CANADA MARKET PROFILE

CANADA: FOREST PROFILE [1]

Canada has the world´s third largest forest resource after the Russian Federation and Brazil. Forest and other wooded land accounts for well over two-fifths of its land area; the area of forest and other wooded land per inhabitant is one of the highest in the world. Canada is the steward of one tenth of the world's forest and one fifth of the world's fresh water. SW resources represent 16% of the world total and HW's account for three percent.

CANADA'S FOREST DISTRIBUTION

There is a broad belt of coniferous forest, essentially boreal, across the country, with tundra to the north. To the south and east of this (Ontario, Quebec and the maritime provinces), forests have a larger broadleaved component. British Columbia has specific forest types determined by the mountain and coastal nature of the province. Coniferous species make up the major part of the growing stock, the main species being spruces, pines, firs and larches. Along the west coast of British Columbia other species, which grow to very large sizes, are Douglas fir, western hemlock and western red cedar. Broadleaved species, which predominate in the south-eastern parts of the country, include maples and oaks, while species of birch, alder and willow occur widely throughout the country.

	Forest Cover 2000	Distribution of land cover/use % (1994)		
	´000 ha	Forest	Other Wooded Land	Other land
Canada	244,571	26.5	18.8	54.7
North America	549,306	26.1	15.9	57.8
World	3,869,453	29.4	11.2	58.6

All in all, there are about 180 species of forest trees in Canada and a very wide range of forest types. Nearly two thirds of the forest and other wooded land is comprised of forest, of which one half is classified as available for wood supply. About one third of other wooded land, which is mostly in the harsher climatic conditions, is available for wood supply. Most of the forest not available for wood supply is classified as such because of its remoteness and the lack of infrastructure makes commercial harvesting economically non-viable. Canadian forests are publicly owned.

POLICIES/ISSUES

In 1990, the federal government issued the Green Plan for a Healthy Environment, with the goal of promoting the sustainable use of Canada's natural resources. As part of this plan, the Model Forest Network was created. This network is a group of ten forests, distributed among the five major Canadian ecoregions. This network of forests serves to increase experimentation in sustainable management techniques, and to showcase the best forestry practices currently known. The Model Forest network is growing: there are now three model forests abroad, with two in Mexico and one in Russia.

PRODUCTS AND TRADE

Canada is one of the world´s major producers of forest products. Canada produces large quantities of all forest products and is particularly important as a producer of sawn timber and wood pulp. Canada is the world´s largest exporter of forest products. Important non-wood forest products in Canada include nuts, wild fruits, maple syrup, berries, mushrooms, other edible plant products (e.g. wild rice, ginseng, ginger), medicinal plants, game, floral greenery and Christmas trees.

CANADA: QUICK FACTS

The Canadian forest industry is very strong: it accounts for 16% of world pulp production and almost a third of the total production of newsprint. It is the main exporter of manufactured forest products, with a 20% share in the market. The forest industry generates 800,000 jobs for Canadians, or one in every sixteen. All in all, exports of forest products contributes almost as much to Canada's net balance of trade as energy, fishing, mining and agriculture combined.

1 Source: World Forest Institute. http://www.worldforestry.org/wfi/world-forests.htm

CANADA MARKET PROFILE

CANADA TRADE OVERVIEW

Canada Export Stats
Commodity: Wood Products (44)
Value: $1,000,000

Partner Country	2003	SHARE	1YR Δ	5YR Δ
World	2,372.7	100.0%	9.6%	25.4%
United States	1,900.1	80.1%	7.6%	8.7%
China	78.3	3.3%	70.7%	355.4%
Germany	59.4	2.5%	-0.1%	349.1%
Austria	44.2	1.9%	55.6%	488.7%
Brazil	43.9	1.8%	6.7%	184.6%
Chile	42.9	1.8%	30.4%	668.1%
Belgium	27.6	1.2%	10.9%	948.6%
Hong Kong	17.5	0.7%	-5.7%	106.1%
Poland	17.2	0.7%	59.7%	
France	16.5	0.7%	2.0%	178.7%

Canada Import Stats
Commodity: Wood Products (44)
Value: $1,000,000

Partner Country	2003	SHARE	1YR Δ	5YR Δ
World	2,362.8	100.0%	9.8%	24.6%
United States	1,719.8	72.8%	6.4%	6.6%
China	127.8	5.4%	52.4%	231.4%
Germany	73.4	3.1%	4.8%	350.5%
Brazil	68.6	2.9%	17.4%	202.1%
Chile	56.0	2.4%	37.9%	474.4%
Austria	33.9	1.4%	33.0%	400.7%
Belgium	32.5	1.4%	24.5%	1122.5%
Indonesia	28.5	1.2%	-8.3%	-13.8%
Poland	20.3	0.9%	65.3%	889.5%
Italy	20.1	0.9%	10.3%	15.0%

TOP IMPORTED PRODUCTS

CANADA IMPORT STATISTICS FROM WORLD **UNITS: $1,000**

TYPE	HS	Description	2001	2002	2003	1YR Δ	5YR Δ	% Share
ALL	44+94	Wood + Furniture	2,668,592	2,949,796	3,284,439	11.3%	32.5%	100.0%
ALL	44	ALL WOOD PRODUCTS (EX-FURNITURE)	1,945,808	2,152,881	2,363,635	9.8%	24.7%	72.0%
TOTAL PRIMARY		TOTAL PRIMARY	1,401,701	1,536,087	1,654,967	7.7%	18.3%	50.4%
PRIMARY	4407	Lumber	454,044	472,383	525,526	11.2%	4.4%	16.0%
PRIMARY	4403	Logs	392,098	376,101	377,895	0.5%	5.4%	11.5%
PRIMARY	4411	Fiberboard	135,789	197,046	247,963	25.8%	167.1%	7.5%
PRIMARY	4408	Veneers Sheets	152,808	172,773	181,733	5.2%	29.3%	5.5%
PRIMARY	4412	Plywood & Panels	100,665	124,179	131,242	5.7%	17.9%	4.0%
PRIMARY	4410	Particle Board	80,674	102,192	90,608	-11.3%	-3.0%	2.8%
PRIMARY	4401	Fuel Wood & Wood Chips	67,259	66,316	68,939	4.0%	2.5%	2.1%
PRIMARY	4406	RR Ties	13,083	18,354	24,141	31.5%	-8.4%	0.7%
PRIMARY	4402	Wood Charcoal	1,652	2,713	3,416	25.9%	60.3%	0.1%
PRIMARY	4413	Densified Wood Shapes	1,637	1,779	1,624	-8.7%	13.6%	0.0%
PRIMARY	4405	Wood Wool or Flour	1,263	1,048	1,055	0.7%	-14.3%	0.0%
PRIMARY	4404	Hoopwood, Poles, Pickets, Stakes	729	1,202	825	-31.4%	-21.2%	0.0%
TOTAL SECONDARY		TOTAL SECONDARY	1,266,892	1,413,709	1,629,472	15.3%	51.1%	49.6%
SECONDARY	94	ALL WOOD FURNITURE	722,784	796,915	920,804	15.5%	58.1%	28.0%
SECONDARY	4409	Wood, Continuously Shaped	193,029	236,269	263,011	11.3%	56.3%	8.0%
SECONDARY	4418	Builders' Carpentry	149,083	165,701	204,218	23.2%	34.3%	6.2%
SECONDARY	4421	Articles Of Wood, Nesoi	90,957	88,697	101,378	14.3%	21.4%	3.1%
SECONDARY	4420	Wood Marquetry Etc.	31,722	35,783	39,226	9.6%	61.0%	1.2%
SECONDARY	4415	Wood Packing Material	24,134	28,691	35,535	23.9%	57.9%	1.1%
SECONDARY	4414	Wood Frames Etc.	24,766	29,195	31,218	6.9%	41.6%	1.0%
SECONDARY	4419	Wood Tableware & Kitchenware	12,699	14,757	14,674	-0.6%	54.0%	0.4%
SECONDARY	4416	Cooperage Products	12,007	11,864	12,910	8.8%	38.2%	0.4%
SECONDARY	4417	Tool & Broom Bodies	5,712	5,838	6,498	11.3%	44.4%	0.2%

IMPORT OVERVIEW

The Canadian import market has seen marked growth in demand over the last 5 years. The total value of Canadian imports in 2003 was $3.28Bn. Canadian imports of forest products have continued to grow over the period analyzed with a 32.5% increase since 1999, in total value. The U.S. is the dominant trading partner with Canada, accounting for nearly 73% of total Canadian imports (excluding furniture). Other minor trading partners are China (5.4%), Germany (3.1%), Brazil 2.9%), and Chile (2.4%). Canadian imports of primary and secondary products are evenly split with almost 50% of the market going to each category.

PRIMARY PRODUCTS IMPORTS

LUMBER

Canadian imports of Hard and SW Lumber reached 1.8 M m³ in volume, which represents almost no change from 1999 levels. The value of Canadian lumber imports reached $525M in 2003, increasing slightly from 1999 levels (4.4%). The U.S. supplies 94% of the Canadian demand for lumber and is followed at a distance by Brazil, Peru, and Ghana which combine to represent only 2.9% of the market.

CANADIAN IMPORTS: PRIMARY	UNITS: $1,000			
PRODUCT	**2003**	**% Share**	**1 YR AGR**	**5 YR AGR**
TOTAL PRIMARY	1,654,967	50.4%	7.7%	18.3%
HW Lumber	414,566	12.6%	13.4%	17.7%
HW Logs	194,600	5.9%	8.4%	29.8%
SW Logs	182,948	5.6%	-6.5%	-11.5%
HW Veneers	167,920	5.1%	3.1%	32.6%
MDF	143,023	4.4%	21.1%	272.7%
Hardboard	135,001	4.1%	14.3%	142.5%
SW Lumber	119,223	3.6%	11.7%	-21.2%
HW Plywood	94,599	2.9%	9.6%	37.4%
SW Chips	43,765	1.3%	1.8%	-11.4%
Other Panel Products	41,750	1.3%	2.6%	103.8%
OSB-WB	30,298	0.9%	-10.0%	-13.8%
SW Plywood	29,819	0.9%	0.2%	-22.1%
RR Ties	24,141	0.7%	31.5%	-8.4%
SW Veneers	13,758	0.4%	40.0%	-0.8%
HW Chips	12,902	0.4%	18.4%	66.8%

LOGS

Canadian imports of Wood in the Rough (Logs) dropped slightly in 2003, dipping below 6M m³ for the first time since 1999. However, the value of these imports reached almost $378M in 2003, for a gain of 5.4% over the five year period. The U.S. is practically the sole supplier of HW and SW logs to Canada with 99.9% of the market in 2003.

PANEL PRODUCTS

Plywood imports from 1999 to 2003 saw a surge in demand 349,000 m³, to over 518,000 m³ in 2003. This represented an increase 48.4% in volume, but only 17.9% in total value. The U.S. supplied 39.9% of imports, with Malaysia (27.8%), Indonesia (6.9%), and Brazil (5.9%) following suite. Canadian imports of Malaysian plywood have absorbed the majority of the increased demand in the Canadian market with record growth, 490.1% over 5-yrs.

Veneer sheets have seen fluctuating demand through the period, rising to highs of 122M m² in 2001, but dropping off in 2003 to 91M m². Over the 5-yr period, imports are down by 17.4% by volume, but up by 29.3% by value as higher prices for U.S. dominated veneers drove value up. The U.S. supplied 83% of Canadian imports of veneers in 2003.

After seeing record imports of particle board in 2002, the Canadian market saw imports drop sharply (-44%) in 2003. Canadian imports settled at 376,000 m³, representing a drop of only -2.7% over the period. The value of particleboard imports dropped -3% over the period, ending just over $90M in 2003. With market share of 81.4% of the Canadian market, the U.S. is followed only by Germany (8.6%).

Fiberboard imports in 2003 reached 339M kg, with 39% supplied by the U.S. Fiberboard imports have seen a remarkable increase over the past 5 years, with volume growing by 139.2%. Other competitive suppliers to this market were Germany (19.1%), Chile 11.5%), Austria (8.2%), Belgium (6.8%), and Poland (4.5%). Total value of Canadian fiberboard imports reached almost $248M in 2003.

SECONDARY PRODUCTS IMPORTS

CANADIAN IMPORTS: SECONDARY	UNITS: $1,000			
PRODUCT	2003	% Share	1 YR AGR	5 YR AGR
	1,629,472	49.6%	15.3%	51.1%
Wood Framed Seats	317,657	9.7%	22.6%	72.0%
HW Flooring, Molding, Siding	184,302	5.6%	29.0%	82.6%
Builders Carpentry	177,873	5.4%	14.5%	25.7%
Household Furniture	124,588	3.8%	20.9%	81.1%
SW Flooring, Molding, Siding	108,086	3.3%	4.2%	38.6%
Pencil Slats	96,219	2.9%	13.8%	21.2%
Kitchen Furniture	55,541	1.7%	41.9%	197.9%
Prefab Housing	53,325	1.6%	-15.7%	1.4%
Office Furniture	51,416	1.6%	0.3%	13.9%
Wood Packing Material	35,663	1.1%	24.3%	58.5%
Cooperage Products	12,910	0.4%	8.8%	38.2%

Canada imported over $1.6Bn in secondary products in 2003, up almost 52% over 1999 levels. Secondary imports outperformed Primary imports by about 30%, increasing market share, and giving evidence to an economic turnaround in the Canadian market. Growth in secondary imports was evenly divided with almost all major categories experiencing increases in demand. Leading the charge was the Wood, Continuously Shaped category, which includes Hardwood Flooring, Siding, and Molding, as well as Parquet Panels. Wood framed seats dominated the landscape, with almost 10% of the total import market. In total Flooring, Molding, & Siding imports commanded 9.0% of the market. Other Wood Furniture products were also among the largest categories such as Household Furniture, Kitchen Furniture, and Office Furniture. Kitchen Furniture turned in the best performance over the 5-yr period.

U.S. EXPORTS- CANADA

Canada is the largest export market for U.S. forest products. Comparatively, Canada accounts for just over 40% of the total global demand for U.S. forestry products. The U.S. exported an estimated $2.4Bn worth of forest products to Canada in 2003. U.S. exports to Canada have seen steady growth in value from 1999-2003, with 5-yr aggregate growth of 11.9%. Canada is the #1 export market for 21 different forest products and categories. The highest value categories are: HW Lumber (32.2%), Wood Household Furniture (54.1%), HW Logs (39.4%), Builders Carpentry (57.5%), Wood or Wood Framed Seats (69.1%), HW Veneers (33.4%), SW Lumber (28.5%), and Other Wood Products (30.5%). All values are shown as Global Market Share for that specific product category. Additionally, Canada ranks as the 2nd largest export market for an additional 5 categories, all of which are SW/coniferous wood products: SW Logs (23.7%), SW Chips (39.3%), SW Plywood (30.4%), SW Veneers (19.3%), and SW Flooring (14.1%). Canada is also the dominant international market for U.S. Wood Furniture with a commanding 54.9% market share, which will be discussed in the secondary products section. Top export categories for U.S. forest products to Canada were: Lumber, Wood Furniture, Logs, Builders' Carpentry, Veneer Sheets, and Wood, Continuously Shaped.

US EXPORT STATS:		CANADA				UNITS: $1,000		
TYPE	**HS**	**DESCRIPTION**	**2001**	**2002**	**2003**	**1YR Δ**	**5YR Δ**	**SHARE**
TOTAL	44+94	Total Wood Products + Furniture	2,165,515	2,215,929	2,417,507	9.1%	11.9%	100.0%
TOTAL	44	Total Wood Products	1,700,803	1,765,919	1,900,063	7.6%	8.7%	78.6%
TOTAL PRIMARY		Total Primary	1,299,950	1,351,099	1,453,937	7.6%	7.7%	60.1%
PRIMARY	4407	Lumber	458,514	475,919	542,441	14.0%	5.7%	22.4%
PRIMARY	4403	Logs	404,389	387,326	392,022	1.2%	6.8%	16.2%
PRIMARY	4408	Veneer Sheets	137,923	153,557	162,434	5.8%	27.4%	6.7%
PRIMARY	4410	Particleboard	66,090	84,249	85,793	1.8%	6.0%	3.5%
PRIMARY	4411	Fiberboard	78,035	81,104	85,504	5.4%	3.6%	3.5%
PRIMARY	4412	Plywood & Panels	68,594	77,073	84,477	9.6%	5.4%	3.5%
PRIMARY	4401	Fuel Wood & Wood Chips	68,179	67,162	70,122	4.4%	3.4%	2.9%
PRIMARY	4406	RR Ties	13,474	18,821	25,110	33.4%	-2.2%	1.0%
PRIMARY	4402	Wood Charcoal	1,242	2,137	3,020	41.3%	53.4%	0.1%
PRIMARY	4413	Densified Wood Shapes	1,540	1,586	1,261	-20.5%	6.2%	0.1%
PRIMARY	4405	Wood Wool	1,286	1,067	1,091	2.2%	-13.7%	0.0%
PRIMARY	4404	Hoopwood, Poles, Pickets, Stakes	683	1,096	664	-39.5%	-32.0%	0.0%
TOTAL SECONDARY		Total Secondary	865,565	864,830	963,570	11.4%	19.0%	39.9%
SECONDARY	94	All Wood Furniture	464,712	450,010	517,444	15.0%	25.5%	21.4%
SECONDARY	4418	Builders' Carpentry	139,132	148,838	165,486	11.2%	14.4%	6.8%
SECONDARY	4409	Wood, Continuously Shaped	141,865	145,400	146,265	0.6%	3.3%	6.1%
SECONDARY	4421	Articles Of Wood, Nesoi	58,487	52,171	56,705	8.7%	2.3%	2.3%
SECONDARY	4415	Wood Packing Material	22,209	26,074	33,294	27.7%	58.0%	1.4%
SECONDARY	4414	Wood Frames Etc.	11,709	14,731	15,278	3.7%	22.0%	0.6%
SECONDARY	4416	Cooperage Products	11,357	10,535	10,829	2.8%	25.3%	0.4%
SECONDARY	4420	Wood Marquetry Etc.	9,050	9,501	10,752	13.2%	33.2%	0.4%
SECONDARY	4417	Tool & Broom Bodies	3,527	3,853	4,034	4.7%	35.0%	0.2%
SECONDARY	4419	Wood Tableware & Kitchenware	3,517	3,717	3,480	-6.4%	27.5%	0.1%

U.S. EXPORTS- PRIMARY

U.S. PRIMARY EXPORTS:	CANADA	VALUE ($000)	FACTOR:	MARKET
PRODUCT	2003	1YR Δ	5YR Δ	SHARE
HW LUMBER, RED OAK	$163,897	23.4%	22.6%	6.8%
HW VENEERS	$139,482	5.3%	34.8%	5.8%
SW LOGS, SPRUCE	$110,183	30.5%	68.9%	4.6%
HW LUMBER, MAPLE	$83,488	6.5%	15.9%	3.5%
OTHER PANEL PRODUCTS	$61,166	2.5%	14.5%	2.5%
HW LOGS, MAPLE	$60,240	10.0%	50.4%	2.5%
HW LOGS, RED OAK	$45,638	22.8%	27.5%	1.9%
HW LUMBER, CHERRY	$44,871	18.9%	7.6%	1.9%
HW PLYWOOD	$44,792	27.3%	44.4%	1.9%
SW CHIPS	$44,031	1.1%	-12.0%	1.8%

U.S. exports of primary forest products reached $1.47Bn in 2003, a 5-yr growth rate of 7.7%, and 7.6% over 2002. Primary product exports represented over 60% of total forest products exports to Canada. Canada continues to be the dominant lumber export destination for U.S. forestry. Total Lumber exports in 2003, were $542M, with about 22% of the market. HW lumber represented about 78% of the entire lumber market, with SW's generating the remaining 22%. Other significant major categories exported to Canada, based on market share, were Logs (16.2%) and Veneer Sheets (6.7%). The major products shipped to Canada in terms of total value are Red Oak lumber, HW Veneers, Spruce Logs, Maple Lumber, Other Panel Products, Maple Logs, Red Oak Logs, Cherry Lumber, HW Plywood, and SW Chips. Red Oak lumber commands a 6.8% market share for all forestry products exports to Canada and has also seen significant export growth from 1999-2003. As evidenced by the chart to the left, HW products dominate U.S. export sales to Canada with 7 of the top 10 primary products being HW products or species. As shown in the aggregate table above, Veneers saw marked increases over the period, ending up almost 28% from 1999 values. HW Veneers represented the bulk of the increase, and accounted for almost 80% of all veneer exports. Most Pine products showed dismal growth over the period, including: Southern Yellow Pine, Ponderosa Pine, Lodgepole Pine, and Other Pine. These categories lost between 33% and 70% of total market value.

U.S. EXPORTS BY GROWTH			
VALUES IN $1000			
PRODUCT	2003	1YR Δ	5YR Δ
HW LUMBER, WESTERN RED ALDER	$4,654	18.0%	918.4%
HW LUMBER, YELLOW POPLAR	$3,207	47.8%	716.0%
HW LOGS, WALNUT	$5,577	15.6%	378.7%
SW LUMBER, SITKA SPRUCE	$3,164	231.0%	270.1%
HW LUMBER, WALNUT	$15,036	-13.2%	238.0%
HW LUMBER, HICKORY	$3,582	28.2%	165.9%
HW LUMBER, BIRCH	$10,807	52.6%	133.4%
SW LUMBER, OTHER CEDAR	$1,754	-51.3%	91.9%
HW LOGS, BIRCH	$17,147	27.3%	81.0%
SW LOGS, SPRUCE	$110,183	30.5%	68.9%

Top performing primary export products for the Canadian market included lesser utilized species of HW Lumber and Logs such as Western Red Alder (918%), Yellow Poplar (716%), Walnut (378%), Hickory (166%), and Birch (133%). SW species faring well in the Canadian market in over the 5-yr period were Sitka Spruce (270%), Other Cedar (91.9%), and Spruce (68.9%). In terms of total volume shipped, Western Red Alder Lumber (954%), Yellow Poplar Lumber (704%), and Walnut Logs (445%) remained the top performing categories in volume as well. Wood Charcoal also showed strong growth over the period, with a 53.4% increase from 1999-2003. Pine products performed poorly over the period, lead by Southern Yellow Pine. Southern Yellow Pine exports to Canada lost -31.3% of total value over the period, finishing at $4.1M, or 19,500 m^3 shipped in 2003.

U.S. EXPORTS- SECONDARY

U.S. SECONDARY EXPORTS:	CANADA	FACTOR:	VALUE ($000)	MARKET
PRODUCT	2003	5YR Δ	1YR Δ	SHARE
W. HOUSEHOLD FURNITURE	230,115	11.7%	10.9%	9.5%
W. OR W. FRAME SEATS	159,054	22.9%	10.7%	6.6%
HW FLOORING	65,336	36.6%	16.3%	2.7%
W. DOORS AND FRAMES	64,415	21.4%	15.1%	2.7%
W. FURNITURE PARTS	52,483	85.1%	52.3%	2.2%
FAB. STRUCTURAL W. MEMBERS	44,287	0.3%	14.9%	1.8%
W. KITCHEN CABINETS	40,478	260.4%	52.9%	1.7%
SW MOLDING	39,302	-13.7%	36.1%	1.6%
W.EN OFFICE FURNITURE	35,315	-5.2%	-6.6%	1.5%
W. PACKING MATERIAL	32,870	59.3%	27.7%	1.4%

Canada outpaces Japan as the top market for secondary forest products from the U.S., with $963M in 2003. Secondary products have seen strong gains over the past 5-yrs with total growth of 19%. Secondary products saw a huge jump in value from 2002 to 2003 of nearly 12%., and represent more than 39% of the total value of U.S. exports to the Canadian market. This is attributed to a much more developed Canadian economy and forestry market, which is structured similarly to that of the U.S. There has and continues to be high receptivity to U.S. secondary products including construction materials and wood-based furniture as outlined in the table above. Overall Wood Furniture exports were up 22% to $517M in 2003. Builders' Carpentry ($165M) and Continuously Shaped Wood (HW/SW Flooring, Molding, Siding) ($146M) were the other two dominant categories for secondary product exports. Wood Household furniture (bedroom sets and living room furniture) currently commands almost 9.5% of the total export demand for U.S. forestry products, with Wood Framed Seats being the 2nd largest export product, based on value (6.6%).

As evidenced by the table below, the fastest growing secondary products to Canada were building materials (builder's carpentry and flooring) as well as wood-based products for the household. This demand comes on the crest of a strong housing market in Canada and is reinforced by overall growth in the North American housing sector. Wood Kitchen Furniture (cabinets) (52.1%, 5yr) have seen very strong growth over both 5 and 1-year periods, and exports of manufactured homes showed equally strong growth, albeit with a lower volume. HW siding growth was strong, but with virtually non-existent volume. The largest category to show top ten growth came from Wood or Wood Framed seats, whether or not upholstered (4.6%, 5yr; 10.7%, 1yr).

U.S. EXPORTS BY GROWTH			
VALUES IN $1000			
PRODUCT	2003	CAGR (5-YR)	AGR (1-YR)
WOOD KITCHEN CABINETS	40,478	52.1%	52.9%
HW SIDING	63	43.0%	
PREFABRICATED BUILDINGS	2,497	20.2%	56.2%
WOOD FURNITURE PARTS	52,483	17.0%	52.3%
WOOD PACKING MATERIAL	32,870	11.9%	27.7%
OTHER BUILDERS CARPENTRY	30,829	8.9%	9.5%
HW FLOORING	65,336	7.3%	16.3%
WOOD OR WOOD FRAME SEATS	159,054	4.6%	10.7%
WOOD DOORS AND FRAMES	64,415	4.3%	15.1%
COOPERAGE PRODUCTS	10,172	4.2%	1.3%

SOUTH CAROLINA EXPORTS

SC EXPORTS TO CANADA	TOTAL VALUE	SC	SC	US			
Description	2003	1YR	5YR	5YR	% SHARE	SC RANK	% SC SHARE
WOOD + FURNITURE	8,332,048	-23.2%	-33.8%	6.1%	100%	35	0.39%
ALL WOOD	7,387,152	-25.1%	-5.6%				
Builders Carpentry	2,618,605	-13.6%	1.9%	15.8%	31.4%	9	1.6%
Lumber	1,873,091	-52.9%	126.3%	9.3%	22.5%	17	0.3%
Fiberboard	1,018,080	24.4%	-38.1%	2.7%	12.2%	16	1.20%
Veneer Sheets	509,734	28.6%	120.5%	6.5%	6.1%	27	0.31%
Wood, Continuously Shaped	372,960	-58.2%	-66.3%	5.8%	4.5%	NA	0.26%
Particleboard	349,589	185.0%	-31.3%	41.7%	4.2%	23	0.41%
Plywood	314,085	169.9%	-20.5%	9.1%	3.8%	30	0.37%
Packing Material	184,836	-8.4%	-2.5%	59.3%	2.2%	6	0.56%

In 2003, South Carolina exported \$8.3M worth of primary and secondary products to Canada. This number was down almost 34% since 1999, and 23.2% over 2002 numbers. As a state, South Carolina had about .4% of total U.S. exports to Canada in 2003, and an overall ranking of 35th. The major product categories exported were Builders Carpentry (31.4%), Lumber (22.5%), Fiberboard (12.2%), Veneer Sheets (6.1%), and Particleboard (4.2%). Within Builders Carpentry, Wood Windows and Frames represented the bulk of exports with 26.5% of the total U.S. market share. Coniferous species exports dominated the lumber category mentioned above with 19.3% of the total market, and 80% of all Lumber exports. MDF was the dominant fiberboard category with nearly 5% of the total export market, and Fiberboard between 0.35 and .5 g/cm³ was the second largest fiberboard export. The only other secondary category worth mention was Packing Material which represented 2.2% of the market, split between pallets and boxes/crates.

SW lumber exports grew by 361% over the 5-yr period, but saw marked decreases over 2002. It can be assumed that the bulk of export sales of SW Lumber originated from Southern Yellow Pine species, and other Pine species. "Other" Tropical lumber exports grew by nearly 116% over the period but to reach a value of \$147,000 in 2003. MDF exports, while remaining a strong category lost about 40% of its value from 1999 levels to finish at \$413,000. Plywood and Particleboard exports both rebounded from lows in 2001. Specific classifications in each category, however, recorded strong growth over the period such as Temperate HW Plywood and Particleboard (nesoi). Veneer sheets exports showed marked declines with HW Veneers losing over 70% of 1999 values. .35-.5 g/cm³ fiberboard exports jumped in 2003 to \$284,000 from almost zero in 1999.

BEST GROWTH PROSPECTS

BEST PROSPECTS- U.S. PRIMARY

HARDWOOD LUMBER:	WALNUT, HICKORY, BIRCH
HARDWOOD LOGS:	MAPLE, RED OAK
SOFTWOOD LOGS:	SPRUCE, SITKA SPRUCE
FIBERBOARD:	MEDIUM DENSITY FIBERBOARD, HARDBOARD
VENEER SHEETS:	HARDWOODS
PLYWOOD:	HARDWOODS

BEST PROSPECTS- U.S. SECONDARY

WOOD HOUSEHOLD FURNITURE
WOOD FRAMED SEATS, CHAIRS
HARDWOOD FLOORING
BUILDERS CARPENTRY- WOOD DOORS & FRAMES
WOOD KITCHEN CABINETS

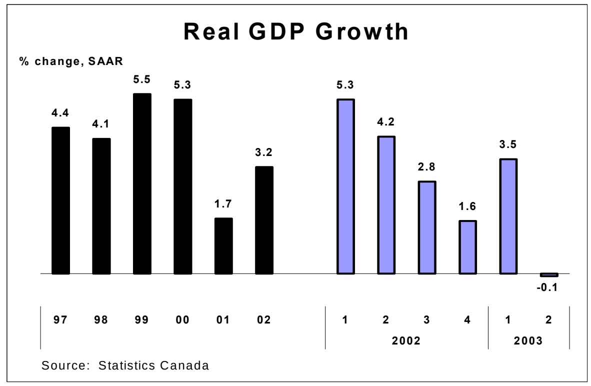
BEST PROSPECTS- SOUTH CAROLINA

BUILDERS CARPENTRY:	WOOD WINDOWS & FRAMES
LUMBER:	S. YELLOW PINE, OTHER TROPICAL
PACKING MATERIAL:	CASES, BOXES, CRATES
VENEERS:	OTHER HARDWOOD

ECONOMIC FACTORS (GENERATING DEMAND)

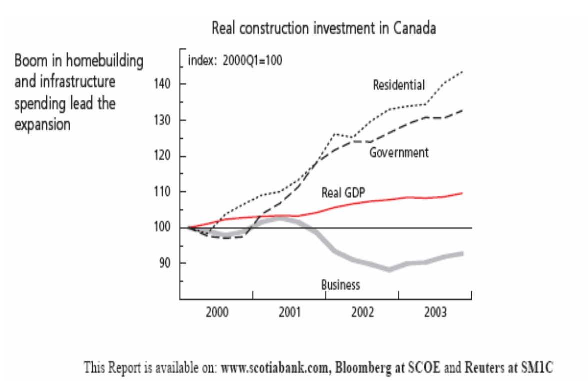
GDP GROWTH

In 2002, the Canadian economy which started the year on bullish note, slipped in the following quarters to average a growth of 3.2 percent for the year. In 2003, the economy again picked up momentum in the first quarter with an annualized rate of 3.5 percent (revised) but sagged in second quarter with a decrease of 0.07 percent. 2003 ended with real growth of 1.71 percent with substandard growth recorded in the last two quarters. Though the fundamentals remained sound, growth in the second quarter has been severely curtailed by the outbreak of SARS and an isolated case of mad-cow disease, the effects of which will also be present in the third quarter results.[2]



CONSTRUCTION/BUILDING INFORMATION

Construction activity — comprised of residential building and renovations, business investments in structures and government spending on buildings and infrastructure — is projected to expand an average of about 5 percent (inflation adjusted) in 2004 and in 2005 roughly double the expected rate of growth in national output. The fundamentals underpinning construction are still quite supportive. The primary factor is the ultra low level of borrowing costs that continue to anchor affordability, though rising prices in some sectors are beginning to chip away at this mainstay.



In the single-family residential sector, supply conditions are still playing catch up to demand. Governments have ramped up their expenditures on major infrastructure projects. In contrast, business investments in structures are generally constrained by oversupply conditions that appear to be developing in the multiple unit housing market.

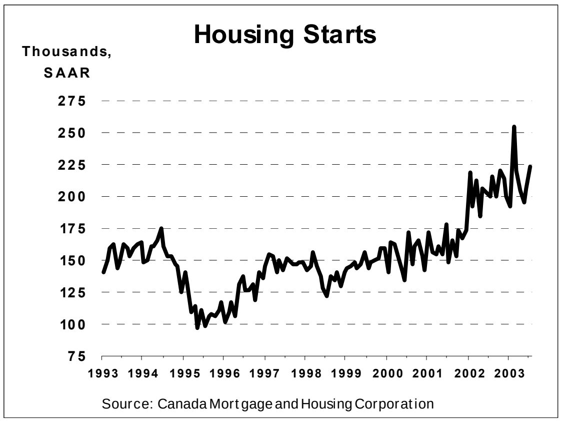
Much of the growth in construction is front-end loaded. Building activity should moderate to more sustainable levels later this year and into 2005, in line with the slower pace of overall economic momentum and job creation now expected in Canada. However, public sector building expenditures are likely to remain relatively strong as governments focus on upgrading aging and inadequate infrastructures.

Though the current economic and interest rate environment is relatively benign, record levels of indebtedness leave Canadian households exposed to any reversal in economic fortunes. In particular, debt service burdens are highly leveraged to a significant rise in borrowing costs. No less problematic would be a sharper deterioration in underlying economic circumstances, such as a protracted period of job losses, slower income growth, or a substantial decline in home prices.[3]

[2] Source: Economist Intelligence Unit, Country Profile, www.economist.com
[3] Source: Bank of Nova Scotia. www.scotiabank.com

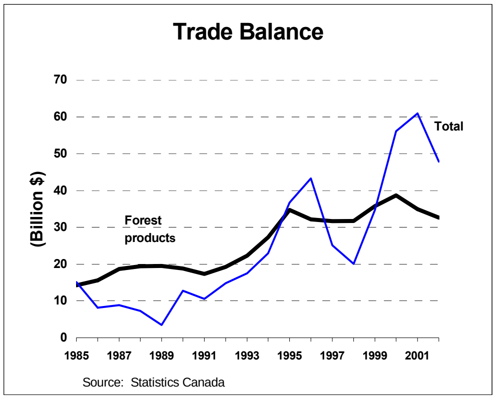
HOUSING STARTS

Canada's housing starts in 2002 reached a 13-year high of 205,700 units, 26 percent above the previous year. Housing starts fuel the growth in demand for many of the primary and secondary categories mentioned above, as evidenced in the increased U.S. exports of lumber, plywood, builders' carpentry and flooring, molding, and siding. The trend for housing starts is expected to continue as Canada pulls out of the recession that has taken hold in North America. Forestry products companies should look to targeting this industry with products tailored to the Canadian building codes and regulations. [4]



[4] Source: Canada Mortgage and Housing Corporation. http://www.cmhc-schl.gc.ca/

TRADE FACTORS (AFFECTING U.S. EXPORTS)



TRADE BALANCE

The forest sector is one of Canada's major contributors to its gross domestic product and exports of forest products constitute the largest component of Canada's positive trade balance. In 2002, forest products contributed $32.6Bn to Canada's positive trade balance; forest products exports amounted to $43.1Bn while $10.5Bn were imported. In the area of forest products, Canada has a trade surplus with virtually all its trading partners. The largest trade surplus was with the United States, exceeding $25.8Bn, followed by Japan with $2.5Bn and Europe with $1.9Bn.[5]

CERTIFIED WOOD PRODUCTS

As environmental issues continue to hold public attention, the demand for certified forest products is a growing marketplace reality. This is especially true in Europe and the United States, two of Canada's key markets for forest products. Recognizing the growing global interest in forest products that are certified as originating from sustainably managed forests, the Canadian forest products industry has made significant efforts to improve and promote Canada's forest management practices. As a commitment to forest certification in Canada, the Forest Products Association of Canada (FPAC) announced January 28, 2002, that they now require all member companies to implement one of the three forest-specific certification programs available in Canada - Canadian Standards Association (CSA), the Sustainable Forestry Initiative (SFI), or the Forest Stewardship Council (FSC) - on their forest operations by the end of 2006 as a condition of membership. FPAC members represent approximately 75 percent of Canada's annual harvest.

Official statistics on the production, consumption or trade in certified wood products in Canada are not differentiated from standard product categories. As a consequence, the output and trade in these products cannot be traced by national statistics. However, data on total certified area within Canada illustrate the significant progress made in recent years. As of April 16, 2003, more than 41 M hectares in Canada had been certified under one of the three available forest-specific certification systems (CSA 17.4M ha, SFI 2.8M ha, and FSC 1.0M ha). This represents a 126 percent increase over one year ago and 116.3M are certified under the generic ISO 14001 system. A recent survey of certification intentions in Canada indicated that total certification under the three forestry-specific certification schemes in use in Canada will total 136 M hectares by the end of 2006 (CSA 71.7M ha, SFI 37.7 M ha, and FSC 26.8M ha).[6]

[5] Source: Statistics Canada. www.statcan.ca
[6] Source: Canadian Forestry Association. www.canadianforestry.com

US - CANADA DISPUTE OF SOFTWOOD LUMBER

Trade in softwood lumber between Canada and the United States has been a source of ongoing irritation between the two countries for 20 years. The Canada/U.S. Softwood Lumber Agreement, which provided a five-year period of relative stability, expired on March 31, 2001. On April 23, 2001 the United States initiated countervailing and anti-dumping investigations of softwood lumber imports from Canada.

For many years forestry companies in America have argued that the organization of the Canadian lumber industry subsidizes forestry companies in Canada. Where as companies in the US have to pay for the management of the forests themselves, companies in Canada simply have to pay stumpage fees. With lower costs, Canadian companies are able to sell their products for less than their American counterparts. This results in an unfair competitive advantage.

The topic of softwood lumber exports from Canada to the United States has always been contentious; since 1982 there have been four major disputes. In 1996 the United States and Canada reached a five-year trade agreement, The Softwood Lumber Agreement. Under its terms, Canadian lumber exports to the United States were limited to 14.7 Bn board feet (34.7 M cubic meters) per year. However, when the agreement expired on April 2, 2001, the two countries were unable to reach consensus on a replacement agreement. The United States held that the Canadian and provincial governments unfairly subsidized their lumber industries, because the majority of Canadian lumber is harvested from crown lands. In addition, forestry agreements are set up in order to assure continuing employment in local communities, many of whom are completely dependent on forestry.

On April 25, 2002, the United States Department of Commerce announced it had determined subsidy and antidumping rates, with a final subsidy rate of 18.79% and an average dumping rate of 8.43%, to give a combined CVD/AD rate of 27.22%. Specific companies were charged higher or lower dumping rates, including Abitibi (12.44%), Weyerhaeuser (12.39%), Tembec (10.21%), Slocan (7.71%), Canfor (5.96%) and West Fraser (2.18%).

On August 13, 2003, a NAFTA panel released a ruling that said, although the Canadian lumber industry did get a financial contribution from the government, the tariffs imposed by the US were too high. Discussions between the two countries to resolve the problem are ongoing. The dispute has had its biggest effect on British Columbia, the major Canadian exporter of softwood lumber to the United States.[7]

On September 10, 2004, to comply with a NAFTA panel decision, the ITC reversed its threat of injury determination, finding that the U.S. softwood lumber industry is not threatened with material injury by imports from Canada. The ITC noted its objections, however, stating that it disagrees with the Panel and continues to view the Panel's decisions as "overstepping its authority, violating the NAFTA, seriously departing from fundamental rules of procedure, and committing legal error."[8]

[7] Source: The Fact Index. http://www.fact-index.com/u/us/us___canada_softwood_lumber_dispute.html
[8] Source: FAS, Trade Policy Highlights www.fas.usda.gov

COUNTRY INFORMATION SOURCES

GENERAL GOVERNMENT

Ministry of Economic Development
British Columbia Enterprise Center
P.O. Box 19, 750 Pacific Boulevard South
Vancouver, B.C. Canada V6B 5E7
Phone: (604) 660- 4567

Canada Consul General
412 Plaza 600, Seattle, WA 98101
Phone: 206-443-1777

Forest Stewardship Council, Canadian Initiative
100 Broadview Ave Suite 421
Toronto, ON M4M 3H3
Contact: Marcelo Levy, Coordinator
Phone: (416) 778-5568
Fax: (416) 778-0044

REGIONAL GOVERNMENT

OTHER PROVINCE

Ministry of Forest Resources and Agrifoods
Newfoundland and Labrador
Natural Resources Building, 5-50 Elizabeth Av.
P.O. Box 8700, St. John's NF, A1B 4J6
Phone: (709) 729-4721
Fax: (709) 729-2076
Email: info@mail.gov.nf.ca
Website: http://www.gov.nf.ca/

Ministry of Resources, Wildlife and Economic Development
Government Of The Northwest Territories
P.O. Bpx 1320, Scotia Centre - 8th Floor 601-50th Avenue
Yellowknife, NWT X1A 2L9
Contact: Mr. Joseph Handley,
Phone: (867)920-8691
Fax: (867)873-0563

Ministry of Agriculture and Forestry
Government of Prince Edward Island
Jones Building, 11 Kent Street, P.O. Box 2000
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Contact: Mr.Rory Francis,
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Website: http://www.gov.pe.ca

Ministry of Renewable Resources
Government of the Yukon Territory
P.O. Box 2703, 10 Burns Road,
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Fax: (867)393-6213

Department of Natural Resources
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2nd. floor, Founder's Square, 1701 Hollis Street
P.O. Box 698, Halifax NS B3J 2T9
Contact: Dan J Graham,
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Ministry of Environment and Resource Management
Government of Saskatchewan
3211 Albert Street, Regina, SK S4S 5W
Contact: Mr. Stuart Kramer
Phone: (306) 787-2930
Fax: (306) 787-2947

ALBERTA

Alberta Registered Professional Foresters Association (ARPFA)
Northern Forestry Centre, 5320 - 122 Street,
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Phone: (780) 432-1177
Fax: (780) 432-7046
Email: office@arpfa.org

Canadian Forest Service
Northern Forestry Centre, 5320 - 122 Street,
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Phone: (780) 435-7202
Fax: (780) 435-7396

Ministry of Environment
Government of Alberta,
9915 - 108 Street, 10th Floor,
Edmonton, AB, T5K 2G8
Contact: Radke Doug
Phone: (403) 427-6236
Fax: (403) 427-0923

BRITISH COLUMBIA

Government of British Columbia
4th Floor, 595 Pandora Avenue,
Victoria, BC V8W 9C3
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Phone: (250) 356-5012
Fax: (250) 387-7065

Association of British Columbia Professional Foresters (ABCPF)
Suite 1201, 1130 West Pender Street, Vancouver, BC, V6E 4A4
Contact: E.V. (Van) Scoffield, RPF
Phone: (604) 687-8027
Fax: (604) 687-3264
Email: vscoffield@rpf-bc.org
Website: http://www.rpf-bc.org/

British Columbia Institute of Renewable Resources Technology
3700 Willingdon Avenue, Burnaby,
British Columbia, Canada, V5G 3H2
Contact: Jace Standish, Forestry Program
Phone: 604-434-5734

Website: http://www.bcit.ca/

Canadian Forest Service, Pacific Forestry Centre
506 Burnside Road, Victoria, BC, V8Z 1M5
Contact: Paul Addison, Director General
Phone: (250) 363-0608
Fax: (250) 363-6088
Email: paddison@pfc.cfs.nrcan.gc.ca
Website: http://www.pfc.cfs.nrcan.gc.ca/

The Forest Alliance of British Columbia
P.O. Box 49312, 1055 Dunsmuir St.
Vancouver, BC V7X 1L3
Phone: (604)685-7507
Fax: (604) 685-5373

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Ministry of Natural Resources
Government of Manitoba
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Fax: (204) 948-2403

International Institute For Sustainable Development
161 Portage Avenue East, 6th Floor
Winnipeg, Manitoba R3B 0Y4
Phone: (204) 958-7700
Fax: (204) 958-7710
Website: http://www.iisd.ca/

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Ministry of Natural Resources and Energy
Government Of New Brunswick,
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Phone: (506) 453-2501
Fax: (506) 453-2930

Canadian Forest Service
Atlantic Forestry Centre, PO Box 4000, Regent Street,
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Fax: (506) 452-3140

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Canadian Forest Service Headquarters
Booth Street, 8th Floor, Ottawa, Ontario, K1A 0E4
Contact: Yvan Hardy, Assistant
Phone: (613) 947-7400
Fax: (613) 947-7395

Canadian Forest Service, Great Lakes Forestry Centre
1219 Queen Street East, PO Box 490
Sault Ste. Marie, ON, P6A 5M7
Contact: Bill Meads, Director General
Phone: (705) 949-9461
Fax: (705) 759-5714
Website: http://www.glfc.cfs.nrcan.gc.ca/

Canadian Forestry Association
203-185 Somerset Street West Ottawa ON, K2P 0J2
Contact: Dave Lemkay, General Manager
Phone: (613)232-1815
Fax: (613)232-4210
Email: lemkayd@canadianforestry.com
Website: http://www.canadianforestry.com/

Canadian Institute of Forestry (National Office)
151 Slater Street, Suite 606, Ottawa, ON K1P 5H3
Contact: Roxanne Comeau
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Fax: (613) 234-6181
Email: cif@cif-ifc.org
Website: http://www.cif-ifc.org/

Canadian International Forestry Advisors Roster (CIFAR)
c/o Arbex Forest Resource Consultants Ltd.
554 Craig Road RR # 1 Oxford Mills, ON K0G 1S0
Phone: (888) 755-4846
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National Aboriginal Forestry Association
875 Bank Street, Ottawa, ON, K1S 3W4
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Fax: (613) 233-4329

Ontario Professional Foresters Association (OPFA)
27 West Beaver Creek, Suite 102,
Richmond Hill, ON L4B 1M8
Contact: Executive Director, Rick Monzon
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Fax: (905) 764-0403
Website: http://www.opfa.on.ca/

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Whitney Block, 99 Wellesley Street West
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Fax: (418) 648-7317
Website: http://www.nrcan.gc.ca/cfs-scf/

Ordre Des Ingenieurs Forestiers Du Quebec
2750 rue Einstein, Bureau 380
Sainte-Foy, Québec G1P 4R1
Contact: Johanne Gauthier
Phone: (418) 650-2411
Fax: (418) 650-2168

Ministère Des Ressources Naturelles
Gouvernement Du Québec
5700, 4e Avenue Ouest, Bureau A-303
Charlesbourg (QC) G1H 6R1
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Fax: (418) 643-1443

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Council of Forest Industries
Two Bentall Centre, 1200-555 Burrard Street,
P.O. Box 276, Vancouver BC, V7X 1S7
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Fax: (604) 687-4930

Canadian International Development Agency
200 Promenade du Portage, Hull, K1A 0G4, PQ
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Website: http://www.rcfa-cfan.org

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2665 East Mall, Vancouver, BC V6T 1W5
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Website: http://www.fmibc.org/

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K9A 3P9
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Email: info@cpcpallet.com
Website: www.cpcpallet.com

Canadian Plywood Association
735 West 15th Street
North Vancouver, B.C.
Canada V7M 1T2
Tel: (604) 981-4190
Fax: (604) 981-4196
E-Mail: info@canply.org
Website: www.canply.org

Canadian Wood Pallet Association
CWPCA/ACMPC
P.O. Box 640,
Pickering, ON, Canada L1V 3T3
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Fax: (905) 426-5012
Email: cwpca@canadianpallets.com
Website: www.canadianpallets.com

The Canadian Wood Council
99 Bank Street, Suite 400
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K1P 6B9
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Newfoundland Registered Professional Foresters Association
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626 College Road, Truro, NS, B2N 2R2
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Association of Registered Professional Foresters
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