

THE CANADIAN LUMBER INDUSTRY

The forestry industry is one of Canada's most important industries. It employed almost 300,000 people in 1991 and contributed \$19 billion to Canada's Gross Domestic Product. As an earner of export dollars, the forestry industry is Canada's most important industrial sector. About 350 communities across Canada are dependent on the forestry sector.

The softwood lumber industry is a significant component of the Canadian forestry industry. The softwood lumber industry accounted for 21 per cent of employment in the forestry sector in 1989.

Canada is one of the largest producers of softwood lumber in the world. In 1990, Canada accounted for 14 per cent of total world softwood lumber production, following only the former U.S.S.R. (at 22 per cent) and the United States (at 24 per cent). Within Canada, British Columbia is the principal producer of softwood lumber, accounting for 61 per cent (by volume) of production in 1991. The next largest producer was Quebec, accounting for 17 per cent of production by volume.

In 1990, Canada exported more softwood lumber than any other country, accounting for 37 per cent (by value) of total world exports. The principal destination for these exports is the United States. In 1992, Canada exported over 13 billion board feet of softwood lumber to this market, worth \$4.2 billion. Canada's share of the U.S. market averaged 29 per cent in the first 11 months of 1992. This is down from a peak level of 33 per cent in 1985.

NORTH AMERICAN LUMBER PRICES AND DEMAND

In the last year, most Canadian wood products companies returned to profitability as a result of a dramatic recovery in softwood lumber and panel board prices.

Western spruce/pine/fir two-by-four prices surged to a record US\$475 per thousand board feet (MBF) by mid-March, 1993 -- almost double average break-even costs in the British Columbia Interior. The previous high was US\$262 per MBF in August 1979. Oriented strand board prices are also at record levels. While lumber prices have since retrenched from the March peak, wood products companies should record strong financial results in 1993.

The improvement in lumber prices reflects tightening North American timber supplies linked to protection of the spotted owl in the U.S. Pacific Northwest and a moderate increase in U.S. housing starts. Though some new timber may be freed up for sale in the 1993-94 fiscal year, the cut on the Pacific Northwest public lands in the 1990s will be reduced by about 50 per cent over cutting levels in the late 1980s.