

Overview of the Eastern Canada Hardwood Sector

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Location: Webinar

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Overview of the Eastern Canada Hardwood Sector

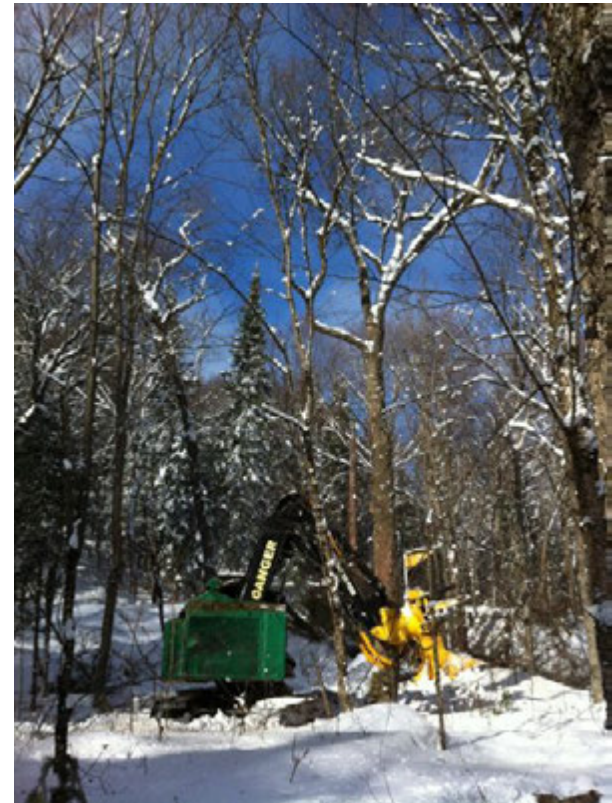
- Part 1 – Forest overview
- Part 2 – Mill & processing overview



Hardwood Forest Overview

Quebec

- Large proportion of degraded stands resulting from years of high-grading treatments (e.g. diameter-limit cuts) of the 60's and 70's
- Management strategies not well adapted to current and future product markets
- Marked bias in tree marking selection guidelines toward stand improvement negatively impacting the value of harvesting
- Difficulty in finding well-equipped and efficient contractors experienced in hardwoods in this difficult context



Hardwood Forest Overview

Ontario

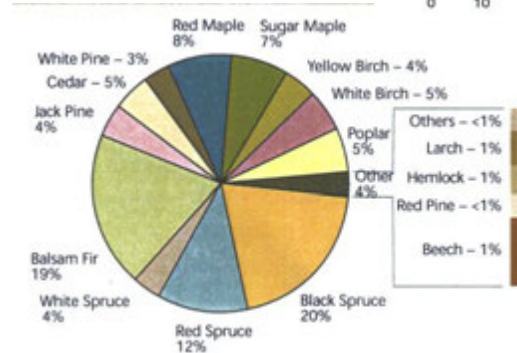
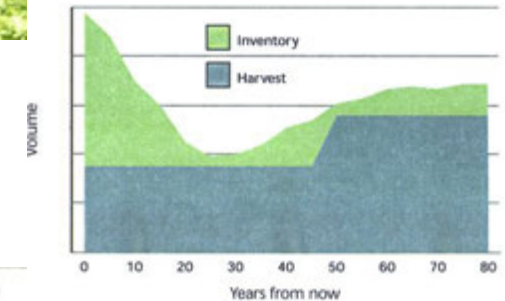
- Same pattern of high-grading history as in Quebec, providing a similar legacy (low veneer content, 15-50% sawlog content, usually lower grades)
- Active stand improvement strategy in recent decades
- High interest in biomass recover from hardwood stands, providing an outlet for the low grade volumes
- Limited silvicultural options in hardwoods: selection and shelterwood cuts
- Southern forest on private land subject to pressure from competing uses



Hardwood Forest Overview

Nouveau-Brunswick

- In general degraded resource, although there has been aggressive rehabilitation efforts on both crown and industrial freehold
- Region-specific markets for low-end products (biomass, pulp, pallet, pellets) – pulp mills in the north and the south; high-end products still difficult to market
- The harvest levels are still considerably less than the AAC although the margin is expected to diminish in the coming years



Source:
Erdle
Report

Hardwood Forest Overview

Nouvelle-Écosse

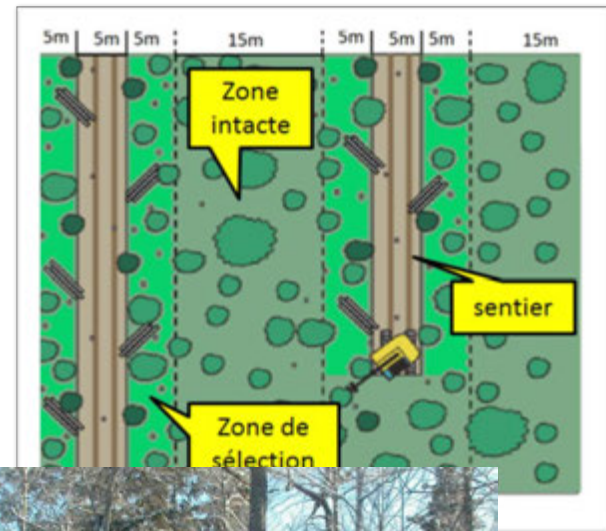
- Hardwood AAC represents 14% of total and is estimated at 2.1 million m³
 - 2% veneer
 - 28% sawlogs
 - 70% pulp/biomass
- Pulp volumes likely to be used for biomass (large CHP plant in PH)
- Generally weak markets for both high end and low end products
- High-grading practices still common on private land, leading to degraded forest conditions



Hardwood Forest Overview

Key developments of the HI 2009-2013

- Development of innovative silvicultural and operational approaches (e.g. selection and shelterwood harvesting using the 1-2-3 method)
- Accelerated implementation of the cut-to-length technology in hardwood stands
- Development of overall supply chain costs reductions by optimizing operational deployment in hardwood landscapes
- Integration of biomass harvesting in regular roundwood operations in hardwood conditions



Hardwood mill & processing overview

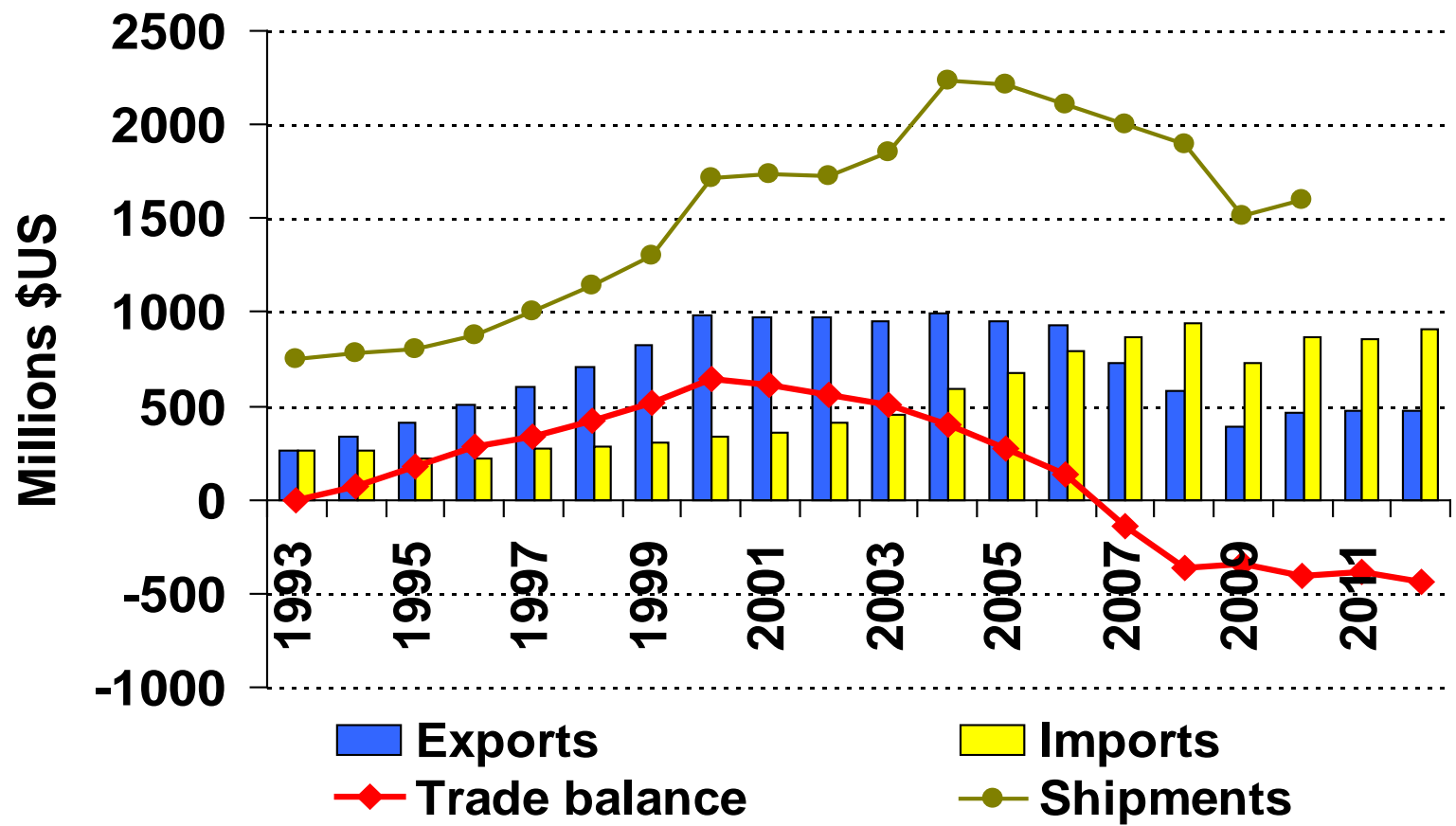
Market collaps

- Consolidation of distribution channels
- Imports from cheap labour countries
- Exchange rate \$CAN/\$US
- US housing crisis
- Impact on the whole value chain



Hardwood mill & processing overview

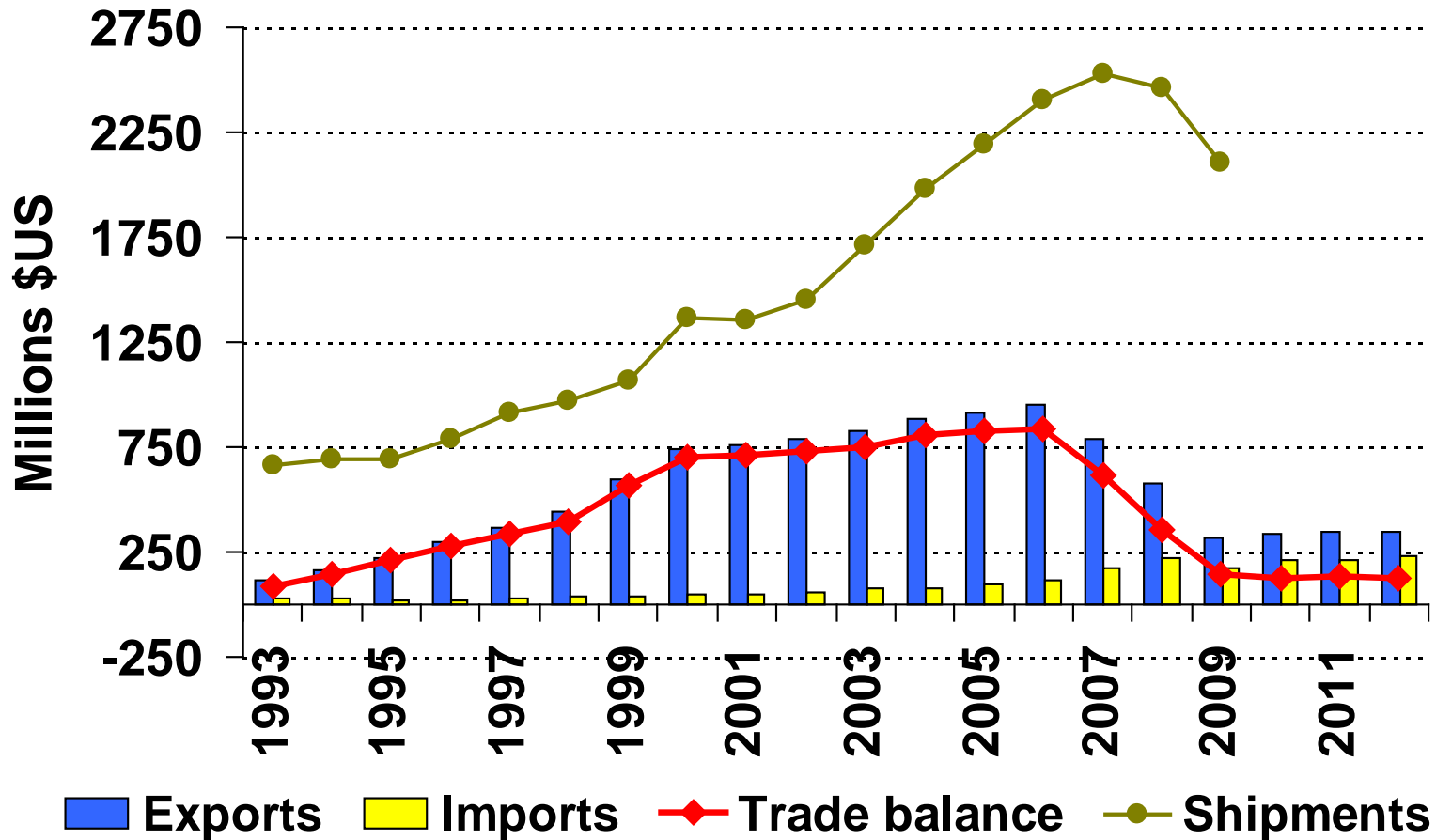
Canadian wood household furniture industry



Source: Strategis 2013, SCIAN 337123

Hardwood mill & processing overview

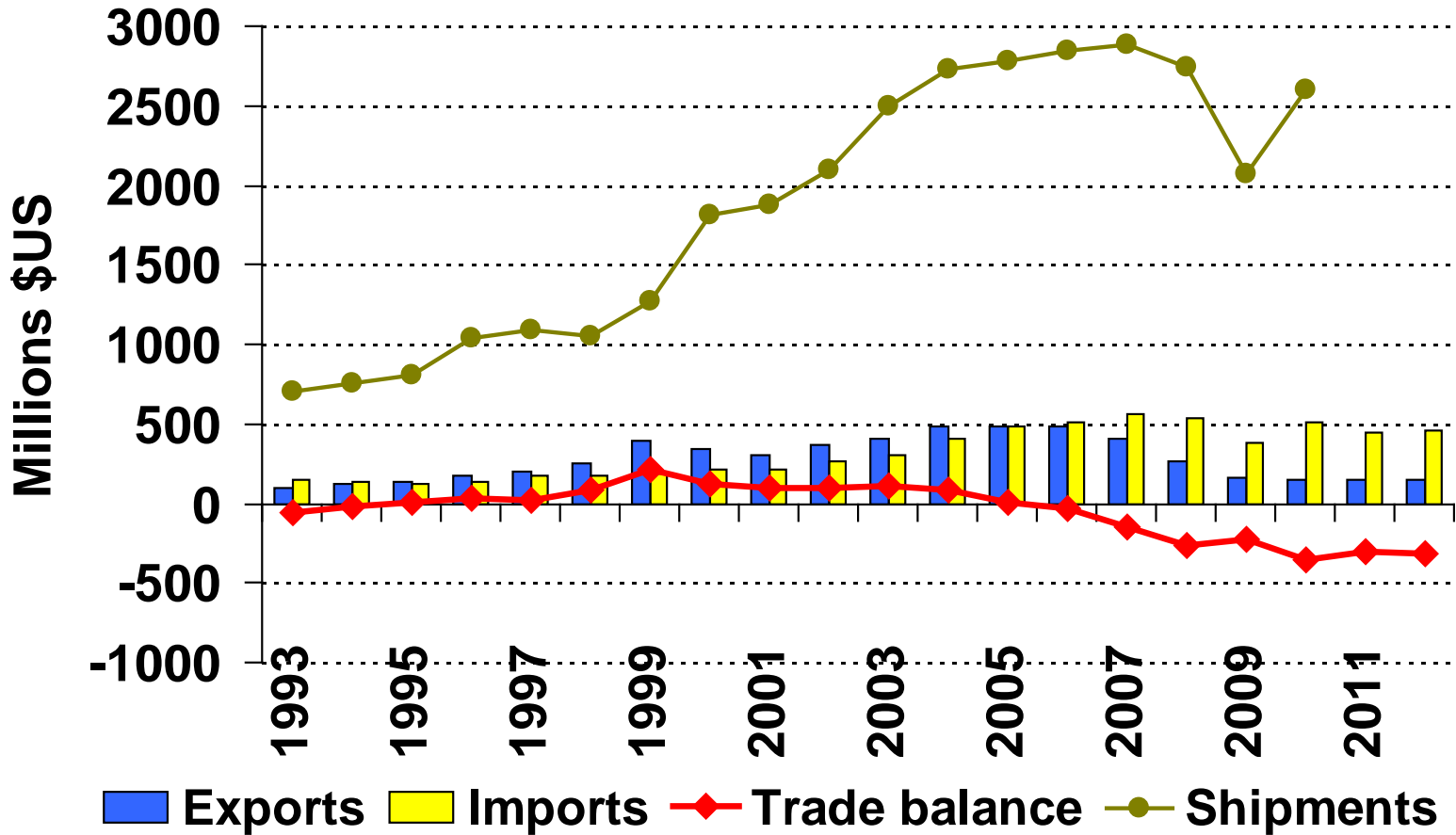
Canadian kitchen cabinet industry



Source: Strategis 2013, SCIAN 337110

Hardwood mill & processing overview

Canadian prefab millwork industry



Hardwood mill & processing overview

Québec hardwood lumber industry

| | 1990 | 1995 | 2000 | 2005 | 2010 | 2011 | 2012 |
|---|---------|---------|---------|---------|---------|---------|---------|
| Operating saw mills | 180 | 186 | 226 | 132 | 74 | 62 | 37 |
| Hardwood lumber production (thousand bf) | 269 928 | 366 154 | 560 301 | 534 611 | 268 380 | 255 187 | 162 021 |

Source: Registres forestiers du MRN, 1990 à 2012



Hardwood mill & processing overview

Business strategies

- Value chain optimization
- Focus on client needs
- Make-to-order
- Product differentiation
- Cost reduction



Hardwood mill & processing overview

Key developments of the HI 2009-2013

- Life Cycle Analysis (LCA) of wood products
- Need analysis from client to forest
- Process optimization
- Innovative ideas!



Do things differently!



Dick Fosbury
Gold medal winner, Mexico 1968