

1. THE CANADIAN FOREST PRODUCTS INDUSTRY

1.1 Overview

Canada's 436 million ha of mainly coniferous forests are the second largest in the world, exceeded only by those of the U.S.S.R. The huge Canadian forest industry accounts for one-quarter of all internationally traded forest products. Canada is the world's largest exporter of sawn softwood, softwood pulp and newsprint.

About 5 000 producers make up the mosaic of Canada's forest industry from small sawmill operators to very large diversified corporate groups. The industry has more than quadrupled in size over the last 40 years, and annual shipments have reached a value of more than \$24 billion. It directly employs about 300 000 people from coast to coast.

The major product groups of the forest products industry that are exported are softwood lumber, wood panels, pulp, newsprint and specialty papers. Other sectors include packaging material, converted wood products, and shakes and shingles.

1.2 The Lumber Sector

Canada produces a wide variety of both softwood and hardwood lumber products. Most of the exported lumber is cut from softwood species. Canada is the world's largest exporter of softwood lumber, with some 50 per cent of international trade and 15 per cent of world production. Lumber production totalled an estimated 59.3 million m³ in 1988. The total value of shipments was an estimated \$6 billion, of which some \$5.2 billion was exported.

The softwood lumber industry is based on an extensive renewable resource and can be divided into two major sectors: the spruce-pine-fir (SPF) sector, which extends from the interior of British Columbia to Newfoundland and accounts for

about 77 per cent of total production; and the B.C. coast sector comprising the hemlock-fir, Douglas fir and western red cedar subsectors, which account respectively for 11, 6 and 5 per cent of total output. Eastern pine, western Sitka spruce and yellow cedar are specialty species subsectors and account for the 1 per cent balance. About 90 per cent of Canada's softwood timber reserves are owned and administered by the provinces.

Regionally, production is located as follows: British Columbia (61 per cent), Quebec (20 per cent), Ontario (9 per cent), Alberta (5 per cent) and New Brunswick (3 per cent). The remaining 2 per cent is produced in the other provinces and territories. In British Columbia, production is about 72 per cent SPF and 28 per cent coastal species. Other provinces produce almost exclusively SPF lumber. The industry is widely dispersed across Canada in some 1 325 establishments, according to Statistics Canada. However, this figure does not include a large number of very small sawmills which often are operated only on a periodic basis and which in aggregate account for an estimated 1 per cent of total sector lumber output.

Approximately 225 major companies operating about 365 sawmills account for more than 95 per cent of total production. An estimated 25 large integrated forest products companies account for about 50 per cent of total production; however, no one company dominates the market.

1.3 Market Pulp Sector

Market pulp refers to pulp that is dried and sold to another paper mill for additional processing, rather than pulp formed directly into paper at the plant where it is produced. In Canada, over 40 per cent of the pulp produced is sold