CANADA'S FOREST WEALTH

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The forests of Canada cover about 46 per cent of the total land area and have always played a vital part in the economic life of the country. Development of the forest-based industries has kept pace with Canadian expansion; today they contribute about 8 per cent of the national income and the net value of their production exceeds two billion dollars a year. Although over three billion cubic feet of wood are removed annually from the Canadian forest, current and potential utilization programmes and practices have been organized more scientifically than ever before. Through better forest inventory methods, research into forestry and forest products, and engineering improvements, the attempt is being made to secure a sustained yield of quality materials in perpetuity.

EXPORT MARKETS VITAL

The scientific development of Canada's forests is certainly desirable, but no master plan of forest management and use is practical without considering market conditions, current and potential. Since about half of total Canadian forest production (worth over $1.5 billion in 1956) finds its way into export markets, thoughtful and continuing study of these markets is essential to the successful nation-wide analysis of forestry aims and methods. The importance of this research into export markets is indicated by the fact that in recent years the annual revenue from sales abroad of Canadian forest products such as newsprint, wood pulp and lumber has accounted for one-third of our total external trade and for almost half of our total exports to the United States.

REGIONAL PATTERN

The lumber industry, which in 1956 supplied export products to the value of $326,372,000--or 21 per cent of the total of $1,514,832,000 for all forest products--is more sensitive to fluctuations in export demand than most branches of the industry because of the nature of the products, and the study of export outlets is particularly important to it.

The pattern of export trade in lumber reflects to a large degree the physical and economic limitations of shipping crude bulk commodities. There is, therefore, a regional pattern of world lumber trade and a relative absence of re-export trade and indirect shipping. Only in times of extreme political stress or in dealing with lumber of exceptional quality is it normal to avoid the closest regional trade connections. Marginal markets beyond the fringes of this regional area tend to limit their purchases to premium quality and specialty lumber goods. Canada, the largest single exporter of both softwoods and hardwoods, fits into this pattern of trade flow by supplying standard bulk lumber items in volume to a relatively limited market area, while smaller quantities of special dimensions or grades find their way into many world markets.

FEATURES OF 1956 MARKET

Changing market conditions in 1956 affecting the major outlets for Canadian lumber showed certain features which could be factors in the 1956 export picture. During 1956, in addition to the almost chronic dollar shortage in many of our prewar markets, the steadily increasing strength of the Canadian dollar placed a hurdle in the way of the Canadian lumber exporter vis-à-vis his competitors. Credit restrictions, particularly in the domestic, United States and United Kingdom markets, signalled a general slowdown in residential home construction in these countries and the major demand for lumber was thereby curtailed. Sharp increases in the already high ocean freight rates resulted from the Suez crisis and delivered lumber prices spiralled out of reach of many overseas customers, who turned to sources of supply more advantageously located. The United Kingdom, in an attempt to conserve dwindling foreign exchange reserves, released for sale to the British timber trade some 270 million ft.b.m. of the 400 million ft.b.m. of softwood lumber in her strategic stockpile, thus reducing the country's requirements of overseas lumber. About 200 million ft.b.m. of this lumber was Canadian. In recent years a corresponding drop in demand in all major markets during the same year has been unusual and this reduction in 1956 was felt by the Canadian lumber industry--particularly in British Columbia, where three-quarters of production goes to export markets.

OUTLOOK FOR 1957

For 1957, total lumber exports are expected to be somewhat below those of 1956. It is difficult to predict the residential housing potential which, on a seasonally adjusted basis, is still running below 1956 levels in the United States. However, if United States credit restrictions are relaxed appreciably during the year, the pace of home construction could be stepped up to meet the reported substantial demand for housing in this major lumber market. Additional releases from the United Kingdom stockpile have reportedly exhausted most of this material, and although a considerable volume remains unsold, the desirable grades and sizes have already been consumed. Charter rates for waterborne shipments

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