### ACCESS TO FIBRE:

**CONSTRAINTS:**
- Inconsistent access mostly for small-med companies
- Decline in AAC (MPB)
- Since 2004, forest policies encouraging industry consolidation
- Increase in log exports
- Wood suppliers sell at higher prices to secondary manufacturers

**SOLUTIONS:**
- Incentivize dominant companies to trade high value logs for logs suitable to their production needs
- BCTS targeting independent mills and specialty manufacturers in their sales strategies
- Strict policies to ensure export are truly “surplus” to BC industry needs
- Conduct economic analysis to determine the comparative true value to communities, stakeholders & people of BC of optimizing the flow of fibre to “highest best use”

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### STATISTICS FOR CANADA’S VALUE ADDED INDUSTRY 2016

(NAICS framework used by Statistics Canada)

<table>
<thead>
<tr>
<th>PRODUCT TYPES</th>
<th>VENEER, PLYWOOD &amp; EWP MANUFACTURING</th>
<th>OTHER WOOD PRODUCT MANUFACTURING</th>
<th>ALL OTHER WOOD PRODUCT MANUFACTURING</th>
<th>FURNITURE: INSTITUTIONAL AND HOUSEHOLD</th>
</tr>
</thead>
<tbody>
<tr>
<td>NUMBER OF ENTERPRISES</td>
<td>585</td>
<td>4,391</td>
<td>2,013</td>
<td>5,769</td>
</tr>
<tr>
<td>% WITH &lt;100 EMPLOYEES</td>
<td>85.6%</td>
<td>96.3%</td>
<td>95.8%</td>
<td>97.6%</td>
</tr>
<tr>
<td>% PROFITABLE</td>
<td>72.3%</td>
<td>76.5%</td>
<td>80.2%</td>
<td>73.8%</td>
</tr>
<tr>
<td>TOTAL NET REVENUE</td>
<td>$298.8 MILLION</td>
<td>$387.2 MILLION</td>
<td>$174.6 MILLION</td>
<td>$205.3 MILLION</td>
</tr>
<tr>
<td>AVG NET REVENUE</td>
<td>$1.1 MILLION</td>
<td>$634.3 THOUSAND</td>
<td>$410.7 THOUSAND</td>
<td>$549.8 THOUSAND</td>
</tr>
<tr>
<td>TRADE</td>
<td>$3.3 BILLION EX</td>
<td>$1.5 BILLION EXPORT</td>
<td>$87.4 MILLION EX</td>
<td>$1.9 BILLION EXPORT</td>
</tr>
<tr>
<td></td>
<td>$1.3 BILLION IM</td>
<td>$1.2 BILLION IMPORT</td>
<td>$480.3 MILLION IM</td>
<td>$3.9 BILLION IMPORT</td>
</tr>
</tbody>
</table>

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Secondary Manufacturing and the Value Added Wood Sector

**Value Added Wood Products (VAWP)**

A raw commodity wood material that has been further manufactured into a useful object

AKA secondary manufactured (SM) wood product

Examples: Engineered Wood Products (EWP), CLT & glulam, furniture, wood pellets, instruments, coffins & shingles

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**BC’S VALUE ADDED — SECTOR —**

- 15,576 people employed
- 589 value added firms
- 3.82 billion in sales

Sales, employment & # of firms all dropped by over 20% from 2006 levels

10% of firms: >15 M sales

55% of firms: $1.1—15 M

50% located Vancouver—Fraser Valley area / 19% Kamloops

Est. capacity utilization: 66%

Most Important Markets:

- BC (50%)
- US (16%)
- Canada (5%)
- Japan (3%)

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**Wood 465 / Assignment 1**

Jemina Coutu, Kristin Smart, Erin Deshong, Jozsef Hamari, Rodrigo Baston
### NORTH AMERICA

- Glulam production growing 7%/yr but decreasing in Canada
- US is net importer of CLT; Canada & US heavily expanding CLT production
- Cdn LVL production growth outpacing US in recent years / 91% of LVL used in residential construction
- US is the world’s largest importer of carpentry & joinery (most from South America) - imported over 150 Mill (13%) from Canada last year
- US imports 74% of furniture fr Asia
- Collapse of TPP likely to be beneficial for further NA furniture production

### EUROPE

- Austria first developed CLT & is the largest glulam producer in Europe—Finland & Romania glulam production is rapidly growing as they sell to Japan - CLT production expansion in Finland & Latvia with mature production in Germany, Austria & Switzerland but losing market share to NA producers
- 25% of global furniture production is in Europe which creates ~1 million jobs - Furniture industry jobs decreased 28.7% in the past 15 years - Strong history of innovation—cont. today with tech such as Nanofibrillar cellulose and lightweight composites

### ASIA

- Japan imports large amount of glulam from Europe; Asian countries also export glulam to Europe($105M-2015)
- Japan planning to increased CLT production to 500 000m3 by 2025, will potentially damage European exports
- Japan is the world’s 5th largest furniture importer, most imports coming from Asia(89%) and Europe(10%)
- Asia supplies furniture to a vast majority of NA—leaders include China, Vietnam and Indonesia
- Asian demand for EWP’s continues to grow

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**VALUE ADDED & THE SOFTWOOD LUMBER AGREEMENT**

- Better softwood lumber market = more expensive feedstock for value added (VA)
- US demand for VA more stable than lumber demand. Demand is growing, esp. in the “cheap furniture” section
- Cannot compete with cheap wages in Asian countries (Vietnam) in VA sector
- Pallets, I beams, doors, windows, furniture and edge-glued wood are exempt from duty but most coniferous VA wood products (continuously shaped products, siding, finger joints, notched lumber, etc) are included
- Mill curtailments lead to lack of product

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Environmental concerns regarding other building materials have caused people to look more into wood. Building codes are changing and allowing for wood to be used in structures that were previously not considered. New products are being developed to solve problems that previously were not fixed by other materials.

Areas where VAM can be enhanced: construction & engineering, architecture & design, & novel products. Technology is key for new product development. The integration of CNC (computer numerically controlled) devices & wood is a game changer because it benefits many different markets.

Factors limiting growth: taxation, competition, financing, market demand, material supply, energy costs, warehouse space, & forest policy (Delong et al., 2007).

In order to grow a successful VAM economy we must explore and exploit the value chain for wood.

Shultz et al. (2013) identified seven strategies to increase the VAM sector: vision & government’s place in the wood value chain, business conditions, finance, & manufacturing, raw material supply, research & tech product development, education & skills training, & finally, marketing. Majority of VA growth has occurred in export markets, access to them is critical (Stennes, Wilson, & Wang, 2005).

While challenges exist, Canada has the capacity to increase its VA sector, which in turn will increase employment, GDP, and more (Stennes et al., 2005).
REFERENCES


