Competitive Forests to Supply a Competitive Industry

Transition, Tenure, Prime Sites & "Sawlog" Silviculture

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To P&P and back to Lumber

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1950s - logging 4ft Pulpwood

Profitable vs Competitive

Michel Vincent

- **Profitable is an accounting term- revenues exceed costs.**
- **Competitive is a term used by economists: Long term ability to stay in business, meet customers & market needs, raw materials, labour, trade, capital, modern productive mills, etc.**
- **A Competitive Industry needs timber from a Competitive Forest**

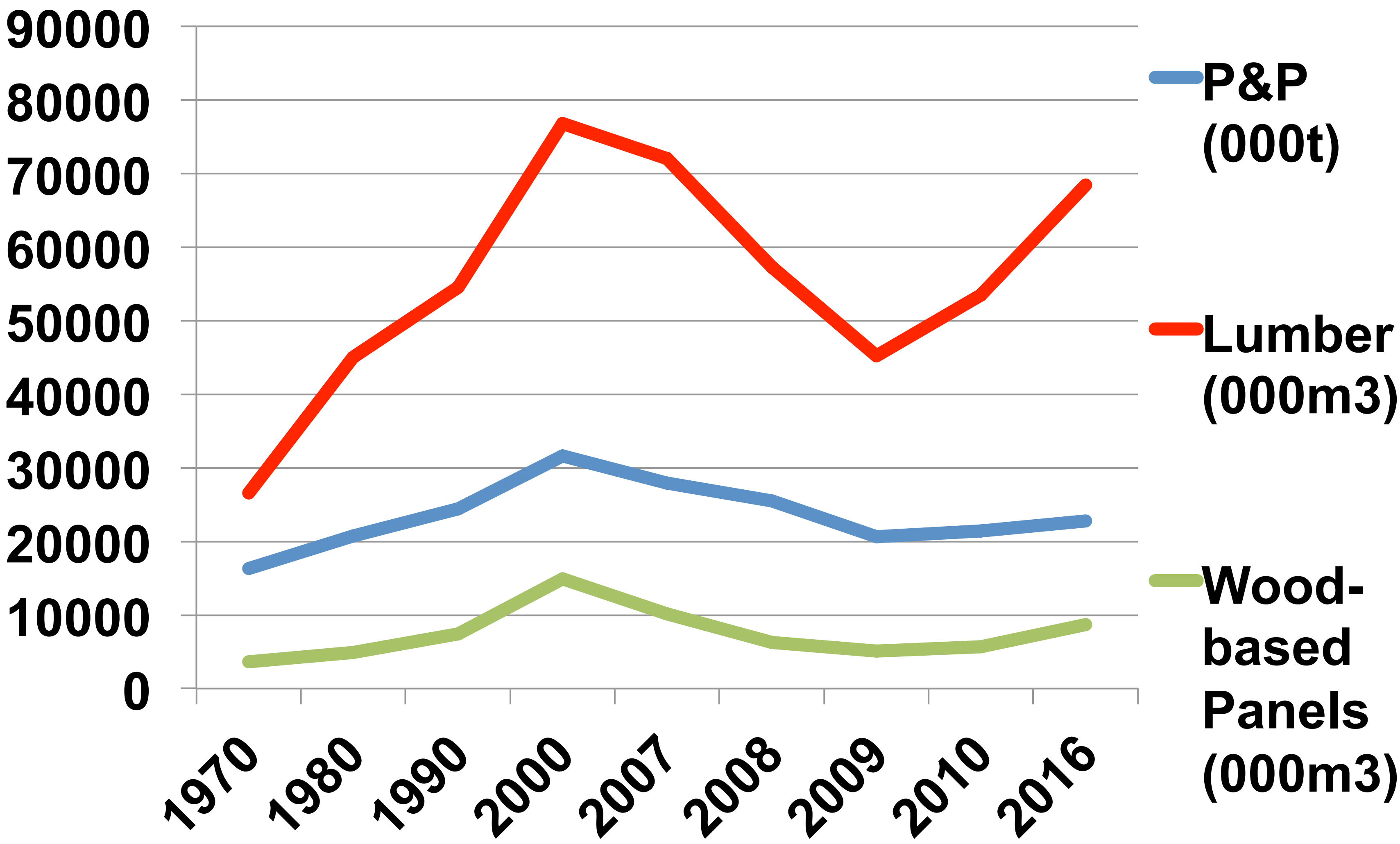
The Competitive Forest

- A healthy, productive, bio-diverse forest
- “SFM” Management
- Provision of long-term community involvement and socio-economic benefits to communities
- A focus on improving tree size and quality appropriate to the needs of the market

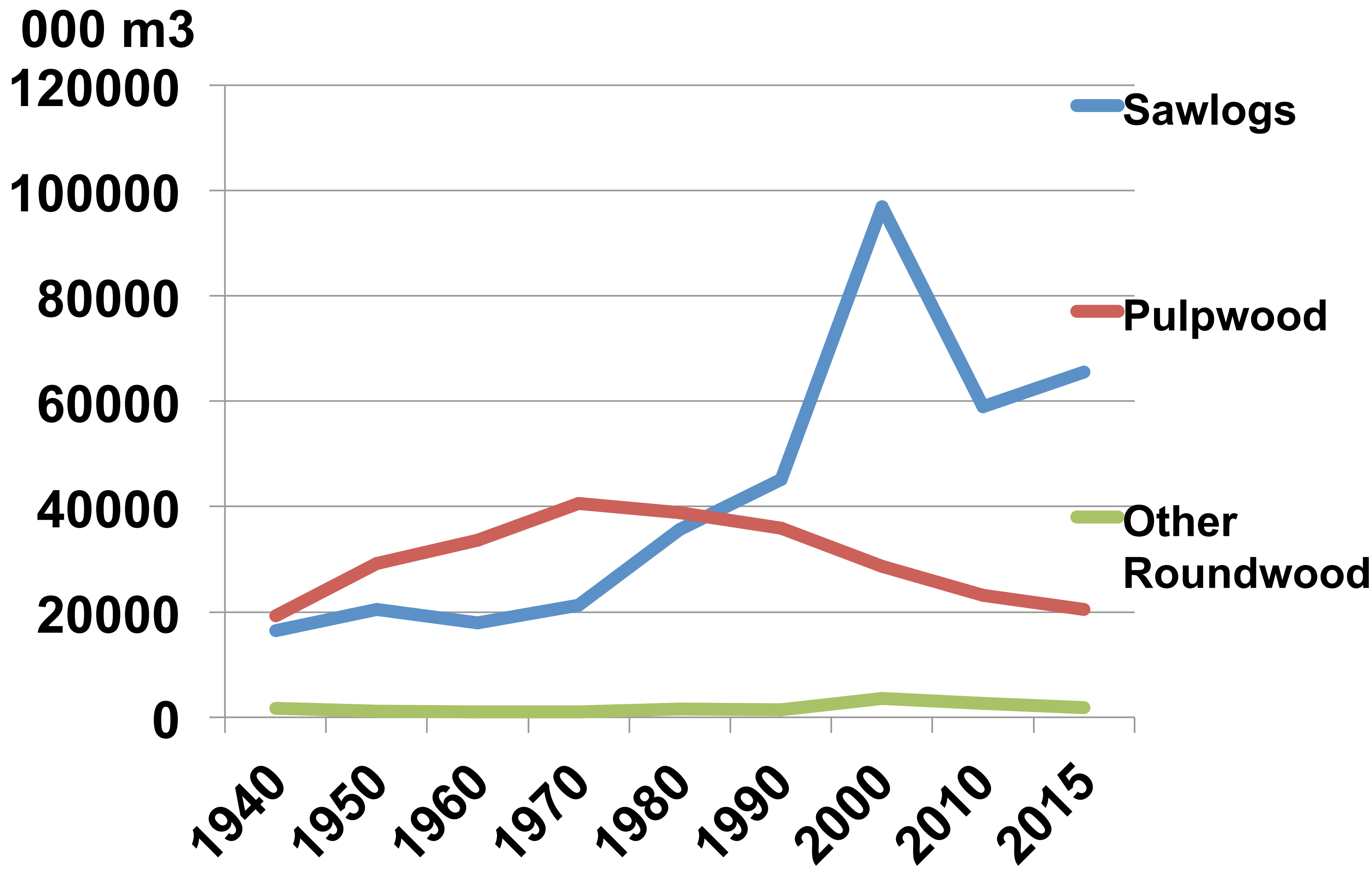
The Transition of our Forest Industry – 1920 to Present

The rise of P&P and back to Lumber

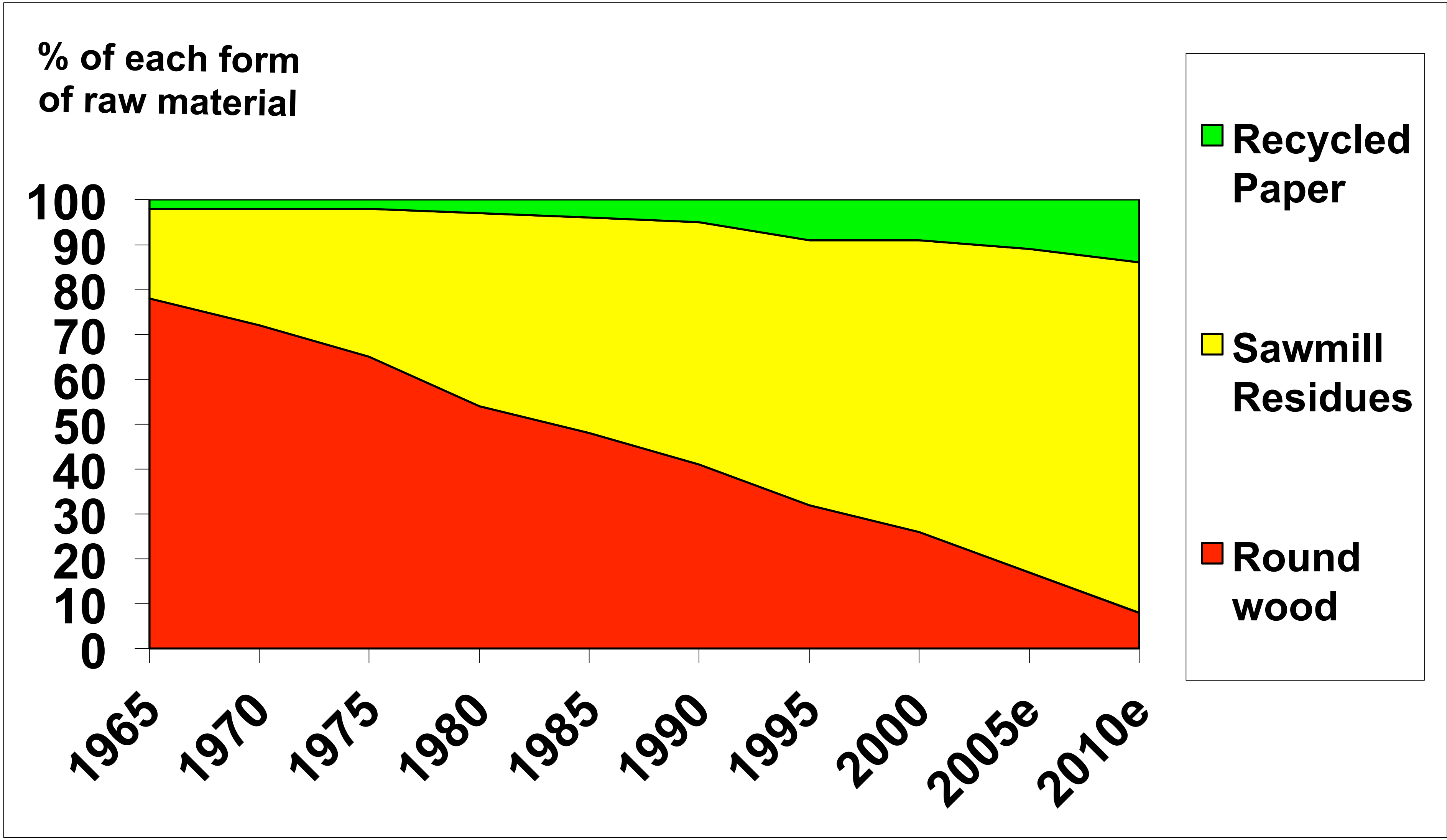
Changes in Proportions/Structure of the Canadian Forest Products Industry 1970- 2016

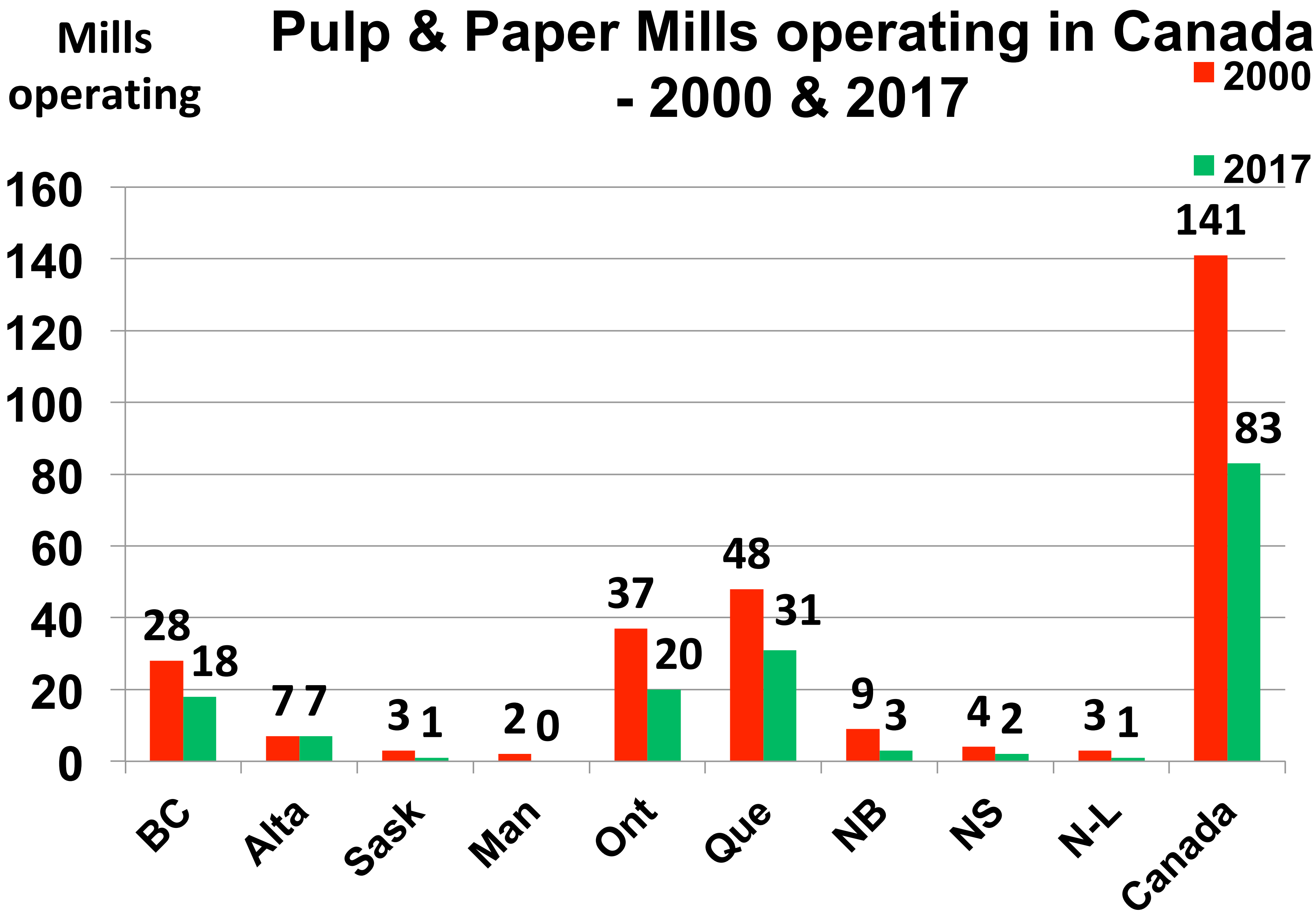


Canada (Alberta to N-L) - Harvest by Product 1940 - 2015 (%)

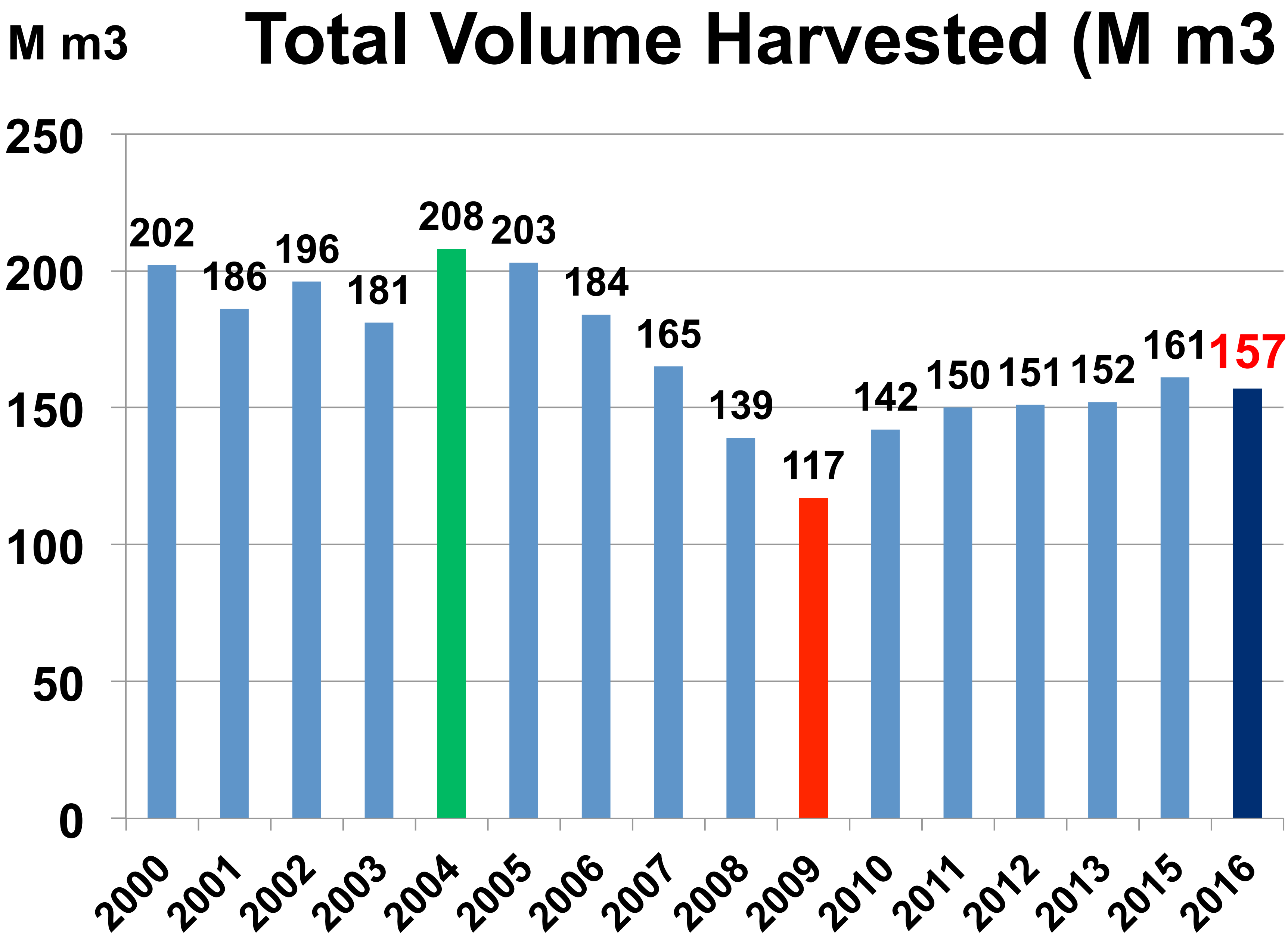


Form of Raw Materials used by the Canadian P&P Industry from 1965 to 2010 (%)





Mills operating
Pulp & Paper Mills operating in Canada - 2000 & 2017
2000
2017
160
140
120
100
80
60
40
20
0
28
18
7
7
3
1
2
0
37
20
48
31
9
3
4
2
3
1
141
83
BC
Alta
Sask
Man
Ont
Que
NB
NS
N-L
Canada


M m3
Total Volume Harvested (M m3
250
200
150
100
50
0
202
186
196
181
208
203
184
165
139
117
142
150
151
152
161
157
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2015
2016

Transition from P&P to Lumber

- We have made a transition from P&P to Lumber
- P&P mills did not care much about tree size
- But Sawmills want bigger logs to support productivity and lumber quality
- The P&P industry has declined by about 40%

Silviculture Treatments

Have we changed our silvicultural treatments with the objective of growing trees destined for lumber production?

Regional conferences on “Sawlog Silviculture”?

Tenure

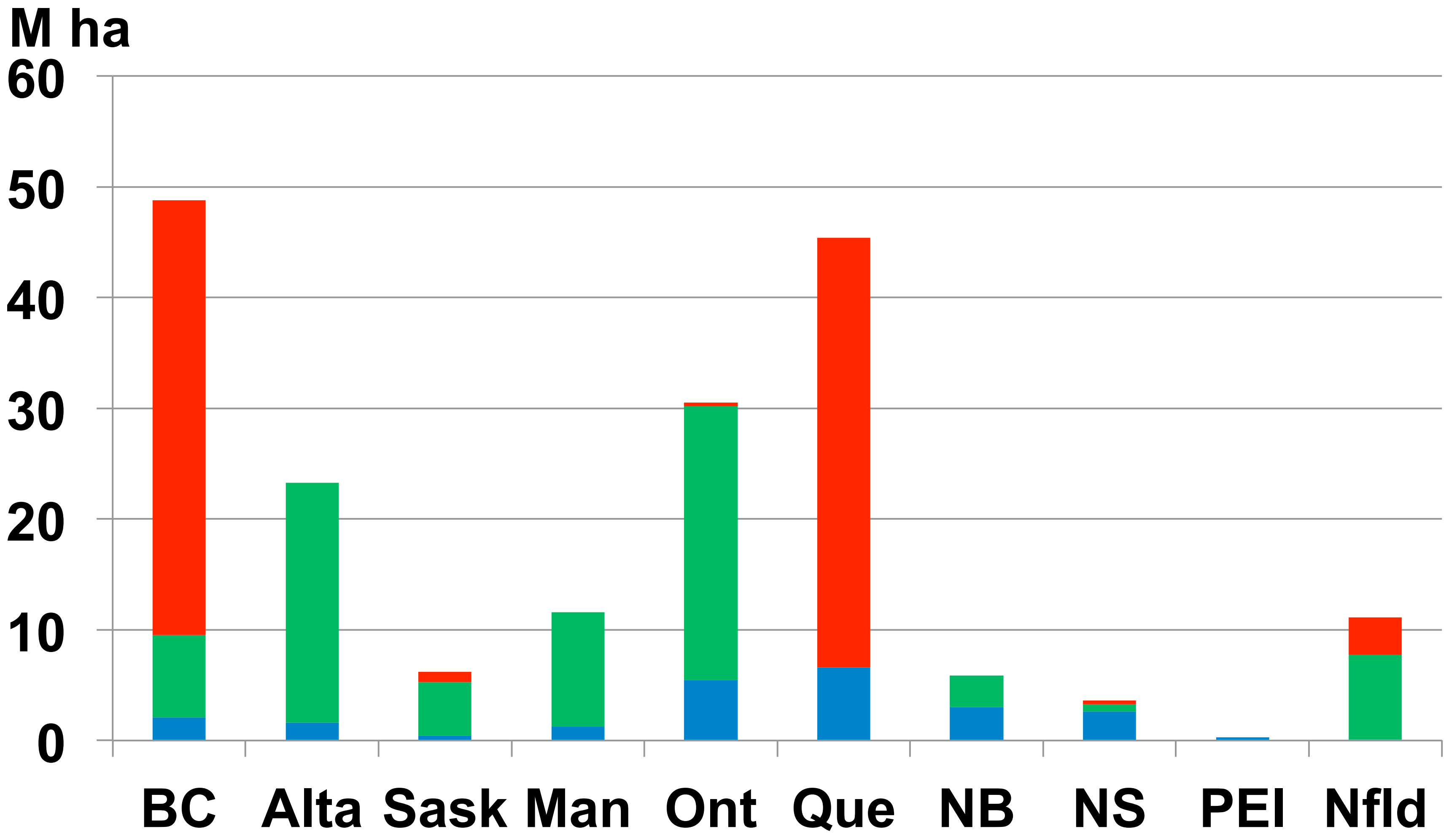
The Terms, Length and Security of Tenure Agreements establish the framework for operational forest management

- **Volume Agreements - little sense of stewardship by the industry**
- **Long-term secure Area Agreements – can develop a sense of stewardship and investment in silviculture**

Canada - Tenure Systems

Volume Agreements vs Area Agreements

Private Forest Land - 25M ha



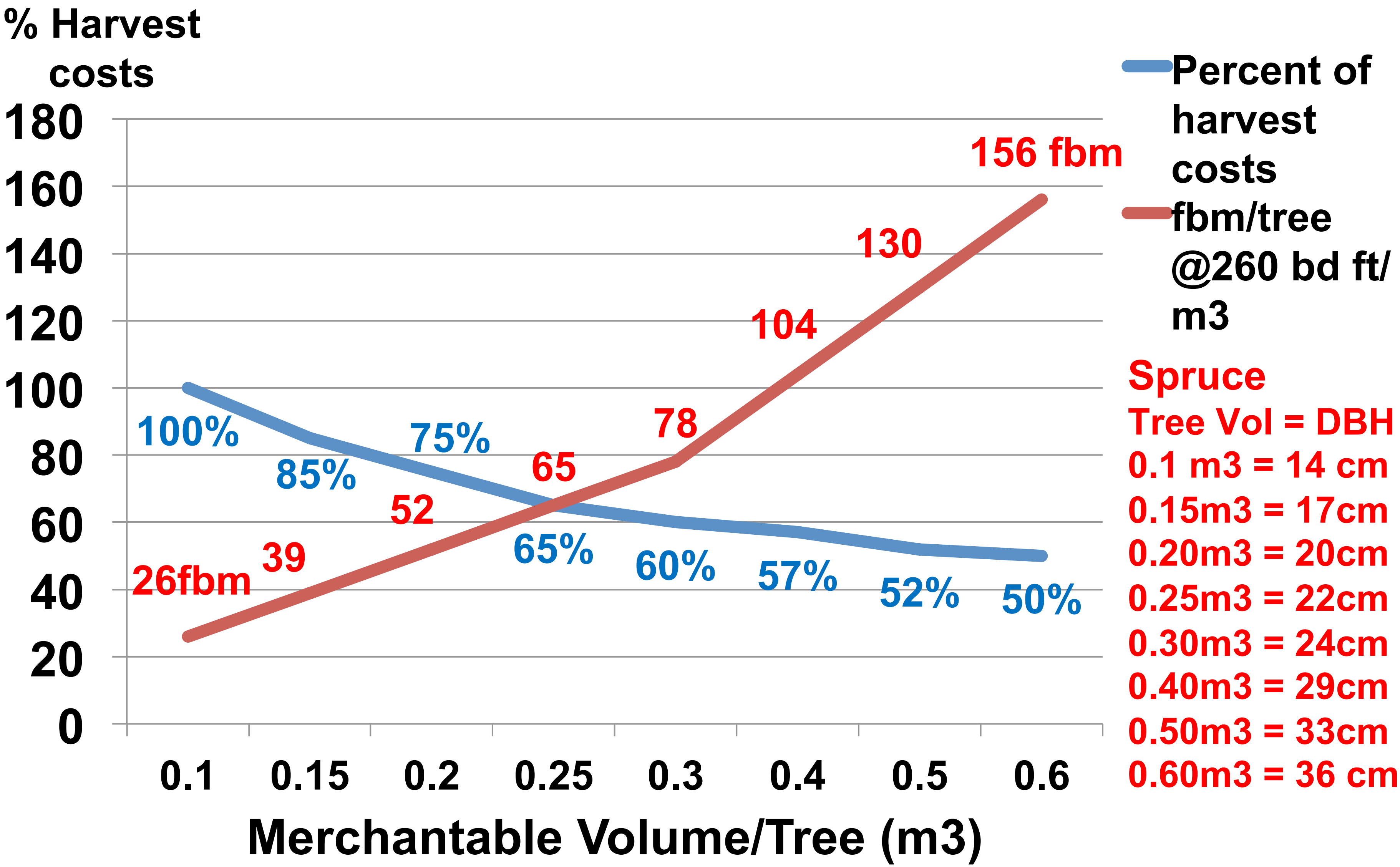
Volume vs Area Agreements

- **Volume Agreements - managed by a regulated Crown Agency that is somewhat removed from the marketplace. Allocation of area and harvest changes over time (<< rotation age)**
- **Area Agreements- if long-term & really secure, the tenure holder/manager can invest in growing good quality large trees appropriate for the market.**

Provincial Govts and Stumpage

- In colonial times stumpage was an important source of Gov't revenue.
- BC stumpage = 1.7% of revenues
- Ontario stumpage = <1% revenues.
- Do not expect the provincial gov't to grow a competitive forest.
- Develop a form of tenure that will incent the holders to grow the Competitive Forest

Harvest costs decline and board foot content rises as tree size increases



Spruce
Tree Vol = DBH
0.1 m3 = 14 cm
0.15m3 = 17cm
0.20m3 = 20cm
0.25m3 = 22cm
0.30m3 = 24cm
0.40m3 = 29cm
0.50m3 = 33cm
0.60m3 = 36 cm

In Summary

- We have experienced recessions and major changes in markets
- 58 of 141 P&P mills have closed = 83
- The P&P industry now uses 85-90% sawmill chips and recycled papers.
- The vast majority of round-wood is now delivered to sawmills.
- We must grow sawlogs not pulpwood.

A New Operating Environment

- SARA, Parks (17% for Biodiversity Conservation) & Green pressure
- Grow and Harvest Sawlogs not pulpwood
- The need for a competitive industry to support forest-dependent communities.
- "It is 2018 - Governments can issue permits but only communities can grant permission" { Some truth in this}

Social License

What is at stake?

- Direct Jobs – 230,000 (P&P 60K, Forestry 48K, Solid wood 122K
- 600 Communities Depend on Forest – (FPAC)
- Volume Harvested in 2016 = 157 (CFS)
- Value of shipments hard to get good figures
- Value of Exports – 2016 - $35 Billion
- The condition of 170 M ha of Forest

Those in charge of Forest Management and Policy have a responsibility for the success and sustainability of these things.

We are the forest managers

A New Approach to Tenure

- Getting Tenure Right is not simple
- Flexibility is required
- Each situation will be different
- Sources of Variability:
  - The present condition of the Forest
  - The communities involved
  - The local industry
  - Responsibility vs Accountability

What do we Recommend?

- Change our approach to Tenure
- Based on long-term, secure Area Agreements
- Signed with Industry & with Communities
- Contract Law or Forest Management Act?
- Which Communities? Forest Dependent municipalities and Indigenous Communities.
- Tenure holders would establish a Board of Directors. (6-9 members) to guide long-term Management Objectives
- Woodlands Operations … Industry
- Forest Recreation and non-Timber..Community

Social License and Long-term Tenure

Forest-Dependent Communities as Tenure Holders

- Communities can grant and protect "Social License"
- (GP Motion 65 (FSC), Boreal Forest Agreement)
- Tenure more likely to be secure – Communities vote/Companies don't
- Communities have a real socio-economic stake in the competitiveness and success of local industry

What do we Hope to Achieve?

- Support from the Community- Soc Lic
- Socio-economic opportunity and stability
- More secure tenure = better management
- Governance rooted in the Community
- Diversification of forest economy- Timber + local enterprises and recreation/hunting/fishing, etc.

Mandate of the Tenure Holders

- Timber Supply- grow the AAC
- Focus on improvement in Tree Size and Quality
- Inventory- CFI, PSPs, Measurement cycle 10 yrs, Measure Volume, G&Y, & response to silviculture- Foothills forest
- Silviculture Funding: combination of Province, Industry and community?

Management Planning

- Identify all timber productive land
- Identify all areas protected by policy and regulation- eg riparian reserves, wetlands, sensitive habitats, etc.
- +/- 60% available for Timber Production
- Identify Prime Sites: soil productivity, topography & access.
- Intensive Silviculture on Prime Sites – initial spacing & Plus Tree program

Thank You!

Q&A