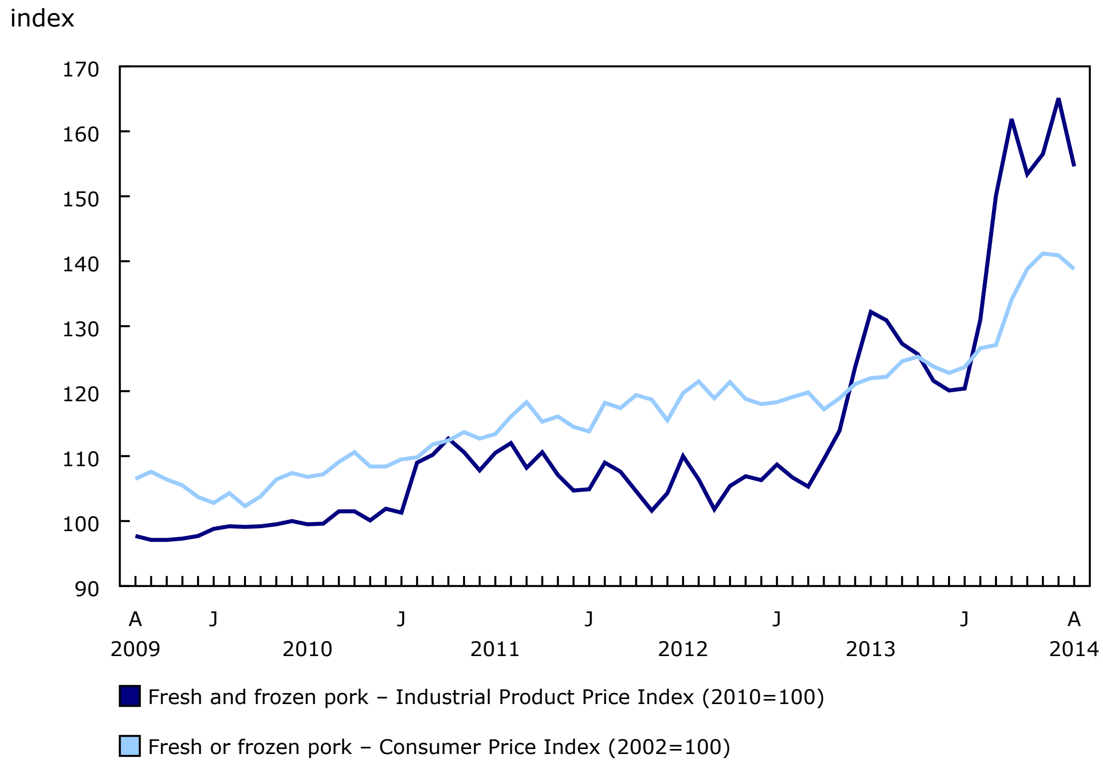
1. Figures may not add up to 100% as a result of rounding.
Source: The United Nations Commodity Trade Statistics Database.

Chart 2
Price of hogs driving up the price of fresh and frozen pork



While the manufacturing price for fresh and frozen pork rose sharply in May 2013, the Consumer Price Index (CPI) did not reflect the magnitude of these increases. In 2014, prices began to rise in February and the CPI did not reflect the impact of these increases until April. There are a number of factors that may contribute to lags in price changes between the manufacturer and the consumer, such as consumer demand, market uncertainty, inventory management, as well as contracts between retailers and suppliers.

Chart 3
Price lag between producer and consumer



Following substantial price increases for both fresh and frozen pork and hogs earlier in 2014, prices fell sharply in May. The largest cost for hog farmers is feed, primarily meal composed of grains such as corn and barley. Since July 2013, the price of grain corn and barley has generally been declining. In May 2014, the price of grains in Canada was down 18.5% compared with May 2013. With fewer hogs and lower prices for swine feed, it was economical for farmers to increase the weight of their hogs to achieve a heavier weight at the slaughter house.

Heavier hogs at the slaughter house, coupled with an over anticipation of the impact of supply disruptions, resulted in more output than expected. Therefore, prices for fresh and frozen pork fell in May 2014.

Chart 4
Price of grain corn and barley

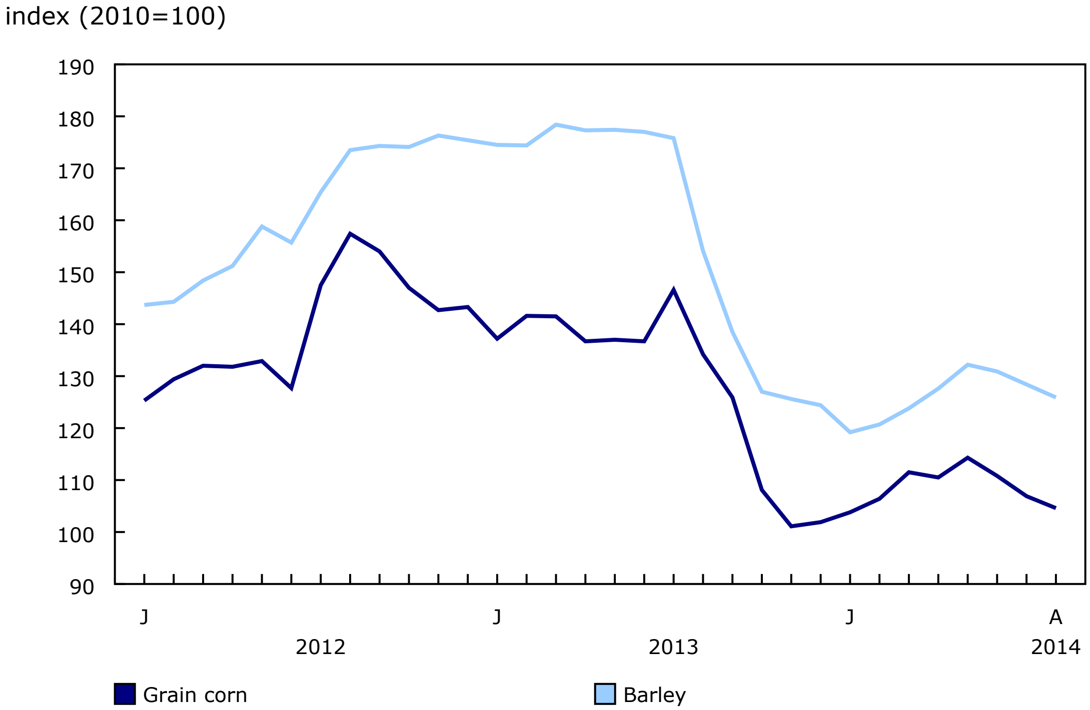
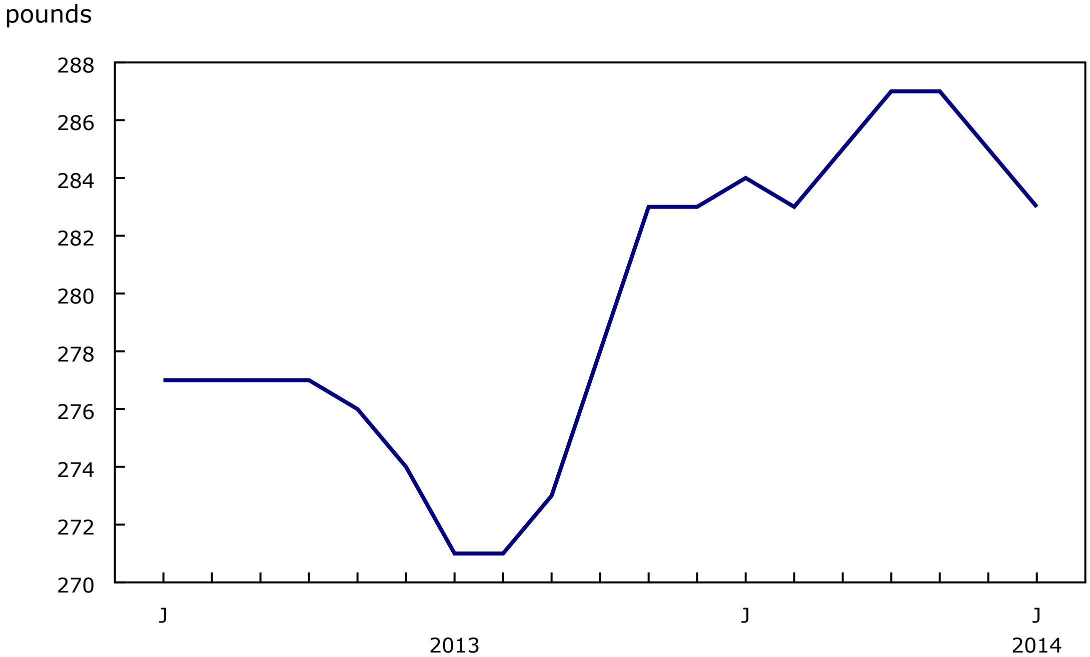
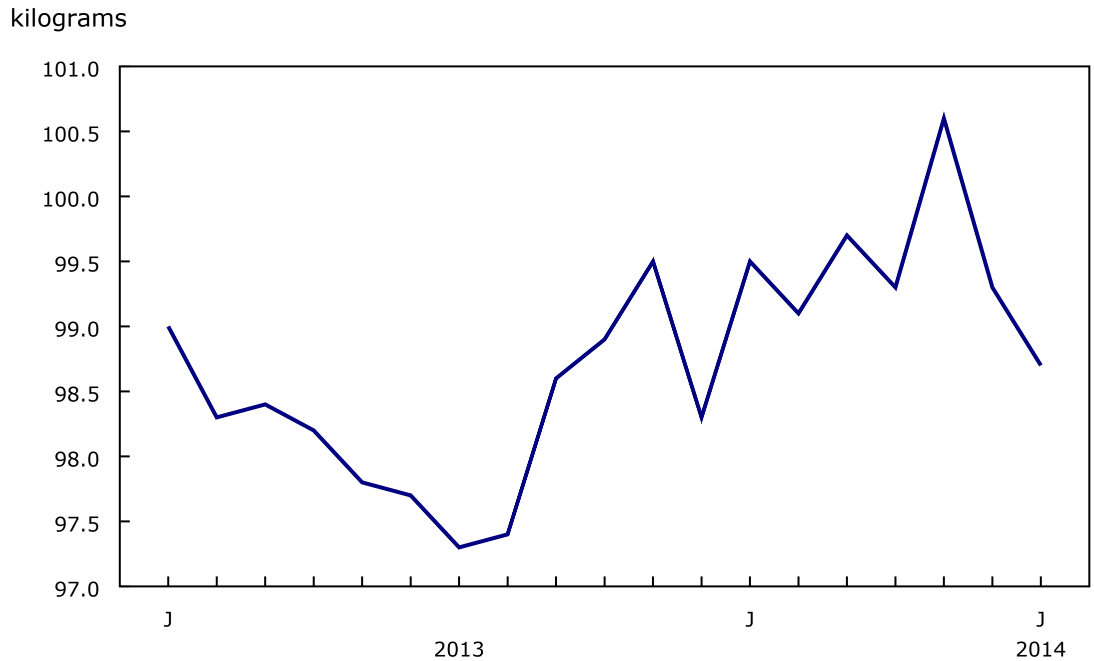


Chart 5
Monthly commercial slaughter average live weight hogs, United States



Source(s): United States Department of Agriculture.

Chart 6
Pre-slaughter hog weights, Canada



Source(s): Agriculture and Agri-Food Canada, Red Meat Market Report.

The spread of the PEDV on US farms had a substantial upward impact on Canadian hog and fresh and frozen pork prices. Lower feed prices, however, led to higher slaughter weights for hogs, which in turn increased supply and dampened subsequent price increases.

Note to readers

Data in this article are available in the following CANSIM tables:

Table 326-0020: Consumer Price Index.

Table 329-0075: Industrial Product Price Index.

Table 330-0008: Raw Materials Price Index.

Additional data were obtained from the United States Department of Agriculture and Agriculture and Agri-Food Canada (Red Meat Market Report).

Definitions, data sources and methods: survey numbers 2301 and 2318.

For more information, or to enquire about the concepts, methods or data quality of this release, contact us (toll-free 1-800-263-1136; 514-283-8300; **infostats@statcan.gc.ca**) or Media Relations (613-951-4636; **mediahotline@statcan.gc.ca**).

New products and studies

New products

Income and Expenditure Accounts Technical Series: "Estimates of Cross-border Shopping, 2006 to 2012", No. 76
Catalogue number **13-604-M2014076** (HTML | PDF)

Building Permits, August 2014, Vol. 58, no. 8
Catalogue number **64-001-X** (HTML | PDF)


The Daily
Statistics Canada

Statistics Canada's official release bulletin

Catalogue 11-001-X.

Published each working day by the Communications Division, Statistics Canada, 10G, R.H. Coats Building, 100 Tunney's Pasture Driveway, Ottawa, Ontario K1A 0T6.

To access or subscribe to *The Daily* on the Internet, visit our website at *http://www.statcan.gc.ca*.