

# VIEW FROM THE STUMP



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## WHAT'S IN THIS ISSUE

One Year Later ... By David Elstone, RPF, GDBA	2
This Is Just The Beginning – Recipe For Gridlock By David Elstone, RPF, GDBA	3
European Softwood Lumber Outlook By Russ Taylor, Russ Taylor Global	6
Revisions To BC Export Data (Logs & Lumber) By David Elstone, RPF, GDBA	9
BC Coast Forest Industry Metrics	10
BC Interior Forest Industry Metrics	11
BC Forest Industry Metrics	12
BC Forest Industry Metrics – Quarterly View	13
Fundamentals & Forecasts	14
Canadian Mill Watch - Increases	15
Canadian Mill Watch - Decreases	16
The Radar Screen	17

## One Year Later...

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

Yowser! It's been one year since I made the commitment to write six issues of this newsletter over the following year. I have truly appreciated my initial subscribers for their encouragement and investment in this venture.

Your support has allowed me to offer opinions and analysis on issues relating to the British Columbia forest sector. Topics covered in the *View From The Stump* newsletter and on *Right From The Stump* blog posts have resonated with many.



The *View From The Stump's* mission is to address the sector's gap in understanding the BC forest industry. My goal is to help businesses throughout the forest industry's supply chain make more informed decisions supported with data and analysis presented in each issue of the newsletter.

As the *View From The Stump* heads into its second year of regular production, I am shifting from producing six issues to eight issues per year. The idea being some issues will be just the basics and others will be more in-depth analysis like this issue – the goal being more timely data reporting.

Also, I am always being asked for my opinion on what is going to happen next. I hope to evolve future editions of this newsletter by putting some of those thoughts to paper and linking the data provided with forward looking

commentary. Already, I have been providing forecasts in the *Fundamentals and Forecasts* section on page 14 so it seems like a natural progression. The couple of paragraphs below are a sample of such potential market commentary...

*After strong SPF lumber prices in the first third of the year, the latent effect of the stumpage system has meant a rebound in interior rates during Q3, just in time for weaker lumber markets. Hopefully stumpage will begin to adjust downwards heading into Q4 and into early next year, reflecting the decrease in lumber prices that started in Q2 2022. Higher stumpage in the interior likely resulted in lower harvesting. That said, interior harvest levels are not expected to strengthen in 2023.*

*Coastal operations are also experiencing a rebound in stumpage. With coastal lumber prices and log prices declining in Q3, stumpage costs should be lower going forward. Log exports are expected to remain at their lowest in several years for 2023, meaning the private land harvest will likely not increase. The Crown land harvest will stay flat to down, with impacts from policy decisions still to hit.*

*Welcome to the October edition – this issue includes a snapshot of the industry as Premier Eby takes over from Premier Horgan.*

*Also, Russ Taylor of Russ Taylor Global has provided recent insights on the European lumber market.*

*Finally, there is a brief comment on BC log export data revisions.*



## This Is Just The Beginning – Recipe For Gridlock

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

With NDP MLA David Eby taking over as the next premier of British Columbia, it's an opportune time to baseline the state of BC's forest industry.

The BC forest industry has been contending with unprecedented changes. Natural factors including the mountain pine beetle and spruce beetle epidemics, wildfires etc are taking their toll on timber supply. So too have policy changes introduced by the NDP government under the banner of *Modernizing Forest Policy in BC*, including the old growth deferral initiative. There are many other factors, but I will not get into them for this article.

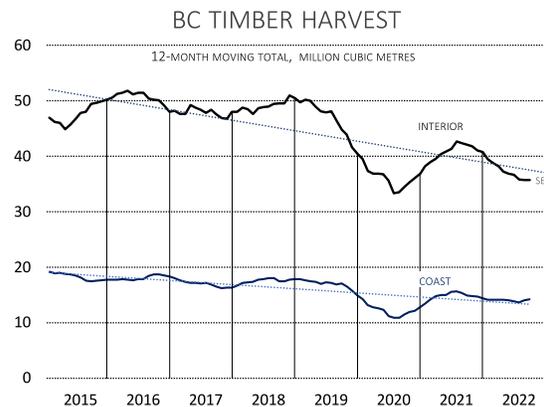
The government's do-it-all at once approach has ignored the cumulative potential impacts and held little regard for the complexities of the BC forest industry. The consequences of such are starting to appear.

### THE BASELINE

Given this made in BC [recipe for gridlock](#), I had projected (almost a year ago) the future provincial timber harvest would decrease between 10% and 40% or between 5.6 million m<sup>3</sup> and 22.2 million m<sup>3</sup>, respectively, by the time of the next election in 2024

Almost a year later, the provincial harvest is down 5.3 million m<sup>3</sup> or 12.6% ytd as of September. Looking at the chart (bottom left), this current trend in harvesting is tracking even lower than the worst-case scenario. If this scenario comes true, the future total harvest in 2024 will be near 33.3 million m<sup>3</sup> (2021 harvest was 55.2 million m<sup>3</sup>).

Much of the year-to-date decrease in harvest has been concentrated in the interior, which is down 5.1 million m<sup>3</sup> or -16.5% ytd. The decline on the coast has been milder, at 0.2 million m<sup>3</sup> or -1.7% ytd.

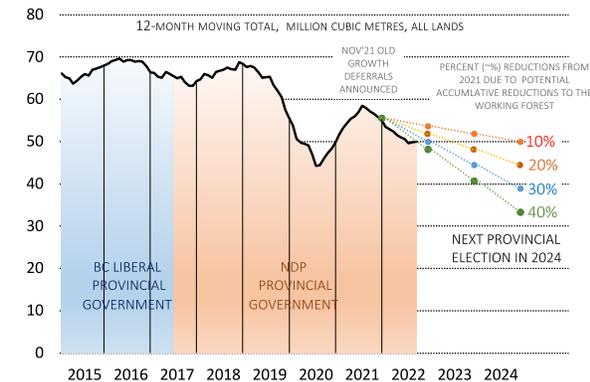


SOURCE: HARVEST BILLING SYSTEM, SPAR TREE GROUP

The trend in harvest data year-to-date reflects a contractor survey conducted by the Spar Tree Group with findings reported in the *View From The Stump*, July 2022 edition. At that time, the impacts of old growth deferrals were found to be felt more by interior contractors than those working on the coast. Expectations were that work reductions would increase.

Will Premier Eby act to alter the course of the current trend to the worst case in projected harvest declines?

### POLICY IMPACT SCENARIOS ON BC TIMBER HARVEST



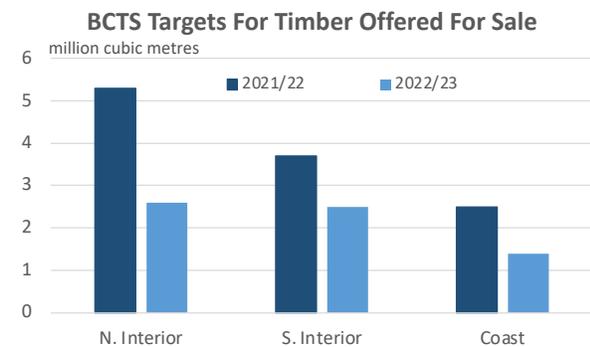
SOURCE: HARVEST BILLING SYSTEM, SPAR TREE GROUP



**BCTS REDUCTIONS**

On November 2, 2021 the government’s announcement on accepting recommendations for old growth deferrals included the immediate cessation of all new BCTS timber sale auctions overlapping with TAP-identified old growth forest polygons recommended for deferrals.

BCTS’s annual business plan shows that the target amount of timber volume offered for sale in the 2022/23 fiscal year has been slashed by 43% in comparison to the 2021/22 target

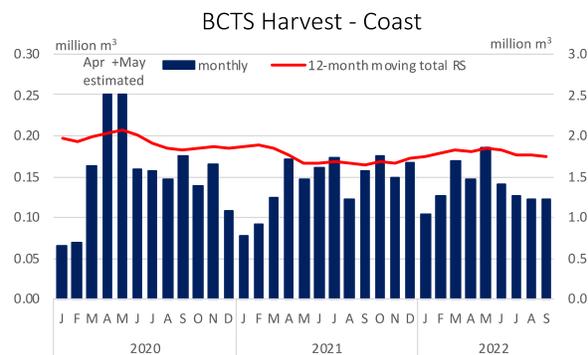
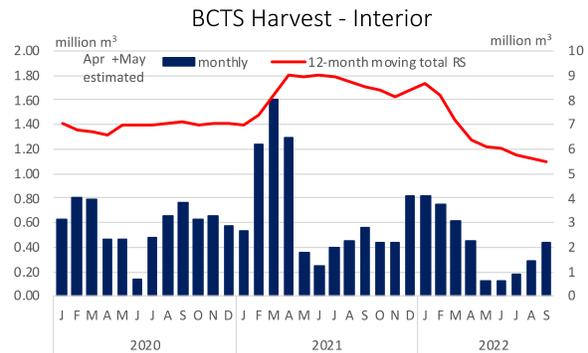


As a result, there has been a decrease of 43.4% ytd (as of September) in the BCTS interior harvest. On coast, the BCTS harvest is actually positive with a 1.3% ytd gain.

Why has the coastal BCTS harvest not declined? There are a number of possible reasons.

It is important to note BCTS deferrals were only for new sales. Awarded sales prior to the government announcement would not be affected. There is often a lag in time from when the winning bidder is awarded the timber sale to the time that sale is harvested. BCTS’s coast harvest data to date is more reflective of harvesting associated with sales awarded prior to the old growth deferral announcement than from the reduction in new sales offered. As time passes, the impacts of the reduced new offerings will become clear.

It would appear the acute shortage in log supply for the interior has meant BCTS timber sales licences are being harvested much sooner after being awarded. As such, the reduced timber sales volume offered this year is having much more of an immediate effect.



Also, it is my understanding BCTS’s coastal operating areas contain a high percentage of second growth so BCTS managers have likely had a relatively easier time side-stepping to non-deferred areas to mitigate the impacts in the short-term. It will become more challenging to find saleable timber in the longer term.

So, when looking at the interior harvest, 57% of the overall 5.1 million m³ decline year-to-date has come from reduced BCTS offerings in the interior, or 2.9 million m³. This data tells us that the decline in the overall interior harvest this year has been more related to the NDP’s decisions on old growth deferrals etc. than due to factors outside of their control, such as the mountain pine beetle epidemic.

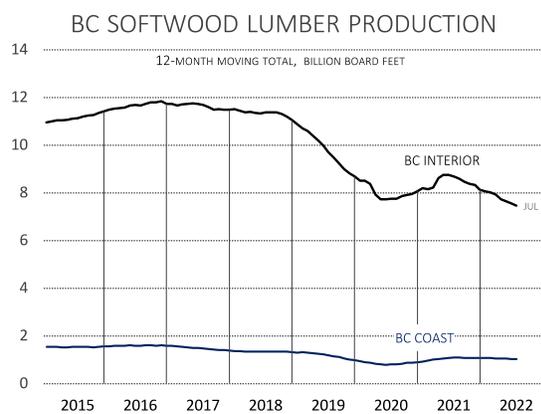


As the effect of the sales reduction hasn't fully landed yet, expect more reductions in the BCTS harvest (coast and interior).

## FOREST PRODUCTS MANUFACTURING

What have been the downstream effects of the reduced timber harvest?

Lumber production province wide is down 12.7% ytd (July). Coast production is down 6.8% ytd. And interior production is down by 13.5% ytd to levels not seen in many decades.



Timber supply issues have been a large part of that decline, especially for the interior. Other contributing factors include the collapse in lumber prices as well as transportation issues.

As I have written recently, there is a [crisis in the BC pulp & paper sector](#), where several mills have temporary curtailed. Lack of economically available fibre supply means more curtailments are forecasted in the next couple of quarters. Also, at least another 10 sawmill closures are projected to close in the next few years according to analysis done by Jim Girvan and Rob Schuetz of IFS.

The following is a list of manufacturing facilities which have either permanently closed or temporary curtailed since Q4 2021. When the decision to close is made, it is never just based on a single factor. It is a process of weighing the

outlook for markets versus costs including access to economically available fibre supply.

### British Columbia Forest Products Manufacturing Reductions Since Q4 2021

Company	Mill Location	Closure	Effective	Product
1 Pacific BioEnergy	Prince George	Permanent	Q1 2022	pellets
2 Canfor	Plateau	Permanent one line	Q2 2022	lumber
3 West Fraser	Fraser Lake & Williams Lake	Permanent one shift at each location	Q4 2022	lumber
4 Canfor	Western Canada	Temporary	2022	lumber
5 Interfor	Company-wide	Temporary	Q4 2022	lumber
6 Gorman Bros. Lumber	West Kelowna	11-person layoff	Q4 2022	lumber
7 West Fraser	Quesnel	Permanent one shift	Q4 2022	plywood
8 Paper Excellence	Powell River	Indefinite	Q4 2021	paper/pkg
9 Canfor Pulp	Taylor	Temporary	2022	pulp
10 Cariboo Pulp & Paper	Quesnel	Temporary	Q4 2022	pulp
11 Canfor Pulp	Intercontinental	Temporary	Q4 2022	pulp
12 Paper Excellence	Crofton	Indefinite	Q4 2022	paper/pkg

The list above is what has been reported in the media. No other provinces are reporting closures to the same magnitude. Conversely, there is relatively little new capacity being added in British Columbia.

This is where things are at for British Columbia's forest sector, and it's not good. Unfortunately, Eby has already said his 100-day plan includes a pledge to accelerate the old growth plan. That confirms the reductions we have seen are just the beginning. There is more to come.



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# 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 8x 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 - stumps, 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.



**WHAT'S IN THIS ISSUE**

A New Year But Not New Answers On Oil	2
Canada's Outlook	3
Oil's Impact On The BC Forest Industry	3
British Columbia's 2011-12 Forest Sector	3
Getting More From Logs - BC Timber Harvest	7
2011	7
Political Issues in 2011	7
BC Coast Forest Industry Metrics	9
BC Interior Forest Industry Metrics	10
BC Forest Industry Metrics	11
BC Forest Industry Metrics - Quarterly View	11
Fundamentals & Forecasts	11
Canadian Mill Watch	14
The Radar Screen	15

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# European Softwood Lumber Outlook

By Russ Taylor, President, Russ Taylor Global, Vancouver BC Canada (former President of International WOOD MARKETS Group)

## ISC Conference: Softwood Lumber Overview of 2022 and Outlook for 2023

The mood at the 70<sup>th</sup> International Softwood Conference (ISC) held this year in Copenhagen was one of caution and concern. With global markets cooling off and many producing countries in Europe struggling with exceedingly high log and energy costs, some sawmillers expect losses – and increasing losses – for the rest of fourth quarter as well as first quarter in 2023. With too much production already evident in the market, European mills are not yet slowing down enough despite all of the red flags of shrinking demand already evident. This means that more European sawmill curtailments will occur in the short-term.



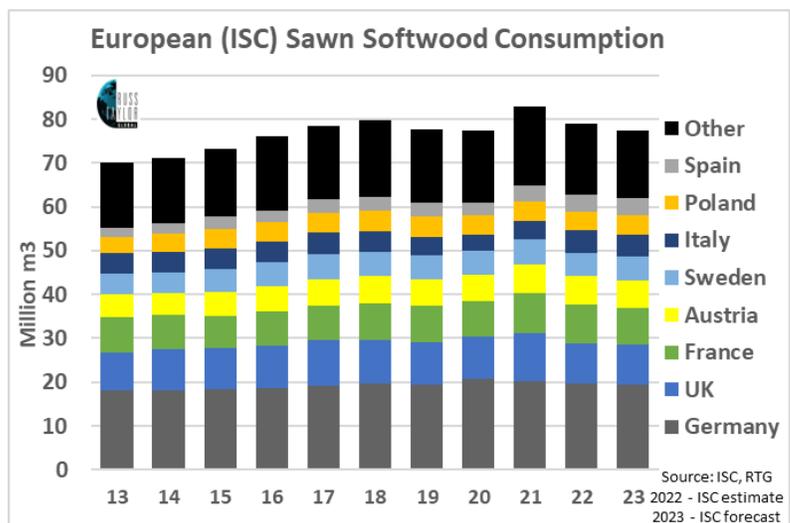
Russ Taylor has been a regular attendee to the ISC since its move to an international event starting in 2006 and he is normally the only representative from Western Canada (aside from Don Kayne, CEO, Canfor, who presents each year by ZOOM with some in-person presentations).

Europe is seeing the highest interest rates in 30 years, and for the US, it is 40 years. The so-called “yield curve” is now running negative and increasing – always a sign of a pending recession. Most economists are now forecasting a global

recession in 2023 with Europe starting earlier with the potential of hard landing.

Soaring energy costs, rising inflation and interest rates caused by the Russia-Ukraine war are creating very difficult conditions for consumers and producers. While high interest rates and inflation are all over the world, it anticipated that US recession could result more in a soft landing. However, the US Federal Reserve is expected to further raise interest rates and that could prolong the time before any economic recovery.

Softwood lumber consumption in European ISC countries was a healthy 82.9 million m<sup>3</sup> in 2021 and is estimated to ease to 78.9 million m<sup>3</sup> in 2022. The official forecast for 2023 is for a small reduction to 77.5 million m<sup>3</sup>, but this outlook seems overly optimistic when speaking with many of the 200 delegates. With the expectation of rising unemployment, high interest rates, high energy costs and so much uncertainty with geo-politics, the outlook for 2023 is not looking good at all for European sawmills.



European sawmills have been facing soaring delivered log costs due to the surging prices for fire and pulp logs – up to €95/m<sup>3</sup> (~US\$95/m<sup>3</sup>) – which had pushed sawlog prices in some countries to €150/m<sup>3</sup> (~US\$150/m<sup>3</sup>).

With lumber prices now falling, sawmills in some countries are being squeezed into negative sawmilling margins. Fortunately, fire and pulp wood prices have peaked and should ease, so that may provide some much-needed relief on sawlog prices in fourth quarter.

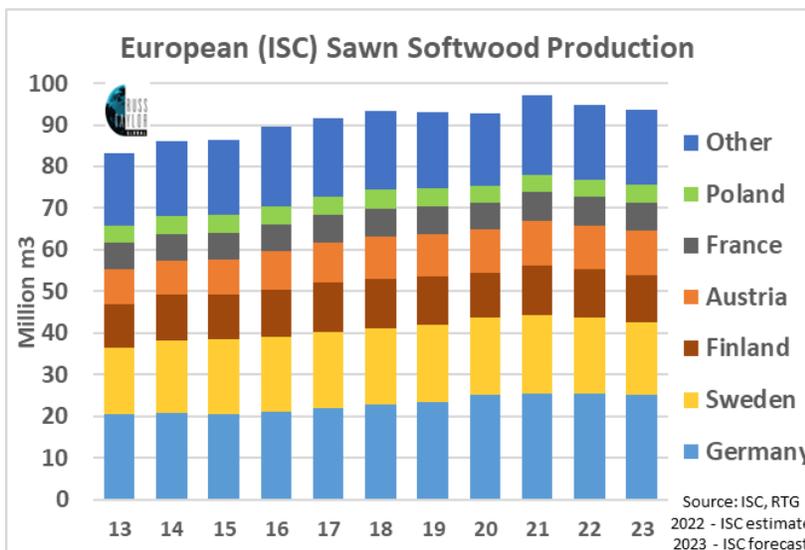
In the short term, however, lumber consumption and consumer confidence are falling, and consumers’ disposable income is being redirected towards paying higher energy, food and, in more and more cases, mortgage payments. This makes business in Europe very unpredictable going forward. European lumber production in the ISC member countries is likely to drop from 97.2 million m<sup>3</sup> achieved in 2021 to an estimated 94.7 million m<sup>3</sup> in 2022 and a forecasted 93.5 million m<sup>3</sup> for 2023 (although this seems very bullish given the tone of the conference).

European lumber producers are also facing a potential nightmare scenario from the proposed EU *Deforestation Regulation*. Once it has come into effect in the next 1-2 years, all

business activities must be “deforestation-free” – which requires extensive documentation. If implemented, it could seriously restrict the harvesting of some forests, reducing the log supply in various countries in Europe.

Presentations on other export markets outlined slowing markets in China (from COVID lockdowns and a weak property market), high inventories in Japan were not encouraging, and ME-NA markets were slow. For European lumber exporters, many are still relying on the US market as outlet for volume, especially with a weakening Euro and easing ocean freight rates. In fact, only the US market was considered a feasible export market, given the steadier demand and the volume potential. So far in 2022, European exports to the US have increased by 13% over the same period in 2021, led by Germany and Sweden. European lumber now represents 13% of total US lumber imports and I see this market share growing, given the flat to declining production from Canada.

Russian softwood lumber production is slowing as the full bite of the sanctions have kicked in the second half of the year. Russia is cut off from 60% of global markets and will have to rely on China as its main market as well as some other Asian markets (especially Japan), CIS countries, and the ME-NA markets. However, logistics costs to markets, especially from Northwest Russia, are expected to restrict Russia lumber and birch plywood exports significantly. Russian exports were 27.6 million m<sup>3</sup> in 2021 and are estimated at 22 million m<sup>3</sup> for 2022, with the bulk of the



decline occurring in the second half of 2022.

On a more positive note, some of the potential “global” market opportunities for European sawmills can consider the ongoing and steady home building in the US, increased repair and remodelling activity in Europe, and demand for building materials to rebuild Ukraine. As building with wood is now widely being accepted by governments and investors as way

to store carbon, further gains can be expected in “green building” in the mid to long-term, but not so much in the short-term. Consequently, it will get a lot more difficult for European sawmillers before it gets any better.

For more details on the European lumber market, please contact Russ [rustaylor@rustaylorglobal.com](mailto:rustaylor@rustaylorglobal.com) and [www.rustaylorglobal.com](http://www.rustaylorglobal.com)

## VIEW FROM THE STUMP comment:

Why is keeping track of European softwood lumber markets important from a British Columbia context?

One reason is that imports of European softwood lumber represent 4% of US lumber consumption. Imports of BC’s softwood lumber represented 12% (and total imports from Canada represent 25%).

If European sawmills don’t pull back on production, they will be looking to send incremental volume elsewhere (i.e., to the US,

China, and Japan). Increased European flow of lumber to the US market can be detrimental to Canadian exporters. Likewise increased European lumber directed to Japan could hurt Western Canada’s SPF J-grade market.

### US Lumber Market Share (Ytd 2022)

European Imports	4%
Canadian imports	25%
Imports from BC	12%

Source: WWPA

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## Revisions To BC Export Data (Logs & Lumber)

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

For all the data hogs out there, StatsCan has made what would be described as a major revision to British Columbia’s log export data for 2021. Revisions to the current year or prior year’s monthly export data are routine. However, this revision is noteworthy because of a 24% variance between the original and revised annual total for BC log exports which has significant implications to business planning.

Using the original data, we would have concluded that log exports were much stronger than they apparently had been.

### Revisions to BC Log Export Data (July 2022)

	2020	2021 original	2021 revised	Y/Y % Δ 2020 vs 2021 org	Y/Y % Δ 2020 vs 2021 rev	2021 Var. orig vs rev
<b>Total</b>	2,734,288	4,297,237	3,283,638	57%	20%	-24%
<b>China</b>	1,693,846	2,104,911	1,679,631	24%	-1%	-20%
<b>Japan</b>	479,686	1,511,107	1,007,126	215%	110%	-33%
<b>Korea</b>	257,283	275,503	198,681	7%	-23%	-28%
<b>USA</b>	238,091	391,583	391,583	64%	64%	0%

Source: StatsCan via BCStats

The July revision was only associated with log volumes exported to Asian destinations, including China, Japan, and Korea. Export volumes to the US were unchanged.

Prior to the revision, the data indicated an improving market for China with 2021 exports up 24% y/y, but after the revision, exports to China actually declined 1%.

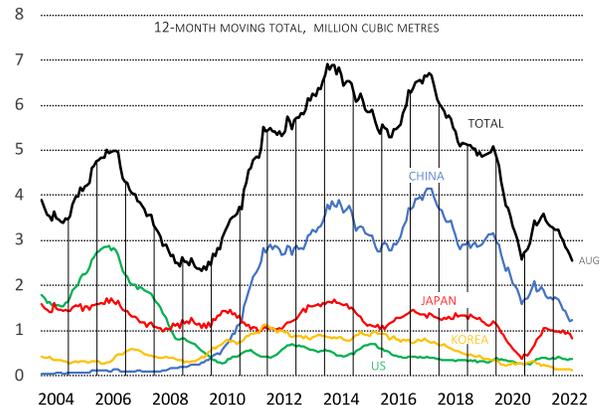
Exports to Japan saw a large gain (+215% y/y) based on the original data reflecting a rebound from the onset of the Covid pandemic in 2020. That rebound trend still appeared with the revised data, but it was just not as strong (+110% y/y). And exports to Korea were up 7%

y/y based on original data, and down 23% with the revised data.

The reason for this revision is said to be associated with the rapid gains in domestic log prices and how that factors into StatsCan’s estimation of export volumes.

The trend in total log exports with updated data through to August (using the 12-month moving total) shows 2022 volumes will be their lowest since 2009. Log exports are less than half of their highest levels of the last decade, primarily due to decreased exports to China.

### LOG EXPORTS FROM BRITISH COLUMBIA



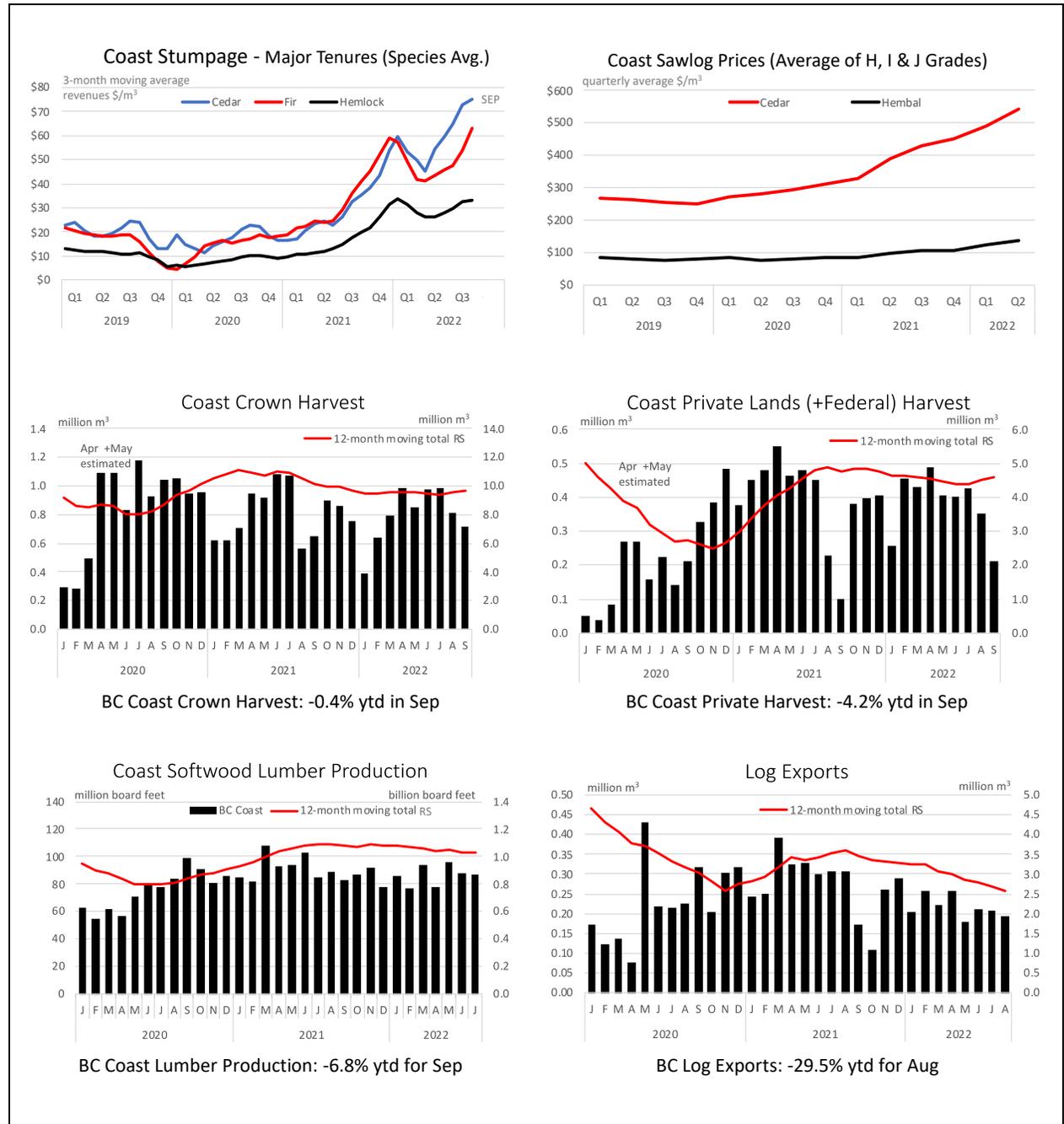
SOURCE: BC STATS, SPAR TREE GROUP

Given the Chinese economy, BC log export volumes are not expected to strengthen in 2023. That said, a shutdown of Weyerhaeuser’s US PNW timberlands (and four sawmills) due to a strike may lead to a temporary boost of BC logs sold to Japan.

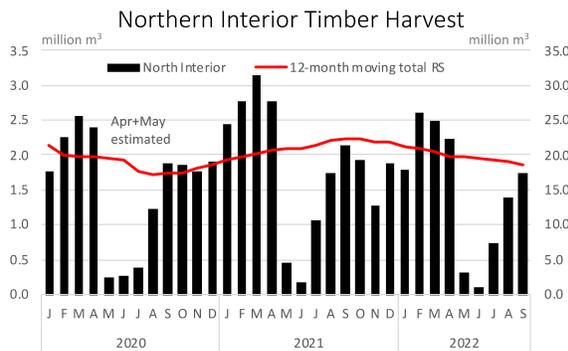
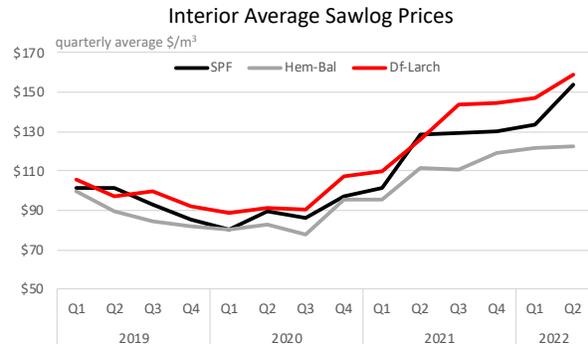
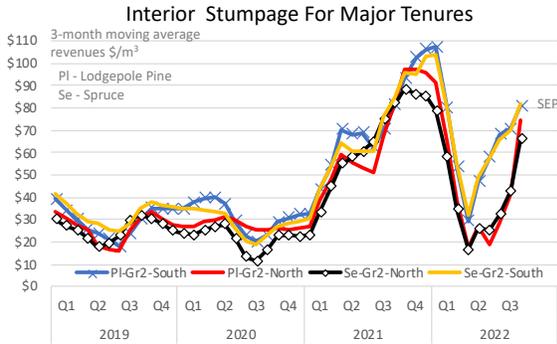
BC softwood lumber exports were revised as well for 2021 but the changes were much more subtle with a 0.2% variance between the original and revised annual total.



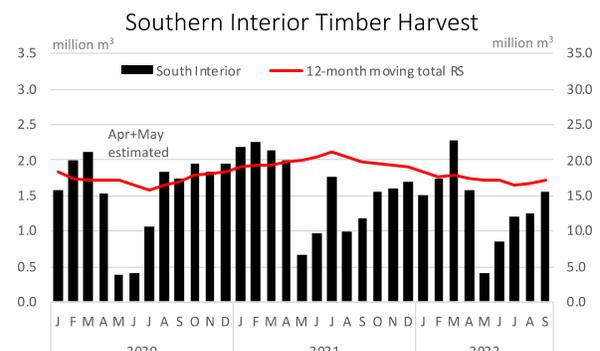
# BC Coast Forest Industry Metrics



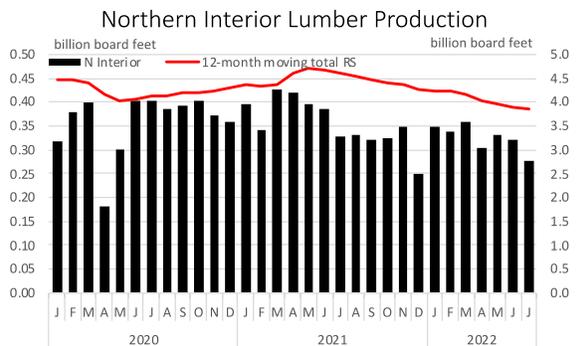
# BC Interior Forest Industry Metrics



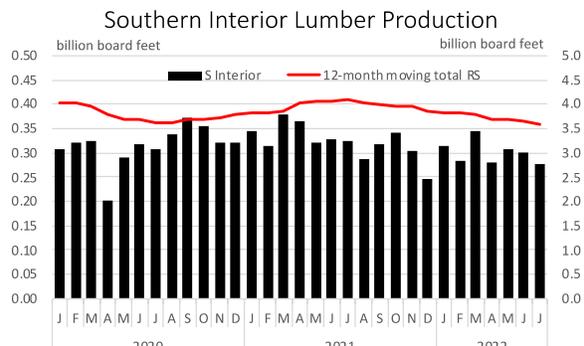
BC Northern Interior Harvest: -19.7% ytd in Sep



BC Southern Interior Harvest: -12.6% ytd in Sep



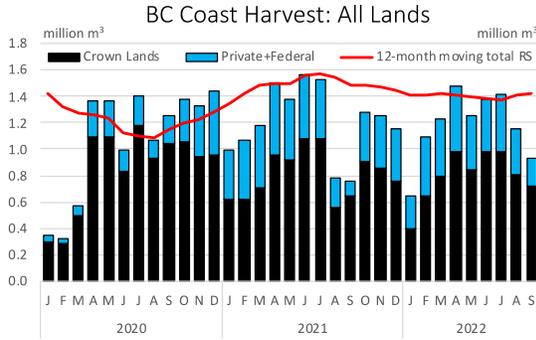
BC Northern Interior Lumber Production: -15.3% ytd for Jul



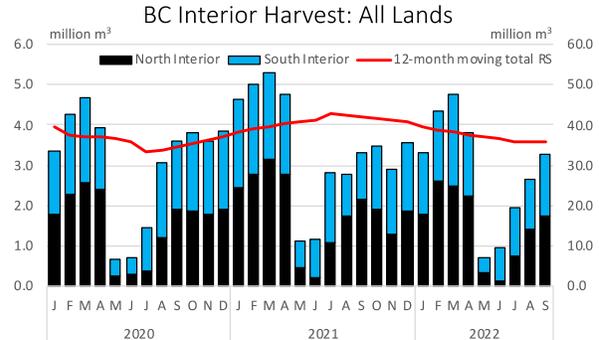
BC Southern Interior Lumber Production: -11.5% ytd for Jul



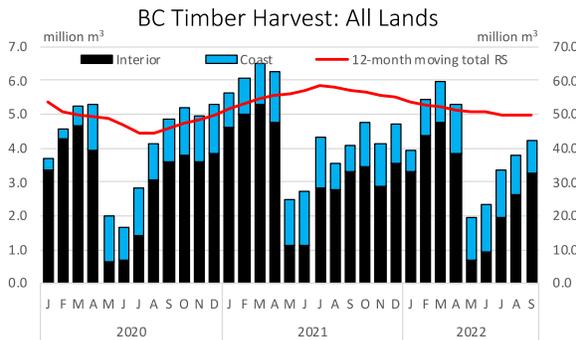
# BC Forest Industry Metrics



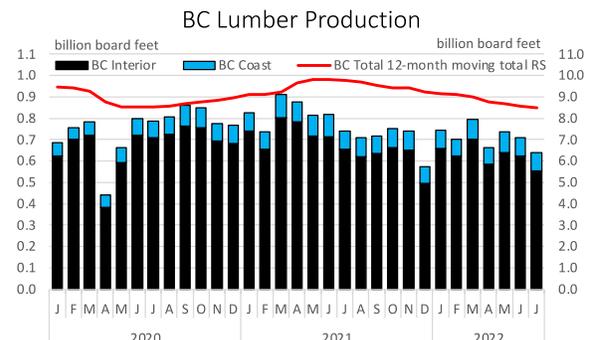
BC Coast Harvest (total): -1.7% ytd in Sep



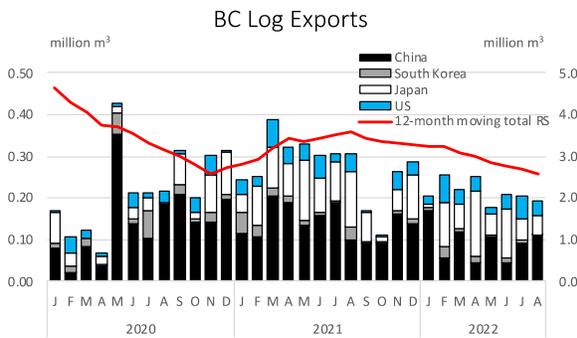
BC Interior Harvest (total): -16.5% ytd in Sep



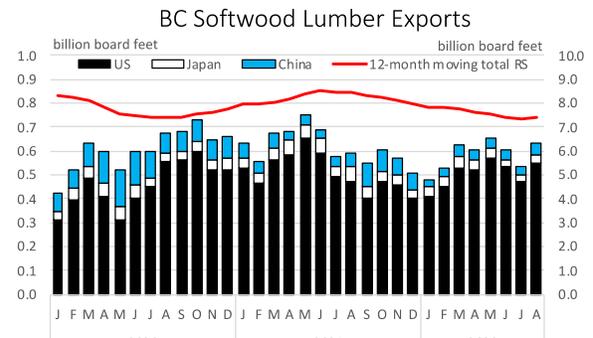
BC Timber Harvest (total): -12.6% ytd in Sep



BC Lumber Production (total): -12.7% ytd in Jul



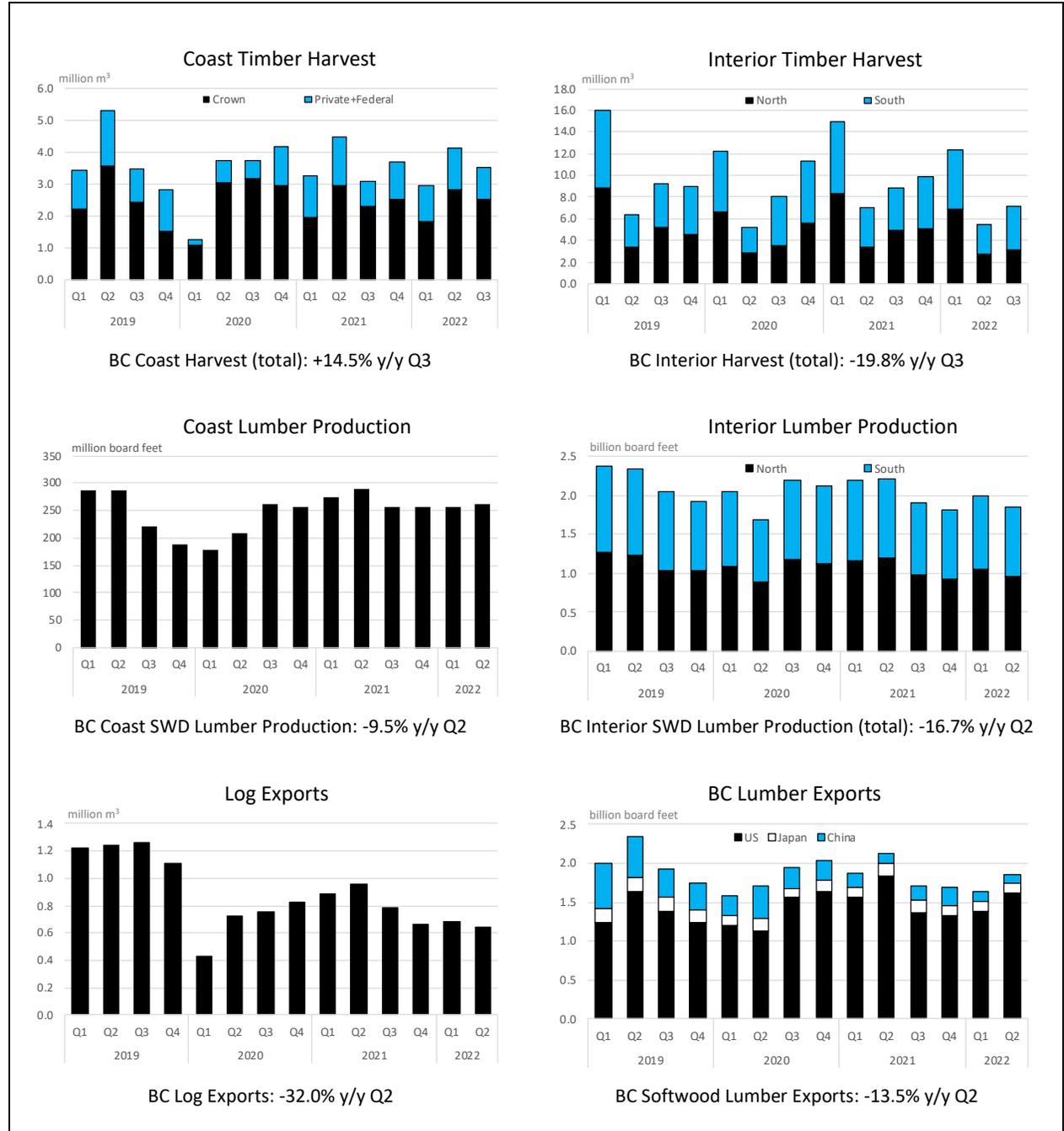
BC Log Exports (total): -29.5% ytd for Aug



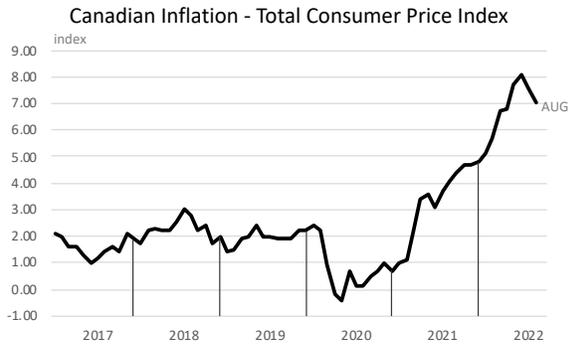
BC Lumber Exports (total): -10.5% ytd for Aug



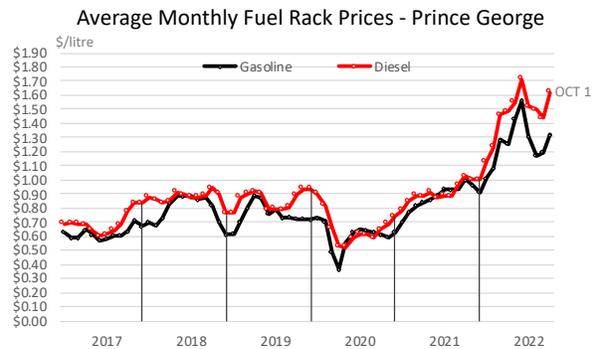
# BC Forest Industry Metrics – Quarterly View



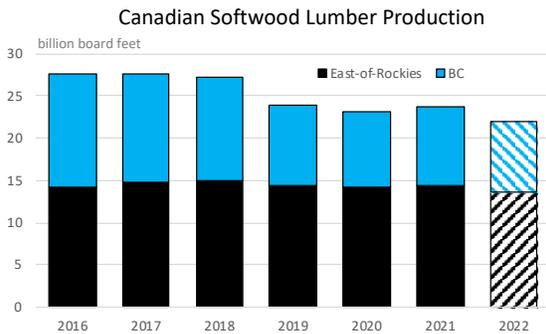
# Fundamentals & Forecasts



Canadian inflation: +7.01% for Aug

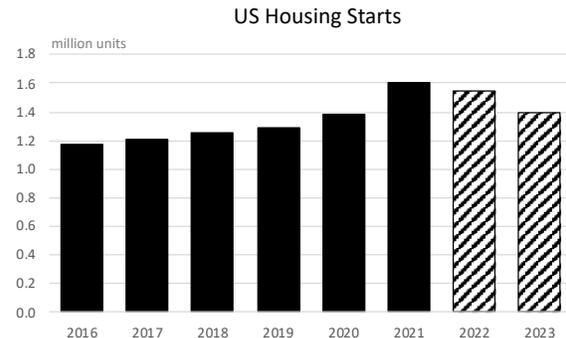


Gasoline: +31.7% y/y Diesel: +58.2% y/y Oct 1



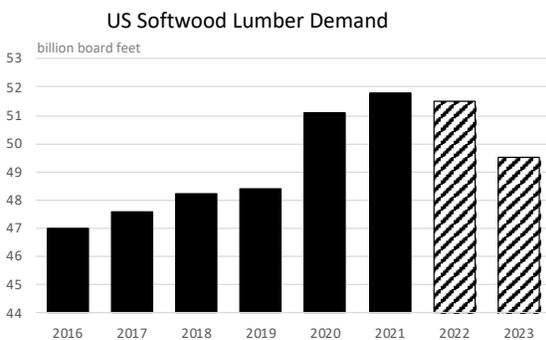
**FORECAST 2022**

Canadian Softwood Lumber Production: 22.0 Bbf



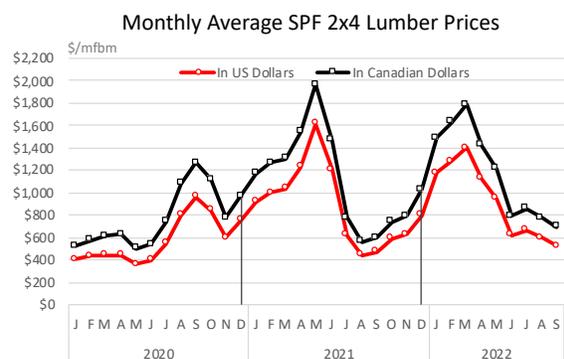
**FORECAST 2022**

US Housing Starts: 1.550 million units



**FORECAST 2022**

US Softwood Lumber Demand: 51.5 Bbf



**FORECAST 2022**

SPF 2x4 #2&btr: US\$836 per thousand bf

**Sources:**

- Inflation – Bank of Canada
- Rack Prices – Stats Can
- Lumber Production – Stats Can/VFTS
- US Housing Starts – US Census Bureau/VFTS
- US Lumber Demand – WWPA/VFTS
- Lumber Prices – Madison’s Lumber Report via BC Ministry of Forests/VFTS



## Canadian Mill Watch – Increases

Company	Mill Location	Status	Effective	Change	Comments
Carrier Lumber	Big River, SK	Increase lumber prod.	n/a	Sawmill upgrade	Due to new timber allocation
Dunkely Lumber	Carrot River, SK	Increase lumber prod.	Fall 2023	Addition of 100 million board feet	Due to new timber allocation
Paper Excellence	Prince Albert, SK	Restart of pulp mill	Q4 2024	Addition of 350,000 tonnes	Due to new timber allocation. Rebuild has not yet commenced
One Sky Forest Products	Prince Albert, SK	New OSB mill	n/a	Addition of 600 million sq/ft 3/8" basis	Due to new timber allocation
Red Leaf Pulp	Regina, SK	New non-wood pulp mill	Q2 2023	Addition of 182,000 tonnes	Uses wheat straw
San Group	Terrace, BC	New sawmill	n/a	50-60 million board feet	Early concept stage
San Group	Coulson Mill, Port Alberni, BC	New second line	n/a	New line	Addition of small log line
PowerWood	Agassiz, BC	Expansion to new site	August 2021	Doubled reman capacity	Moved from Surrey site
BioNorth Energy	Fort St. James, BC	Restart of plant	Early 2022	Restart of 40-MW biomass power plant	First Nation joint venture acquisition of plant shut down June 2021
Arbios Biotech	Prince George, BC	New biofuel pilot plant		50k barrels of bio-oil/yr	JV with Canfor and Licella Holdings Ltd. Uses 25k dry tonnes of wood residue (bark)
Hampton Lumber	Ft. St. James, BC	New sawmill	Q4 2022	n/a but smaller than previous mill on same site	New mill to replace old mill
Wawa OSB Inc (Forex)	Wawa, ON	OSB rebuild	Q4 2023	Rebuild with modern equipment	Older OSB converted to pellet mill. \$190 million to rebuild as modern OSB mill.
Resolute Forest Products	Thunder Bay, ON	Expansion	Q4 2022	40 million board addition	Broke ground May 2022
Kruger Products	Sherbrooke, QC	Expansion to tissue plant	2024	New machine and two converting lines, at least 60,000 metric tonnes	C\$351.5 million expansion to plant commissioned in 2021
Uniboard Canada	Val-d'Or, QC	New continuous press for particleboard	2025	Expand capacity	C\$250 million investment
Western Forest Products	Coastal BC	C\$29 million in upgrades		n/a	Addition of a new continuous kiln at Saltair sawmill for C\$12.3 million
Commonwealth Plywood	Rapides Des Joachimes, QC	Restart of closed sawmill	Nov 2022		Sawmill had been closed for several years - consumes white and red pine logs - \$1 million investment
Resolute Forest Products	Senneterre, QC	New planer mill	Q4 2022		Operational by the end of the year, part of \$35 million modernization



## Canadian Mill Watch – Decreases

Company	Mill Location	Status	Effective	Change	Comments
Paper Excellence	Powell River, BC	Indefinite closure	Q4, 2021	Theromechanical paper mill closure	Mill was already in temporary shutdown
Pacific BioEnergy	Prince George, BC	Permanent closure	Q1 2022	Pellet mill	Availability and cost of fibre
Canfor	Plateau, Vanderhoof, BC	Permanent line closure - resizing mill	End of Q2 2022	150 million board feet capacity reduction	Due to mountain pine beetle infestation and other constraints on timber. New capacity after investment will be 370 million board feet
West Fraser	Hinton, AB	Permanent line closure & switching from NBSK to UBK production	Q4 2022	n/a	Permanent line closure will occur before the end of the year. Switching to UBK production will occur possibly in Q2 2022
Sinclair Group	BC sawmills	Temporary curtailment	Apr 25, 2022	Manufacturing output reduced from 5-days to 4-days per week	Fibre supply uncertainty and supply chain bottlenecks
Tolko	High Prairie, AB	Downtime due to fire	20-May-22	Temporarily shut as press is rebuilt	Fire damaged OSB press - Announced re-start late Q4 2023
West Fraser	Fraser Lake, BC Williams Lake, BC	Permanent curtailing a shift at these sawmills	Q4 2022	170 million board feet	Access to available timber is an increasing challenge & ongoing transportation challenges
West Fraser	Quesnel, BC	Permanent curtailing a shift for plywood	Q4 2022	85 million square feet	Access to available timber is an increasing challenge & ongoing transportation challenges
Conifex	Mackenzie, BC	Temporary shift reduction	11-Oct-22	Two weeks, 7 million board feet. Previously, six weeks, 26 million board feet (Aug 29)	Costs and markets. Previously, unsustainable inventory levels due to transportation issues - reduced to one shift basis
Canfor	Western Canada	Reduced operating schedules	26-Sep-22	200 million board feet (Sep 26 until end of the year). Previously, 100 million board feet (Mar 30) + 275 million board feet (May 26)	Challenging market conditions - two-week curtailment at majority of solid wood facilities, followed by the resumption of a reduced operating schedules until end of 2022.
Canfor Pulp	Taylor, BC	Temporary curtailment	Feb 16, 2022	BCTMP 30,000 tonnes in Q1/22, possibly 25,000 tonnes in Q2/22 as curtailment extends	Into second six-week curtailment, which could end mid-May. Ongoing transportation shortages leading high inventories of finished product.
Cariboo Pulp & Paper	Quesnel, BC	Temporary curtailment	29-Oct-22	16-day outage	Alignment of capacity with available supply of wood chips. (Owned by West Fraser and Mercer)
Canfor Pulp	Intercontinental, Prince George, BC	Temporary curtailment	Oct 2022	28,000 tonnes market pulp	A two-week annual maintenance outage was extended for another couple of weeks due to lack of available economic fibre.
Paper Excellence	Crofton, BC	Indefinite curtailment	Dec 2022	334,000 tonnes paper	Cost escalations for chemicals, energy and wood fibre
Interfor	Company-wide	Temporary curtailment	Q4 2022	200 million board feet	Reduced demand from current economic conditions and market uncertainty
Paper Excellence	Crofton, BC	Indefinite curtailment	Oct 2022	380,000 tonnes pulp	Due to 72-hour strike notice by PPWC
Gorman Bros. Lumber	West Kelowna, BC		Oct 2022	11-workers laid off	Shrinking timber supply



## 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.

**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.

**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, 2022 rates of 11.05 ¢/litre for gasoline and 13.01 ¢/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

A new **Forestry Supports and Community Resiliency Council** was announced – October 17, 2022

Always check [govTogetherBC](#) for relevant matters requesting public input.

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