Canada. Dept. of Trade and Commerce.
Resource Commodities Division.
Commodities in international markets.

R 42

COMMODITIES IN INTERNATIONAL MARKETS

L U M B E R

Summary

In the past three years lumber consumption in the Western World changed little, after expanding rapidly in the first part of the 'sixties. Demand in the United States started to rise in mid-1967 following an increased level of housing starts. In Britain consumption improved throughout the year, whereas elsewhere in Europe demand was sluggish. Japan had the most spectacular growth as construction continued to accelerate after the 1964-65 recession. Last year Canadian exports rose five per cent to reach their 1964-65 volume as shipments to Japan nearly doubled and those to Britain and the United States showed improvement.

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[Resource Commodities Division]
Office of Economics and Trade Analysis
[Canada] Department of Trade and Commerce.

Ottawa
March 1968

LUMBER

General Trends

World consumption of softwood lumber totalled 120 billion board feet in 1965 - an expansion of less than fifty per cent since 1950, while demand for newsprint nearly doubled and chemical pulp rose two and a half times. In recent years lumber consumption changed little after the four per cent rise in 1964, whereas newsprint and pulp continued to expand rapidly until 1967. Nevertheless, 30 per cent of the volume of wood products entering international trade is in the form of softwood lumber.

In the early 'sixties lumber consumption moved ahead at favourable rates along with general economic activity. An exception was Russia, and other Eastern Europe, where demand rose rapidly in the 'fifties but has changed little since 1959. Elsewhere policies initiated in 1964 to dampen inflationary pressures, or to correct international payments, adversely affected demand for lumber in Europe in 1965 and 1966 and slowed expansion in Japan. In the United States demand eased in 1965 as a result of an over-supply in housing, and then declined for two years because of a shortage of mortgage funds.

In 1967 lumber demand in the Western World rose slightly above the plateau reached in 1965-66. In the United States consumption did not improve until mid-year, while in Britain this occurred some six months earlier. However in continental Europe demand changed little last year, whereas the Japanese expansion continued to accelerate.

Demand in the Western World in 1968 may again expand slowly. In the United States lumber use is anticipated to rise moderately as housing continues to expand from the low in early 1967. Demand in Britain could stagnate in light of recent measures, but elsewhere in Europe a modest improvement should follow an unimpressive 1967. In Japan consumption may rise moderately following the fast pace set last year.

Market Structure

Russia and the United States each consume 30 per cent of the world's softwood lumber. The next largest consumer is Western Europe which utilizes just over half as much. Japanese demand is lower again although above either the European Common Market or the European Free Trade Association.

Construction accounts for two-thirds of demand in most large markets, equally divided between housing and other building. In Russia per capita use rose sharply in the postwar period as a result of a rapid expansion in economic activity, but has declined since the end of the 'fifties with the increasing substitution of other materials for lumber. This is similar to the sharp postwar drop in per capita consumption in the United States, as well as in Canada, due to changes in architecture and displacement by plywood and other panel products made from wood, minerals or plastic. In Europe per capita use expanded slowly while total consumption rose at a fair pace. Consumption per person in Japan has risen rapidly and is currently above the European average, although below that in Russia, North America and Scandinavia. Per capita lumber consumption in Australia and New Zealand is as high as that in North America, although it is quite low in South Africa.

Russia, although a leading consumer, also saw its exports expand rapidly between 1950 and 1964. While Canadian exports are double those of Russia, growth has been slower. Although American output is nearly as large as Russia's, the United States is a leading importer, along with Britain and the European Common Market.

More so than other forest products, lumber trade follows a regional pattern, with the bulk of it moving south from Canada to the United States, and from Scandinavia and Russia to other European countries. Nevertheless there is considerable local trade in Europe with lumber flowing from Austria to Italy and West Germany, and from Eastern Europe to neighbouring countries, including Western Europe. In the latter case, Romania and Yugoslavia ship to the Common Market countries whereas Poland and Czechoslovakia also export to Britain. In turn Eastern Europe receives sizeable quantities from Russia. Britain, as an island, receives large quantities from all directions: Russia and Canada each supply one-quarter of imports, while Finland and Sweden together account for over a third. Smaller suppliers to Britain include Brazil, Portugal and Norway, in addition to Poland and Czechoslovakia.

While Japan is also a sizeable importer of timber, the bulk is in the form of logs from the United States and Russia; but Canada and the United States are the major suppliers of lumber itself. Australia also imports substantial quantities from Canada and the United States, as well as neighbouring New Zealand. South Africa receives most of its declining imports from Canada as local production continues to expand.

The developing countries in Asia, Africa and Latin America consume a tenth of the world's lumber. Many of these countries possess an adequate supply of hardwoods which could be used in place of softwoods, but lack of investment capital and adequate incomes results in limited use of any kind of lumber. North Americans are the major suppliers to Latin America, with Canada exporting mainly to the Caribbean and the United States shipping largely to Mexico and Peru. Brazil is the leading local supplier. Imports by Egypt and other Mediterranean and Near Eastern countries are rising; Russia, along with France and Eastern Europe are the major suppliers. Meanwhile Sweden and Russia are the major outside sources for other developing countries in Asia and Africa.

The United States Market

Lumber consumption in the United States expanded until 1965 but then declined by some three per cent in the next two years. The number of houses built annually in the 'sixties is much above that prevailing in the early postwar period. But while lumber consumption increased it was dampened by the rapid rise in apartment units, which require only two-fifths as much lumber as a single-family house. However average housing size increased in association with rising incomes. In addition, utilization of lumber in non-residential building and manufacturing industries expanded rapidly throughout the 'sixties.

Growth in the American economy has continued unbroken since early 1961, although in recent years there has been a credit squeeze. As a result housing, which had weakened slightly in 1965 due to overbuilding, declined sharply in 1966 because of a shortage in mortgage funds. Then housing starts rose smartly in 1967 as the supply of mortgage money eased; but for the year the volume of housing investment was down by seven per cent. At the same time the volume of non-residential building did not decline until late 1966, but then continued at a low level through 1967 and resulted in a year-to-year decline of seven per cent. Other markets for lumber have held up well.

Thus consumption of softwood lumber expanded from 29 billion board feet in 1960 to 33½ billion in 1965, in response to developments in construction. Due to a lag, demand declined by only three per cent in both 1966 and 1967. In early 1966 lumber prices rose rapidly because of strong domestic demand accentuated by large military orders, a shortage of railway cars and accelerated buying in anticipation of a prolonged strike in the western forest industry. However prices fell quickly as demand weakened although they improved steadily throughout 1967 and early 1968 to reach new peaks.

The outlook for the American economy in 1968 is quite promising and although interest rates may remain high, a number of non-financial factors indicate that housing will continue its upward trend. However non-residential building may remain weak. Therefore lumber demand is expected to expand by some three to five per cent with an assist from higher demand for manufactured wood products. As well lumber prices are anticipated to remain at present levels because of demand, and continuing large exports of quality logs to Japan.

The British Market

Growth in the British economy decelerated sharply with the imposition of various restrictive measures since October 1964. At the same time building investment, which had risen rapidly in 1964, grew slowly in 1965 and stagnated in 1966. In this regard, private housing (which uses more lumber) declined slightly in 1965 and then dropped ten per cent in 1966, whereas public housing went up by some six per cent in both years. Meanwhile lumber consumption, which rose by a fifth between 1960 and 1964, declined some five per cent in both 1965 and 1966.

In 1967 a modest improvement in private housing started at midyear, and growth in the public sector accelerated to surpass the private sector. Both are expected to increase moderately in 1968, although growth in the public sector will be greater. While non-residential building has been expanding slightly since mid-1966, little change is expected in 1968. Therefore lumber consumption which recovered six per cent last year, is not expected to increase in 1968 although it should continue to expand in the first few months of the year.

Imports were slightly higher in 1967, but well below the peak of four billion board feet reached in 1964. Stocks which rose sharply in 1965, were worked down thereafter and import orders were reduced. Consequently, imports were one-eighth lower in 1966, and those from Canada were down by a quarter. Last year Canada participated fully in the import recovery, and as in 1965 was the major supplier. However the greatest volume increase was in Swedish timber, which was diverted from the weak German market. In 1968 imports should continue at last year's level.

The European Market

The economy of the European Common Market expanded at favourable rates in the first half of the 'sixties but then slowed significantly after mid-1966, largely as a result of measures taken in Germany. Construction, which moved ahead rapidly in 1964, slowed considerably in 1965 and declined somewhat in 1966. However the situation apparently stabilized last year. Lumber consumption rose over ten per cent in 1964, and then declined some two to three per cent in each of the following two years but increased nearly two per cent in 1967. The Community imports almost half of its requirements, and these were probably four per cent lower last year, as local sawmills salvaged the trees blown down by the wind storms of early 1966.

The Market in Japan

Growth in Japanese construction eased slightly during the 1964-65 recession, although lumber consumption continued to rise moderately. The recession was short-lived and the economy again expanded rapidly in 1966 and 1967. The revival in housing in the fall of 1966 resulted in exceptional growth last year, and lumber consumption which increased by some eight per cent in 1966 appears to have risen faster last year. In 1968 the outlook is for moderate growth in lumber demand. Both lumber and sawlog imports increased sharply in 1966 and 1967, and should rise moderately this year. However, three-quarters of external supplies are in the form of logs while the bulk of the lumber is square timber.

Canada's Position

Canadian exports of lumber expanded rapidly in the postwar period to reach 4.6 billion feet in 1955, but then stagnated for five years because of poor demand in the United States along with rising competition from Russia and Finland in the British market. As a result of improved demand in the United States and Britain in the 'sixties, along with development of new markets in the European Economic Community and Japan, exports expanded by one-half to 6.5 billion board feet in 1964. This was barely maintained in 1965.

In early 1966 Canadian exports moved ahead rapidly because of strong demand in the United States, and fears of a prolonged strike in the British Columbia industry. Thereafter foreign shipments declined sharply, largely because of a housing slump and high lumber inventories in the United States, as well as in Britain, and a year-end longshoremen's strike on the West Coast. Consequently, overall exports in 1966 were five per cent below the previous year's level.

In the first half of 1967 lumber exports remained five per cent below the high previous level, with those to the United States down 11 per cent. Later in the year the exceptional growth in exports to Japan was maintained, the British market continued to improve and the American market picked up. As other markets rose smartly, overall shipments recovered to 6.5 billion board feet. However, shipments would have been higher if it hadn't been for extended forest closures in British Columbia because of severe summer fires and a prolonged strike in the Interior industry. In addition, log exports to Japan from the States of Washington and Oregon continued to expand rapidly and together contributed to high lumber prices in the large United States market. Thus with some increase in prices, Canadian export values rose six per cent while volume was five per cent higher.

The outlook for demand in the United States and other major markets is generally promising this year, and exports from Canada would be expected to expand. However, recent fiscal announcements in Britain, and to a limited extent in the United States, plus the threat of a strike in the Coast forest industry, make it unlikely that exports will increase to any extent.

Table 1 - International Lumber Market Structure in 1966
(million board feet, softwood)

From: \ To:	United States	Britain	EEC	Other Western Europe	Eastern Europe	Japan	Old Dominions	Latin America	Other Asia & Africa	Total Exports
Canada	4,726	780	166	20	-	267	162	95	40	6,256
United States (Canada 186)		12	196	40	-	170	95	111	59	869
Sweden	-	507	952	608	-	-	2	-	50	2,119
Finland	-	727	596	208	20	-	8	-	21	1,580
Portugal, Norway	-	101	30	10	10	-	-	-	57	208
Austria	-	-	1,012	87	20	-	-	-	40	1,159
EEC	-	6	107	69	-	-	-	-	38	220
Eastern Europe	-	309	881	73	101	-	-	-	210	1,574
Russia	-	873	687	148	1,206	28	-	131	315	3,388
Latin America, Asia & Africa	50	113	107	16	-	20	69	178	194	747
Total Imports	4,776	3,428	4,734	1,279	1,357	485	336	515	1,024	18,120
Canada % Share	99	23	3½	1½	-	55	48	18	4	35

Table 2 - Lumber in the United States
(million board feet, softwood)

	Consumption	Production	Imports		Imports as Percent of Consumption	Exports
			Total	Canada		
1960	28,974	26,672	3,631	3,571	12.5	688
1963	31,914	27,552	5,027	4,962	15.8	740
1964	33,175	29,284	4,913	4,867	14.8	797
1965	33,549	29,159	4,895	4,853	14.6	776
1966	32,504	28,870	4,776	4,727	14.7	860
1967	31,436	27,410	4,798	4,744	15.3	955

Table 3 - Lumber in Britain
(million board feet, softwood)

	Consumption	Importers'		Imports				
		Stocks	Orders	Total	Russia	Canada	Finland	Sweden
1960	3,336	1,289	3,004	3,544	754	614	1,014	772
1963	3,392	1,178	3,988	3,309	889	657	806	521
1964	3,964	1,350	4,328	3,968	990	927	855	618
1965	3,765	1,487	2,589	3,758	967	993	741	526
1966	3,594	1,348	3,097	3,324	844	744	722	513
1967	3,818	1,222	3,840	3,520	807	814	699	748

Table 4 - Lumber in Japan
(million board feet, softwood)

	Consumption	Production	Imports of Lumber			Imports of Sawlogs in Lumber Equivalent				
			Total	Canada	United States	Total	United States	Russia	Canada	New Zealand
1960	9,492	9,480	65	2	55	313	83	184	2	37
1963	10,387	10,052	383	264	107	1,097	605	346	74	59
1964	10,890	10,523	408	240	136	1,360	756	445	53	81
1965	11,440	11,136	348	202	112	1,510	824	517	41	105
1966	12,325	11,894	484	267	171	1,919	1,041	649	69	126
1967	13,500(e)	12,800(e)	779	462	244	2,912	1,571	1,007	131	163

Table 5 - Canadian Lumber Exports
(million board feet)

	United States	Britain	EEC	Old Dominions	Japan	Caribbean	Other	Total Volume	Total Value (million $)
1960	3,486	671	43	239	2	82	51	4,574	346
1963	4,750	709	122	199	291	82	86	6,239	452
1964	4,755	1,021	140	184	234	84	56	6,474	477
1965	4,728	977	180	231	196	77	104	6,493	490
1966	4,591	795	167	164	272	96	51	6,136	478
1967	4,650	833	164	195	487	87	46	6,462	508

INTERNATIONAL TRENDS IN LUMBER CONSUMPTION 1955–1967

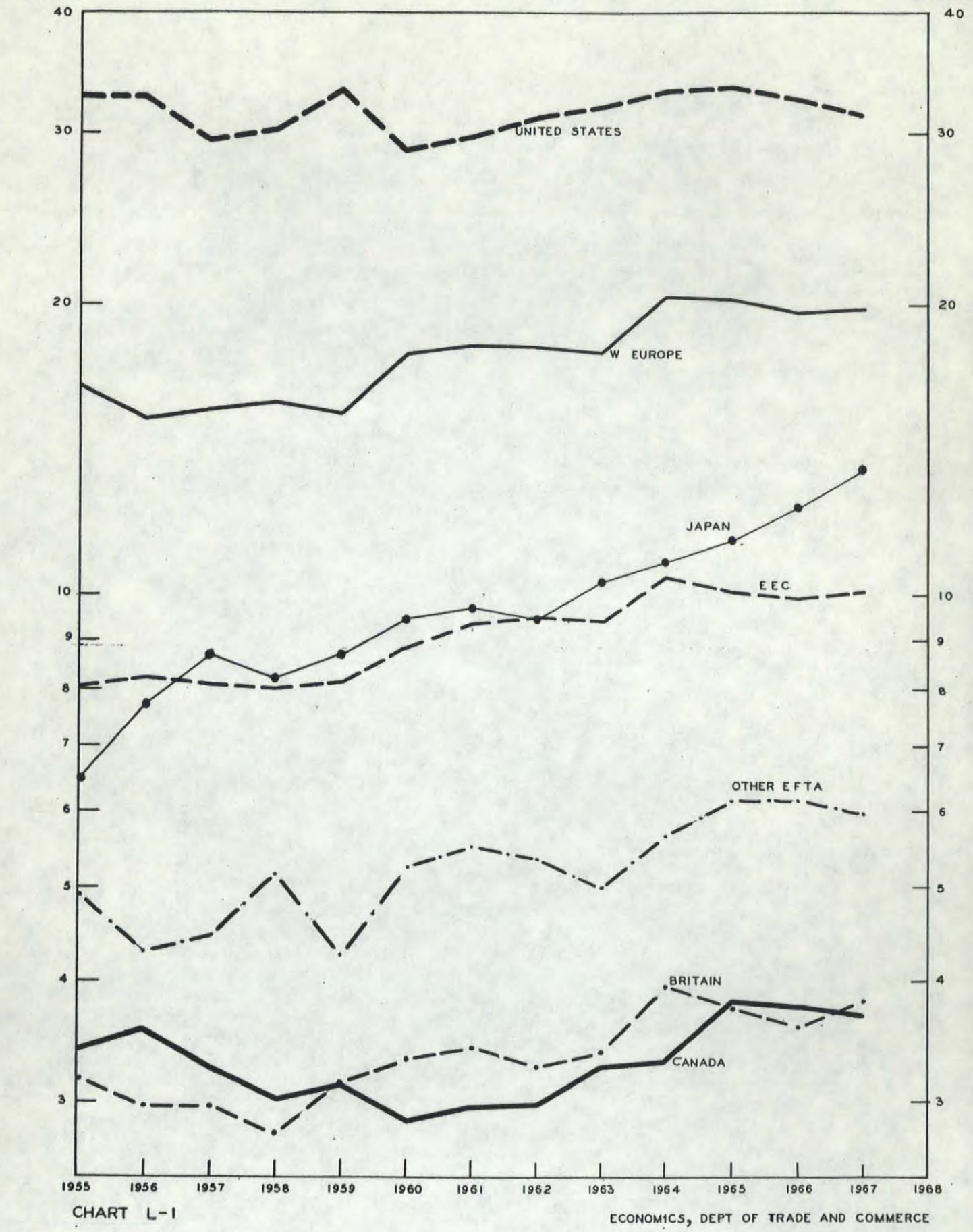
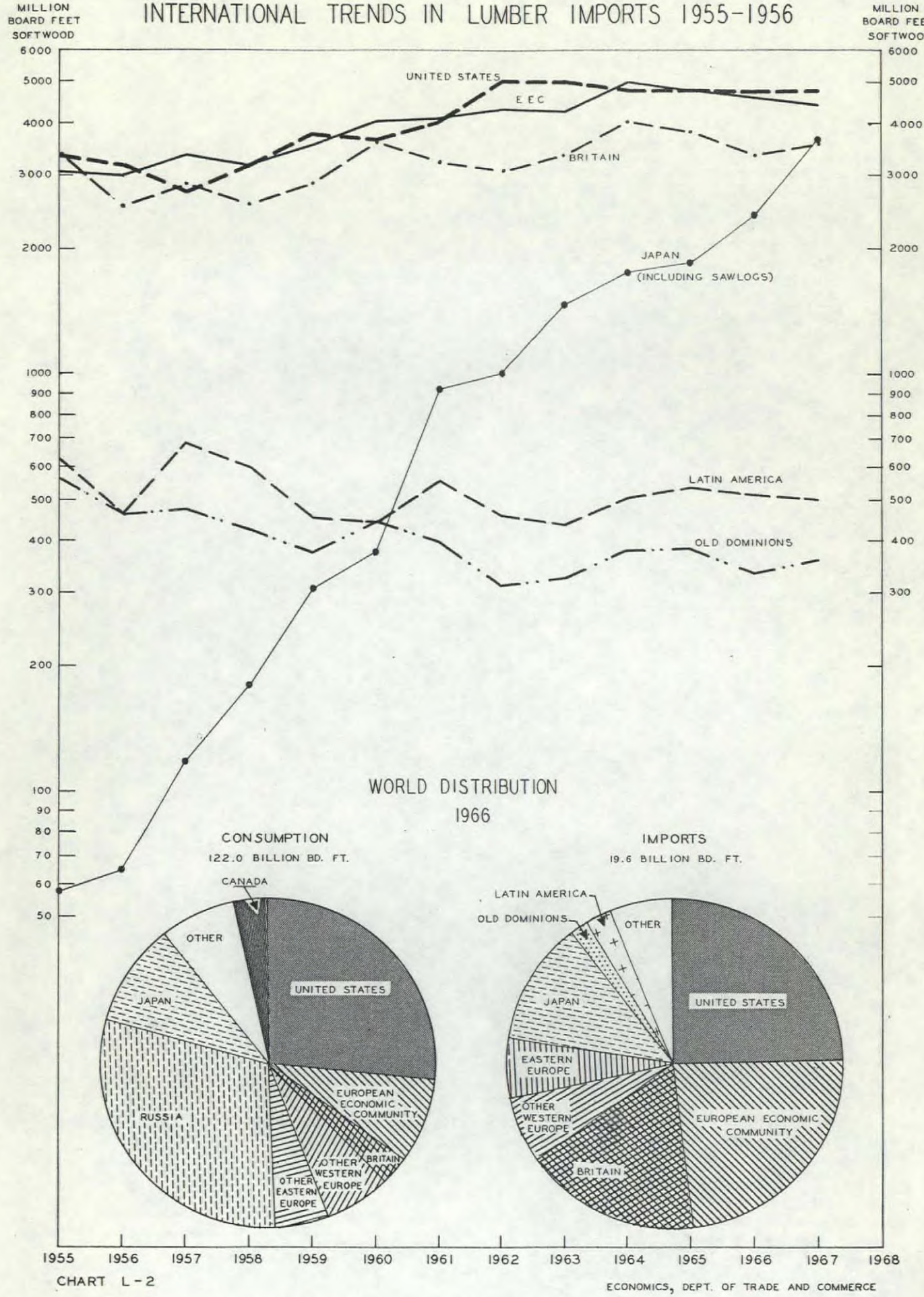


CHART L-1

ECONOMICS, DEPT OF TRADE AND COMMERCE

INTERNATIONAL TRENDS IN LUMBER IMPORTS 1955-1956



WORLD DISTRIBUTION 1966

CHART L-2

ECONOMICS, DEPT. OF TRADE AND COMMERCE

LUMBER IN UNITED STATES AND BRITAIN 1955-1967

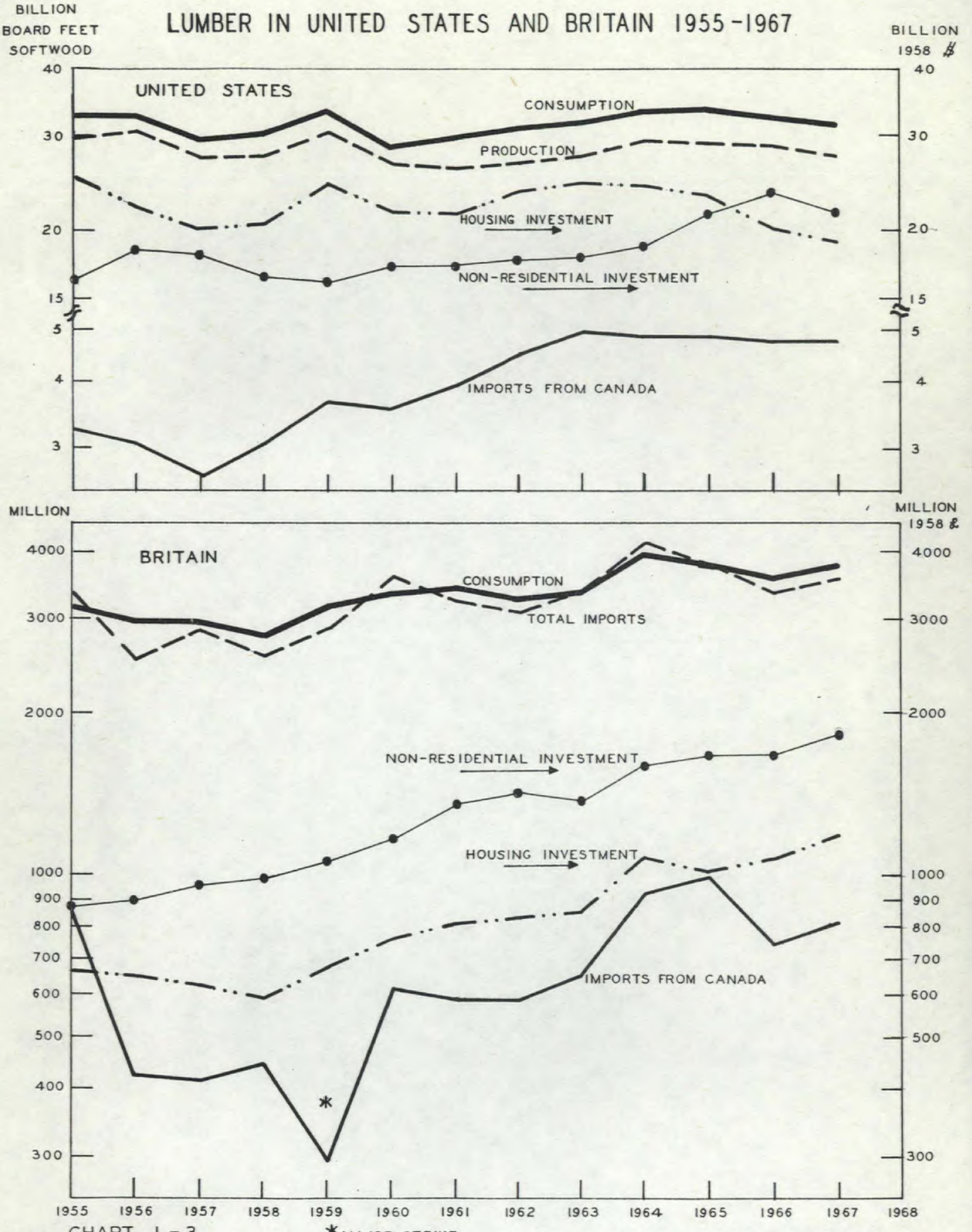


CHART L-3

*MAJOR STRIKE

ECONOMICS, DEPT. OF TRADE AND COMMERCE

R 43

COMMODITIES IN INTERNATIONAL MARKETS

P O T A S H

Summary

In recent years the steady growth in demand for potash has been eclipsed by gains in supply, especially in Canada and Russia. Competition in world markets has intensified greatly and prices have been declining. The restructuring of world supply as high-cost producers are giving way to new, more economical production, is strongly reflected in trade. Indications are that fertilizer needs of the world agricultural community will continue to advance, though in an interim period of two to four years, more slowly than the committed expansion of supply. The present capacity surplus, therefore, is expected to increase before it fades out in the early 'seventies. Canada's potential output as well as the anticipated export performance will likely be tempered by extremely competitive conditions in international markets.

Resource Commodities Division
Office of Economics and Trade Analysis
Department of Trade and Commerce

Ottawa
March 1968

COMMODITIES IN INTERNATIONAL MARKETS

POTASH

Potash is a general term referring to soluble salts containing potassium. The most common, accounting for over 90 per cent of world output, is potassium chloride (KCl), the product of the Canadian industry. However, in this report volume is expressed in terms of potassium monoxide (K_2O) content. This is to facilitate a quantitative comparison of various potash sources and products in a common denominator established by the potash trade. About 95 per cent of potash output is consumed as a fertilizer or its component.

General Trends

World consumption of potash grew from 8.2 million metric tons in the 1959/60 crop year to 12.0 million tons in 1965/66 and achieved an annual growth of 6.6 per cent. In recent years there has been a slight acceleration. Production during the same period advanced more quickly, by 7.9 per cent annually, and resulted in an output of 13.6 million tons in 1965/66.

The easier availability, brought about by a large scale development of the rich Canadian potash deposits in Saskatchewan, has gradually created a challenging economic climate for the existing producers of potash around the world. The general contention is that ten per cent of world supply is surplus to the more slowly advancing demand. The evidence points to substantially larger stocks, increased price competition reflected in lower list prices and higher discounts in the markets, and consequently reduced profit margins. Further, the price squeeze has forced some high cost producers in the United States and in France to curtail production as their "natural" market is dislocated.

The market outlook for a supply-demand balance in potash is not encouraging for several years hence. The expected growth in world demand is likely to remain slower than the planned phasing in of new production already under construction in Canada and also in Russia. The demand advances, associated with the need to enlarge agricultural output to sustain an increasing population, are dampened in this intermediate period by several factors, especially in lesser developed countries where chemical fertilizer application would be most warranted. There, potash use on arable land is inhibited directly by a lack of funds or by insufficient knowledge of possible increases in yields at economic cost. Indirectly, developmental capital and foreign exchange priorities retard amelioration projects (irrigation, drainage, flood control) which, if implemented, could promote fertilizer use to restore soil constituents of marginal land in preparation for its more intensive use. In industrial countries, where chemical fertilizer use is quite developed anyway, international marketing problems of current crops of staples and their carry-over tend to discourage more intensive use of land.

However, longer run optimism for potash demand is based on rapidly expanding population which eventually will exert pressure on all available resources and their more intensive use.

Market Structure

The major consuming areas of the world so far correspond roughly to the supply sources and are industrially developed. Of total world consumption, North America accounts for about one-quarter and Europe for three-fifths. In 1966 these two continents also had over nine-tenths of potash output: the United States was the largest individual producer with about one-fifth, followed by Russia (17%), West Germany (16%), East Germany (14%), Canada (13%) and France (12%).

The pattern of trade that existed in the international markets during the mid 'fifties underwent notable change in the following decade. North America, while developing new resources, moved from a net trade deficit of 150 thousand tons to a surplus on overseas trade exceeding even that of Europe. During the same period, the European surplus of 860 thousand tons in 1956 declined by about three-fifths, notwithstanding a concurrent surge in Russian production and exports.

The growth in consumption in the United States has been greater than the expanding domestic production and, therefore, since 1962 there has been a net dependence on foreign supplies, especially from Canada. One-third of total consumption in 1966 was imported and the trend indicates a larger share in the future. Nonetheless the United States continues to export potash from its southern plants but it appears that this volume will start to recede.

The European market in general is growing at the same rate as the world average but that performance is strongly bolstered by the consumption of potash in Russia which more than doubled in the past decade. Excluding Russia, demand in Europe has been advancing at about 4.5 per cent annually. The reason for this relatively low rate is that fertilizer application is already high, three to four times that in North America, and consequently further gains in consumption are resultantly lower.

The demand for potash in Asia, Latin America and Africa represents one-eighth of the overall total. Here demand is largely undeveloped, except for Japan, and a lack of indigenous sources necessitates a heavy dependence on foreign supplies. Imports, as a result, are often compared to and influenced by preferences for capital goods imports to aid industrialization and, of course, by a long standing need to import food.

The United States Market

In the 1965/66 crop year, potash consumption in the United States reached 2,865 thousand tons and achieved 11.7 per cent increase which was followed by an even stronger increase in 1966/67. The demand acceleration of this period reflected a more intensive use of land and in the latter year increased acreage under cultivation was also a factor. Although domestic production rose 3.0 per cent to 2,593 thousand tons in 1965/66, supply, due to competitive imports from Canada, gained faster than consumption. The imbalance became further accentuated in 1966/67 and, as stocks rose to unprecedented levels, price reductions of 10-15 per cent led to a reassessment of indigenous output.

At the outset of the 'sixties, domestic production supplied more than 90 per cent of the United States market but since then its share has declined by about one-third. This relative loss has been due primarily to imports of potash from Canada which now represent four-fifths of total imports. The new supply pattern that emerged did so when reserves in the United States became depleted gradually and as several American producers shifted to Canada to develop richer ore bodies (25% K_2O) than those in New Mexico (18% K_2O). Last year one-third of the industry's productive capacity was affected as three major companies curtailed or suspended operations. However, gains elsewhere in the industry served to somewhat offset the magnitude of

that loss. The resulting economic impact has aroused several New Mexico interests and received the attention of the United States Congress, where a bill calling for protective legislation has been introduced, to establish import quotas on potash but the matter is yet unresolved.

The Market in Europe

Potash consumption in Europe accounts for approximately three-fifths of the world total with a tonnage of 7,440 thousand tons in 1965/66. During the early 'sixties, moderate increases took place but in 1965 and 1966, Russia aside, consumption stagnated and the value of sales actually declined. Those same two years evidenced a dramatic surge in Russian consumption which coincided with major advances in domestic output.

In Western Europe, embracing the European Economic Community and EFTA countries, potash consumption has grown rather slowly in the last few years. In 1965/66 it reached 4,000 thousand tons and showed a 3.8 per cent annual rise from 1960/61. This group includes several highly developed agricultural countries but their relatively high potash consumption per acre reflects a plateau which contributes little to the present growth. In others, advances are noted, though consumption per arable acre is already well above the European average. Production in Western Europe is such that the area can be more than self-sufficient, although imports are displacing additional domestic output.

In Eastern Europe potash consumption has been advancing at a much better pace of 12.3 per cent per annum since 1960/61. It reached 3,440 thousand tons in 1965/66. This part of Europe represents the current and potential growth area for potash demand in Europe because its consumption per arable acre is still significantly lower than in Western Europe and because it is in the midst of a concerted drive to improve its agricultural production and methods. However, this area has a well developed production base in East Germany and in Russia and both countries have considerable export sales. As Eastern Europe also has major undeveloped reserves, it will not be open to much import penetration in the near future and it will remain a competitor for large export sales to Western Europe.

The Market in Japan

About two-thirds (600 thousand tons) of the Asian demand for potash occurred in Japan in 1966. This market is completely dependent on foreign supplies having no indigenous source, yet it is very highly developed. Consumption per arable acre suggests Japan is among the leading potash users of the world. Similar in this respect to some of the West-European countries, it does not represent a dynamic growth element in the total and the experience of small advances in the last few years confirms this.

Nevertheless, Japan, because of the volume consumed and also because of its location, will remain of great importance to producers around the world. Canada's exports currently account for two-fifths of Japanese imports. Russia supplies about 100 thousand tons. But reported Japanese participation in a development of Russian Ural Mountain potash complex is expected to more than double Japan's intake from Russia by 1970. Although this may replace imports from countries other than Canada, it clearly points to a very competitive climate in Japan in the near future.

Other Markets

Phosphate deficient soils of Australia and New Zealand prompt demand for phosphate rather than potash in these agriculturally developed countries. Combined consumption of potash in 1966 ran about 150 thousand tons, all of it imported, mainly from North America. Approximately three-fifths are consumed in New Zealand and the combined intake accounts for less than five per cent of Canadian exports.

India's consumption of some 90 thousand tons in 1966 is very small in relation to its apparent needs. However, the low potash consumption in lesser developed areas, including the countries of Latin America and Africa, is interconnected with other pressing problems of development and industralization. These centre around priorities for available capital and foreign exchange economically and around the socio-political tenor of their population in education, agricultural methods and land tenure. Even with foreign aid programs to distribute potash, the anticipated progress will likely be gradual and slow.

Canada's Position

The very large and rich reserves of Saskatchewan induced both foreign and domestic capital to develop a modern large scale industry which since 1962 has been quickly rising to the forefront among world producers. In 1966 the three operating mines increased their output by one-third and produced 1.8 million metric tons of potash. In 1967 another 30 per cent increase took place. During 1968 two new mines are scheduled to advance capacity to 4.0 million tons and by 1971 four additional mines are expected to bring it up to 6.5 million tons. This would represent about 1/3 of projected world capacity.

Export development in Canada was also remarkably rapid in the last five years and followed closely the advances achieved in production. At the same time, Canadian imports of potash almost disappeared. In 1966, 90 per cent of output was sold in foreign markets and earned $76 million. This increased to $86 million in 1967 though prices fell considerably. The marketing of potash was to a great extent eased by the advancing world demand, as well as by the fact that the new Canadian companies shared their research and marketing organizations with their established United States parents. The new production scheduled to come in will not have similar circumstances in its favour.

The United States market continues to be of prime importance to Canadian potash. Our export sales there account for 68 per cent of the total. Japan is a distant second with 12 per cent, while Europe and other markets share the rest. Since 1966 north-west continental Europe has been entered through a distribution terminal in Rotterdam and in 1967 a Canadian company signed a five year contract to deliver substantial quantities of potash to Britain.

In 1968 all the factors in the markets point to an intensified competitive climate. Softening in prices that accelerated in the off-peak demand period of 1967 is likely to go through another round. Should the United States legislate import quotas for potash, though the prospect is not too likely, the pressure in other markets would be even stronger. Nevertheless it is expected that Canadian export sales will advance further. In the United States they will probably replace the suspended and cut production; there a moderate growth in consumption is also foreseen. In Europe, small advances will likely be realized on the basis of long term contracts signed in 1967, while in other markets the Canadian position will stay substantially unaltered.

Table 1 - Potash, Population and Arable Land in 1965
('000 mt-K_2O, millions, million ha)

	Europe (ex Russia)	Russia	North America	Latin America	Asia (ex China)	Africa	Oceania	Total
Potash:								
Production	6,673	2,368	4,193	23	310	-	-	13,567
Consumption	5,614	1,821	3,007	323	940	197	145	12,047
Population	445	231	214	246	1,131	311	17	2,595
Arable Land	151	229	227	109	337	230	37	1,319
Ratios to Land: Total=100								
Population	150	51	48	115	171	69	24	100
Consumption	407	87	145	32	31	9	43	100

Table 2 - International Market Structure for Potash in 1965
(thousand metric tons - K_2O content)

From: / To:	United States	Canada[e]	France	West Germany	East Germany	Russia
North America	28	800	63	96	-	-
Latin America	119	na	15	26	4	25
Western Europe	23	na	587	585	352	128
Eastern Europe	-	-	6	92	761	88
Asia	327	na	65	107	42	102
(Japan)	(210)	(190)	(24)	(49)	-	(102)
Africa	23	-	14	46	-	-
Others	68	na	18	24	132	-
Total	588	1,000	768	976	1,291	343

Table 3 - Canadian Potash Exports - 1967
(thousand dollars)

United States	Latin America	Western Europe	Asia	Oceania	Africa	Total
58,923	408	9,171	15,442	1,765	434	86,143

INTERNATIONAL TRENDS IN CONSUMPTION OF POTASH FERTILIZERS 1956/57 - 1965/66

(K_2O CONTENT)

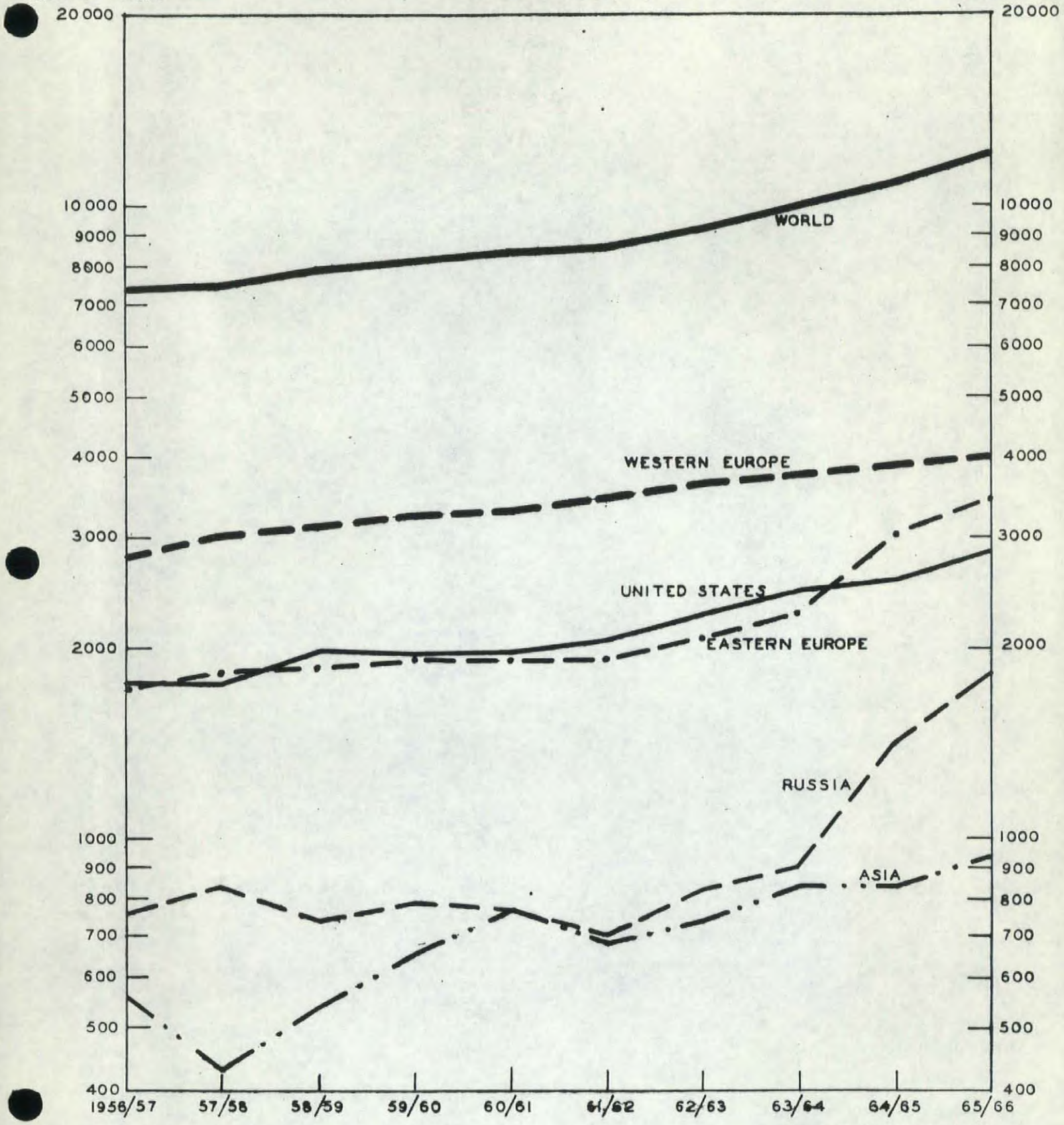


CHART P-1

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INTERNATIONAL TRENDS IN PRODUCTION OF POTASH FERTILIZERS 1956/57 - 1965/66 (K_2O CONTENT)

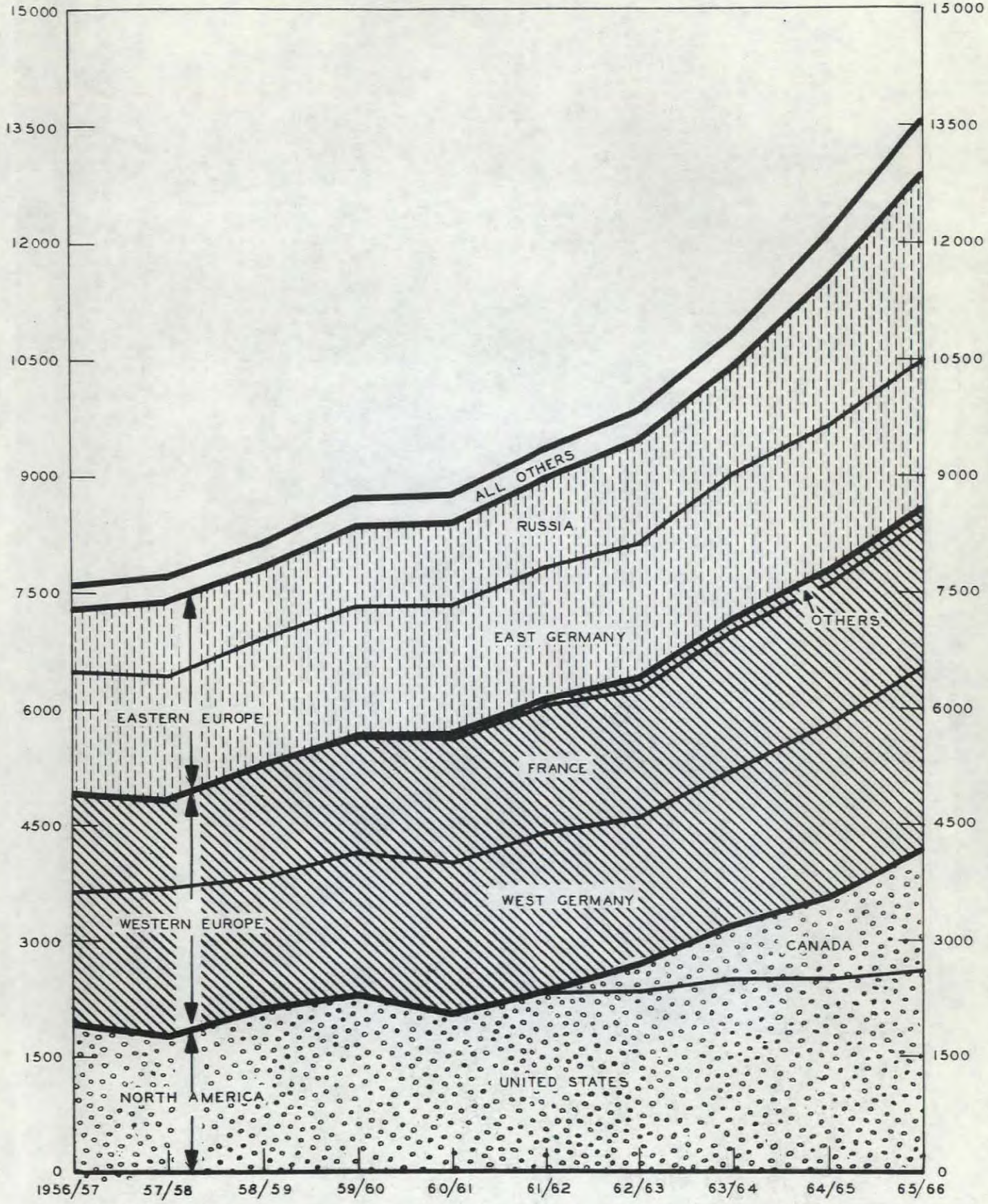

CHART P-2

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POTASH FERTILIZER TRENDS

(K2O CONTENT)

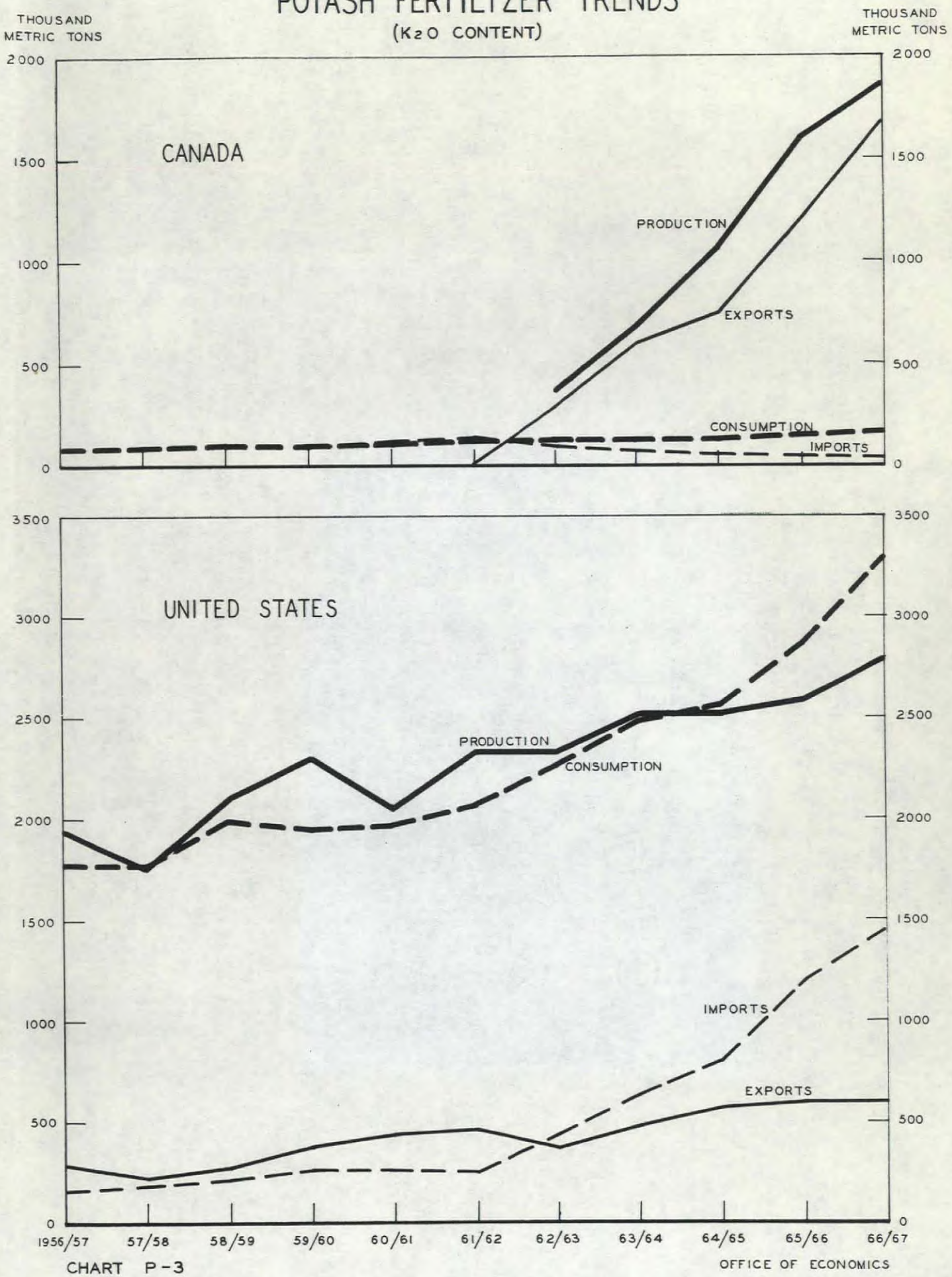

CHART P-3

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