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COMPETITIVENESS PROFILE

SOFTWOOD LUMBER INDUSTRY

1. Structure and Performance

Structure

- The softwood lumber industry is one of Canada's leading industries in terms of sales, employment, export earnings and regional dispersion. Canada is the world's largest exporter of softwood lumber accounting for some 45 per cent of international trade and 13 per cent of world production. The industry is comprised of well over 2,000 sawmills which provide employment for about 90,000 people in sawmilling and related forest operations.

- Lumber production totals about 20 billion board feet (47 million cubic metres) annually. Total value of shipments in 1983 ws $4.8 billion of which $3.9 billion was exported.

- On a regional basis production is concentrated in B.C. (65 per cent), followed by Quebec (17 per cent), Ontario (9 per cent), Alberta (4 per cent), New Brunswick (3 per cent). The remaining 2 per cent is produced in the other provinces and the Territories.

- The softwood lumber industry can be divided into 4 subsectors based mainly on the type of resource available. The Spruce-Pine-Fir (SPF) subsector extends from the Interior of B.C. to Newfoundland and accounts for about 73 per cent of total softwood lumber production. The Hemlock-Fir (Hem-Fir), Douglas-Fir (D-F) and Western Red Cedar (WRC) subsectors are concentrated on the B.C. coast and comprise respectively 13, 6 and 6 per cent of total output. Eastern Pine and Western Sitka Spruce and Yellow Cedar are considered as minor specialty species subsectors and comprise the balance of 2 per cent.

- Production is concentrated in some 225 companies operating 365 sawmills. Some 50 large, publicly owned integrated forest products companies account for about 55 per cent of total production and provincial Crown corporations represent 3 per cent. The large number of privately owned firms, comprise the balance.

- Foreign ownership accounted for an estimated 24 per cent in 1983, mainly concentrated in western Canada.

- About 75 per cent of production workers are unionized. Collective bargaining in the East is more fragmented than in the West where unions typically have larger memberships. Management is considered effective and entrepreneurial in outlook.

Performance

- During the 1970's the industry experienced rapid growth and production increased by 60 per cent to some 43 million cubic metres by 1980. In this same period considerable rationalization occurred with a reduction in the number of producing units and in employment. The industry became more efficient with a strong export capacity and achieved a good competitive position internationally. During the 1970's Canadian lumber exports increased by 67 per cent to nearly 29 million cubic metres in 1980.

- The high rate of growth of the 1970s can be attributed to the high levels of housing activity in North America and to the technological development of systems enabling the economic processing of small diameter logs at high lineal feed rates. The significant expansion of the industry, particularly in the B.C. Interior and Quebec was further facilitated through increased integration with the pulp and paper sector which provided an increasingly important source of revenue for pulp chips.