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Annual

2000

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Report Highlights:

Canada's economy continues to grow but softwood lumber production has not shown the same growth. Production of softwood lumber in 2000 is expected to increase by less than 1% based on nine months of available data from Statistics Canada. Sawmill workers strikes in British Columbia during the summer were not positive on Canadian production. An oversupply of sawn softwood in the North American market is also causing many mills across the country to extend downtime, reigning in Canadian production levels for 2000.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Section 1. Introduction - Canadian Forests

Unless stated otherwise, please note that all values are in Canadian dollars. According to Natural Resources Canada, the total area of Canada is 927 million hectares, of which 921.5 million hectares is land. About half of the land mass (417.6 million hectares) is covered by forest and of this, approximately 57% (234.5 million hectares) is considered commercial forest, capable of producing timber along with a variety of other benefits, including maple products, Christmas trees and specialty craft products. Not all of this commercial forest, however, is currently accessible and managed for timber production. Of the total Canadian land area south of the northern tree line (approximately 45° latitude), well over 80 percent is forested.

Under the Canadian Constitution, the provinces have responsibility for forest management. Most of Canada's forests (94%) are publicly owned; provincial governments are responsible for managing 71% and the federal and territorial governments manage 23%. The remaining 6% are the private property of more than 425 000 landowners, including individuals, families, corporations and communities. Fully 80% of privately owned forest land is located east of Manitoba, most of it in the Maritime provinces.

Each province has its own legislation, regulations, standards and programs through which it allocates public forest harvesting rights and corresponding management responsibilities. In the Northwest Territories and the Nunavut Territory, the responsibility for resource management, including that of forests, has been transferred from the federal government to the territorial governments. A similar transfer is being negotiated with the Yukon Territory.

Annually, Canada harvests roughly 0.4% of its productive forest area, an equivalent of approximately 73% of the annual allowable cut while fire or insect outbreaks annually affect approximately 0.5% of Canada's forests. As a result of these major disturbances, most of Canada's forests grow in even-aged stands.

Some of Canada's forests are protected from harvesting by legislation and policies, for example, forests located on sensitive sites, such as those close to streams or on steep slopes. Other forests are protected by legislation as part of Canada's commitment to preserve a network of areas that are representative of our land and fresh water. In 1995, approximately 7.6% (roughly 32 million hectares) of Canada's forest land was protected by legislation, in addition to the forests protected by provincial policies and operational guidelines. Since that time, many provinces have increased their number of protected areas.

Section 2. Production

2.1 Softwood Logs Situation/Outlook

Using historical softwood log production data from the Natural Resources Canada National Forestry Database Program, Canadian Council of Forest Ministers, and historical softwood lumber production

from Statistics Canada a lumber/log ratio was applied to the 1999 Statistics Canada softwood lumber production data to infer 1999 softwood log production. Production in 1999 is 165,984,000 m³, 6% higher than 1998 production levels. Post estimates that there will be virtually no change in softwood log production for 2000, but forecasts a slight increase in production for 2001. Based on eight months of trade data, imports for 2000 are expected to be about 3% higher than 1999 imports, while imports for 2001 are forecast to be 10% lower relative to 1999 levels due to increased 2001 production.

Table 1: Supply and Distribution - Softwood Logs

PSD Table						
Country	Canada					
Commodity	Softwood Logs				1000 CUBIC METERS	
	Revised	1999	Prelimin.	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Production	115,000	165,984	0	166,000	0	167,000
Imports	4,000	4,460	0	4,600	0	4,000
TOTAL SUPPLY	119,000	170,444	0	170,600	0	171,000
Exports	1,200	1,908	0	2,600	0	3,000
Domestic Consumption	117,800	168,536	0	168,000	0	168,000
TOTAL DISTRIBUTION	119,000	170,444	0	170,600	0	171,000

2.2 Softwood Lumber Situation/Outlook

According to the first eight months of available production data from Statistics Canada for 2000, post extrapolates that softwood lumber production will total 68.7 million m³, representing an increase of less than 1% above 1999 levels. For 2001, post forecasts an increase in production to 69.0 million m³. On the trade side, imports for 1999 have been revised slightly downward by about 3% to 742,000 m³, while exports have been revised slightly upwards by about 1% to 48.3 million m³. Using eight months of trade data available from Statistics Canada for 2000, post extrapolates that imports will increase slightly by 1% to 750,000 m³, while exports are expected to increase by about 2% to 49.1 million m³. For 2001, post forecasts that imports will be down by 20% relative to 2000 levels to 600,000 m³ due to increased production, while exports are forecast to be virtually unchanged at 49.0 million m³.

Table 2: Supply and Distribution - Softwood Lumber

PSD Table						
Country	Canada					
Commodity	Softwood Lumber				1000 CUBIC METERS	
	Revised	1999	Prelimin.	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Production	59,000	68,235	71,700	68,700	0	69,000
Imports	600	742	700	750	0	600
TOTAL SUPPLY	59,600	68,977	72,400	69,450	0	69,600
Exports	45,000	48,381	48,611	49,100	0	49,000
Domestic Consumption	14,600	20,596	23,789	20,350	0	20,600
TOTAL DISTRIBUTION	59,600	68,977	72,400	69,450	0	69,600

2.3 Softwood Plywood Situation/Outlook

According to Statistics Canada, softwood plywood production for 1999 was 1,736,000 m³. Using eight months of Statistics Canada plywood production figures for 2000, softwood plywood production is expected to be 1,850,000 m³, about 7% above 1999 production levels. For 2001, post forecasts that production will fall by less than 3% to 1,800,000 m³.

Table 3: Supply and Distribution Softwood Plywood

PSD Table						
Country	Canada					
Commodity	Softwood Plywood				1000 CUBIC METERS	
	Revised	1999	Prelimin.	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Production	1,600	1,736	0	1,850	0	1,800
Imports	125	133	0	130	0	130
TOTAL SUPPLY	1,725	1,869	0	1,980	0	1,930
Exports	375	556	0	500	0	500
Domestic Consumption	1,350	1,313	0	1,480	0	1,430
TOTAL DISTRIBUTION	1,725	1,869	0	1,980	0	1,930

2.4 Hardwood Logs Situation/Outlook

Using historical hardwood log production data from the Natural Resources Canada National Forestry Database Program, Canadian Council of Forest Ministers, and historical hardwood lumber production from Statistics Canada a lumber/log ratio was applied to the 1999 Statistics Canada hardwood lumber production data to infer 1999 hardwood log production. Hardwood log production in 1999 is estimated to be 29.7 million m³. Post estimates that there will be a slight decrease in production in hardwood log production for 2000 relative to 1999 levels, but forecasts an increase in production for 2001. Based on eight months of trade data for 2000, imports are expected to be about 6% higher than 1999 imports, while imports for 2001 are forecast to be lower relative to 1999 levels due to increased production.

Table 4: Supply and Distribution Hardwood Logs

PSD Table						
Country	Canada					
Commodity	Temperate Hardwood Logs				1000 CUBIC METERS	
	Revised	1999	Prelimin.	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Production	4,300	29,695	0	29,000	0	30,000
Imports	1,300	1,739	0	1,850	0	1,400
TOTAL SUPPLY	5,600	31,434	0	30,850	0	31,400
Exports	300	282	0	300	0	400
Domestic Consumption	5,300	31,152	0	30,550	0	31,000
TOTAL DISTRIBUTION	5,600	31,434	0	30,850	0	31,400

Table 5: Supply and Distribution Hardwood Lumber

PSD Table						
Country	Canada					
Commodity	Temperate Hardwood Lumber				1000 CUBIC METERS	
	Revised	1999	Prelimin.	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Production	1,000	1,051	1,200	960	0	1,100
Imports	900	1,054	1,100	1,150	0	1,000
TOTAL SUPPLY	1,900	2,105	2,300	2,110	0	2,100
Exports	1,225	1,339	1,500	1,450	0	1,400
Domestic Consumption	675	766	800	660	0	700
TOTAL DISTRIBUTION	1,900	2,105	2,300	2,110	0	2,100

2.5 Hardwood Lumber Situation/Outlook

Based on eight months of Statistics Canada production data for 2000, production is extrapolated to be 960,000 m³, about 9% lower than 1999 levels. Production for 2001 is forecast to increase by about 15% due to anticipated increases in hardwood log production.

2.6 Hardwood Plywood Situation/Outlook

Based on eight months of production data from Statistics Canada for 2000, production is extrapolated to increase by around 3% over 1999 levels to 198,000 m³.

Table 6: Supply and Distribution Hardwood Plywood

PSD Table						
Country	Canada					
Commodity	Hardwood Plywood				1000 CUBIC METERS	
	Revised	1999	Prelimin.	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Production	145	193	0	198	0	200
Imports	85	77	0	117	0	120
TOTAL SUPPLY	230	270	0	315	0	320
Exports	220	257	0	295	0	300
Domestic Consumption	10	13	0	20	0	20
TOTAL DISTRIBUTION	230	270	0	315	0	320

2.7 Oriented Strandboard Situation/Outlook

Oriented strandboard (OSB) production for 1999 is 7,694,000 m³. Based on eight months of production data from Statistics Canada for 2000, OSB production is estimated to be 7,750,000 m³, an increase of just under 1%. For 2001, post forecasts production to increase slightly.

Table 7: Supply and Distribution Oriented Strandboard

PSD Table			
Country: Canada			
Commodity: Oriented Strandboard			
HS: 4410.11.00			
Units: '000 m ³			
	1999	2000	2001
	Revised	Prelimin.	Forecast
Production	7,694	7,750	7,800
Imports	124	130	140
TOTAL SUPPLY	7,818	7,880	7,940
Exports	6,727	6,900	6,900
Domestic Consumption	1,091	980	1,040
TOTAL DISTRIBUTION	7,818	7,880	7,940

Section 3. Trade

3.1 Overview/Outlook

As in the two previous years, the United States in 2000 continues to be the top source of Canadian forest products imports and the top destination for forest products exports. Using the available trade data from Statistics Canada (January through August), total softwood lumber imports into Canada in 2000 are slightly below 1999 levels, but the US still has 85% of the Canadian import market. Canadian exports of softwood lumber to the US are up in 2000 by 2%, accounting for 88% of all Canadian exports. The US remains the sole source of softwood logs for Canadian imports, with imports in 2000 increasing by 5% over 1999 levels for the same time period. Softwood log exports to

the world are up 45% in 2000 above 1999 levels for the same time period. For the first eight months of 1999, the US accounted for 57% of Canadian softwood log exports, but over the same time period in 2000, exports have nearly doubled and the US now accounts for 72% of total softwood log exports. Exports of softwood logs to Japan, Canada's next largest destination, are down by 6% in 2000 relative to 1999 levels.

The US continues to be practically the only source for Canadian hardwood log imports, with nearly 100% of the Canadian import market. According to the eight months of trade data available from Statistics Canada, exports of hardwood logs to the world and to the US in 2000 are up 20% and 28%, respectively, over of 1999 levels. The US now accounts for 83% of total Canadian hardwood log exports, up from 77% in 1999. For hardwood veneer in 2000, Canadian imports are up by 20% over 1999 levels for the same time period, and the US is the top supplier. As imports from the US rose proportionately, the US continued to supply 89% of the Canadian import market.

For softwood plywood, exports to date in 2000 are 8% lower than for the same period in 1999, but exports to the US are only down by 3%. Imports of hardwood plywood for the first eight months of 2000 are up 48% above 1999 levels over the same time period, but imports from the US are actually down by 2% with the end result that the US has lost market share, dropping to just 43% in 2000 from 65% in 1999.

Looking at the *value* of trade in beams, arches, prefabricated partitions and members, total imports are relatively unchanged in 2000 year to date from 1999 levels, but imports from the US are down nearly 3%, reducing US market share in Canada from 98% in 1999 to 96% in 2000.

On exports, total Canadian exports decreased 29% over the first eight months of 2000 relative to the same time period in 1999, with exports to the US dropping by more than 30%. The US now accounts for 95% of all Canadian exports in 2000, down from 97% in 1999.

3.2 Trade Matrices

Table 8: Softwood Lumber Imports

Canadian Softwood Lumber Imports					
1998-1999 Calendar Years; 2000Ddata is Jan. - Aug.					
% Change for 2000 Exports to Date to Major Destinations					
Units: '000m ³					
HS= 4407.10					
			8 mos.	8 mos.	% Change
	1998	1999	1999	2000	'00 over '99
-- The World --	618	742	517	503	-2.7%
United States	591	647	453	429	-5.3%
Brazil	3	3	2	10	425.2%

New Zealand	1	1	1	2	249.4%
Chile	2	5	4	1	-65.7%
Uruguay	0	1	0	1	212.2%
Others	22	85	57	60	5.1%
Source: World Trade Atlas - Statistics Canada					

Table 9: Softwood Lumber Exports

Canadian Softwood Lumber Exports					
1998-1999 Calendar Years; 2000 Data is Jan. - Aug.					
% change for 2000 Exports to Date to Major Destinations					
Units: '000m ³					
HS=4407.10					
			8 mos.	8 mos.	% Change
	1998	1999	1999	2000	'00 over '99
-- The World --	47,182	48,381	32,039	32,769	2.3%
United States	42,147	42,651	28,390	28,867	1.7%
Japan	3,923	4,463	2,814	2,919	3.7%
United Kingdom	195	212	145	146	0.4%
Taiwan	161	196	138	160	16.0%
Australia	153	191	116	183	57.2%
Saudi Arabia	110	99	71	54	-23.7%
Hong Kong	43	97	54	61	13.1%
Belgium	86	95	61	73	18.3%
Italy	70	88	59	53	-9.6%
Germany	58	44	29	33	13.9%
Netherlands	36	31	19	36	84.5%
China	21	24	14	33	130.5%
Others	179	191	128	152	18.9%

Source: World Trade Atlas - Statistics Canada		
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Table 10: Share of Softwood Lumber Exports by Major Market

Canada: Share of Softwood Lumber Exports by Major Market				
Year	U.S.	Japan	U.K.	Other
1995	83%	13%	1%	3%
1996	84%	13%	1%	2%
1997	85%	11%	1%	3%
1998	89%	8%	-	2%
1999	88%	9%	-	3%
Jan. - Aug. 2000	88%	9%	-	3%
Source: Derived from World Trade Atlas data				

Table 11: Softwood Log Imports

Canadian Softwood Log Imports					
1998-1999 Calendar Years; 2000 Data is Jan. - Aug.					
% Change for 2000 Year to Date Comparisons					
Units: '000m ³					
HS=4403.20*					
			8 mos.	8 mos.	% Change
	1998	1999	1999	2000	'00 over '99
World	4,702	4,460	2,911	3,055	5.0%
United States	4,647	4,459	2,910	3,052	4.9%
Chile	0	0	0	2	100.0%
Others	55	1	1	1	21.6%
* except for fence posts, telegraphic poles, etc.					
Source: Canadian Trade Analyzer - Statistics Canada					

Table 12: Softwood Log Exports

Canadian Softwood Log Exports					
1998-1999 Calendar Years; 2000 Data is Jan. - Aug.					
% Change for 2000 Year to Date Comparisons					
Units: '000m ³					
HS=see list below					
			8 mos.	8 mos.	% Change
	1998	1999	1999	2000	'00 over '99
World	1,165	1,908	1,182	1,713	45.0%
United States	737	1,139	678	1,234	82.1%
Japan	422	758	495	464	-6.4%
Korea, South	2	6	5	7	57.6%
Taiwan	1	4	3	6	139.0%
India	0	0	0	1	100.0%
Germany	0	1	1	0	-51.0%
United Kingdom	0	1	0	0	45.3%
Cuba	1	0	0	0	-100.0%
Italy	1	0	0	0	-
Others	0	0	0	0	-
HS Codes:					
4403.20.31					
4403.20.39					
4403.20.40					
4403.20.50					
4403.20.61					
4403.20.62					
4403.20.70					
4403.20.80					
4403.20.90					

Table 13: Temperate Hardwood Lumber Imports

Canadian Hardwood Lumber Imports					
1998-1999 Calendar Years; 2000 Data is Jan. - Aug.					
% Change for 2000 Year to Date Comparisons					
Units: '000m ³					
HS=4407.91; 4407.92; 4407.99					
			8 mos.	8 mos.	% Change
	1998	1999	1999	2000	'00 over '99
World	941	1,054	711	766	7.7%
United States	925	1,043	703	757	7.7%
Brazil	6	6	4	5	38.9%
Germany	1	1	1	1	12.1%
Russia	0	0	0	1	160.0%
Indonesia	0	0	0	0	54.9%
Côte-d'Ivoire	2	1	1	0	-54.0%
Others	6	4	3	3	-22.7%
Source: Canadian Trade Analyzer - Statistics Canada					

Table 14: Temperate Hardwood Lumber Exports

Canadian Hardwood Lumber Exports					
1998-1999 Calendar Years; 2000 Data is Jan. - Aug.					
% Change for 2000 Year to Date Comparisons					
Units: '000m ³					
HS=4407.91; 4407.92; 4407.99					
			8 mos.	8 mos.	% Change
	1998	1999	1999	2000	'00 over '99
World	1,178	1,339	888	966	8.8%
United States	920	1,098	728	808	11.0%
Germany	43	40	28	26	-8.2%
United Kingdom	36	34	21	19	-8.5%
France	22	19	11	11	1.1%
Italy	15	15	10	10	-5.5%
Spain	18	15	11	9	-11.1%
Japan	10	13	9	9	3.1%
Netherlands	13	10	6	7	12.6%
Sweden	12	9	6	6	-3.6%
Taiwan	9	8	5	5	12.1%
Ireland	3	5	3	5	40.8%
Others	78	73	48	49	2.0%
Source: Canadian Trade Analyzer - Statistics Canada					

Table 15: Temperate Hardwood Log Imports

Canadian Hardwood Log Imports					
1998-1999 Calendar Years; 2000 Data is Jan. - Aug.					
% Change for 2000 Year to Date Comparisons					
Units: '000m ³					
HS=4403.91; 4403.92; 4403.99					
			8 mos.	8 mos.	% Change
	1998	1999	1999	2000	'00 over '99
World	1,540	1,739	1,190	1,233	3.7%
United States	1,539	1,737	1,189	1,232	3.7%
Italy	0	0	0	0	-
Others	1	2	1	1	-
Source: Canadian Trade Analyzer - Statistics Canada					

Table 16: Temperate Hardwood Log Exports

Canadian Hardwood Log Exports					
1998-1999 Calendar Years; 2000 Data is Jan. - Aug.					
% Change for 2000 Year to Date Comparisons					
Units: '000m ³					
HS=see list below					
			8 mos.	8 mos.	% Change
	1998	1999	1999	2000	'00 over '99
World	292	282	164	196	19.6%
United States	230	230	127	163	28.2%
Malaysia	5	3	2	6	142.0%
Portugal	15	20	15	5	-63.3%
Taiwan	2	1	1	3	343.5%
Italy	3	3	2	3	32.0%
France	8	6	5	3	-43.3%
China, P. Rep.	0	1	0	2	3225.4%
Switzerland	0	0	0	2	5475.9%
India	1	3	1	2	31.7%
Hong Kong	7	1	1	1	142.4%
Spain	0	1	1	1	-2.4%
Germany	2	4	2	1	-35.1%
Saudi Arabia	0	2	2	1	-47.9%
Japan	15	1	1	1	-37.1%
Others	4	6	4	2	-43.0%
HS Codes:					
4403.91.00					
4403.92.00					
4403.99.11					
4403.99.19					
4403.99.20					
4403.99.30					
4403.99.40					

4403.99.90					
Source: Canadian Trade Analyzer - Statistics Canada					

Table 17: Temperate Hardwood Veneer Imports

Canadian Hardwood Veneer Imports					
1998-1999 Calendar Years; 2000 Data is Jan. - Aug.					
% Change for 2000 Year to Date Comparisons					
Units: '000m ²					
HS=4408.90					
			8 mos.	8 mos.	% Change
	1998	1999	1999	2000	'00 over '99
World	75,260	88,626	54,843	65,871	20.1%
United States	65,378	80,436	49,278	58,707	19.1%
Germany	548	1,752	976	2,734	180.3%
Italy	4,042	2,449	1,729	1,832	5.9%
Côte-d'Ivoire	127	566	447	318	-28.9%
Switzerland	706	297	199	298	49.5%
Brazil	437	404	309	283	-8.2%
Ghana	545	434	303	250	-17.6%
Ireland	475	497	369	159	-56.8%
Denmark	26	88	10	136	1316.7%
China, P. Rep.	139	36	26	126	392.3%
Finland	196	355	275	116	-58.0%
Hungary	1	50	33	99	204.2%
United Kingdom	1,037	47	31	86	180.3%
South Africa	398	240	175	75	-57.5%
France	499	178	140	61	-56.8%
Others	707	797	543	591	8.8%
Source: Canadian Trade Analyzer - Statistics Canada					

Table 18: Temperate Hardwood Veneer Exports

Canadian Hardwood Veneer Exports					
1998-1999 Calendar Years; 2000 Data is Jan. - Aug.					
% Change for 2000 Year to Date Comparisons					
Units: '000m ²					
HS=4408.90					
			8 mos.	8 mos.	% Change
	1998	1999	1999	2000	'00 over '99
World	147,810	154,490	107,157	110,194	2.8%
United States	121,722	133,348	92,328	97,083	5.1%
Hong Kong	1,538	2,842	1,929	2,226	15.4%
Germany	5,212	3,109	2,093	1,591	-24.0%
Denmark	1,226	1,330	844	1,408	66.8%
Italy	2,127	1,946	1,301	1,308	0.5%
Portugal	991	913	410	968	136.1%
Korea, South	0	274	179	526	193.6%
Belgium	984	466	244	494	102.4%
Spain	2,423	972	785	424	-46.0%
Sweden	1,160	1,260	1,022	392	-61.7%
Japan	707	357	206	381	85.0%
Malaysia	173	530	439	344	-21.5%
United Kingdom	1,136	758	570	263	-53.8%
France	379	104	26	257	895.6%
Chile	824	278	166	195	17.5%
Brazil	56	49	49	186	277.4%
China, P. Rep.	498	541	413	157	-62.1%
Others	6,653	5,414	4,152	1,991	-52.0%
Source: Canadian Trade Analyzer - Statistics Canada					

Table 19: Softwood Plywood Imports

Canadian Softwood Plywood Imports					
1998-2000 Calendar Years; 2000 data is Jan-Aug					
% Change for 2000 Year to Date for Comparison					
Units: '000m ³					
HS: 441219					
			8 mos.	8 mos.	% Change
	1998	1999	1999	2000	'00 over '99
World	108.4	132.5	91.3	87.4	-4.3%
United States	107.1	126.6	87.3	85.5	-2.1%
Malaysia	0	2.5	1.8	0.4	-77.7%
Chile	0.1	2	0.9	0.6	-28.9%
Others	1.2	1.4	1.3	0.8	-34.0%
Source: Canadian Trade Analyzer - Statistics Canada					

Table 20: Softwood Plywood Exports

Canadian Softwood Plywood Exports					
1998-2000 Calendar Years; 2000 Data is Jan-Aug					
% Change for 2000 Year to Date for Comparison					
Units: '000 m ³					
HS= 441219					
			8 mos.	8 mos.	% Change
	1998	1999	1999	2000	'00 over '99
World	455.7	556.0	364.5	336.2	-7.8%
United States	104.3	241.0	154.8	149.5	-3.4%
Japan	171.4	229.1	148.5	124.5	-16.2%
Netherlands	25.9	21.2	16.2	11.3	-30.0%
United Kingdom	44.0	19.6	12.1	16.5	37.1%
Germany	40.0	13.2	9.1	15.6	70.9%
Italy	30.6	12.9	10.5	8.4	-19.3%
Belgium	8.9	6.1	4.5	3.5	-23.2%
Ireland	5.8	4.6	3.0	1.9	-36.7%
Hong Kong	2.1	2.3	2.3	0.0	-100.0%
Denmark	9.1	1.8	0.3	1.7	421.5%
Others	13.6	4.3	3.1	3.1	1.3%
Source: Canadian Trade Analyzer - Statistics Canada					

Table 21: Hardwood Plywood Imports

Canadian Temperate Hardwood Plywood Imports					
1998-1999 Calendar Years; 2000 Data is Jan-Aug					
% Change for 2000 Year to Date for Comparison					
Units: '000 m ³					
HS= 441214					
			8 mos.	8 mos.	% Change
	1998	1999	1999	2000	'00 over '99
World	80.8	76.9	52.7	78.2	48.3%
United States	56.7	48.6	34.4	33.7	-1.9%
Russia	9.1	10.8	6.8	7	3.2%
Indonesia	4.7	5.3	2.8	2.3	-15.5%
Taiwan	3.9	4.3	3.6	3.7	3.3%
Brazil	1.4	2.4	1.8	0.5	-69.7%
Finland	2.7	1.7	1.1	3.1	184.5%
Belarus	0	1.2	0.7	0.2	-78.6%
Latvia	0.6	0.9	0.6	0.9	40.4%
Others	1.7	1.7	1	26.8	2626.6%
Source: Canadian Trade Analyzer - Statistics Canada					

Table 22: Hardwood Plywood Exports

Canadian Temperate Hardwood Plywood Exports					
1998-1999 Calendar Years; 2000 Data is Jan-Aug					
% Change for 2000 Year to Date for Comparison					
Units: '000 m ³					
HS= 441214					
			8 mos.	8 mos.	% Change
	1998	1999	1999	2000	'00 over '99
World	234	256.7	169.1	196.9	16.4%
United States	232.9	255.7	168.5	196.4	16.6%
United Kingdom	0.8	0.3	0.3	0	-100.0%
Japan	0.1	0.1	0.1	0	-100.0%
Germany	0	0.1	0.1	0	-100.0%
Others	0.2	0.6	0.2	0.5	154.5%
Source: Canadian Trade Analyzer - Statistics Canada					

Table 23: Oriented Stranboard Imports

Canadian Oriented Strandboard Imports					
1998-1999 Calendar Years; 2000 Data is Jan-Aug					
% Change for 2000 Year to Date for Comparison					
Units: '000 m ³					

HS= 441011					
			8 mos.	8 mos.	% Change
	1998	1999	1999	2000	'00 over '99
World	58.8	123.9	78.9	85.8	8.7%
United States	58.6	123.0	78.1	85.3	9.2%
Others	0.1	0.9	0.8	0.5	-42.2%
Source: Canadian Trade Analyzer - Statistics Canada					

Table 24: Oriented Stranboard Exports

Canadian Oriented Strand Board Exports					
1998-1999 Calendar Years; 2000 Data is Jan-Aug					
% Change for 2000 Year to Date for Comparison					
Units: '000 m ³					
HS= 441011					
			8 mos.	8 mos.	% Change
	1998	1999	1999	2000	'00 over '99
World	5,952	6,727	4,396	4,599	4.6%
United States	5,733	6,481	4,245	4,455	4.9%
Japan	172	195	125	116	-7.6%
Chile	11	20	5	3	-48.0%
Korea, South	9	16	11	18	67.9%
Taiwan	6	5	3	3	-3.5%
Italy	9	4	2	0	-92.6%
Turkey	2	2	1	2	220.5%
Singapore	1	2	1	0	-90.7%
Others	9	3	2	2	0.0%
Source: Canadian Trade Analyzer - Statistics Canada					

Table 25: Imports of Beams, Arches, Prefabricated Partitions & Members

Canadian Imports of Beams, Arches, Prefabricated Partitions & Members					
1998 -1999 Calendar Year; 2000 Data is Jan-Aug					
% Change for 2000 Year to Date for Comparison					
Value in C\$1,000					
HS= 441890					
			8 mos.	8 mos.	% Change
	1998	1999	1999	2000	'00 over '99
World	82411.8	82486.6	57389	57265	-0.2%
United States	80585.5	80302.5	56327.1	54777.7	-2.8%
Austria	51.7	614	15.9	342	2046.2%
Indonesia	488.8	260.3	197.2	350.1	77.5%
Greece	162.2	186.7	121.1	192	58.6%
United Kingdom	89.3	153.8	153.6	40.7	-73.5%
Spain	6.6	94.8	0	81.1	261390.3%
Italy	127	87.7	74.6	82.3	10.4%
China, P. Rep.	178.1	49.1	33	66.8	102.5%
Taiwan	53.8	48.9	29.1	8.9	-69.4%
Others	668.8	688.8	437.4	1323.4	202.6%

Source: Canadian Trade Analyzer - Statistics Canada					

Table 26: Exports of Beams, Arches, Prefabricated Partitions & Members

Canadian Exports of Beams, Arches, Prefabricated Partitions & Members					
1998 -1999 Calendar Year; 2000 Data is Jan-Aug					
% Change for 2000 Year to Date for Comparison					
Value in C\$1,000					
HS: 441890					
			8 mos.	8 mos.	% Change
	1998	1999	1999	2000	'00 over '99
World	802,563	1,164,202	901,202	643,818	-28.6%
United States	761,318	1,120,332	873,212	609,835	-30.2%
Japan	17,376	27,969	17,924	24,761	38.1%
United Kingdom	8,006	4,042	2,607	1,466	-43.8%
Germany	2,968	3,566	2,001	1,692	-15.4%
Ireland	3,328	1,843	1,257	1,276	1.5%
Italy	2,268	1,212	805	1,674	108.0%
Hong Kong	1,304	890	827	140	-83.1%
Spain	168	551	357	148	-58.5%

Cuba	1,162	470	201	24	-88.1%
Bermuda	116	446	446	155	-65.2%
Others	4,550	2,882	1,564	2,646	69.2%
Source: Canadian Trade Analyzer - Statistics Canada					

Section 4: Policy

4.1 Annual Allowable Cut

The allowable annual cut (AAC) is set usually for a number of years for each province by the respective provincial government. No significant changes have been made by any of the provinces regarding their respective AAC. The following table reflects minor revisions to provincial AACs.

Table 27: Allowable Annual Cut

Allowable Annual Cut				
Units: Net Merchantable Volume in '000m ³				
	Prov. & Private Lands		Federal Land	Total
	Softwood	Hardwood		
Newfoundland	2,635		0	2,635
P.E.I.	300	190	1,100	1,590
Nova Scotia	5,200	1,500	25	6,725
New Brunswick	6,907	4,064	77	11,048
Quebec	37,474	20,499	28	58,001
Ontario*	na	na	0	0
Manitoba	5,695	3,936	95	9,726
Saskatchewan	3,864	3,244	462	7,570
Alberta	13,606	10,210	948	24,764
British Columbia	67,533	3,005	45	70,583

Yukon	344		9	353
N.W.T.	235		2	237
*Ontario AAC expressed in area as follows:				
'000 ha.	219	145		364
Source: National Forestry Database				
Canadian Council of Forest Ministers				

4.2 The State of Canada's Forests 1999-2000

The following excerpts were taken from The State of Canada's Forests 1999-2000 publication by the Canadian Forest Service, Natural Resources Canada.

PROGRESS TOWARD SUSTAINED FORESTS

The Prince Edward Island department of Agriculture and Forestry will be increasing the level of reforestation from 2.7 to 3 million seedlings in the year 2000 and will be implementing a forest education program for woodlot owners.

In April 2000 the Government of Nova Scotia proclaimed changes to its *Forests Act* and approved their Forest Sustainability Regulations. The department of Natural Resources recent analysis of the province's wood supply shows that the current level of harvesting on small private woodlots is not sustainable. Therefore under the new regulations all registered buyers of more than 5,000 m³ of primary forest products a year will have to submit an annual Wood Acquisition Plan and choose between implementing a silviculture program or contributing to the Sustainable Forestry Fund.

The Ontario Government recently completed a comprehensive land use planning process and in July 1999 released its land use strategy entitled "Ontario's Living Legacy". This strategy was the product of a public consultation process, known as Lands for Life, which took place during 1997 and 1998. Ontario's Living Legacy adds 2.4 million hectares of new provincial parks and conservation reserves to the province's system of protected areas.

In its budget announcement at the end of March this year, the Saskatchewan Government announced an additional \$3.8 million in programs to support sustainable forest management, including forest renewal, regeneration surveys, land use planning with public consultation, and Dutch elm disease management. The provincial government is also investing an initial \$1 million to establish a forestry training program.

New legislation introduced last year by the British Columbia Government gives the Forest Land Commission the power to regulate forest practices on private land in the forest land reserve and privately-managed forest land in the agricultural land reserve. The Commission will monitor landowners' performance to make sure standards for logging on private land are met and will be able to order remedial action or impose penalties up to \$1 million for non-compliance. This new legislation is the final step in a process that included a Memorandum of Understanding (MOU) signed in January outlining the new model for managing nearly one million hectares, about half of British Columbia's privately owned forest lands.

British Columbia announced early in 2000 that the proportion of clearcut logging on Crown land will be reduced from the current level of 70% to 40% within five years in the Vancouver Forest Region. Through its Small Business Forest Enterprise Program (SBFEP), the province grants licences to small businesses to harvest timber. Under this program 1.9 million cubic metres of timber are harvested each year in the Vancouver Forest Region which includes most of the British Columbia coast. From now on the province will require licensees to increase their use of alternate logging methods and reduce clearcutting when harvesting under this program. The SBFEP accounts for 9 percent of logging in the Vancouver Forest Region.

MORE PROTECTED AREAS ACROSS THE NATION

In April 2000 Manitoba announced the expansion of its Protected Areas Initiative to include three new park reserves and protection for an additional 21 Wildlife Management Areas (WMAs). Regulations under the Provincial Parks Act will be amended to designate over 200,000 hectares as park reserves. Under the provincial *Parks Act*, the protection status will prohibit logging, mining and the development of oil, natural gas and hydroelectric power. The First Nations and the Government of Manitoba Memorandum of Understanding (MOU) on protected areas has been extended for three years to March 2003 in order for these groups to work together to identify, establish and manage new protected areas as they are identified.

In 1999, Alberta designated nine new sites and an expansion under the Special Places program, contributing over 208,000 hectares to the province's network of protected areas. The Special Places program aims to complete a network of protected areas by the end of 2000. So far, sixty sites have been designated adding more than 760,000 hectares to Alberta's protected areas network, almost doubling protected Alberta land since the program began in 1995.

More than 245,000 hectares of forested land became part of Saskatchewan's Representative Areas Network (RAN). A representative area is a sample of a particular landscape that has been set aside to preserve important natural or cultural features. The RAN now contains more than 4.5 million hectares of ecologically important lands that will aid in the conservation of provincial biodiversity.

THE RAVAGES OF NATURE

In 1999, there were 7,591 forest fires across the country, that burned a total of 1,705,645 hectares as of the end of December. However, there were 15% fewer fires than usual for the season as a whole and compared to the 10-year average, a decrease of almost half the number of hectares burned. Only Alberta and Ontario experienced more area burned than normal; all other areas reported normal to well-below normal occurrences of forest fires. The Northwest Territories and Ontario accounted for half of the total area burned in Canada in 1999, with most of the remainder coming from other western provinces, territories and National Parks. The 2000 forest fire season got off to an early start in many places across the country due to less snowfall than usual, causing drought conditions.

In May 2000, it was reported that the Brown Spruce Longhorn Beetle, native to central Europe and Asia, had taken hold in a park in Halifax, Nova Scotia. It is the first recorded sighting of the beetle in North America. Experts say the eating habits of the beetle appear to have changed since landing on Canadian soil. In its home environment the beetle eats only dead and dying trees but here it is feeding on living Red Spruce trees. Red Spruce trees are native only to North America. For more information on this, please see article listed in GAIN report CA0076.

Dutch elm disease is again spreading fast across Eastern Ontario. Experts suggest that this is likely a result of the 1998 ice storm, as beetles that carry the disease have moved into breaks in branches and are spreading the infection.

The legacy of the ice storm of 1998 is still being felt in Quebec and Ontario. Both provinces signed agreements with the federal government during the year to increase financial assistance to woodlot owners affected by the storm. Eligible owners will use this money to return their woodlots to a productive state. In total, almost 37,000 woodlot owners in Ontario and Quebec will be eligible to receive disaster assistance.

MARKET DEVELOPMENT ACTIVITIES

Early this year nineteen forest sector representatives joined a federal government mission to China and South Korea to encourage trade and investment. Officials discussed wood housing construction technology and products, as well as other Canadian wood products. Seminars held in Beijing and Shanghai allowed Canadian companies to showcase their technology and services and meet with government and industry representatives from the Chinese forest sector. The seminar in Korea focused on building products and codes. Areas of particular interest to the Chinese include forest fire management, forest pest management and forest renewal.

According to a Vancouver Sun article, British Columbia and Quebec wood manufacturers have established a marketing office in Shanghai, to showcase value-added softwood from BC and hardwoods from Quebec. The office is expected to play an important role in introducing Chinese clients to BC and Quebec solid wood products. BC Wood Specialties Group, the organization that opened the office, chose Shanghai for the office, partly funded by Forest Renewal BC, because of the rapid growth the region is experiencing.

CORPORATE MERGERS AND ACQUISITIONS IN THE FOREST SECTOR

In 1999, there was increased consolidation of the forest industry in Canada. This trend continued and accelerated into this year where there were as many mergers in the first four months as in all of 1999. One very large transaction, the acquisition of Donohue Inc. by Abitibi-Consolidated Inc. for \$7.1 billion, was greater than all the acquisitions that occurred in 1999.

The forest sector, which is still highly fragmented, has, like other sectors of industry, moved in recent years toward consolidation and greater efficiency. Industry analysts note that there are a number of reasons why this trend toward consolidation in the Canadian forest sector is growing and is likely to continue for some time. They point to the availability of the Canadian timber supply and the weakness of the Canadian dollar which, together, make Canadian companies particularly attractive. In addition, securing a regional source of supply, at competitive prices, for global consumers is important for consolidation. Consolidation is also seen as an effective means to retire higher cost and excess capacity in the industry, in order to improve efficiency and return on capital for shareholders. Also, the cyclical nature of the forest products industry has made it particularly difficult to attract capital for modernization and expansion. Consolidation by higher-leveraged US companies opens opportunities to gain access to larger pools of capital investment and financing. Finally, while the value of many Canadian forest company stocks has grown over the last year, analysts continue to see many of these as undervalued and attractive opportunities for investment.

These consolidated companies tend to take advantage of their new structure to improve their cost structure and close or modernize their inefficient or high-cost operations in order to become more competitive. Having more capital value usually attracts investors and increased product concentration tends to reduce price volatility. Industry analysts suggest that to remain competitive, companies need to become larger players in a smaller number of product lines. They also predict that the consolidation trend will continue, especially in western Canada, since consolidation started to occur more slowly to begin with in that region. Analysts further predict that, in the long run, there will be six to eight global forestry giants with many smaller, regional companies.

4.3 Trade Policy and Industry News

PINE BEETLE GROWTH FEARED

According to a March 7 Vancouver Sun article, the largest ever outbreak of the mountain pine beetle in British Columbia could double again this year, ravaging trees, says an industry spokesman with the Northern Forest Production Association. The industry and the BC government have completed 95% of their plan to tackle the problem this winter, which includes harvesting 4.2 million m³ of beetle-infested lodgepole pine. But that still leaves an estimated six million cubic metres of infested trees in a 350,000-hectare area. The trees are valued at \$1 billion in lumber and wood chips. In addition to clearcutting, patch logging and fall and burning operations, the industry and the B.C. Forest Service have conducted aerial and ground surveys.

B.C MILL RESTARTS WITH PERMIT TO EXPORT LOGS

Two hundred employees returned to work in mid-February after the sawmill in Boston Bar, BC was given permission to export logs, according to a Vancouver Sun news article. The permit allows JS Jones Timber Ltd. to export 50% of the timber in stands that are not otherwise economic to harvest. The mill shut down in 1999 because it lacked enough quota to ship lumber duty-free to the United States. Under the plan, the mill is also to receive from the federal government an additional 10 million board feet of quota to ship lumber duty-free to the United States. The mill - claimed as being one of the most cost-efficient mills in the province - closed late last year after announcing it could not continue to operate without more quota to ship into the US market. The mill had enough quota for only 29% of its US shipments. While the additional 10 million board feet raises the mill's total quota to 39%, still not enough to remain profitable. As no more quota is available, the log- export option was the only other way the government could assist the company short of a subsidy. The export permit is in effect until June, 2001. By then, it is hoped that the Canada- US softwood lumber agreement limiting exports to the US will be replaced with a freer form of trade.

B.C. GOVERNMENT FACES C\$700 MILLION SUIT FROM FOREST COMPANIES

According to the Vancouver Sun, Western Forest Products Ltd. filed a \$450-million lawsuit against the province in late March, raising to nearly \$700 million the claims against the government over its decision five years ago to hike timber royalties. The lawsuit follows a B.C. Supreme Court decision to reject a government petition to dismiss an identical \$240-million lawsuit by MacMillan Bloedel Ltd. (now Weyerhouser) and TimberWest Forest Ltd. after the government raised royalty rates in June 1995. The latest lawsuit, revolves around the payments the companies must make to the province for timber they own on Crown land granted under special timber licences. The licences involve a special form of tenure in which the companies own the trees growing on Crown land and pay a royalty for harvesting them. Under the terms, holders paid annual rent and a low royalty when the wood was cut.

In June, 1995, the NDP government eliminated the low rate, calling it an unfair subsidy, and began a five-year program to raise royalties to 100% of the stumpage rates charged on Crown- owned timber. All three of the companies involved in the lawsuits say the NDP government's new stumpage system abrogates an old royalty rate agreement that specifically reflected that the companies assumed risks in return for an investment in owning timber on Crown land.

TAIWAN RELOOKS AT CANADIAN WOOD-FRAME HOUSES

According to a Vancouver Sun article, the earthquake that devastated large areas of central Taiwan in 1999 is prompting architects and builders to reconsider Canadian wood-frame houses. There is a willingness to accept that Canadian building methods may be more resilient to earthquakes, easier to maintain and more practical in a climate that swings between damp, frigid winters and steamy, humid summers. The task now for Canadian suppliers is to get Taiwan's national government to institute building codes which would be consistent with Canadian wood-frame construction methods.

FOREST RENEWAL BC PUTS \$301 MILLION INTO REVITALIZATION

According to the Vancouver Sun, the B.C. provincial crown corporation will spend \$301 million in 2000 to grow more and better trees, restore the forest environment and boost the province's value-added sector. This year's Forest Renewal budget calls for:

- \$248.8 million in land-based activities to grow more high-value timber and restore watersheds damaged by past forest development.
- \$32.6 million to help forest communities and workers adjust to changes in the forest economy.
- \$20.2 million to implement Forest Renewal's value-added strategy to increase the size and economic contribution of B.C.'s value-added wood-manufacturing sector.

Forest Renewal, established in 1994, spent \$1.8 billion in its first five years of operation. It is funded by an increase in the stumpage rates, the rent charged by Victoria for growing trees on Crown land. Specific programs in this year's Forest Renewal budget include:

- Restoring 540 km of streams damaged by past harvesting practices.
- Deactivating or rehabilitating 2,780 km of old logging roads considered environmentally damaging or hazardous.
- Providing transition and re-employment services for 2,000 displaced forest workers.
- Helping 200 small forest businesses start up or expand.
- Generating 1,500 market leads for B.C. value-added businesses.
- Improving the yield on 38,100 hectares of second-growth forests.
- Replanting and treating 48,800 hectares of lands classified as not satisfactorily restocked to bring them back to productive forestland.

The industry is pleased that Forest Renewal's targets included increasing the timber available for future harvest by 25 million cubic metres to about 100 million cubic metres.

B.C. COURT ORDERS REVIEW OF 1997 STUMPAGE FEES

According to a June 8 Vancouver Sun article, the B.C. Court of Appeal has ordered the forests ministry to re-appraise stumpage permits of five coastal forest firms that could result in the companies recouping about \$17 million. MacMillan Bloedel, now owned by Weyerhaeuser, Canfor, Western Forest Products, Mission Tree Farm and Richmond Plywood, claimed they paid too much stumpage because of a mathematical error made by a ministry employee in the

spring of 1997. The five companies involved log about 70 % of B.C. timber and pay about \$400 million in stumpage or harvesting fees.

STRIKES PLAGUE B.C. FOREST INDUSTRY

Twelve coastal thousand loggers and sawmill workers went on strike June 27, shutting down the coastal forest industry and putting an estimated 35 sawmills and countless logging operations behind picket lines. The strike took both industry and government by surprise, after talks broke down between the workers' union, Industrial, Wood & Allied Workers of Canada (IWA-Canada), and Forest Industrial Relations (FIR), which represents 60 logging and manufacturing companies. Workers remained on strike for nine days until July 6 before a mutually satisfactory contract could be negotiated. The coastal industry is already in a crisis caused by the collapse of its Japanese market, lack of access to the US and high operating costs. The strike came at a time when the coastal industry was struggling to remain internationally competitive, with employers warning that all workers may not have jobs to go back to as some mills might close permanently.

The IWA also negotiated with two Interior employer organizations and with Canfor, whose contracts were set to expire on June 30. Strikes were averted with contract agreements reached first between the IWA and Canfor on June 30, then between the IWA and the Council on Northern Interior Forest Employment Relations (CONIFER) on July 2, and then shortly after talks commenced between the IWA and companies in the Southern Interior on July 5.

B.C. FOREST SECTOR RETURNS ON CAPITAL BELOW ACCEPTABLE

According to a Canada Newswire August 21 article, BC forestry operations contributed \$4.2 billion to provincial, federal and municipal governments in 1999, but "return on capital employed," a measure of industry well being, fell well below acceptable levels. This finding and other data contained in PricewaterhouseCoopers' annual Forestry Industry in BC Report suggests the economic health of the industry remains fragile. The BC forest industry reported net earnings of \$923 million in 1999 and generated a return on capital employed (ROCE) of 7.6%. However, these results are behind the rest of Canada at 9.6% and far below the industry's minimum ROCE threshold of 12%. Since 1995 and including 1999, the forest industry in BC has fared much worse than the forest industry in the rest of Canada. The 1999 five year average ROCE for BC was 2.9% compared with 8.1% for the rest of Canada.'

17-YEAR DISPUTE ENDS IN CLAYOQUOT SOUND WITH FALLING OF CEDAR

According to a August 23 Vancouver Sun article, a cedar tree was felled in a new joint venture between Nuu-chah-nulth Indians of Vancouver Island's west coast and forest giant Weyerhaeuser Co. Called Iisaak Forest Resources, the new company is owned 51% by the Nuu-chah-nulth and 49% by Weyerhaeuser. Five major environmental groups, including Greenpeace, support it and have agreed to help market the timber that Iisaak harvests from Clayoquot's forests. The cost of the logging now being conducted by Iisaak is being partly subsidized by the province, which has agreed to cut \$19/m³ from stumpage payments in Clayoquot Sound - a \$1.9-million subsidy should Iisaak cut its legal limit of

100,000 m³ of wood a year.

QUEBEC MINISTRY CALLS FOR REDUCTIONS IN HARVESTING

According to a September 9 Montreal Gazette article, the Quebec government is planning on scaling back logging operations. As part of its five-year plan for the 1999-2003 period, the Department of Natural Resources is calling for sharp reductions - of 40 to 68% - in the amount of wood cut on public lands. At a press conference Aug. 23, Resources Minister Jacques Brassard said the ravages of the spruce budworm were the main reason for the reductions.

BC FORESTRY FIRMS UNDER PRESSURE TO LOWER OUTPUT

A sharp drop in house construction in the United States has sent lumber prices plunging to their lowest levels since June, 1995, and has put Canadian forest companies under pressure to cut production. British Columbia producers have been shutting down their operations due to the lack of demand for their products. It is expected that prices will remain low for the balance of the year. For more information, see GAIN report CA0139.

B.C. COASTAL MILLS LOSING JAPAN

The Vancouver Sun reported that British Columbia's coastal forest industry is losing the technology race to maintain its share of the Japanese housing market. According to the article, the industry has not kept up with the rest of the world when it comes to developing new wood products. Demand for lumber is growing in Japan but coastal lumber sales are not growing proportionately. Japanese homebuilders now prefer engineered wood or kiln-dried wood over green coastal hemlock -- the mainstay of the coastal forest industry for 10 years. Engineered wood -- in this case laminated clear veneers glued on to the surface of kiln-dried pine posts -- has less waste and does not twist after being installed, two factors that builders complain they face with B.C. wood. Japan is B.C.'s second biggest market. Japanese distributors are now buying kiln-dried wood from Scandinavia. The coastal problem is that kiln-drying old-growth hemlock causes splits in half the boards. The 50% falldown -- the difference between what goes into the kiln and what comes out as premium lumber - is a unique B.C. problem. In Scandinavia, where lumber is made from managed second-growth forests, the falldown rate is only 10%, giving them an enormous competitive edge. For additional information, please see GAIN report CA0151.

PINE BEETLES INVADE BANFF NATIONAL PARK

According to a park superintendent, pine beetles that have moved into Banff National Park may have to be destroyed with a prescribed burn, writes a September 29 Calgary Herald article. Since 1998 about 500 trees have been infested by the beetle he describes as indigenous to the park. The beetles moved across the Continental Divide from British Columbia where large stands of lodgepole pine are already infested. The beetles are threatening a portion of the logging industry. Regular forest monitoring in Banff found about 10 trees infested with the beetle in 1998. In 1999 there were about 100 trees infested, and this year the count has risen above 500.

B.C. LOG EXPORTS JUMP AS LUMBER SHIPMENTS TUMBLE

Log exports through the port of Vancouver have increased tenfold during the last four years, according to a report prepared for the International Longshore and Warehouse Union, writes the Vancouver Sun in an October 11 article. The report notes that log exports through the port have gone from 75,000 tonnes in 1995 to 770,000 tonnes in 1999. The increase parallels a decrease in lumber exports of the same magnitude. Lumber exports through Vancouver are dropping at an annual rate of 6.2%. Vancouver is only one of a number of ports which export logs and lumber. Many coastal companies have lost access to their lumber markets, leaving them nothing left but log exports to generate cash flow. B.C. exported 2.48 million cubic metres of logs in 1999, and is expected to export as many this year, the highest level in a decade. Total provincial exports hit their lowest point since the recession in 1997, when only 269,000 cubic metres of logs were exported.

With an annual harvest on the coast of about 18 million cubic metres, exports now represent 12% of coastal harvesting, experts say. Some blame the Canada-US softwood lumber agreement as coastal producers who traditionally shipped to Japan have little US quota. At the same time, lumber prices have hit a five-year low in the US, making it uneconomical to pay the export duty. Most of the B.C. export logs are heading for mills in Oregon and Washington state, where they are turned into lumber for the US market. About two-thirds of the timber being exported comes from private lands that are not subject to the same stringent regulations as Crown land. To export from private land, logs must only be declared surplus to domestic needs. The collapse of the Japanese lumber market in 1998 coupled with restricted access to the US market means the private-land loggers have little difficulty passing the surplus test. Exports from Crown lands accounted for about one-third of B.C. logs exports this year and last year, mainly because of a government policy that has permitted companies to export as part of an over-all economic plan to keep operations viable.

MARKET PRICING PLAN FOR B.C. COASTAL TIMBER INTRODUCED

According to several Vancouver Sun articles (January 13, April 5, October 6), upon the recommendations of the forest-policy review coordinator, Garry Wouters, the province will be starting a market-based pricing system for BC coastal timber. Wouter's recommendation is the first indication of changes in the way stumpage is charged in BC. The report makes numerous recommendations, including:

- Establish a competitive log market within six months.
- Set up a new, market-based pricing system for coastal logs, replacing the old administered stumpage system.
- Dedicate a land base exclusively for logging but only after completing other land-use plans.

- Eliminate regulations tying timber licences to local sawmills and eliminate cut controls, both of which restrict companies from responding to market changes.
- Divide the ministry of forests into two ministries: one to deal with commercial timber interests and one to deal with forest stewardship.
- Create an independent commission to review assumptions used by the Chief Forester in setting the annual timber harvest.

Following up on one the recommendations, the BC government introduced a six-month pilot in market-based pricing for coastal hemlock (which accounts for more than 60% of coastal forests) starting October 1 in a move welcomed by forest industry leaders and by American lumber interests. The pilot project, which will last only until March 31, 2001 and then be assessed, earned praise from coastal producers who have been calling for stumpage changes for the past four years. While world demand for hemlock has dropped, yet stumpage rates charged by the provincial government have remained tied to the Statistics Canada lumber index, which includes higher-value products such as Douglas fir and cedar. The new mechanism, as reported by the Vancouver Sun, should knock the average stumpage rate paid for hemlock down from \$20 to \$12-14 per m³. The province stands to lose about \$15 million in stumpage revenues by switching to a market-based system.

GOC APPEALS TO CANADA-US SOFTWOOD LUMBER AGREEMENT DISPUTE PANEL

Canada filed its first submission to the Arbitral Panel under the Softwood Lumber Agreement (SLA) dispute settlement mechanism on June 2 requesting the panel find the US has breached numerous articles of the Agreement. In particular, the dispute concerns the reclassification on June 9, 1999 by US Customs of rougher headed lumber from a tariff classification heading that is not subject to restriction under the Agreement to a tariff heading subject to restriction under the Agreement. International Trade Minister Pierre Pettigrew announced in early October 2000 that Canada and the US had reached an agreement in principle to settle the rougher headed lumber dispute under the Canada-US Softwood Lumber Agreement. The settlement proposed by the United States entails an additional 72.5 million board feet of fee-free lumber shipments to the US to be used by March 31, 2001, in return for Canada agreeing to withdraw arbitration proceedings under the Agreement. For more information, please see GAIN reports CA0086 and CA0162.

SOFTWOOD LUMBER AGREEMENT: A UNITED FOREST INDUSTRIES FRONT?

The 5 year Canada-United States Softwood Lumber Agreement (SLA) will expire on March 31, 2001. Consultations with industry, the provinces and other stakeholders are underway to determine what course of action Canada should take when the Agreement expires. This is a key issue for lumber exporters, as 88% of Canada's softwood lumber exports go to the United States. But the Canadian forestry industry is divided: those in favor of a continued form of managed trade, versus those in favor of "free" trade. Proponents of managed trade, who want to see some sort of renegotiation of the SLA, namely B.C. Interior companies who were allocated quota under the SLA and have done relatively well, are represented by the B.C. Lumber Trade Council (BCLTC). Those who would prefer to see

the SLA lapse without any sort of renewal include mostly B.C. Coastal companies who had their ability to export to the US reduced as well as the Eastern provinces who were not subject to the SLA. Leading the way against a renewal of the SLA is Quebec-based Free Trade Lumber Council (FTLC), which is comprised of more than 80 companies and five provincial and trade associations.

The BC Lumber Trade Council supports free trade, but wants a negotiated end to the softwood lumber dispute, including addressing US allegations of subsidization. In a briefing paper submitted to the Office of the United States Trade Representative (USTR), the council presented its position regarding how to resolve the longstanding Canada-US lumber trade dispute. According to an April 13 Canada Newswire article, principles included in the paper are:

- The best long-term solution is a growing North American market for lumber, supported by free trade, investment in increasing the demand for wood products, and a strong customer focus.
- No Canadian lumber-producing region should receive an advantage in serving the US market. And Canada must not be disadvantaged relative to third countries (outside North America).
- Dispute resolution processes should be prompt, fair, timely, and unbiased.
- Fundamental changes to Canada's public land model are not possible in light of the country's historical, cultural and philosophical beliefs regarding land ownership.
- Timber pricing should be based on market principles that ensure the public gets a fair return for its resource. Appropriate markets may be for either standing timber, logs or lumber, depending on the operating circumstances for any particular regional industry.

On the other side of the issue, the FTLC welcomed a Canadian Government House of Commons Standing Committee on Industry report on productivity and innovation that recommended "that the Government of Canada take the position that there be no renegotiation of the Softwood Lumber Agreement with the United States at the expiry of the existing agreement." Another April 13 Canada Newswire article writes that the committee's recommendation is particularly significant, as indicated by the number and quality of its members. Thirty six members of parliament from across the Canadian political spectrum have recommended the non-renewal of the Canada-US Softwood Lumber Agreement of 1996 when it expires on March 31, 2001.

Section 5: Export Promotion

5.1 Export Corporation Update

The Export Development Corporation (EDC) was established by an Act of Parliament (*Export Development Act*) on October 1, 1969. The act has been amended several times, most recently in 1993. The Corporation is accountable to Parliament through the Minister of International Trade.

The EDC's mandate is to support and develop, directly or indirectly, Canada's export trade and Canadian capacity to engage in that trade as well as to respond to international business opportunities. In establishing the EDC, the government sought to create an institution to contribute to the competitiveness of Canadian exporters of all sizes. The EDC operates as a commercial financial institution.

The EDC, as a financial services corporation, provides a wide range of flexible financial solutions to Canadian exporters. The EDC's risk management services include insurance, financing and loan guarantees are an integral part of the export strategies of many large and small Canadian companies. A self-funded crown corporation, the EDC operates on commercial principles, charging fees and premiums for its products and interest on its loans. The EDC is Canada's official export credit agency. The EDC helps Canadian exporters compete in international markets by reducing financial risks in support of export sales. Its services include export credit insurance and related guarantees, as well as loans to foreign buyers of Canadian goods and services. The Canadian exporter is at minimized risk since it receives payment directly from the EDC.

A new program from the Export Development Corporation now ensures that Canadian exporters are covered 100% against payment default by foreign buyers. Prior to the new transaction-financing arrangement, Canadian exporters could purchase EDC accounts receivables insurance which would cover 90% of the exporting company's sales. For more information, please refer to GAIN report CA0043.

According to the EDC, the total volume of business reported by the EDC in 1999 increased by 15.2% to C\$40.1 billion from C\$34.8 billion in 1998. The volume of business supported in the forest sector (lumber, pulp, paper, and value-added forest products) in 1999 was C\$8.98 billion, up nearly 18% above 1999 levels, as forest products continues as the leading sector in terms of total business volume. The support for forestry was up in 1999 due to several factors, including increased demand for pulp from Western Europe and Asia; lifting of import restrictions in Brazil, which boosted support in this key market for newsprint; and lumber prices that were sustained above normal levels as a result of a healthy US housing market, as well as by downtime taken by many producers. For 1999, the EDC's business volume on a geographic basis was apportioned as follows: North America/Carribbean, 64%; Europe, 15%; Asia/Pacific, 15%; South/Central America, 5%; and Middle East/Africa, 1%. The EDC does not disclose the value of business support by country or forest product type.

On May 18, International Trade Minister Pierre Pettigrew released the Government of Canada's response to the recommendations made by the House of Commons Standing Committee on Foreign Affairs and International Trade (SCFAIT) on the operations and mandate of Export Development Corporation (EDC). The Committee made a number of important recommendations in the areas of information disclosure, human rights, and the environment. As indicated in GAIN report CA0070, the EDC has announced steps to clarify its role in these areas. The report notes that the EDC's current contingent liability limit will be replaced with one that will expand with EDC's financial capacity, as is the case with EDC's borrowing limit. As well, EDC will be given greater flexibility to participate as a sponsor in foreign projects. Specific

initiatives to enhance support to SMEs will also be considered, and steps taken to increase co-operation between EDC and other players in the financial services sector as a means of increasing Canada's overall capacity to support exporters. SCFAIT made recommendations as part of the mandated five-year review of the *Export Development Act*, the legislation governing the activities of EDC. These recommendations addressed views expressed by EDC's clients, public interest groups, and other stakeholders, during a comprehensive process of consultation.

5.2 Program for Export Market Development

The Program for Export Market Development (PEMD) is the Canadian government's cornerstone international business development program. Since its inception in 1971, PEMD has assisted over 29,000 Canadian businesses (all sectors) in marketing their products and services abroad, with export sales totalling \$14.5 billion. According to the latest PEMD Annual Report, the PEMD partnership with Canadian businesses is an investment in a company's commitment to develop international export markets. It is not a grant, loan, or entitlement, but rather a repayable contribution, conditional on contracts obtained or incremental sales (4% of annual incremental sales) obtained by companies as a result of the PEMD supported activities in the target market.

In 1998-99, a total of 696 applications submitted by Canadian companies were approved for PEMD assistance. Authorized assistance was valued at \$20.9 million. An additional 29 applications were approved by trade associations and totalled \$2.2 million in assistance. Of the total authorized assistance, Canadian companies expended over \$8.6 million while trade associations spent almost \$1.8 million.

The top market for PEMD-assisted development activities of Canadian companies was the US which accounted for \$14.2 million, representing approximately 68% of authorized assistance. France was the second most targetted market followed by China. On the trade association side, almost half of the expenditures were incurred on market development activities in North America - the country most targetted by trade associations was the US, followed by Germany and Japn. While, the GOC does not disclose PEMD support by specific industry sector, assistance to the agriculture and resource sectors (agriculture/forestry/fishing/mining) was approved for \$277,000 based on 21 approved applications.

Specifically, the PEMD objective is to increase export sales of Canadian goods and services by sharing the costs of activities that companies normally could not or would not undertake alone, thereby reducing risks involved in entering a foreign market. Through a partnership-like relationship between government and business, the program encourages a long-term focus on target markets with built-in flexibility to respond to changing market conditions.

The PEMD program is comprised of four major elements: Market Development Strategies (MDS), New-to-Exporting Companies, Capital Projects Bidding and Trade Association Activities. A review

of the elements was detailed in last year's Solid Wood Products Annual, CA9143. Background information is available from the DFAIT's PEMD website at: <http://www.infoexport.gc.ca/pemd-e.asp>

Section 6: Market Segment Analysis

6.1 Construction Sector

The following was taken from Industry Canada's Manufacturing Industries Branch Market Trends and Prospects 58th Session ECE Timber Committee, October 9-13, 2000.

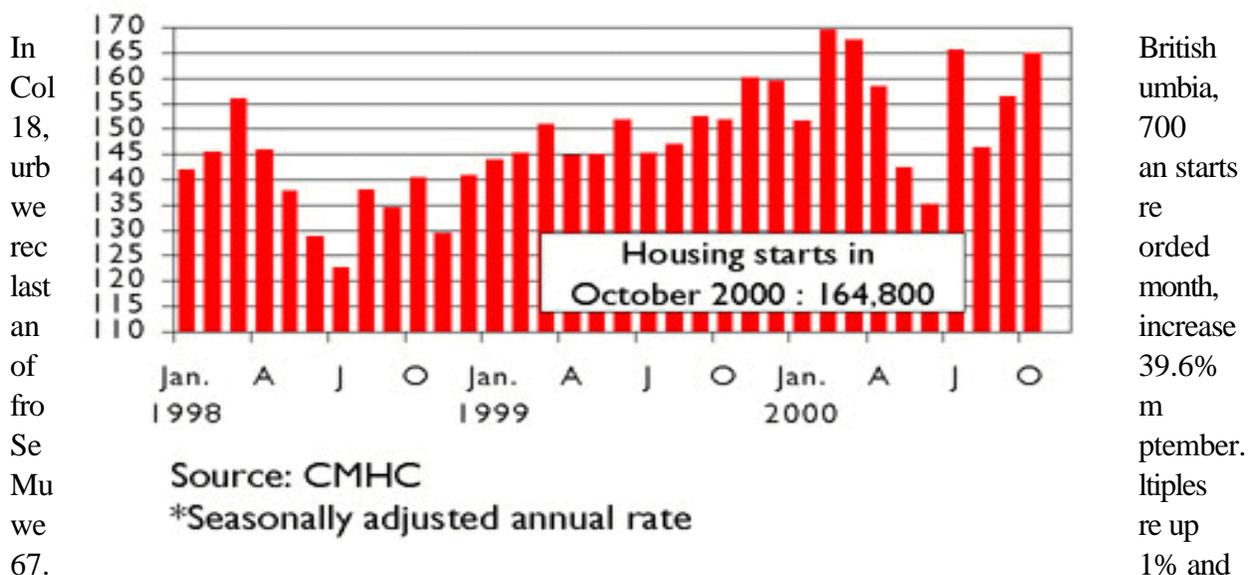
Activity in the housing sector has weakened in the first half of 2000 after posting gains in 1999. While this was partially due to strikes in Ontario and skilled labour shortages, this weakening was not concentrated solely in Ontario. Following a strong 1999, investment in residential construction rose 0.6% (annual rate) in the first quarter of 2000, and posted a decrease of 11.0% in the second quarter. New housing, renovations, and resale activity have all registered a slow-down so far this year. Housing affordability and consumer confidence, however, are expected to remain positive despite recent upward movements in mortgage rates.

Despite weakness early in the year, the momentum appears to point to a resumption of the growth trend: municipalities issued \$21.5 billion in residential building permits over the first seven months of 2000, the best performance for that period since 1989. Most of the increase in permits, has been for single-family dwellings, as the value of multi-family dwellings remained virtually unchanged from 1999 levels. On a provincial basis, the largest increases were recorded in Ontario, Quebec and Alberta, while permits in British Columbia and New Brunswick were lower than in 1999.

According to the November 8 release from the Canada Mortgage and Housing Corporation (CMHC), the annual rate of housing starts in Canada rose 4.9% in October to 164,800 units (seasonally adjusted annual rate, or SAAR) compared to 157,100 in September. Urban multiples starts were up 14.8% to 72,300 units, compared to 63,000 in September. Urban singles starts decreased 1.7% from 72,500 units in September to 71,300 in October. CMHC experts note that home builders are busy in most regions, and that October's multiple starts were very positive, reflecting strong demand on a market with limited inventory.

Housing starts in Canada all areas, *SAAR

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singles 6.6%. Vancouver starts rose 75.0% to 14,700. Ontario urban starts rose 9.1% to 73,500 units in October, primarily due to a 24.0% increase in multiples. This was counterbalanced by a 4.2% decrease in singles. Toronto starts at 46,400 units were up 16.9%. In Quebec, urban starts were down 1.8 % to 21,500 units from 21,900 in September. Multiples rose 0.9% but singles were down 4.7%. Montreal starts were 13,000 units in October. Prairie urban starts decreased 9.0% in October to 24,300 units. Singles were up 1.9% while multiples were down 24.8%. In the Atlantic Region,

overall urban starts were down 8.2% to 5,600 units. Activity increased in all Atlantic Provinces except in New Brunswick.

6.2 Prefabricated Housing Sector

The following paragraphs were taken from Industry Canada's Manufacturing Industries Branch Prefabricated Housing Review, Volume 6, Issue 2, Summer 2000. Begin text.

Prefabricated building exports in the first quarter of 2000 continued the upward trend which started in the latter half of 1999. Exports in the first quarter of the year were up 34%, reaching \$88.9 million. This compared with exports of \$66.4 million in the first quarter of 1999. The US continues to dominate as the primary destination for Canadian exports accounting for 62% of total exports. Improving economic conditions in Japan resulted in the first increase in quarterly exports to this country in nearly two years.

Provincially, British Columbia led all other regions with exports of \$35.6 million for the first three months of the year. This represents a 66% increase from a year ago. Ontario, with exports of \$35.2 million, is the second largest exporting province.

Exports to the US continued to grow in the first three months of 2000, pushing to a new record level for the usually slow period. Canadian prefabricated building exports to the US rose 48.5% to \$55.1 million. This compared with exports of \$37.1 million a year ago. Although exports to the total US are strong, growth in some regional markets appears to have weakened. Interest rates, should they continue to rise, could affect new residential construction for the balance of the year. However, overall economic growth in the US is expected to remain strong.

Prefabricated building exports to the US Midwest grew the fastest in the first quarter, soaring 99.4% to \$12.4 million. Exports to Illinois, which were \$2.7 million, increased 227%. Exports to Iowa also grew tremendously, up 613.4% to \$2.4 million. Exports to the US West were \$20.4 million in the quarter of 2000, up 77.2% from a year ago. The strong quarter was led by higher exports to Colorado. Exports to this state, the single largest market in the first quarter, skyrocketed 318% to \$5.4 million.

In contrast to the fast growing US Midwest and West markets, exports to the Northeast grew by a more modest 7.8% for the January to March 2000 period. Canadian shipments to this region were \$9.3 million. New York, traditionally the largest market for Canadian manufacturers, increased 28.1% to \$2.7 million. These gains were offset by falling exports to Maine and Massachusetts, down 15% and 29% respectively.

Table 28 : Top 20 Export Markets in the US, First Quarter 2000

	2000	1999	%ch 99/00
1 Colorado	5.41	1.29	317.9%
2 Washington	4.65	2.96	57.2%
3 Florida	2.87	1.96	46.1%
4 Texas	2.76	1.57	75.3%
5 Illinois	2.70	0.83	226.9%
6 New York	2.68	2.09	28.1%
7 Iowa	2.49	0.35	613.4%
8 Michigan	2.34	0.93	151.6%
9 Nevada	2.27	0.34	566.8%
10 North Carolina	2.27	1.61	41.0%
11 California	2.24	1.96	14.1%
12 Arizona	1.95	1.03	88.9%
13 Maine	1.83	2.15	-14.8%
14 Pennsylvania	1.81	0.72	149.6%
15 Georgia	1.78	0.98	81.2%
16 Ohio	1.69	1.31	28.9%
17 Virginia	1.61	2.45	-34.3%
18 Oregon	1.38	0.91	51.3%
19 Montana	1.26	1.42	-11.3%
20 New Hampshire	1.01	0.93	8.2%

Source: Industry Canada based on Statistics Canada data, 2000

Exports to the US South were \$13.1 million in the first quarter, up 22.9% for the period. Housing starts in the region were down in the first months of the year, due mostly to higher mortgage rates. Exports to Florida and Texas led all others in the region, reaching \$2.9 and \$2.7 million respectively.

Exports to Japan were up 26.7% to \$21.5 million in the first quarter of 2000. Demand for Canadian prefabricated structures was solid, continuing the trend set in the third and fourth quarters of 1999. Although the Japanese construction sector saw increased activity in the first three months of the year,

prefabricated housing starts in Japan were unchanged from a year ago. Japan accounted for 24.2% of prefabricated building exports through the first quarter, up for the first time in over seven quarters.

Prefabricated building exports to the Asia-Pacific region were up 169.7% in the first quarter, reaching \$2.2 million. Economic conditions, which improved throughout 1999 and the first three months of the year, pushed demand higher. Unlike in established markets such as the US, or Japan, exports to this region remain variable from quarter to quarter. For example, exports to China were \$1.1 million in the first quarter of 2000, but only \$142 099 in the first quarter of 1999.

Exports to the European Union (EU) were \$5.5 million between January and March, a decrease of 14% from the same period a year ago. The fall in Canadian exports was due primarily to a decrease in shipments to Germany, traditionally the largest market for Canadian manufacturers in Western Europe. Exports to Germany were \$1.81 million in the first quarter, down 35.3% from \$2.8 million in 1999. On a more positive note, exports to France (\$1.84 million) and to the United Kingdom (\$1.1 million) were both higher. Exports to the EU represent 6.2% of total Canadian exports.

Imports increased 44.1% for the January through March period, reaching \$24.9 million. The US accounted for 93% of imports. Product from Illinois, the largest source of prefabricated building imports, grew 42% to \$6.2 million for the first three months of the year. Growing imports suggests Canadian demand for prefabricated building is strong.

Mobile home shipments were \$61.8 million in the first quarter, up 11.3%. Strong demand from the Canadian market helped to push production higher. The strong quarter was reflected in the seasonally adjusted and annualized rate shipment figures, which rose 10% to \$332.9 million. Shipments are expected to slow slightly during the remainder of the year as higher interest rates will increase borrowing costs.

6.3 Kitchen Cabinets Sector

Solid demand from the Canadian and US markets pushed production of kitchen cabinets higher in the first quarter of 2000. Kitchen cabinet shipments increased by 8.5% to \$366.8 million for the first three months of the year. Higher exports accounted for the bulk of the production increase although there was some growth in the domestic market. Exports, which accounted for 42% of production in the first quarter, are expected to drive industry growth in 2000. Canadian shipments of kitchen cabinets reached \$1.56 billion for all of 1999.

The industry producer price index (IPPI) for kitchen cabinets was up 4.5% in the first quarter of 2000. The increase in the IPPI was due in part to higher material costs, particularly wood panels. The price

of wood panels increased throughout 1999, and remained strong in the first few months of 2000. Wood panel prices have been gradually falling since then.

The strength of first quarter shipments is reflected in the seasonally adjusted and annualize rate data. Shipments were \$1.74 billion (SAAR) for the January to March 2000 period, up 13%. This would indicate shipments, and ultimately exports, were very strong in the first quarter, despite the usually weak winter months and initial signs of slowing construction activity in the US due to higher interest rates.

Canadian construction activity remained relatively stable from a year ago and the apparent domestic market (ADM) for kitchen cabinets grew at a modest 2% in the first quarter of 2000. Much of the new consumption in Canada was supplied by higher imports, which accounted for 3.7% of the ADM. The ADM for kitchen cabinets was valued at approximately \$220 million in the first quarter of 2000.

Kitchen cabinet exports were \$154.8 million in the first three months of 2000, up 21.6% from the same period in 1999. The Canadian kitchen cabinet industry is increasingly export orientated with exports representing 42% of production, versus 40% a year ago. Exports in the first quarter of 1999 were \$127.3 million on shipments of \$338 million.

Exports to the US, which represented 99% of total exports, grew 21.4% in the first quarter, reaching \$153.3 million. Demand for Canadian kitchen cabinets from the US remained strong, continuing the trend from the fourth quarter of 1999. Exports to the US were helped by a mild winter through many parts of the country, allowing for an earlier start to the construction season. Construction activity in the US is expected to slow as higher interest rates begin to influence the residential housing market.

Kitchen cabinet exports to the US Midwest grew the fastest in the first quarter of 2000. Exports were up 56% to \$31.1 million, compared to \$20 million a year ago. Illinois and Michigan were the largest markets in this region, with Canadian exports of \$8.4 and \$8.2 million respectively. In the US West, exports were \$33.3 million in the first quarter of 2000, up 41.4% from \$23.6 million in the first quarter of 1999. Demand for building products from states along the US West coast were strong throughout the first three months of the year. Exports to California, the largest market for Canadian kitchen cabinets in the US West, grew 23% to \$11.5 million.

Table 29: Top 15 Export Markets for Kitchen Cabinets in the US (in \$millions)

	1 st Q 2000	1 st Q 1999	%Ch 99/00
Florida	14.689	11.658	26.0%
New York	13.853	12.022	15.2%
California	11.546	9.404	22.8%
Illinois	10.124	7.829	29.3%
Massachusetts	8.400	5.953	41.1%
Michigan	8.224	7.753	6.1%
Georgia	7.270	6.293	15.5%
North Carolina	7.026	8.761	-19.8%
Washington	6.996	4.386	59.5%
Colorado	6.658	3.488	90.9%
New Jersey	6.233	5.784	7.8%
Ohio	5.683	2.823	101.4%
Pennsylvania	4.836	4.106	17.8%
New Hampshire	3.894	3.197	21.8%
Texas	3.785	3.896	-2.8%

The US South and Northeast are the largest markets for Canadian kitchen cabinets in the US. Exports to the US Northeast grew at 19% to \$43 million for the first three months. Exports to New York state rose 15% to \$13.8 million. The slowing construction activity in the US South impacted on the growth of kitchen cabinet exports to the region. Exports grew by 11.6% in the first quarter, reaching \$45.9 million versus \$41.2 million in the first quarter of 1999. Florida was the largest market in the US South, with exports growing 26% to \$14.7 million in the first three months of the year. Georgia, with Canadian exports of \$7.3 million, grew at 15.5%.

Exports to markets other than the US, were stronger, totalling \$1.5 million. This is up 50.4% from a year ago. In comparison, kitchen cabinet exports to the state of Wisconsin alone (\$1.92 million) were

greater than all other international destinations. Exports to Japan increased 33% to \$544,000 in the first three months of 2000. This compares to \$409,000 in the first quarter of 1999.

Kitchen cabinet imports increased sharply in the first quarter of 2000 despite little growth in Canadian consumption. Imports rose 59% to \$8.06 million for the first three months of the year. Ontario, the largest market for kitchen cabinets in Canada, accounted for the two-thirds of imports (\$5.3 million). Ohio represents the largest source of kitchen cabinet imports, at \$4.3 million between January and March. Canada has a net trade balance of \$146.8 million in the first quarter of 2000, as compared to \$122 million a year ago.

6.4 Windows and Doors Sector

Production of windows and doors soared in the first quarter of 2000. Continued growth in both the domestic and export markets pushed demand higher, despite initial signs of a slowing construction sector. Unlike in previous years where the export sector led shipment growth, the first quarter of 2000 saw significant gains in the apparent domestic market (ADM). The ADM grew by approximately 27% to \$499.6 million in the first three months of the year.

Combined, wood and metal window and door shipments were \$656 million for the first quarter, an increase of 26.5%. Wood and metal window and door shipments, on a seasonally adjusted and annualized basis, were \$3.31 billion. This represents an increase of 9.4% from the fourth quarter of 1999, and a 22.7% rise over the first quarter of 1999. This would tend to demonstrate the industry experienced solid gains through the January to March period of 2000. Wood window and door shipments were up 22% for the first three months, reaching \$284.5 million. The IPPI for wood windows and doors remained unchanged for the ninth consecutive quarter.

Window and door exports showed considerable resilience in the first quarter of 2000. The first quarter traditionally sets the tone for the upcoming year. Canadian window and door exports reached \$239.7 million for the first three months of the year, up 23.2% from a year ago. Should this pace continue, window and door industry exports should surpass \$1 billion in 2000. Wood window and door exports reached \$109.8 million for the January to March period, up 28% from the same period a year ago.

Canadian window and door exports to the US continued to grow in the first quarter of 2000. Despite early signs of a slowing US construction sector, exports grew 23.5% to \$216.4 million through the first three months of the year. A slight decline in the value of the Canadian dollar continued to make Canadian windows and doors attractive to US buyers. Exports to the US have been the driver to the industry's growth over the past few years, and is expected to remain an important element through 2000. The US represents 90% of total industry exports.

Exports to the US West saw the most significant gain, increasing 42.7% in the first quarter to reach \$46.3 million. Much of the gain was as a result of strong exports to the State of Washington, where exports increased 96% to \$17.8 million for the first three months of the year. In the US Midwest, exports were up 30.4% to \$55.9 million. Exports to this region were buoyed by strong gains in Michigan, up 53% to \$18.8 million through March, and to a lesser extent Minnesota. Window and door exports to this state were up 67 to \$8.7 million.

The US Northeast, the largest destination for Canadian windows and doors, saw moderate growth in the first quarter. Exports to states in this region increased 15% to \$71.1 million. New York, the largest export market for Canadian producers, saw a slight increase in window and door exports, up 1.8% for the first three months of the year. The slowing of construction starts in the US South was also felt in window and door exports to that region. Exports to the US South, the largest construction market in the US, grew by just 6.8% to \$43 million for the first three months of the year.

First quarter exports to offshore markets were mixed. Exports to the EU saw solid gains, increasing 23.6% to \$6 million for the three months ending in March. Demand in Europe has strengthened considerably because of the stronger economies in most European countries including the United Kingdom and France. The UK is the leading export market for Canadian doors and windows in the EU. Exports to this country increased 13% to \$2.8 million through the first three months of the year.

Despite making significant gains in 1999, Canadian window and door exports to Japan fell 13% in the first quarter of 2000 to \$5.6 million. Exports to the Asia-Pacific region continued to tumble, dropping 77% for the first three months of the year.

The improving Canadian window and door market resulted in higher imports. Imports increased 11.7% to \$56.3 million in the first quarter. Not surprising, Ontario accounts for the largest percentage of window and door imports (31% or \$17.5 million). Washington State was the largest source of window and door imports at \$8.6 million for the first three months of 2000. The US accounts for 97% of all imports. Wood doors account for 34% of all imports.

6.5 Markets for Certified Wood Products

The following was taken from Industry Canada's Manufacturing Industries Branch Market Trends and Prospects 58th Session ECE Timber Committee, October 9-13, 2000.

During the past year, forest product companies in all regions of Canada have been actively implementing one of the four certification systems used in Canada. The Canadian Standards Association (CSA) reports that as of September 2000, over 21.5 million hectares of forest land have

been certified following independent third-party audit. This land area represents almost 33 million m³, or nearly one-fifth of Canada's annual forest harvest.

The Canadian Sustainable Forestry Certification Coalition anticipates that by the end of 2003 some 92 million hectares of forest land will be certified in Canada. While nearly all of this 95 million hectares of forest land will be certified through the ISO 14001 Environmental Management System Standard, an estimated 36.5 million hectares of the total will also will certified under the CSA Sustainable Forest Management Standard, 9.5 million hectares will be certified under the Sustainable Forestry Initiative standard and 5.5 million hectares under the Forest Stewardship Council. Canadian industry is also actively promoting the mutual recognition of different systems which use third party certification as a means of verifying compliance with one or more of the available standards.

Section 7: Strategic Indicator Tables

7.1 Market Segments

A. Construction Sector

CONSTRUCTION MARKET			
Country: Canada	Previous	Current	Following
Report Year: 2000	Calendar Year	Calendar Year	Calendar Year
Total Housing Starts (thousand units)	155	165	163
--of which, wood frame (thousand units)	na	na	na
--of which, steel, masonry, other materials (thousand units)	na	na	na
--of total starts, residential (thousand units)	155	165	163
----of residential, single family (thousand units)	74	73	72
----of residential, multi-family (thousand units)	61	72	73
--of total starts, commercial (thousand units)	20	20	18
Total Value of Commercial Construction Market (\$US mil)	na	na	na
Total Value of Repair and Remodeling Market (\$US million)	na	na	na

B. Furniture Sector

FURNITURE & INTERIORS MARKET			
Country: Canada	Previous	Current	Following
Report Year: 2000	Calendar Year	Calendar Year	Calendar Year
Total Housing Starts (number of units)	155	165	163
Total Number of Households)	11	12	12
Furniture Production (\$US million)	5,743	6,030	6,645
Total Furniture Imports (\$US million)	1,506	1,580	1,653
Total Furniture Exports (\$US million)	3,285	3,449	3,849
Interiors Market Size (\$US million)	3,964	4,161	4,431

C. Material Handling Industry

MATERIAL HANDLING MARKET			
Country: Canada	Previous	Current /2	Following /3
Report Year: 2000	Calendar Year	Calendar Year	Calendar Year
New Pallet Production (million units)	na	na	na
Total Value of Exports to the World (\$US million) /1	112	104	138
Total Value of Exports to the US (\$US million) /1	112	103	137
Value of Exports to the US as % of World	99.1%	99.6%	99.3%
Total Value of Imports from the World (\$US million) /1	22	19	25
Total Value of Imports from the US (\$US million) /1	20	17	22
Value of Imports to the US as % of World	89.3%	89.9%	90.0%
/1 For HS code 4415			
/2 For January - September			
/3 Forecast			

7.2 Forest Area

FOREST AREA			
Country: Canada	Previous	Current	Following
Report Year: 2000	Calendar Year	Calendar Year	Calendar Year
Total Land Area (million ha.)	922	922	922
Total Forest Area (million ha.)	418	418	418
--of which, Commercial ('000 ha.)	244,572	244,600	244,600
----of commercial, tropical hardwood ('000 ha.)	na	na	na
----of commercial, temperate hardwood ('000 ha.)	36,686	36,690	36,690
----of commercial, softwood ('000 ha.)	163,863	163,882	163,882
Forest Type			
--of which, virgin ('000 ha.)	na	na	na
--of which, plantation ('000 ha.)	na	na	na
--of which, other commercial (regrowth) ('000 ha.)	na	na	na
Total Volume of Standing Timber (thousand m ³)	51,129,000	51,129,000	51,129,000
--of which, Commercial Timber ('000 m ³)	28,632,240	26,160,000	26,160,000
Annual Timber Removal ('000 m ³) 1/	182,718	173,616	173,600
Annual Timber Growth Rate ('000 m ³)	na	na	na
Annual Allowable Cut ('000 m ³)	236,500	232,800	232,800
1/ If Removals exceeds growth rate, analyze impact in text.			

7.3 Solid Wood Subsidies

WOOD PRODUCTS SUBSIDIES			
Country: Canada	Previous	Current	Following
Report Year: 2000	Calendar Year	Calendar Year	Calendar Year
Total Solid Wood Export Subsidy Outlay (\$US million)	na	na	na
Is there a ban on the export of logs, lumber, or veneer? 1/	no	no	no
Are there export taxes (yes/no)? 2/	no	no	no
Total Wood Production Subsidy (\$US million)	na	na	na
Scope (thousands of hectares)	na	na	na
Are there other wood products export expansion activities? 1/	yes	yes	yes
1/ If yes, describe in report.			
2/ If yes, identify in Tariff and Tax Strategic Indicator Table.			

7.4 Tariffs & Taxes

FOREST PRODUCT TARIFFS AND TAXES (percent)		Tariff	Tariff	Other		
Country: Canada	Product	Current	Following	Import	Total Cost	Export
Report Year: 2000	Description	Year	Year	Taxes/Fees	of Import	Tax
4401		0%	0%			
4403		0%	0%			
4404		0%	0%			
4405		0%	0%			
4406		0%	0%			
4407		0%	0%			
4408		0%	0%			
4409		0%	0%			
4410		0%	0%			
4411		0%	0%			
4412		0%	0%			
4413		0%	0%			
4414		0%	0%			
4415		0%	0%			
4416		0%	0%			
4417		0%	0%			
4418		0%	0%			
4419		0%	0%			
4420		0%	0%			
4421		0%	0%			
4422		0%	0%			
4423		0%	0%			
4424		0%	0%			
4425		0%	0%			
Pre-fabricated Houses, a subsection under chapter 96		0%	0%			

For more information, please visit these Web Links:

Export Development Corporation: <http://www.edc-see.ca/>

U.S. Foreign and Commercial Service Country Commercial Guide FY2000, Canada:
http://www.state.gov/www/about_state/business/com_guides/2001/wha/canada_ccg2001.pdf

Industry Canada (Forest Sector): http://strategis.ic.gc.ca/sc_indps/sectors/engdoc/fmbp_hpg.html

Council of Forest Industries: <http://www.cofi.org>

British Columbia Ministry of Forests: <http://www.gov.bc.ca/for/>

National Forestry Database Program: <http://nfdp.ccfm.org/>

Natural Resources Canada: <http://nrcan.gc.ca/cfs/proj/ppiab/sof/sof.html>

The Canadian Department of Foreign Affairs and International Trade:
<http://www.dfait-maeci.gc.ca/~eicb/softwood/lumber-e.htm>

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