

SUPPORTING LOG EXPORTS AND LOCAL MILLS: HOW CAN WE DO BOTH?

By Robin Brunet



All photos: HA Photography courtesy of Coastland Wood Industries

Premier John Horgan's mandate letter to the Minister of Forests, Lands, Natural Resource Operations and Rural Development, Doug Donaldson, asked him "to develop a fair, lasting strategy to create more jobs by processing more logs in BC." Many people on either side of the log export debate are waiting to see what this strategy looks like and how it will affect the coastal forest industry.

As we wait, two points need to be considered: issues on the coast affecting fibre supply and log exports as an important market for small tenure holders.

The first point has many facets but one distinct outcome: when fibre supply is low and tensions are high, exports are often fingered as the culprit. However, resolving that tension is not simply a matter of creating policy that reduces log exports. Other systemic issues at play here need to be addressed.

As far as Clint Parcher, a third generation forestry worker and vice president of fibre supply for Coastland Wood Industries Ltd., is concerned, "In terms of the amount of available fibre in our forests, of course we can support both [log

exports and domestic sawmilling] activities," he says. "But that's the problem: we have more than enough wood to satisfy all concerns, yet it's not being cut. Millions of cubic metres should be hitting the market that aren't. One company on the coast that holds close to 50 percent of the entire coastal cut is not cutting its full amount, with close to 900,000 cubic metres in the Port Alberni region alone remaining basically untouched."

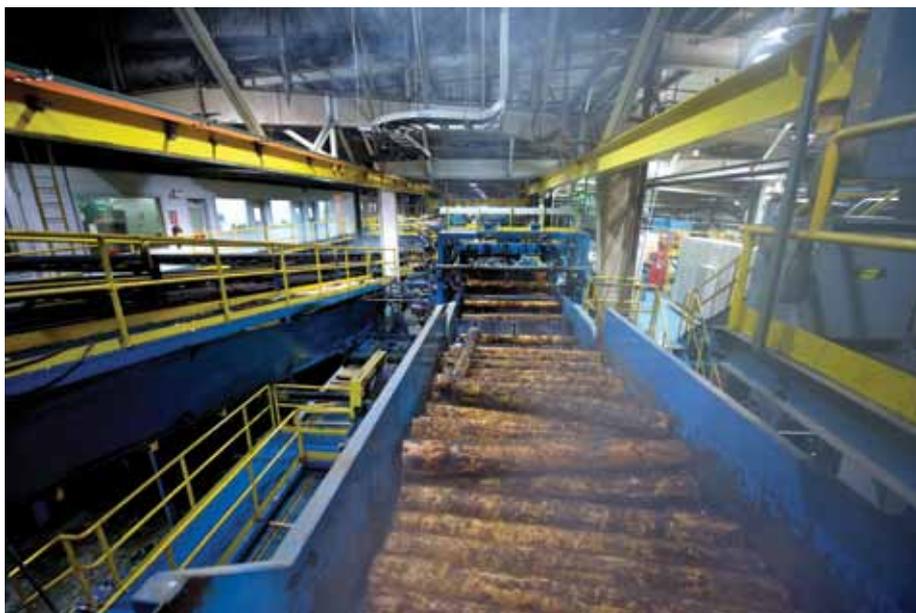
The situation frustrates Parcher, whose Nanaimo-based company consumes about 900,000 cubic metres of second growth Douglas fir annually and turns it into veneer, fence posts, wood chips and hog fuel. "I'm not for a minute suggesting blocking exports or changing the export mechanism—exports are an important part of the coastal customer base—but at the end of the day, there is more value to be derived from keeping a tree here than putting it on a ship. But at the same time, we should harvest the full AAC and meet all our needs, and not let a few control the resource."

From a log broker's viewpoint, part of the problem stems from the domestic market value assigned to the different

species and their grades. Barry Simpson of Oceanview Forest Products Ltd., points out that today's business climate dictates that lower-quality timber at inaccessible locations generally won't be harvested unless it's part of or coupled with a good portion of high-value logs such as red cedar or the premiums that the export market provide.

He says with sawlog-quality hemlock's domestic value hovering at a mere \$60 per cubic metre when it often costs at least \$90-\$100 to harvest, "less volume is being shipped to local mills. By contrast, the same hemlock log fetches \$105-\$120 offshore. Without log exports, none of that timber would be logged at all, therefore reducing the local log supply even more."

Tim Walley from Campbell River-based Storey Creek Trading Ltd., sees another challenge impacting fibre supply on the coast. "A key reason companies aren't logging their profile is due to permitting, which has become an extremely long and complex process; plus, the government seems to take an extraordinary amount of time for the smallest approvals, which does not help."



A lot of that delay, especially for BC Timber Sales block development, comes from government attempting to navigate First Nations rights and title. The rights conferred by Aboriginal title include the right to decide how the land will be used; to enjoy, occupy; and to proactively use and manage, including its natural resources. However, as First Nations express their rights and negotiate for their

share, it has generated arduous delays for those waiting for cutting permits.

To which Parcher adds, “BC Timber Sales’ tenure on the southern half of Vancouver Island is essentially in a holding pattern due to the Tsilhqot’in Decision. The courts have given First Nations expectations about how our industry will move forward, and yet the government remains extremely slow to react.”

Most agree that the government needs to move faster on the First Nations file. In fact, the TLA called on government to act in its 2016 Tsilhqot’in Decision Position Statement: “The TLA encourages the provincial government to move expeditiously to facilitate shared sustainable resource use that builds on this Decision” (to read the full document, visit www.tla.ca/tsilhqotin). Perhaps the new government’s commitment to the United Nations Declaration on the Rights of Indigenous Peoples—also mentioned in Minister Donaldson’s mandate letter—may help move negotiations along.

This brings us to our second point. Log exports are an important market for small tenure holders who don’t have the volume that provides some economies of scale enjoyed by large licensees. Small tenure holders—First Nations, community forests, market loggers, and BC Timber Sale licensees—all rely on log exports to diversify their customer base on a narrow product range.

Chris Laing, manager of the Powell River Community Forest (which for the past 10 years has relied on Canadian Overseas Log & Lumber Ltd. brokerage to get the most value out of the wood)

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says, “as a community forest our preference is to sell logs locally first, then domestically, then export them if needed.

“We much prefer the local and domestic route, as long as there is not a huge discrepancy in prices; but the occasional export of, say, very rough fir or hemlock logs that nobody here wants during soft cycles, brings value to our stands as well as minimizes waste.”

Laing goes on to note that “Fortunately the market is hot right now, and we won’t need to export at all from our cutblocks being harvested this winter. But this is undeniably a cyclical market and it’s nice to know that in the soft markets we would have the option to export what can’t be sold domestically at a reasonable price.”

Walley explains from his perspective as a log broker working with smaller licensees, “Considering many of our clients are First Nations who do not enjoy economies of scale, we’re obliged to get the best value for their wood—and exporting is the only solution given the reluctance of the local mills to pay what it costs to harvest, at least for species such as hemlock.”

With only a small amount of tenure requiring them to make the most of



the resource, what does the export/local sawmill issue mean to groups such as the Heiltsuk First Nation, which in the Bella Bella region logs western red cedar, western hemlock and balsam and Sitka spruce?

Once again, the regional demand for hemlock and balsam is weak, but A&A Trading, which acts on behalf of Heiltsuk Coastal Forest Products (which cuts between 80,000-100,000 cubic metres

annually), has developed a strong customer base in the US, Korea, and China; about 60 per cent of the hemlock is exported, and 40 per cent goes to Greater Vancouver, while about 70 per cent of the spruce is exported.

Heiltsuk Coastal Forest Products Manager John McLaughlin utters a familiar refrain: “Hemlock and balsam logs in the domestic markets are worth less than it costs to produce them—and



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the thing is, any responsible logger wants to bring out all the logs from the forest.”

For regions such as Bella Bella, local value added is a solution—in theory. “We tried custom cutting with yellow cedar and were successful inasmuch as we didn’t lose any money,” says McLaughlin. “We would love to explore more value-added opportunities up here. It’s our goal. But we have to figure out what form the value added would take.”

While the export/local mill issue is far more complex than a single article allows and no simple solutions are forthcoming, Parcher believes it is well within the provincial government’s power to change the playing field for the better: “If I had the power, I would ask them to enact take-backs from the majors who do not harvest their allocated AAC and give the cuts to the First Nations, community forests and domestic manufacturers—and I would implement policies that derive the most value back from the resource.”

Echoing Parcher’s remarks, Simpson goes on to note that “the big three coastal players for hemlock aren’t logging their full profile, and domestic hemlock prices have remained basically the same since 2009 compared to most fir sorts that have basically doubled. A small customer base controlled by few buyers means there’s just not enough competition in the middle grades.” For the record, brokers like Oceanview ship about 25 per cent of their overall volume overseas, while 75 per cent goes to domestic markets. With this split, they can afford to log.

On that score, Parcher is cautiously optimistic about the chance that the NDP may act in favour of the domestic market. “The party seems to have a desire to make it easier for guys on the coast to operate their businesses, so I guess we’ll have to see what happens,” he says.▲

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