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Ottawa investing another \$600,000 to help spur lumber exports to India



The Honourable Joe Oliver, Canada's Minister of Natural Resources, meets with Dr. Manmohan Singh, Prime Minister of India, while at Petrotech 2014, Sunday, January 12, 2014. MARKETWIRED PHOTO/Natural Resources Canada

Ross Marowits, The Canadian Press

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MONTREAL -- India is a strong potential growth market for Canadian lumber despite misinformation about wood construction that have limited exports even as they have soared in neighbouring China, Canada's natural resources minister said Wednesday.

"This is the fourth-largest consumer market in the world. For us to ignore that would make no sense and we're not and we see enormous potential," Joe Oliver said during a conference call from Mumbai, where he's on a six-day trade mission.

The federal government announced it is investing an additional \$600,000 to spur efforts to boost lumber exports to a market with about 1.2 billion people.

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Ottawa has already provided \$1.6 million to Forest Innovation Investment India (FII India), Canada's forest products market development office, which is also supported by the B.C. government.



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Oliver said more effort is required to sell the Canadian lumber brand and overcome the lack of a tradition in using wood for construction and myths about lumber being unable to withstand India's intense heat and humidity.

"You've got to put in the time. You don't necessarily have instant wins -- you have gradual improvement and increasing recognition," he said.

The minister said Indian demand for imports is a decade behind China. While Chinese imports from Canada soared by 1,000 per cent between 2007 and 2012, Indian imports shrunk in one year to just 53,000 cubic metres of B.C. lumber valued at \$8.7 million. India accounted for just 0.15 per cent of Canadian exports for the first 10 months of 2013. China accounted for 32 per cent as of November, while the U.S. led at 53 per cent.

"China was very small too 10 years ago and yet the Chinese market was crucial in helping our forestry industry emerge from the recession when residential construction in United States basically collapsed."

He said exponential growth in India fuelled by rising disposable incomes will accelerate demand for all kinds of Canadian products, including lumber, oil and gas, mining products and nuclear power.

"There's nothing at the moment but when it happens we're looking at an additional market in the billions."

Oliver also said there is growing interest by India in investing in Canada and said the impending election of a new prime minister to replace Manmohan Singh won't impede the potential "irrespective of who wins."

He said efforts to build Indian lumber imports must be realistic by initially focusing on specialty products like door and window frames and furniture, instead of building construction that has traditionally fallen to other materials.

Analyst Paul Quinn of RBC Capital Markets says Indian lumber imports will gradually increase but efforts face transportation and infrastructure challenges to get the material to local markets. Internal dynamics of doing business in India can also be more challenging than China where government involvement can clear roadblocks.

"I think it's going to be a slower growth story than what we've seen with China but I think it's going to be yet another place to put lumber which continues to tighten the market," he said from Vancouver.

Quinn sees Canfor Corp. (TSX:CFP) and West Fraser Timber (TSX:WFT) being the main beneficiaries because of the volumes they already have in the country.

Canfor CEO Don Kayne said India holds "tremendous future potential," adding the federal investment will "expand our reach in this rapidly growing economy."

Lumber shipments from British Columbia to China were up 6.9 per cent for the first 11 months of 2013, while prices have risen five per cent over the last month after climbing 19 per cent in 2013.



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Quinn said he expects prices in 2014 will be similar to last year, but with less volatility. He forecasts they will average US\$360 per thousand board feet for 2014, down from US\$372 as of Jan. 10, but rise to US\$410 for 2015 and US\$435 for 2016 as U.S. housing starts reach 1.3 million in 2016.

The analyst expects Canada's forest products companies will post stronger results in the upcoming fourth quarter and full year and will feel the positive effects of a lower Canadian dollar in the first quarter.

"It looks like a pretty significant tailwind building for the first quarter," he said, noting that the loonie has dropped to near 91 cents US from the fourth-quarter average above 95 cents US.

Mark Kennedy of CIBC World Markets raised his target prices for several Canadian forest companies on the benefits of a weaker loonie. Canfor was increased 12 per cent to \$32, Interfor to \$17.50 and West Fraser to \$130 from \$110.

Read more: <http://www.ctvnews.ca/business/ottawa-investing-another-600-000-to-help-spur-lumber-exports-to-india-1.1640668#ixzz2sTFYPOYv>

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