

Forestry and Agrifoods

Egg grading machine



FORESTRY

Newsprint

Newsprint demand in North America has declined by 25% since 2000 as a result of increased web-based competition and a shift by newspaper publishers towards smaller tabloid form papers. This has created excess capacity in the industry and has put downward pressure on newsprint prices. In an effort to elevate prices and maintain profitability, newsprint producers have cut back production by closing some of their highest cost mills and idling many of their older, less efficient paper machines. Thus far, this strategy has been met with only limited success and most industry analysts agree that more capacity reductions will be necessary before a new equilibrium can be reached.

Newsprint prices have been in steady decline since last fall. Between September 2006 and November 2007, newsprint prices have declined by 17% in U.S. dollar terms—from US\$675 to US\$560 per tonne. For domestic producers, the negative impacts of the price decline have been exacerbated by appreciation of the Canadian dollar. Over the same period, the dollar has appreciated by 15.4% against the U.S. dollar and consequently newsprint prices have declined by 28.1% in Canadian dollar terms.

Kruger Inc. was forced to indefinitely idle one of its four paper machines at the Corner Brook Pulp and Paper Mill as a result of the high dollar. The idling of paper machine No. 1, effective November 5, will reduce the mill's annual production by approximately 80,000 tonnes and will result in the loss of approximately 100 positions at the mill and a potential loss of 100-200 logging, sawmill and trucking jobs. Despite this setback, the Corner Brook mill remains an important asset for Kruger and the company is committed to ensuring its long-term viability. The Grand Falls newsprint mill was not included in mill closures announced by AbitibiBowater in late November. Over the next four months AbitibiBowater will undertake a comprehensive review in an effort to further reduce costs and improve its competitive position.

In the first three quarters of 2007, provincial newsprint shipments totalled 423,500 tonnes, down 5.3% over the same period in 2006. On an annual basis, the volume and value of newsprint shipments are expected to be down by about 1% and 16% respectively in 2007.

Lumber

Lumber production is expected to increase by close to 8% this year to 140 million board feet. However, this volume increase is being more than offset by lower prices and, as a result, the value of production is expected to decline by around 10%. Lumber prices are expected to average US\$285 per thousand board feet in 2007, down from US\$327 in 2006, due to the sustained downturn in the U.S. housing market.

AGRIFOODS

Farm Cash Receipts

Total farm cash receipts increased by 13.7% in the first nine months of 2007 to \$79.0 million. Dairy production was up 13.3% to \$32.5 million. Farm cash receipts from floriculture and nursery products were down 1.9% to \$6.1 million, while egg production was down 4.1% to \$8.7 million. Chicken production receipts are no longer published by Statistics Canada, however, according to data from the Chicken Farmers of Canada, the volume of chicken production increased by 4.5% during the first nine months of 2007, compared to the same period in 2006.

Egg Grading Facility

In July 2007, the province announced it will be investing \$1.2 million under the Agriculture and Agrifoods Development Fund towards the construction of a \$4.2 million state-of-the-art egg grading station by Newfoundland Eggs Inc. The new facility will allow the company to increase its egg grading capacity and produce higher quality eggs at lower cost. This will give local industry greater opportunity to gain market share through import substitution. The current facility operated by the company grades 60% of the province's egg production.