

Woodworking Network

Canada's wood industry exports are rising out of the sawdust

By Peter G. Hall May 02, 2016 | 12:04 pm EDT

Wood products from this neck of the woods are older than Canada itself. One can hardly picture this country without tall, ruler-straight old-growth trees, logs floating down a river to the sawmill, and so on. Wood is synonymous with our economic development, and remains an important part of Canadian exports. Exporters of all stripes were pummeled by the recession, but few have been hit as hard in the past fifteen years as the wood products industry. Were the losses permanent, or is there hope for a revival anytime soon?

In 2015, wood products exports brought in over \$15 billion of revenue to Canadian businesses. However, as recently as 2004, it was a \$24 billion moneymaker, so it has seen a significant shakeup. Global recession wasn't really the big enemy; the industry lost its footing with the rapid appreciation of the Canadian dollar between 2003 and 2008. From 2004 to 2009, wood products exports plummeted 66 per cent, devastating most sub-sectors of the industry. In some cases, there was barely anything left of the industry. Layer on a deep global recession, followed by an extremely slow recovery, and most would conclude that the industry was either on its way out, or no longer really a player. But are they right?

Wood products shipments are dominated by sawmill activity – largely spruce-pine-fir 2X4's, which account for 62 per cent of the industry's exports. Mirroring the industry total, it lost two-thirds of total shipments from the turn of the millennium through 2009, an unimaginable loss of activity. Many businesses, particularly smaller ones, folded, never to rise again. Others toughed it out, hoping for better times. They're likely glad they did: since the trough, annual growth in exports has averaged almost 14 per cent. The driver? For the most part, the steady recovery of US housing starts, which have more than doubled over the same timeframe. True, exports are still just 75 per cent of 2000 levels, but the sector has climbed a long way up from its chasm.

Waferboard is the second-largest sub-sector in the industry. From its recent peak in 2004, the industry saw an 85 per cent plunge. While it still has a long way to go to regain previous heights, survivors have been enjoying 19 per cent annual export sales growth since 2011.

Next on the list is household wood furniture. It used to command 8 per cent of sales, but that share was almost halved. The rise of the loonie chopped \$1.8 billion in export sales down to less than \$500 million, and the industry has only just begun to recover in the last couple of years. Again, those who managed to hold on are seeing a bonanza: 15 per cent average growth in 2014-15.

Roll a number of the remaining categories together – such as plywood, veneers, particle board, windows and doors, kitchen cabinets and the like – and the pattern is much the same. Collectively, exports peaked

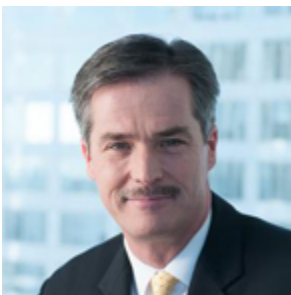
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in 2004, and from there through 2012, 60 per cent of activity vanished. Hangers-on again were rewarded: since bottoming out, sales are climbing at an annual average of 20 per cent.

Among all the categories, one stands out. Like the rest, wood office furniture fell on hard times that seemed to precede both currency appreciation and the Great Recession. It saw a long, steady decline through to the recession, a sharper drop in 2009 and a further stumble in 2010. Then, a quick jump, and a couple of flat years. Then, another jump in 2014, and a massive 26.6 per cent increase in 2015, taking total sales back to a level last seen in 2002. Last year's surge was likely aided by the weaker loonie, but could also reflect the aggressive increase in U.S. business investment that was triggered by tightening capacity constraints in key American industries.

This industry illustrates that even in sectors hit hardest by the huge trade headwinds of the new millennium, there is hope – they are indeed rising smartly from their dreadful lows, investing heavily, and in certain cases have previous peaks in sight.

The bottom line? Canada's wood products industry might have been written off by some, but internationally diversified sales and rising US demand are combining with a weaker Canadian dollar to revive the industry – and the best is yet to com



Peter G. Hall is Vice-President and Chief Economist for [Export Development Canada](#). This commentary, developed for the [Bluewater Wood Alliance](#), is presented for informational purposes only. It is not intended to be a comprehensive or detailed statement on any subject and no representations or warranties, express or implied, are made as to its accuracy, timeliness or completeness. Nothing in this commentary is intended to provide financial, legal, accounting or tax advice nor should it be relied upon. Neither EDC nor the author is liable whatsoever for any loss or damage caused by, or resulting from, any use of or any inaccuracies, errors or omissions in the information provided.

Richard P. Vlosky, Ph.D.
Director, Louisiana Forest Products Development Center
Crosby Land & Resources Endowed Professor of Forest Sector Business Development
Room 227, School of Renewable Natural Resources
Louisiana State University, Baton Rouge, LA 70803
Phone (office): (225) 578-4527; Fax: (225) 578-4251; Mobile Phone: (225) 223-1931
Web Site: www.LFPDC.lsu.edu



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President, Forest Products Society; President-Elect, WoodEMA i.a.

