

# Forestry and Agrifoods



Pure Labrador Products

## Newsprint

The newsprint industry is cyclical by nature, however, the past several years have been particularly challenging due to a significant contraction in North American newsprint demand. North American demand totalled 10.4 million tonnes in 2005, a decline of 20.4% from its 2000 level. In response to this rapid decline in demand, producers have been reducing capacity by closing many of their higher cost mills. As a result, North American capacity has been reduced from its peak of 16.7 million tonnes in 1999 to 13.3 million tonnes in 2005. While the removal of this excess capacity has put upward pressure on newsprint prices, it remains to be seen whether the reductions will prove sufficient to stabilize the market. The price of newsprint is expected to average US\$680 per metric tonne in 2006, an increase of 11.5% over its 2005 level. Unfortunately for Canadian producers, the bulk of the price increase is being offset by the appreciation of the dollar and prices are only expected to rise by 3.9% in Canadian dollar terms.

Abitibi-Consolidated closed several newsprint mills across the country in recent years as a result of poor market conditions. The Stephenville newsprint mill was closed in October 2005, with the company also citing high energy costs and fibre supply constraints as major reasons for the closure. The closure of the Stephenville mill removed approximately one quarter of the province's newsprint capacity. As a result, provincial newsprint shipments fell to 439,973 tonnes in the first three quarters of 2006—representing a 26% decline from the same period in 2005.

## Lumber

The volume of lumber production is expected to increase by just over 5% in 2006 to 130 million board feet. However, the estimated value of production is expected to decline by around 16% as lower prices more

than offset the volume increase. Lumber prices are expected to average US\$330 per thousand board feet in 2006, down from US\$387 in 2005 as a result of reduced North American housing starts.

## Farm Cash Receipts

Total farm cash receipts increased by 0.6% in the first six months of 2006 to \$42.6 million. Dairy production, which accounts for more than 40% of total farm cash receipts, was up 6.8% to \$18.3 million. The dairy industry continues to experience significant growth as a result of increases to the province's industrial milk quota—production increased to 13.3 million litres in 2005-06 (August-July) from 7.5 million litres the previous year. Egg production, which accounts for about 14% of total receipts, was down 9.6% in the first six months of 2006 to \$6.0 million. Most other categories exhibited little change from levels in the previous year.

## PURE LABRADOR

Labrador Preserves Company of Forteau, which produces a variety of gourmet spreads and syrups—including cloudberry (bakeapple), lingonberry (partridgeberry) and blueberry—has recently ventured into the New England market in a major way. Four gourmet food chains (Whole Foods Market, Russo's Quality Fruits and Vegetables, The Brown Jug, and Formaggio Kitchen) in three New England states (Massachusetts, Rhode Island, and New Hampshire) have agreed to carry the PURE LABRADOR product line. PURE LABRADOR products are made from the finest wild berries grown on the pristine, pollution-free barrens and marshes of Labrador. Labrador Preserves Company uses the most modern equipment available, while maintaining the integrity of the original taste. This process captures the essence of the old fashioned recipes handed down through generations from the original settlers of the Labrador Straits in the 17th century.

Labrador Preserves now employs eight full-time workers and plans to increase its workforce to 25 full-time positions over the next two years. Currently, 80% of production is marketed within the province with the remainder being exported to mainland markets. Further expansion into Canadian and U.S. markets is a cornerstone of the company's business plan—sales are projected to increase by 40% in 2007 and another 50% in 2008, at which time the company expects to be marketing approximately 60% of its product outside the province.