

British Columbia Shipping Smaller Portion of Canadian Forestry Exports

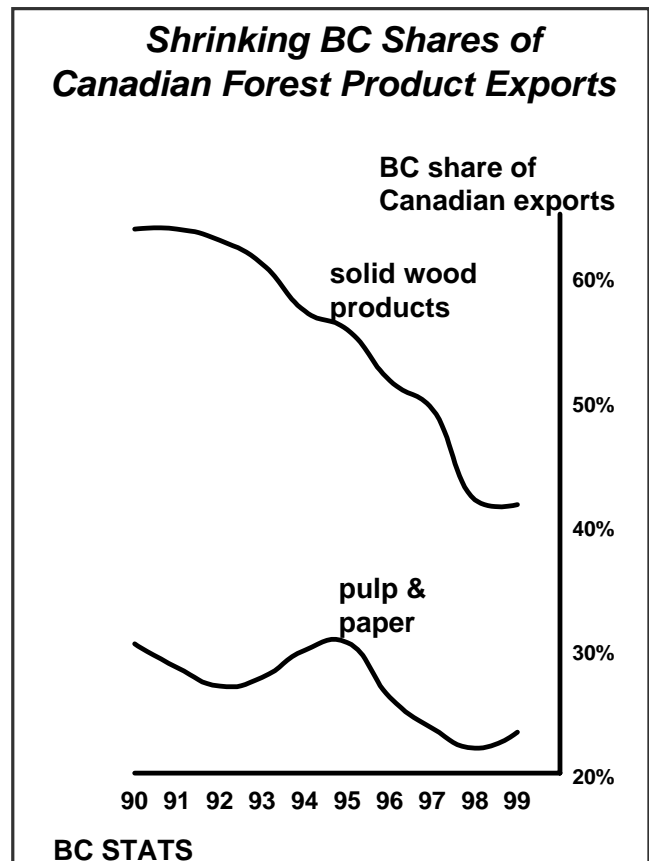
British Columbia continues to be Canada's premier wood exporting province. But that could change if trends of the 1990s continue through the present decade. The province's share of total Canadian forest product exports, including solid wood products as well as pulp and paper, was whittled down from an imposing 41 per cent of the Canadian total in 1990, to 33 per cent in 1999.

This has not occurred because the value of British Columbia wood product exports has shrunk over the years. During the 1990s, solid wood exports from British Columbia grew at an average annual compound growth rate of 9 per cent, 3 percentage points faster than the growth rate for all British Columbia products. Pulp and paper exports grew less quickly, but still increased at an average annual compound growth rate of 2 per cent.

However, exports in both the solid wood and pulp and paper categories grew more quickly elsewhere in Canada. In every other province, average annual compound export growth rates for total forest products exceeded export growth rates in British Columbia by a wide margin.

A Somewhat Less Dominant Role In Canadian Solid Wood Exports

British Columbia's lumber exports were held back to some extent by the restrictions of the Canada-U.S.A. Softwood Lumber Agreement. This Agreement set quotas on the volume of wood that could be shipped penalty-free to the United States market from British Columbia, Alberta, Ontario and Quebec. Shipments



from other provinces have not been constrained.

Not surprisingly, lumber exports to the United States from those provinces not covered by the Agreement have grown faster than exports from provinces that are bound by the Agreement. For example, British Columbia's 12 per cent compound average annual export growth for lumber shipped to the United States compared to growth rates of 28 per cent for New Brunswick and 34 per cent for Saskatchewan.

But the Softwood Lumber Agreement does not entirely account for the relatively slow growth of solid wood exports from British Columbia. Alberta, Ontario and Quebec (the other provinces whose lumber exports to the United States are also restricted by the Agreement) have all increased their solid wood exports at much faster rates than British Columbia. Average annual compound growth rates for exports to the United States of solid wood products from these provinces were 22 per cent, 19 per cent and 24 per cent respectively, between 1990 and 1999.

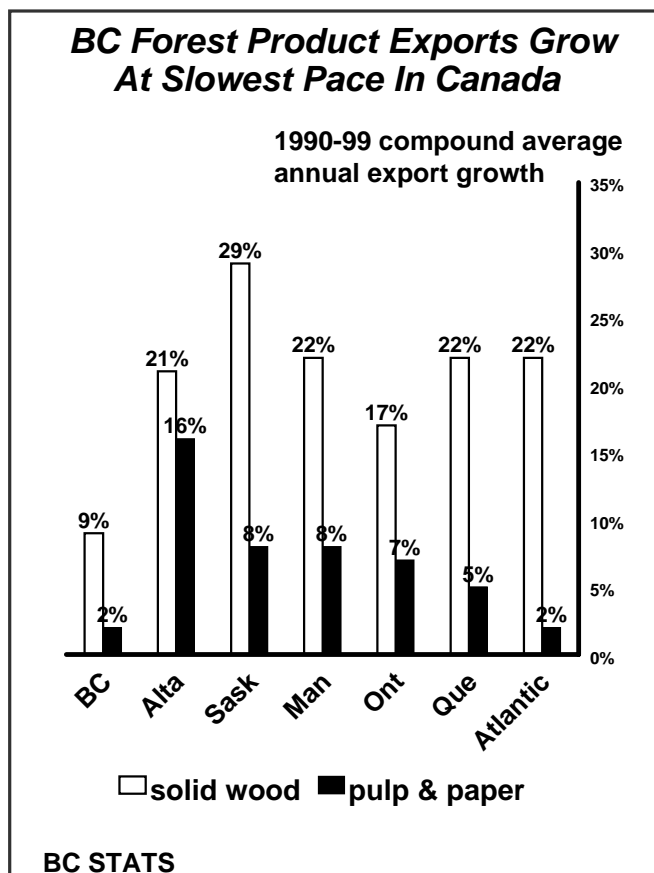
At least part of the reason these provinces achieved higher growth rates was because their solid wood exports include a different mix of products. While British Columbia's solid wood exports continue to be concentrated heavily in lumber, solid wood exports from other provinces have changed to include higher proportions of value added products.

This is particularly true for exports to the United States. Alberta's 1999 solid wood exports to the United States included 23 per cent in value added categories; Ontario's included 44 per cent; and Quebec's included 37 per cent. The ratio for British Columbia was 14 per cent.

Value added wood exports to the United States (generally those that are 'remanufactured' from raw lumber) are not limited by the Canada-U.S.A. Softwood Lumber Agreement.

Between 1990 and 1999, total British Columbia value added wood exports to the United States increased at an average annual compound rate of 18 per cent – faster than the 12 per cent growth for exports of lumber, but slower than the rates of growth for value added wood exports from other

provinces. Value added wood exports to the United States from Alberta, for example, grew at an average annual compound growth rate of 27 per cent, as did those from Ontario. Valued added wood exports from Quebec grew at 29 per cent.



Smaller Shares of Most Canadian Pulp and Paper Exports

Solid wood products account for just over half (51 per cent) per cent of all Canadian forestry exports. The rest are pulp and paper commodities.

International market destinations for pulp and paper commodities are more diverse than for solid wood products, with smaller proportions of total exports destined for the United States and Japan. Forty-three per

cent of British Columbia pulp and paper exports were shipped to destinations other than the United States or Japan in 1999, compared to only 5 per cent of solid wood product exports.

British Columbia pulp and paper exports to all markets grew at an average annual compound rate of only 2 per cent, during the 1990s – slow by comparison with most other provinces. The growth rate for Canada as a whole was 5 per cent. Rates for other important pulp producing provinces ranged from 16 per cent for Alberta, 8 per cent for Saskatchewan and Manitoba, to 2 per cent for New Brunswick and Nova Scotia.

Fortunately the pulp and paper product categories in which British Columbia exports have experienced the slowest growth have been those with the least value added content.

The province's pulp exports grew at an average annual compound rate of 1 per cent over the 1990s, and its newsprint exports actually shrank 4 per cent. However, British Columbia exports of refined paper products grew at 13 per cent – faster than the 11 per cent average for Canada as a whole.

This produced some shifting in the British Columbia shares of Canadian pulp and paper commodity exports. For example, the province's share of Canadian pulp exports fell from 50 per cent to 44 per cent between 1990 and 1999, and its share of Canadian newsprint exports fell from 18 per cent to 12 per cent. But, over the same period, the provincial share of Canadian refined paper exports increased from 17 per cent to 20 per cent.