Forestry and Agrifoods

Manual logging operation

Sexton Lumber, Bloomfield

Forestry

World Newsprint Industry

There are just over 200 newsprint mills worldwide, 43 of which are in North America. Canada is the largest producer of newsprint accounting for approximately 22% of world supply, followed by the U.S. at 14% and Japan at 10%. Most of the remainder is produced in other Asian countries (17% combined) and Western European countries (25% combined). Canada is also the largest newsprint exporter with around 60% of its production sold to the U.S. and 25% shipped to offshore markets. The United States consumes close to 30% of global newsprint production, even though it accounts for only 5% of the world's population. Newspaper advertising is a major driver of newsprint consumption—in the U.S. it generates 85-90% of publishers' revenues.

North American newsprint shipments totalled just under 12.7 million tonnes in 2005, representing a decline of 4.3% over 2004. In recent years, North American producers have been struggling to cope with a fundamental change in the newsprint market. North American newsprint demand has declined by 20% since 2000 as other competing news and advertising mediums, such as multi-channel cable/satellite television and the internet, have increased in popularity. In addition, many newspaper publishers have shifted towards smaller tabloid form papers. In the face of this declining demand, newsprint producers have been forced to cut back on production and close some of their less efficient mills.

Distribution of Costs, 2004
Average North American Newsprint Mill

Wood Fibre & Purchased Pulp	32%
Energy	23%
Labour	22%
Materials & Supplies	14%
Other Raw Materials	5%
Other Mill Costs	4%
Total Mill Costs	**100%**

Pulp and Paper Products Council

Provincial Newsprint Industry

The province's newsprint industry suffered a major set-back this past year with the closure of one of the province's three newsprint mills. Despite the best efforts of stakeholders, a combination of factors including fibre supply problems, high energy costs and declining markets proved insurmountable and Abitibi-Consolidated's Stephenville operation was shut down in October 2005. As indicated in the accompanying table, fibre supply and energy costs account for over half of the average mill's total cost.

Abitibi-Consolidated is currently conducting a comprehensive review of mill modernization requirements at its Grand Falls-Windsor operation. Further details were not available at the time of writing.

Despite the closure of the Stephenville mill, the volume of newsprint shipped from the province is estimated to have increased 4.1% in 2005 to 761,778 tonnes. Newsprint prices increased by 10.9% in U.S. dollar terms—from US$550 per metric tonne in 2004 to US$610 in 2005. However, appreciation of the Canadian dollar offset most of this increase and prices increased by only 3.2% in Canadian dollar terms. The net result of the volume and price increases was that the value of newsprint shipments from the province increased by 7.5% in 2005 to $563 million.

Lumber

Lumber production rebounded by 30% in 2004 and made additional gains last year, following a significant downturn in the industry in 2003. Lumber production is estimated to have increased by 3% in 2005 to 125 million board feet. In recent years, production has become more concentrated with the larger capital intensive sawmills accounting for an increasing proportion of total provincial production. For example, in 1997 the five largest sawmills produced 52% of total lumber production, whereas in 2004 the five largest producers accounted for 69% of provincial production.

Unfortunately for sawmill operators, the positive benefits of increased production volumes were offset by lower prices. Lumber prices declined by approximately 4% in US$ terms (11% in CAN$ terms) in 2005 to US$387* per thousand board feet. The net effect of the volume increase and price decrease was an 8% decline in the value of production from approximately $64 million in 2004 to $59 million in 2005.

Agrifoods

Farm Cash Receipts

Total farm cash receipts increased by 7.3% in 2005 to $92.4 million. The largest categories of agricultural products in the province were dairy products, hens and chickens, eggs, and floriculture and nursery products. Growth in dairy products has been particularly strong in conjunction with substantial increases in the province's industrial milk quota.

Farm Cash Receipts

$ Millions	1995	2004	2005	Growth Since 1995	Growth Since 2004
Dairy Products	21.9	30.8	34.5	57.5%	12.0%
Eggs	8.6	13.3	13.4	56.8%	1.0%
Floriculture and Nursery Products	6.0	9.9	9.9	65.3%	0.2%
Potatoes	1.5	2.0	1.9	26.5%	-9.0%
Cattle	1.7	0.8	1.3	-23.1%	53.2%
Other*	26.8	29.3	31.5	17.4%	7.4%
Total	**66.4**	**86.1**	**92.4**	**39.2%**	**7.3%**

*Other includes vegetables, hens and chickens, and furs
Statistics Canada

Fox pelts

Fur Industry

There has been significant growth in the fur industry in Newfoundland and Labrador as a result of considerable investment by governments and the private sector. Over $3 million has been invested through federal and provincial government funding programs. The development of the fur industry in the province is the result of a strategic plan that was prepared by the Fur Breeders Association in the 1990s. This was followed by the Collaborative Expansion Initiative that was successful in attracting several well-established fur farmers from Denmark and garnered the interest of existing and new farmers from within the province.

The mink industry has grown from approximately 1,000 breeder females in 2001 to 22,000 in 2005. Potential production for 2005 is over 100,000 pelts, with an associated value of over $5 million. By 2008 it is expected that the number of breeder females will reach over 100,000, resulting in potential production value of $25 million per year.

Outlook 2006

- Newsprint shipments are expected to decline by 20% to 610,000 tonnes due to the closure of the Stephenville mill.
- Newsprint transaction prices are expected to increase by approximately 5% to US$640 per metric tonne.
- Lumber production is expected to increase by around 4% to 130 million board feet.
- Farm cash receipts are expected to record moderate increases; substantial gains are expected in fur production.

* Random Lengths Publications Inc.