

Lumber companies facing huge challenges

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Coastal lumber manufacturers received a wake-up call Monday in the form of a report that tells them they face huge challenges in making the transition from high-valued old-growth forests to second-growth.

The coastal forest industry is one of the highest-cost lumber producing regions in the world that only makes money consistently from the old-growth harvest, according to the report prepared by International Wood Markets Group.

Yet the coast is facing a transition to second-growth timber, mostly hemlock and balsam that has poor to flat growth potential, the report states.

Making the most of that market is going to require new investment, and market and product research.

The coastal forest is 60 per cent hemlock and balsam, which is costly to harvest, a challenge to manufacture, and sells for less than species like cedar and Douglas fir. As long as sawmills have high fixed costs, the ability to enter global commodities markets is limited, states the report, commissioned by the Coast Forest Products Association.

Without significant investments in research, new technology and marketing, the variability in wood quality "makes harvesting hemlock-balsam forests somewhat of a lottery."

The risks with hemlock reinforce the importance of the current old-growth industry.

"The old-growth harvest consumed in the specialty sector, including western red cedar, should be given full industry and government support," states the report. "Specific policy measures designed to support this sector should be developed to ensure that a steady supply is maintained at affordable levels to support a stable cedar processing industry."

The report also identified a 37-per-cent decline in the number of large sawmills — from 43 to 27 — between 1990 and 2004, and a 31-per-cent reduction in manufacturing output.

The association released the 147-page report Monday. Association president Rick Jeffery said the study's findings are timely because the industry can now begin finding ways to adapt.

"The Coast will be making a transition to more and more second-growth, and that's one of the reasons why this study is important to us," he said. "It outlines that we have some challenges ahead of us to be able to compete in the hemlock commodity markets. The study clearly says it is a challenge to us. Those markets are flat to poor."

He said the fact that sawmills in the U.S. Pacific Northwest are manufacturing second-growth Douglas fir and hemlock for commodity markets shows it can be done. Jeffery said the report is not only a wake-up call for industry but for government and the public as well. The report is exhaustive, and is the first phase of a strategy for developing a new business model to meet the changing timber profile and shifting global markets.

Log exports, which have mushroomed in the last eight years, will be a facet of the industry in the future, Jeffery said. But the very fact export markets are willing to pay for B.C. hemlock shows that there is a demand for its manufactured products.

"The purpose of this study was to look at the opportunities and to make sure that we can keep as many of those logs in British Columbia as possible," he said.

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