



Proof of Concept: Hardwood merchandizing yard

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Presentation Outline

- Tolerant hardwood resources of Ontario
- Huntsville Yard pilot study (2008).
- Huntsville Yard 1st year results.
- Why this is important.



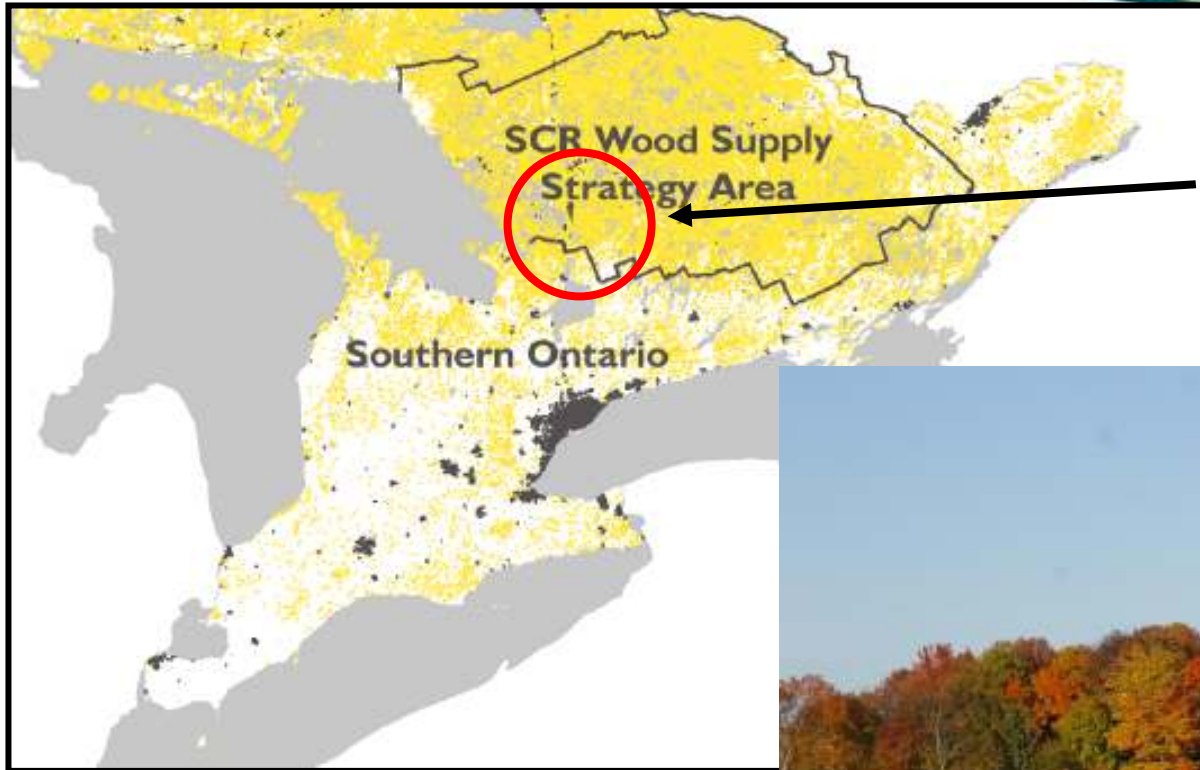


The Tolerant Hardwood Resource of Ontario





The Tolerant Hardwood Resource of Ontario



Where?





The Resource Provincially:

2,000,000+ ha Crown, 2,000,000 ha Private(?)

Grows at 2.5 m³/ha/year

Predominately sugar maple, yellow birch; +
beech, hemlock, basswood, ash, cherry, white
birch, others...

Most Crown stands:

are 60 to 160 years old

site class 1,2





South Central Region Crown land:

-Mid 2000 harvest data:

12,000 ha harvested single tree selection (30-50 m³/ha)

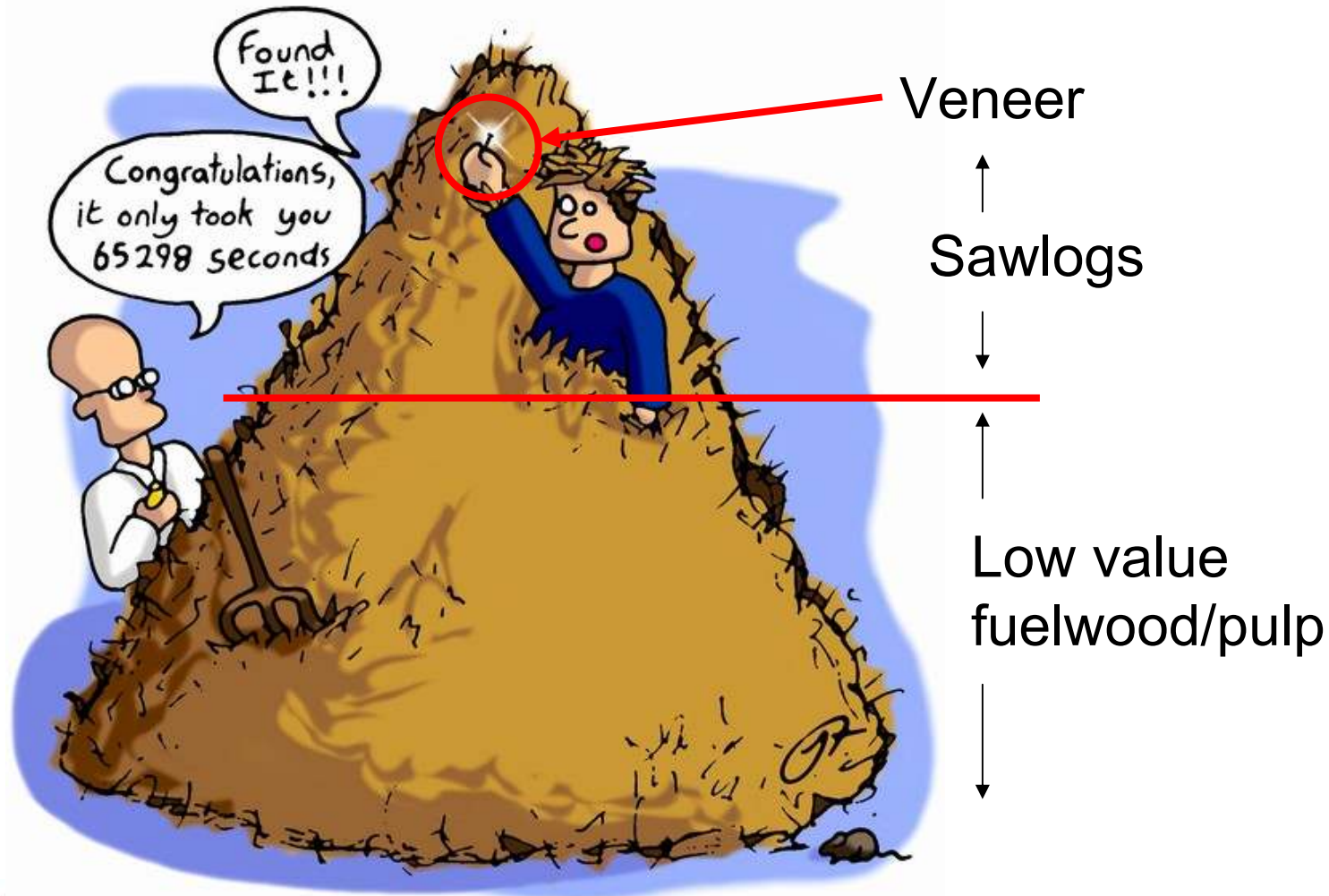
11,000 ha harvested shelterwood system (50-70 m³/ha)

-yielded 1600 m³ Maple veneer, 2400 m³ Yellow Birch
or 1m³ of hardwood veneer per 5 ha harvested





Is veneer the needle in a haystack?





Pilot Study, June to Sept. 2008

1st

Instruction on
how to
recognize
veneer.





2nd

Brought 100+ potential veneer logs to a central yard.

Invited our traditional veneer buyer and a specialty veneer buyer to give a price for each log.

Calculated sawlog price per log from price sheet.

Comparative pricing: 40 yellow birch and 33 sugar maple logs.





From our 73 logs we found out:

Total sawlog price: \$1900.

Sell all logs to one veneer buyer: \$8,000.

1st lesson: recognizing veneer pays!

Segregate and sell by individual log: \$10,225
(31 logs to Bidder A and 42 logs to Bidder B) + 26%

1/3 of the logs no difference in price,

1/3 of the logs had a moderate difference in price,

1/3 of the logs had a large difference in price.





Why 1/3 logs with a large difference in price?

The two buyers rated 70% of the logs similar grade, 18% differed by two grades, and 12% differed by 3 grades.

Buyers did not always recognize or pay for a 'value'.



2nd Lesson: Right log to 'Right' buyer pays even more!





Huntsville Yard 2009-2010 results



2009-10 went operational
for a whole year.

Logged 60,000m³.

Recognition, in-bush sort,
sell to the 'right' buyer.

Developed markets for
veneer and 'rejects'.

Including export to U.S.





Results:

Historical 2008-09

2009-10

	M ³	%	M ³	%
Pulp/fuel	58,000	65	30,444	50.8
Sawlog	39,100	35	28,500	47.6
Veneer/ high value	100	0.1%	956	1.6%
Total	90,000	100	59,900	100



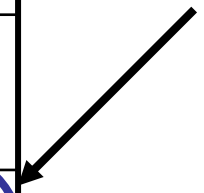


Historical

Trial year

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Total	90,000	100	59,900	100

+\$150k





Historical

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Total	90,000	100	59,900	100	+\$500k





Buyer:	Total Vol m ³	Gain m ³	Avg. \$/m ³	Max \$/m ³
Columbia	614	514	\$207	\$465
Gravenhurst	156	156	\$142	\$305
Freeman	149	149	\$322	\$1120
Miller	37	37	\$311	\$1700
Total	956	856	\$218	

Traditional

New domestic

U.S.

U.S.





Win – Win!

- Increased:
 - Logger's revenue by generating more high end material (+17%/m³),
 - volume to traditional customers.
- Identified and supplied:
 - new Ontario markets,
 - new products,
 - new buyers.
- Learned what veneer is.
- While value recovery increased, we did not maximize value of material produced by each stem.





What does this mean?



What does this all mean and why is it important?

- Merchandizing yard operator: + revenue, diversified
- Local log & veneer buyers: + supply, one-stop shopping
- Other high-value log buyers: new supplier, one-stop shopping
- Land Manager: healthier contractor
- Province of Ontario: + \$70k in stumpage
- The Economy as a whole: + \$2,000,000 in economic activity.





Side Study: hearts in sugar maple

Most common reduction was too much heart (>30%).

Two published studies (U.S.).

Tested harvested vs. all (includes those left to grow).





Is the selection system leaving better hearts for the future?

Percentage of stems with less than 30% heart:

Butt Diameter (cm)	All stems	Harvested stems
20	62%	46%
30	49%	35%
40	35%	25%
50	22%	15%
60	9%	5%





Increased economic activity from the same amount of wood

- "Veneer makes up a small share of the cut, but it provides a disproportionately large share of the jobs and product value." 20 in 5



Source: OMNR Wood Supply Strategy 2003 p. 55





Economic Activity:

Quebec \$25/bd fd

Indiana \$51USD/bd fd

Mill	Product	m³ used /year	Number of employees	m³ /job
Huntsville	sawlogs	125,000	100	1250
St. Mary's	paper	350,000	400	875
Rutherglen	rotary veneer	50,000	320	156
Durham	slicer veneer	30,000	415	72

Data Source: 1999-2003 Ontario mill returns, Syndicat des propriétaires forestiers du Sud-Ouest du Québec, Indiana fo-IHI_economic-impact





Recap:

- Move logs to the 'right' buyer.
- Better log recognition
increases wealth and job creation.
- Enough furnish = new mills.
- Win-win:
increase stumpage for land owner,
increase revenue for the logger,
increase furnish for mills,
increase economic activity.

Thank you

