

VIEW FROM THE STUMP



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A New Year But No New Answers On Old Growth Deferrals

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

The pause in the BC government's onslaught of new forest policy and legislation for British Columbia since last November has been well appreciated, but there is still no clarity on these initiatives launched to reshape the BC forest sector. There are many operational questions that should have answers. So far there has been no transparency and a lot of uncertainty, specifically with the old growth deferrals.



The Old Growth Technical Advisory Panel's ("TAP") *Priority Deferrals* report references a "methodological supplement" or technical appendices that provides more details of their analysis. Curiously, this supplement has not been made public even though the *Priority Deferrals* report was completed early last fall. While confirmed to be reviewed by government, I am not aware of the release of this supplement yet. Why the delay? If there is no doubt in the TAP's work and their recommendations for deferrals, there should be no problem in releasing this supplement document. While the content of the TAP's supplement may turn out to be a non-issue, this lengthy delay stands out as another factor undermining my confidence in this old growth deferral process.

One of my favourite examples of the uncertainty created by the old growth deferrals are reports from the field that BC

government officials have allegedly directed forest licensees to find alternate old growth stands for deferral when TAP-identified old growth forests are found to not be old growth. Also, some licensees have been asked to set aside second growth stands planned for harvest as recruitment stands.

Is the 2.6 million hectares of announced deferrals regarded as a target that must be met? Licensees have many more questions with no real answers. To-date, I do not know of anyone that has been consulted other than ENGOS. So yes, this old growth process is still a huge mess.

Well on that cheery note to start the first newsletter of 2022, there is lots covered in this issue. Russ Taylor and I look at BC's relationship with China and how BC's export business has changed. Also, I break down the province's timber harvest for 2021 and show the government is benefitting from timber harvesting due to last year's rally in lumber prices. Hope that wakes up a few politicians in government to realize the folly of their ways.

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China's Impact On the BC Forest Industry

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

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THIS A SHORTEN VERSION OF THIS ARTICLE PLEASE CONTACT david@spartreegroup.com FOR THE FULL VERSION:

Recent developments affecting the Chinese market for softwood log and lumber products (as outlined below) makes for an opportune time to shine a spotlight on British Columbia's export trends. Changes in export markets can translate to different results for log exports as compared to lumber.

RECENT DEVELOPMENTS

Russia Log Export Ban...

Phytosanitary Requirements For Pine...

Russia Export Taxes on Lumber...

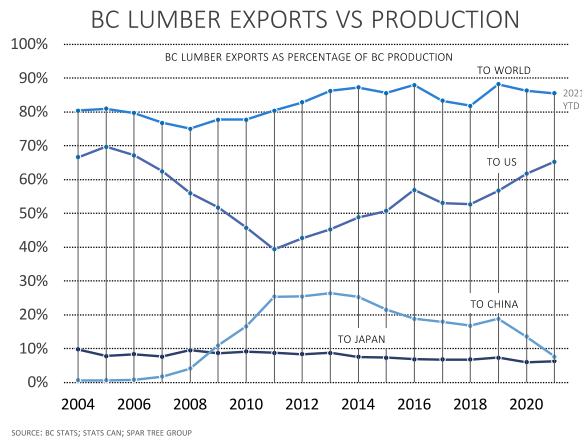
Chinese Construction Slump ...

European Log Imports...

BC EXPORT TRENDS

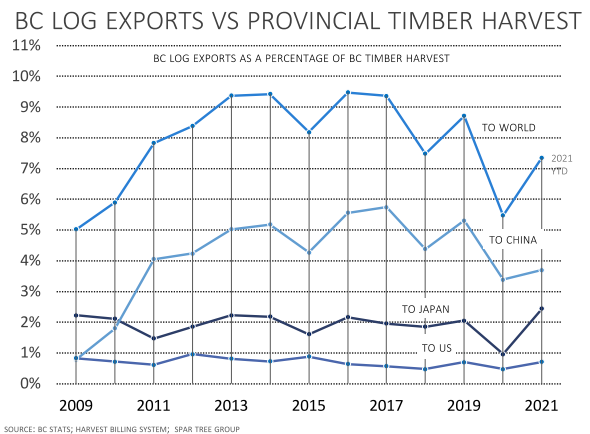
After a rapid rise from obscurity to prominence from 2007 to 2011, the relevance of China as an export market for BC forest industry has been diminishing

BC's lumber production is highly dependent on international markets with 86% of lumber produced being exported.



There is a distinct inverse relationship between exports to US to China which is in part a function of demand and lumber prices. When BC lumber exports to the US increase, the opposite seemingly occurs for exports to China.

BC log exports relative to timber harvested will be close to 7% (as of November) in 2021, down from a peak of 9.5% in 2016.



EXPORT SUMMARY

The Russian export restrictions, phytosanitary constraints, and potentially reduced European log imports might drive renewed Chinese interest in BC's hemlock logs that are typically sawn into low valued concrete forming lumber. Unfortunately, China's contracting construction market could become a major offsetting variable which could dampen demand. There are reports of some recent firming within the Chinese market, but that may be to the benefit of other international suppliers.



Getting More From Less – BC Timber Harvest 2021

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

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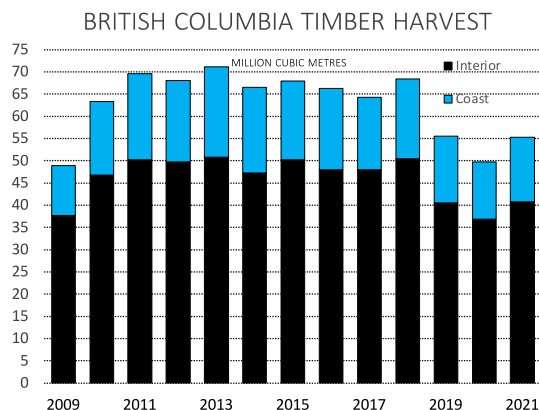
In a broad sense, timber harvesting in British Columbia has followed the general trend in the US lumber market. In the throes of US housing market depression, the weekly print price of SPF 2x4s fell to a US\$134/mbf in late January 2009. During this time, sawmill operating rates cratered and/or mills just closed. In BC the annual timber harvest for 2009 dropped to 48.9 million m³, its lowest since the 1970s. As lumber demand recovered, lumber prices improved as did BC harvest levels.

In 2021, the annual price average for SPF was a phenomenal US\$881/mbf, a stunning all-time record. Did the BC timber harvest reflect such strong end-market prices?

Well sort of...the BC timber harvest in 2021 did increase 11.0% over 2020. That relative comparison was to a decade low annual harvest of 49.7 million m³ due in part to the onset of the Covid-19 global pandemic and higher costs. The entire 2021 harvest including coastal and interior regions, crown and private lands, was a total of 55.3 million m³, just a hair below 2019's harvest. The 2021 harvest was a relatively mild response for a year with all-time record lumber prices.

STUMPAGE:

Invoiced stumpage in 2021 was up 97.8% over 2020, to \$1.8 billion – a multi-year record for direct revenues. For every cubic metre harvested, the government generated on average \$38.37 (based across all species and log grades).



SOURCE: HARVEST BILLING SYSTEM, SPAR TREE GROUP

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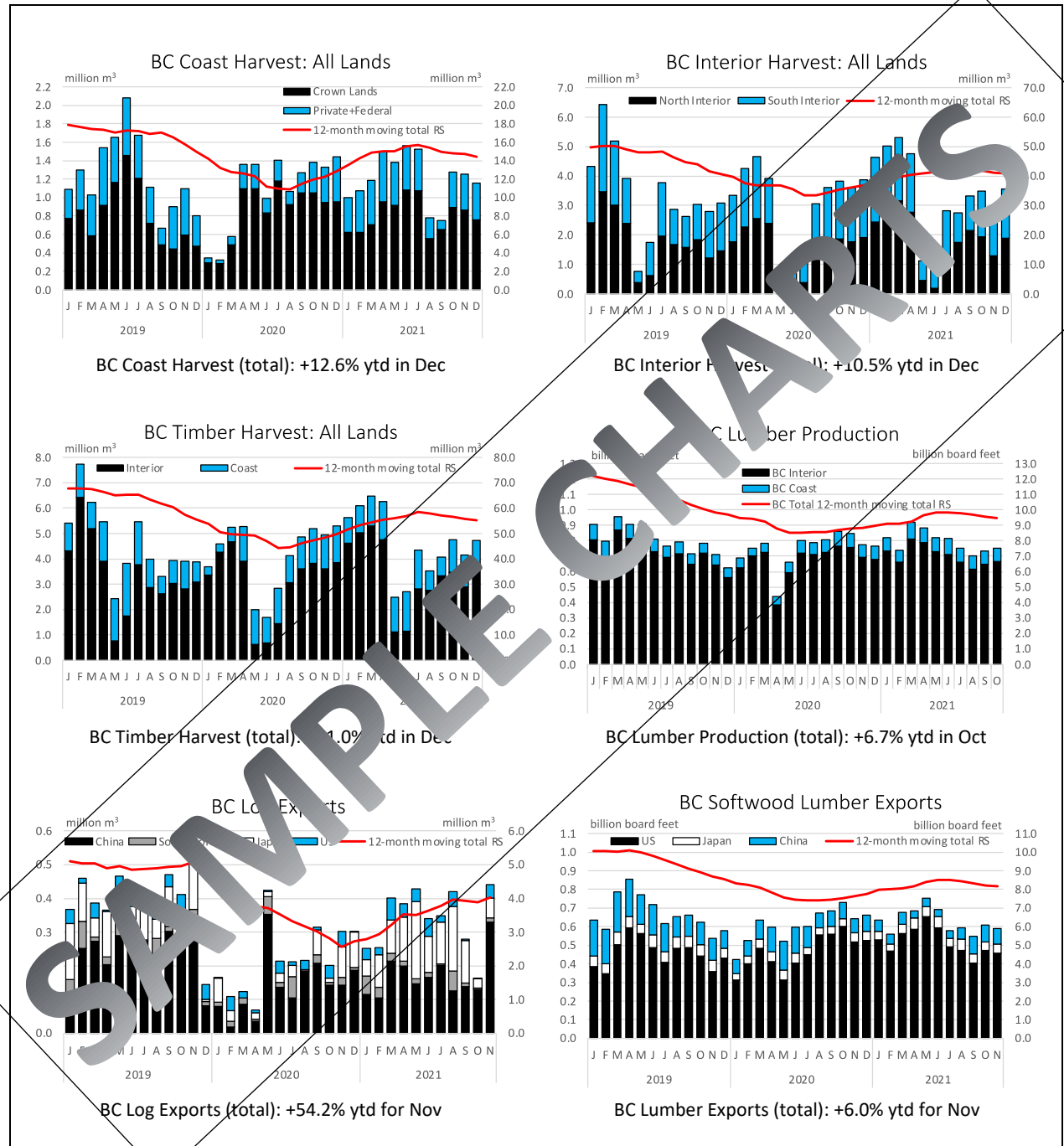
What Else Is In The Subscriber Version...Data & Charts

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BC Forest Industry Metrics



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](#)

[Commission to recommend protections for forestry workers](#) – November 17, 2021

[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. The government has a webpage on [deferrals](#)

[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).

[Old Growth Strategic Review](#) – the original new release relaying the results of the Strategic Review.

[Softwood Lumber Dispute](#) – The final determination combined duties (AR2) vary for selected companies, with non-selected companies facing an AD+CVD rate of 17.91%, effective at the end of November publish date. **Preliminary rates for AR3 for January 1, 2020 to December 31, 2020 were announced January 31, 2022. The AR3 preliminary rate will be 11.64% for “all others” anticipated to go into effect by August, 2022.**

[Support for Coastal and Interior Forest Workers](#) – Programs are now in place to support contractors, workers and communities impacted by indefinite and permanent mill closures in B.C.'s Interior and Coastal region.

[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.

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