

4. Evolving Environment

- The Canadian industry will continue to dominate the domestic market which consumes about 30 per cent of production. Softwood lumber imports account for about 6 per cent of domestic consumption and comprise species not indigenous to Canada for use primarily for millwork.
- Forecasts to 1990 indicate an average annual increase in demand of about 1.6 per cent reflecting an outlook of limited new housing activity. Consequently, any additional growth will depend on new product development and increased non-structural use. Softwood lumber is expected to remain cost competitive in relation to other construction materials.
- Due to lumber oversupply in North American markets, current prices are depressed and the competitive environment is expected to continue to be intense. U.S. consumption is expected to peak in 1988 and then decline to 1983 levels by 1990. Forecasts beyond 1990 show a slower rate of growth than in the 1980s as demographic factors indicate a slowing in housing demand.
- The industry is highly dependent on the U.S. which consumes some 60 per cent of Canadian production. U.S. producers are resentful of the substantial market share (currently over 30 per cent) achieved by Canadian exporters resulting largely from the competitive advantage provided by the dollar exchange rate. Protectionist sentiments are strong and the U.S. industry is seeking means to limit imports of lumber from Canada. Any measure which would restrict exports to the U.S. would have very serious consequences for the Canadian industry.
- In the EEC, Canada will continue to maintain its position as the third most important supplier after Russia and Scandinavia. The Canadian industry's competitive position has been eroded due primarily to the relative strength of the dollar and market share has fallen to less than 7 per cent. EEC markets could be regained if the exchange rate became more favourable since the Canadian industry is otherwise competitive and major companies have established distribution operations in Europe.
- In Japan, the Canadian (almost entirely B.C.) industry will likely continue to be the largest foreign supplier. Canada continues to be competitive and acceptance of platform frame construction continues to grow, but market demand has weakened in recent years due to reduced housing activity. While a widening gap between domestic production and consumption is foreseen, competition is expected to increase from the U.S., West, New Zealand, and Chile.
- In the Middle East and North Africa, until very recently Canadian exports were increasing. Provided that the industry remains competitive with Scandinavian, East European and other suppliers, Canadian lumber exports to these regions could grow but at a reduced rate compared to previous years. Should hostilities cease, construction in Iran, Iraq or Lebanon could provide opportunities for Canadian exporters.
- Australia is expected to remain a small but stable market, particularly for B.C. coast species.
- New market areas such as China and Korea are considered to hold good potential for increased exports from Canada.
- The further development of traditional offshore markets as well as penetration of new markets is necessary for the future stability and development of the Canadian softwood lumber industry.