

## THE CANADIAN LUMBER INDUSTRY

The forest industry is one of Canada's most important industries. It employed almost 311 000 people in 1993 and contributed \$18.7 billion to Canada's gross domestic product in 1992. As an earner of export dollars, the forest industry is Canada's most important industrial sector. About 350 communities across Canada are dependent on the forest sector as their primary source of employment.

The softwood lumber industry is a significant component of the Canadian forest industry. The softwood lumber industry accounted for 19 per cent of employment in the forestry sector in 1991. Canada is one of the largest producers of softwood lumber in the world. In 1991, Canada accounted for 16 per cent of total world softwood lumber production, following only the United States (at 24 per cent) and the former Soviet Union (at 19 per cent). Within Canada, British Columbia is the principal producer of softwood lumber, accounting for 58 per cent (by volume) of production in 1993. The next largest producer was Quebec, accounting for 19.5 per cent of production by volume.

In 1991, Canada exported more softwood lumber than any other country, accounting for 36 per cent (by value) of total world exports. The principal destination for these exports was the United States. In 1992, Canada exported over 13 billion board feet of softwood lumber to the United States, valued at approximately \$4.2 billion. In 1993, Canadian exports of softwood lumber to the United States totalled nearly 15 billion board feet, valued at approximately \$6.4 billion.

## NORTH AMERICAN LUMBER PRICES AND DEMAND

Western spruce-pine-fir two-by-four prices peaked at a record US\$475 per thousand board feet (MBF) in mid-March 1993, double the 1992 average price of US\$231 and 80 per cent greater than the previous peak of US\$262 per MBF in 1979.

The sharp increase in lumber prices reflected the anticipated timber supply reductions in the U.S. Pacific Northwest, along with a forecasted increase in housing starts in the United States. While the anticipated timber shortage in the Pacific Northwest has become a reality, mills in the southern United States and eastern Canada have been able to boost production to make up for losses in production elsewhere.

Between March and June 1993, lumber prices dropped significantly. Since June 1993, however, prices have recovered. The February 1994 average price for softwood lumber was US\$411.50 per MBF, an increase of 0.5 per cent over the previous month. This reflects a strengthening in U.S. demand. It is expected that continued