

Life After the Beetle- Fibre Supply and the Future of the BC Coastal Forest Industry

AVICC Convention
Sooke
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Murray Hall



Life After the Beetle

BC INTERIOR Mountain Pine Beetle Attack

Impact and Outlook on BC Timber Availability and Wood Products Production

BC MOUNTAIN PINE BEETLE: Evolving Impacts & Opportunities

Follow up report to BC Interior Mountain Pine Beetle Attack

SECOND EDITION

Revised and expanded as the BC industry and forest owners and managers develop the reality of reduced timber harvest

Featuring:

- An overview of the key impacts on the BC industry
- A projection modeling of BC interior and BC coastal fibre availability and wood products production "after the beetle"
- An assessment of new forest sector opportunities, including the energy and pulpwood (through 2021)
- North America's timber supply demand outlook to 2021 and the BC industry's "supply position" "after the beetle"
- An assessment of sawmilling economics in the presence of MPB infestations

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WOOD MARKETS

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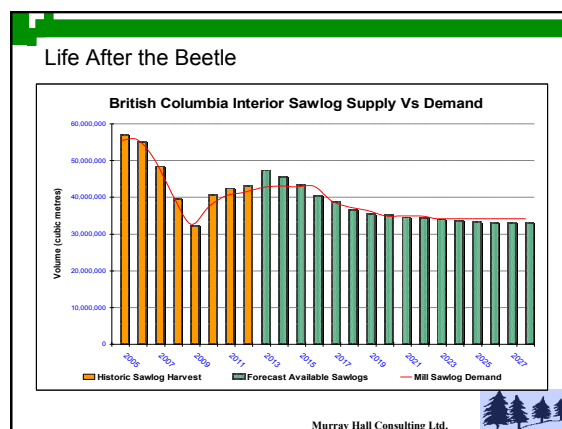
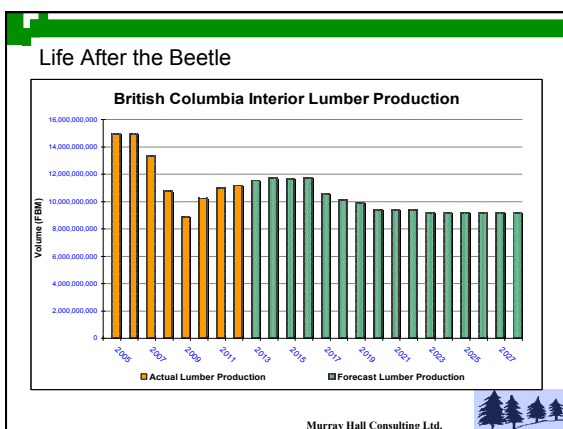
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Predictions for the Interior in 2010 – and then in 2012

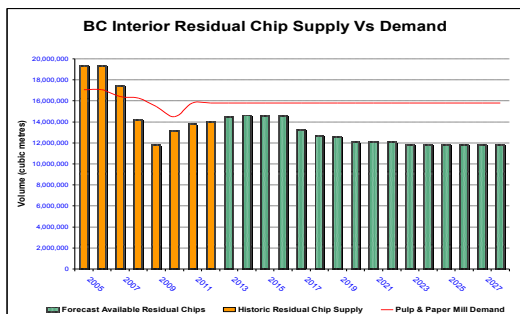
- 16 BC sawmills will close by the midterm- 2018
- Sawlog timber harvest will drop by almost 20 million m3
- The economics of MPB 'Shelf-Life' are a major variable on the future of harvesting MPB logs in BC
- BC lumber production will fall significantly by the end of the decade but should see higher prices

Net Outcome: The BC lumber industry will see a permanent downsizing by the end of the decade and a lumber "supply gap" with rising prices in North America is forecast to occur.

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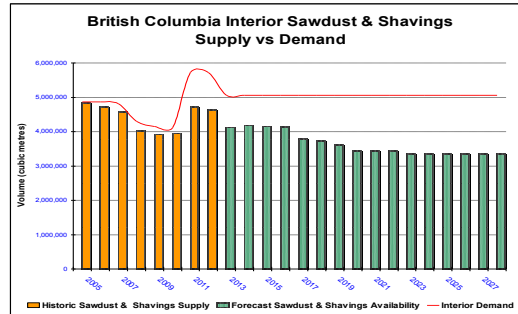


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BC Interior Summary:

- 25 mills closed since 2005
 - 8 since 2010 – more to follow
- Mid-term BC Interior lumber production 9.3 billion
 - Down from 15 billion (2005)
- Less residual chips – more whole log chips
 - Is it sustainable? ... Depends on the mill
- Sawdust Demand – intense
 - Is it sustainable? ... Depends on the business model

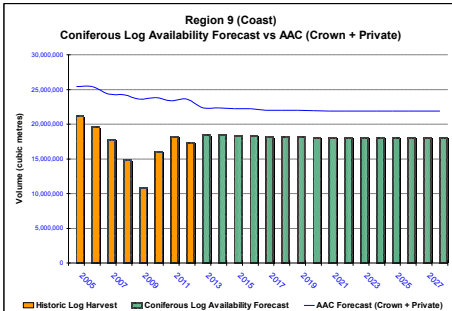
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Life After the Beetle – What About the Coast?

- Different Industry
 - Markets
 - Fibre Supply
 - Costs
- Interior and Coast tied at the hip by fibre
- How does the Beetle impact the Coast?

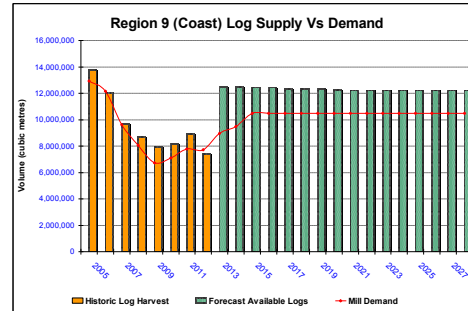
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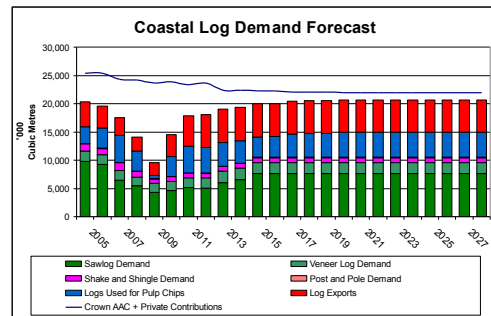
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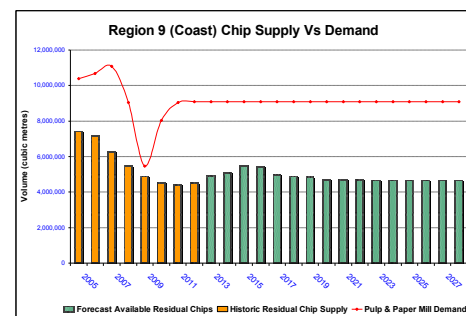
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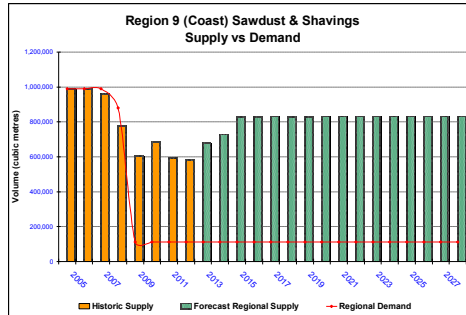
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Sawmilling on the Coast?

- 25 Primary Sawmills Remain
 - 3 to 5 at risk in the medium term
- 2 Plywood/ 1 Green Veneer
 - Solid markets
- Shake and shingle in decline
 - Markets disappearing
 - Cedar in the timber profile declining
- Export of logs to China, Japan and Korea should continue at 25% of demand

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Pulp and Paper Mills on the Coast?

- Neucel Pt Alice
 - New owner- Fulida
 - Dissolving pulp
 - Age and infrastructure an issue
- Harmac
 - Against all odds- employee owned success story
- Howe Sound Pulp & Paper
 - New owner- Paper Excellence
 - less market pulp/more corporate use
 - Power production key new market
- Catalyst
 - \$ losses an issue
 - Decline in paper markets

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BC Coastal Summary:

- No new sawmill capacity forecast
 - Unless the export profile (and higher log cost) can be utilized
- Pulp mill consumption of (higher cost) whole log chips inevitable
 - Impact of MPB
- Coastal pulp/paper mills at risk- paper..yes
 - Market pressures, social media and shift to electronic
 - Fibre supply pressures
- Coastal sawdust/shavings surplus continues
 - Sawdust opportunity for pellets or power

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Questions

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