

- North American producers are turning increasingly to Pacific rim countries because this area promises some future growth and trade is less restrictive.

D. Federal and Provincial Programs and Policies

- The major federal program is the IRDP. There do not appear to be any specific provincial programs for this product.

E. State of Technology

- The industry is on average considered to be technologically competitive in most areas of production.
- In order to stay in step with changing technology during the next ten to fifteen years there is a need to improve energy efficiency, labour costs, fibre yield and pollution control.

F. Industry Outlook

- Forecasts indicate that while overall demand growth for paper and paperboard will be slowing, demand for pulp will continue on a relatively high level. Profitability will continue to be modest over the short and medium term.
- In view of the high cost of a greenfield kraft pulp mill, it is expected the trend will be to build TMP, CTMP mills or variations of these processes at less than 50 per cent of the kraft mill cost.
- It is expected that kraft mills will use increasing amounts of hardwood.
- More competition on the international markets (and in Canada as well) from pulps produced from plantations in tropical locations, e.g. Brazil, Australia or African countries.

G. Conclusion

- The Canadian market pulp sector is competitive in most export markets on the basis of existing capacity although profitability is not at acceptable levels. Exchange rates with the U.S. are currently favourable to Canadian exports making Canadian producers not only competitive but also yielding relatively good returns.
- Because of currency devaluations in Sweden and Finland Canadian producers face about a 30 per cent cost disadvantage in Europe and other markets dominated by the Scandinavians. Currency fluctuations often outweigh all other competitive factors such as technology, wood cost, or energy.
- In the short term the relatively small capacity increases, required to meet expected demand growth, can be generated by modernization and expansion of existing facilities. The low profit levels of recent years have slowed down the creation of investment capital within the industry and because of low return prospects investment capital from outside the industry has virtually dried up. The lack of investment capital is especially noticeable in Western Canada where many pulp companies also produce lumber which has suffered tough market conditions even longer than pulp.
- In the long term demand must be allowed to catch up with supply so produce higher prices and generate the investment capital for new facilities.