5. EUROPE 1992: IMPACT ON THE CANADIAN FOREST PRODUCTS SECTOR

5.1 Overview

Canada's success in increasing future sales of forest products in the EC market will continue to be highly dependent on exports of pulp, newsprint, lumber, panel products, and to a lesser extent certain other wood products.

5.2 Softwood Lumber

European consumption of sawn softwoods could become an increasingly important factor to Canadian lumber producers. Europe is a net importer of wood products and the outlook is for an increasing deficit in self-sufficiency.

This outlook results from a series of factors which will combine to increase forecast European sawn softwood demands:

- accelerated economic growth as a result of Europe 1992;
- slow but positive population growth;
- continued pressure on potential forestation sites by alternative uses;
- uncertainty of impact of acid rain on forest yields;
- increase in marketplace acceptance of wood over traditional building products such as brick, stone, etc.

The projected growth in consumption of softwood lumber by the FAO and the ECE suggest that though no dramatic growth is expected, the additional volumes that will be required by the end of the century are very significant.

Construction in general accounts for about 70 per cent of consumption of softwood lumber in the EC. The balance is mainly in a variety of industrial uses and furniture.

The European market is a net importer of softwood lumber. Despite projected increases in domestic production (for example in France, Germany, the U.K., Ireland, Belgium), a growing need for imports is also projected.

An uncertain factor, which could have a significant impact on the supply side of European timber, is acid rain. Already, additional supplies of affected but salvageable trees are being harvested in West Germany and milled in Scandinavia. If continued, this could result in short-term overcutting and consequent shortages of European-grown timber, leaving opportunities (not necessarily for Canada) for alternative suppliers of logs of finished lumber products in the long term.

The nature of the imported lumber that will be required is likely to change. The availability of lumber from Scandinavian and mainly EC sources will be primarily in the lower quality construction grades and below construction grades (pallets and packaging), and the nature of the resource will limit the ability of domestic sawmills to produce the higher grades for joinery or the longer lengths of wide widths.

The growth opportunities of Canada will lie in the supply of products that cannot easily be produced from the European forest resource. "Appearance" products making use of the high quality fibre available in Canada, and the larger and longer construction specifications, will offer the best potential.

5.3 Panel Products and Other Wood Products

The factors affecting panel product consumption in the EC are essentially similar to those influencing lumber demand. Construction is of vital