

# VIEW FROM THE STUMP



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## The Latest...

By David Elstone, RPF, Managing Director, Spar Tree Group Inc.

I do not believe I am alone in observing that the public discussion on old growth deferrals and BC forestry has seemed to wane over the last few months.

The Save Old Growth campaign has receded for now. Campaigners likely have learnt a lesson in public relations – there are limits to a campaign premised on any publicity is good publicity. Infuriating drivers by blocking traffic on BC highways was not the best tactic, especially when it angered Premier Horgan as well.



Congrats to Tamara Meggitt for organizing an effective counter campaign [cleartheroad.ca](http://cleartheroad.ca). This campaign was a great example of earned media as news outlets sought out soundbites to balance the Save Old Growth coverage.

Despite the quietness in the headlines, there have been some recent developments from the BC government that will affect the forest industry supply chain:

[Great Bear Rainforest Amendments](#) – there are periodic reviews required for the 2016 *Great Bear Rainforest (GBR) Land Use Order* for 2021, 2026 and every ten years. Based on the latest review, a package of proposed changes has recently been released around four key themes: 1. First Nations involvement; 2. Aquatic habitat protections; 3. Improvements to landscape reserves for biodiversity; and 4. Increased protections for bears. **A public engagement process requesting feedback**

**ends August 8, 2022.** From my understanding these changes may further reduce AAC.

Interpreted as a positive move, the Ministry of Forests has added some clarity to the field identification of old growth deferral areas in an updated [Field Verification of Priority Old Forest Deferral Areas: Technical Guidance, Version 3.1, July 20, 2022](#). This guidance document contains policy in regard to planned harvest areas overlapping Priority Old Forest Deferral Areas (i.e., TAP mapped areas) that are demonstrated not to meet deferral criteria. When this occurs, licensees are directed to find replacement areas that meet criteria of ancient, remnant old, or big-tree old growth outside of mapped TAP deferral areas.

And finally, the BC government just released a report from an industrial inquiry commission led by [Vince Ready and Amanda Rogers](#) on successorship when timber harvesting rights (tenure) are transferred. The report was completed February 2022. The cynic in me wonders about the timing of the public release, six months later, in the middle of summer, just before a long weekend... Included are recommendations for unionized worker rights when tenure is transferred to First Nations. This looks to be a very interesting read. [Feedback is requested by the BC government](#) (no deadline indicated).

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*Welcome to the July edition – pet peeves on jobs number and a look at impacts of deferrals which may explain current log supply!*

*The cover photo is of a forest severely burnt by the Okanagan fire of 2021 – ten months later, the forest floor is green. Nothing in nature is static!*



# VIEW FROM THE STUMP

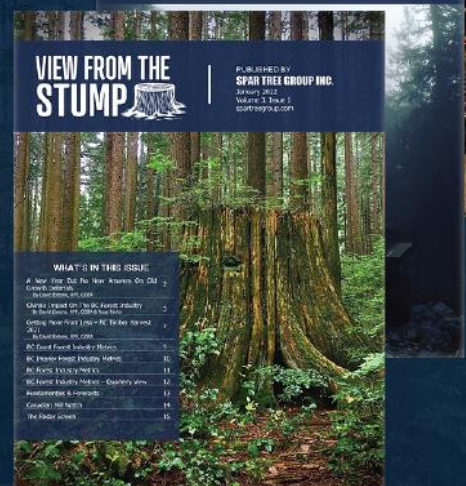


## NEWSLETTER

# THE BEST INSIGHTS ON THE BC FOREST SECTOR

Timely and thoughtful analysis, editorial views, as well as BC forest industry information conveniently summarized all in one document, published a minimum of 6x per year:

- **Independent Editorial & Analysis** - analysis of key issues affecting the forest industry supply chain
- **BC Forest Industry Metrics** - up-to-date snapshot of key industry data and trends - stumpage, timber harvest, lumber production, log exports and lumber exports.
  - BC Coast Forest Industry Metrics
  - BC Interior Forest Industry Metrics
  - BC Forest Industry Metrics
  - BC Forest Industry Metrics - Quarterly View
- **Fundamentals & Forecasts** - high-level economic variables that influence the forest sector:
- **Canadian Mill Watch** - summary of announced capacity and production changes
- **The Radar Screen** - a summary current policy initiatives and announcements that you need to be aware of as they will affect your business.



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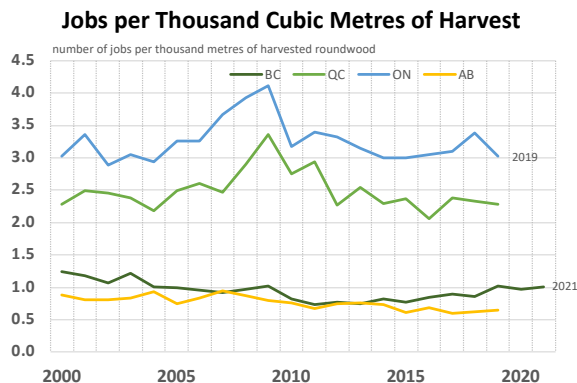
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## BC Forest Sector Jobs – What You Should Know

By David Elstone, RPF, Managing Director, Spar Tree Group Inc.

One of my biggest pet peeves is the misguided expectations that come from using the number of jobs per thousand cubic metres of timber harvested to compare British Columbia’s forest sector to other jurisdictions.

Critics have attempted to associate British Columbia’s comparatively low generation of jobs per thousand cubic metres harvested to issues such as log exports, mechanization, forest management practices and minimal value-added processing. Critics suggest that this province should become more like other jurisdictions which have higher number of jobs per thousand cubic metres harvested. Unfortunately, rarely, if ever, do these comments include a reasonable understanding of the Canadian forest industry, leading to false conclusions.



British Columbia generates an estimated 1.01 direct jobs per thousand cubic metres of harvest (2021). Over the last five years, that statistic has averaged 0.95 jobs. The calculation is based on total forest sector jobs.

When compared to the other three largest timber harvesting provinces, British Columbia ranks near the low end for jobs per thousand cubic metres, but it is not the lowest.

For reference, jobs per thousand cubic metres harvested across all the Canadian provinces range from Alberta at the lowest with 0.65 jobs and the highest is the forest products powerhouse [not] of Prince Edward Island with 5.78 jobs. Does PEI even have a sawmill?

British Columbia is often compared to Quebec and Ontario, which have much higher jobs per thousand cubic metres harvested (for 2019), at 2.29 and 3.03, respectively. [Up-to-date harvest data was available for BC so that’s why 2020 and 2021 data points are shown in chart].

Using these basic comparisons, critics typically rant that British Columbia should generate greater jobs from our forest sector and could do so with a ban on log exports, put an end to industrial forestry, and increase secondary manufacturing etc. However, there is no analysis as to why these glaring inter-provincial differences exist.

Jobs per thousand cubic metres of timber harvested is a relative metric useful for comparison to other regions, but it does not tell the behind-the-scenes story. So, let’s walk through the data and set the record straight...

Looking at the absolute numbers separately - total provincial harvest volume and total number of jobs - a new story emerges. The following table is based on 2019 data.

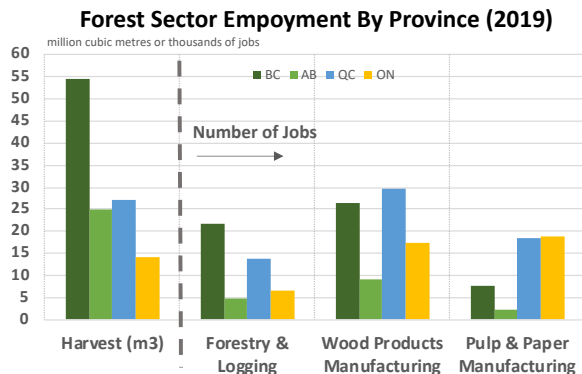
	Harvest (m3)	Jobs	Jobs/'000 Harvest
BC	54,713,340	39%	55,645 27%
QC	27,278,197	20%	62,340 31%
AB	25,037,121	18%	16,305 8%
ON	14,036,570	10%	42,500 21%
Canada	139,823,624	100%	203,145 100%

What is intriguing is that despite Quebec having half the timber harvest of British



Columbia, its total number of jobs from the forest sector exceeds British Columbia. Ontario comes in at a relatively close third place. How can Quebec and Ontario, having substantially less harvest than British Columbia, generate so many jobs?

Breaking down the total jobs numbers into their three main categories adds more to the story. For reference, harvest volumes are included on the left side of the following chart:



Several distinctions can be identified between the forest sectors of these provinces.

**SPECIES PROFILE** of Quebec and Ontario are much higher to hardwood species, which lends itself to specialty wood manufacturing (these species do not grow in British Columbia).

**TRADE FLOWS:** British Columbia is a net exporter of logs. Quebec is a net importer of logs (mostly from the United States) for processing in Quebec sawmills. Between 2018 to 2021, Quebec imported an average of 2.7 million m<sup>3</sup> of logs per year.

Sawdust is another commodity that is imported in greater quantities into Ontario and Quebec than into British Columbia. Sawdust is used in wood products manufacturing for non-structural panels or pulp manufacturing.

Unfortunately, jobs data does not reflect where the fibre comes from, meaning wood product manufacturing jobs in Quebec, and to a lesser extent Ontario, are relative higher

because they represent harvested timber and a higher proportion of imported fibre. Whereas jobs in British Columbia and Alberta are fewer due to their significantly lower reliance on imported fibre.

**PULP & PAPER SECTOR:** Quebec and Ontario have a focus on pulp, paper, paperboard products which supply the large nearby population centres including those south of the border. However, their various paper product mills use both harvested wood fibre and recycled paper fibre for which the data, again, does not distinguish between the two, thereby skewing the jobs data in their favour when compared to British Columbia and Alberta.

The jobs representing British Columbia’s and Alberta’s pulp and paper manufacturing rely almost entirely on harvested virgin wood fibre. Naturally, comparisons become challenging given these differences in fibre sources.

Further complicating comparisons is a sub-industry of pulp and paper manufacturing called “converted paper product manufacturing,” which uses paper and paperboard products produced at separate facility and converts them into more readily consumable products for the end user. In a sense, converted paper manufacturing represents “value-added manufacturing” of pulp and paper products. In 2021, approximately 39% of Ontario’s forest sector employment (14% of Quebec) comes from converted paper product manufacturing.

Conversely British Columbia and Alberta generate very little converted paper products manufacturing jobs, at 3% and 4%, respectively. Why doesn’t this source of jobs exist in British Columbia or Alberta? Simply because the end-market for converted paper products is not close enough to justify production.



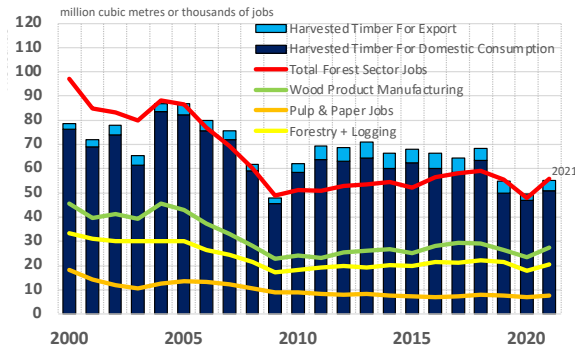
**INDUSTRY STRUCTURE:** Another factor is the number and average size of mills in each province. Quebec has by far the most sawmills, panel mills, and pulp and paper mills of any province. Many of those sawmills are small. Whereas, British Columbia has fewer mills and some of the largest sawmills in Canada. One implication is that British Columbia (and Alberta), which tend to have more consolidated operations, are more efficient in terms of converting timber into various products with less labour.

Being more efficient - that's a good attribute for ensuring a globally competitive forest products sector – it means jobs should be sustained when economic times get tough.

So, when critics say that British Columbia should create more jobs per thousand cubic metres harvested like other provinces, such as Ontario and Quebec, what they are really saying, unknowingly, is that British Columbia should import more fibre, have more pulp and paper mills and decrease the industry's global competitiveness by becoming less efficient...

**BRITISH COLUMBIA LOG EXPORTS** - When it comes to forestry and jobs, log exports are an easy target given the imagery of ships loaded with logs leaving the province without creating manufacturing jobs. What is not generally acknowledged is that the selling of logs into international markets can improve the economics of harvesting of the province's rugged west coast. Exports allows a much larger proportion of logs to be harvested and supplied to domestic sawmills and pulp mills, thus sustaining local jobs. This is not meant to be a defense of log exports which is a complicated topic on its own, but it is important to point out the intricacies of the subject.

**BC Timber Harvest vs Jobs**



Let's assume a full log export ban was in place and the 4.3 million m<sup>3</sup> of logs exported in 2021 was magically consumed domestically. I say "magically" because a primary reason why logs can be exported is they have passed the "surplus to domestic consumption test", in other words, local sawmills did not want these logs [*this is a high-level example – so yes, I do recognize that this is not fully the case*].

Now assign a generous rate of jobs per thousand cubic metres at 2.0 jobs to the repatriated volume. The net increase in total jobs would be 5,418 jobs. The increase is not 8,600 jobs (4,300 x 2.0) because an adjustment is needed for the forestry and logging jobs which still would have occurred whether a log is exported or consumed domestically.

In this crude example, British Columbia's jobs per thousand cubic metres harvested in 2021 would increase from 1.01 to 1.11 jobs – technically an improvement – but a ban hardly moves the dial or changes the province's position with respect to other provinces.

In reality, a ban on log exports would reduce harvesting, which is the underlying agenda of some environmental activists who argue against log exports.

**DATA SOURCE:** There are different sources of jobs data from Statistics Canada. This analysis used the *Canadian System of National Accounts* data.



**BRITISH COLUMBIA FOREST POLICY:** At the COFI Convention last April, Minister of Forests Katrine Conroy, echoing the rhetoric of the industry’s detractors, implored that the number of jobs per harvested tree must increase and asked for ideas on how to do so. While the Minister seeks to increase the number of jobs created from harvesting, conveniently there was no mention of any aspirational targets – therefore no accountability.

The Premier and Minister want the forest sector to transform from “high volume to higher value” manufacturing – in other words increase the value-added wood products manufacturing, but they have yet to lay out a broad strategy on how to achieve that.

Mass timber is a new form of value-added manufacturing that has generated much excitement. The BC government recently released its *Mass Timber Action Plan* and it’s a pretty neat effort in terms of outlining how to increase future demand in the province. Unfortunately, it does not address the fundamental issue of where the fibre will come from to satisfy future demand (may be imported fibre?). Also, in regard to the goal of increasing jobs, mass timber manufacturing is incremental to producing 2x4s, but it is not an overly labour-intensive process.

Increasing the number of jobs per harvested tree from our forests is not going to be easy:

- Timber supply is declining along with immense competition for desirable species;
- There are significant uncertainties about the future available land base to conduct timber harvesting;
- Investments to improve competitiveness are likely to be technology-oriented which will serve to reduce the number of workers for a given process;

- Opportunities for capacity growth are limited given the bureaucracy in building new greenfield projects, as well as the availability of affordable land; and,
- It is hard to find skilled workers.

I am fully supportive of increasing value-added manufacturing and firmly believe there is a huge potential for British Columbia in this regard. Unfortunately, I have not seen how the BC government is going to drive this initiative forward, especially with the constraints on fibre availability it is imposing.

Given the province’s size, the number of jobs per thousand cubic metres of harvested timber is unlikely to rise to anywhere close to Quebec or Ontario, unless there is a severe reduction in the harvest (or we build more pulp and paper mills). Some in the activist community have no problem with that and would prefer “industrial forestry” stops altogether and instead develop into a cottage-sized industry. Undoubtedly, that probably would include putting down chainsaws, turning off feller bunchers and picking up axes. The number of jobs per harvested tree would increase, but the total number of jobs would be much lower.

The simple imagery of jobs per harvested tree makes a great soundbite, but hopefully, as demonstrated, comparisons using it brings significant pitfalls.

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## Old Growth Deferral Impacts – Survey Results

By David Elstone, RPF, Managing Director, Spar Tree Group Inc.

### SURVEY BACKGROUND

On November 2, 2021, the BC government announced temporary deferral recommendations for 2.6 million hectares of potential unprotected priority at-risk old growth forests across the province. Deferrals are expected to cause reductions in timber harvesting and mill closures.

At the date of the announcement, the government immediately deferred 570,000 hectares associated with BC Timber Sales. The remaining areas recommended for deferrals either have been deferred, are uneconomic to harvest, are still to be deferred following approval from First Nations or have had deferral recommendations rejected by First Nations.

Six months following the BC government announcement, Spar Tree Group/View From

The Stump surveyed timber harvesting and road building contractors to establish an initial view of the direct impacts so far.

The survey had 31 respondents from across the province. The survey was done during the month of June 2022.

Contractors are the “first-in-line” in the forest industry’s supply chain to feel the direct impacts of the deferrals as these areas may have been part of their immediate or near-term work.

The survey consisted of eight questions with individual responses kept confidential. The first question was the identification of the business name and email address which has been withheld from publication.

### KEY FINDINGS ...

This survey is the first of its kind in establishing a baseline to monitor the impacts of old growth deferrals currently being implemented.... **TO READ MORE ABOUT THE RESULTS OF THIS SURVEY PLEASE CONTACT**

[david@spartreegroup.com](mailto:david@spartreegroup.com) FOR THE FULL EDITION OF THIS NEWSLETTER

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## **BC Coast Forest Industry Metrics**

## **BC Interior Forest Industry Metrics**

## **BC Forest Industry Metrics**

## **BC Forest Industry Metrics – Quarterly View**

## **Fundamentals & Forecasts**

## **Canadian Mill Watch – Increases**

## **Canadian Mill Watch – Decreases**

**THE ABOVE HEADINGS REPRESENT THE SEVEN PAGES OF CHARTS, DATA & FORECASTS INCLUDED IN THE FULL SUBSCRIBER EDITION**

Charts include:

- Stumpage trends
- Log price trends
- Regional harvest trends
- Regional lumber production trends
- Log exports
- Quarterly harvest, lumber production, log export and lumber exports
- Inflation trend
- Fuel price trend
- US housing starts forecast
- US lumber demand forecast
- Canadian lumber production forecast
- Lumber price forecast



**The Radar Screen** ...a summary of announcements including new government policies that will affect the BC forest sector supply chain:

**The CleanBC Roadmap to 2030 plan** - October 25, 2021 [B.C. launches stronger climate plan for a better future](#)

**Forest Amendment Act, 2021** – Bill 28 changes to Forest Act, November 15, 2021, as part of *Modernizing Forest Policy in BC* initiative. Changes related to tenure redistribution and log exports

**Announced Old Growth Deferrals** – November 2, 2021, 2.6 million hectares announced for deferral including supports for forest workers. There is BC government webpage on [deferrals](#) with links to the Old Growth Strategic Review. [Field Verification of Priority Old Forest Deferral Areas: Technical Guidance, Version 3.1, July 20, 2022.](#)

**Amendments to Forest and Range Practices Act** – October 20, 2021, Bill 23 as part of *Modernizing Forest Policy in BC* initiative. Shared decision making with First Nations, and new forest planning requirements.

**BC PST Rebate on Select Machinery and Equipment** – as part of the announced BC Economic Recovery Plan, a 100% PST rebate on equipment purchases – **EXTENDED to March 30, 2022**

**Modernizing BC’s Forest Sector** – announcement outlining future forest policy changes

**Contractor Sustainability Review** – on June 10, 2021 changes were finally announced to the Timber Harvesting Contract & Subcontract Regulation (aka Bill 13).

**Softwood Lumber Dispute** – Preliminary rates for AR3 for January 1, 2020 to December 31, 2020 were announced January 31, 2022. The AR3 preliminary rate for “all others” is 11.64%. AR3 rates will go into effect August 3, 2022 when results of the final determination are expected. Until then, AR2 rates of 17.91% will be in effect for non-selected companies.

**Support for Coastal and Interior Forest Workers** – Programs to support contractors, workers and communities impacted by mill closures in B.C.’s Interior and coastal region as well as due to old growth deferrals.

**Coast Logging Equipment Support Trust** – offers bridge financing from a \$5 million fund for coastal contractors – the majority of funds remain unused.

**BC Carbon Tax** – carbon tax increased effective April 1, 2021 rates of 9.969 ¢/litre for gasoline and 11.71 ¢/litre for diesel.

**First Nations revenue sharing from forestry doubled** effective April 1, 2022

**CleanBC funding for fighting climate change** has \$19 million with funds available for enhanced forest management and Indigenous Forest Bioeconomy Program – May 4, 2022

**Independent Industrial Commission** on successorship transfer of timber harvesting rights

**Indigenous Forestry Scholarship Program** funding

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