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1. Executive Summary

21,000 New Brunswick men and women depend on the vast healthy forest for their livelihood. The Forest covers 80 per cent of the entire landbase in this province. That’s more than 6 million hectares of forest land that sustains our communities. 46 per cent is owned and managed by the Crown and 49 per cent is in private ownership of approximately 40,000 woodlot owners. The forest industry has relied on many sources to supply the fibre over the years and much debate has ensued over equitable markets, fair market value and working partnerships of the wood supply model.

While Government has the authority to mandate a legislated equitable volume of wood to be purchased by industry from private woodlots, it cannot force mills to purchase a quota of wood over a prolonged period of time, for a price that is beyond what the market can bear, without an adverse effect of putting the mill at risk of closure.

And equally, government and industry cannot force the private woodlot owners to sell their wood at a price that is below a threshold that provides a profitable return on their investment and management practices without adversely affecting the private woodlot owners.

If all parties agree with these two statements, they essentially also agree that the issue at hand requires more than just an order from the top to sell and buy more wood from a particular source. It requires more than just a proportional percentage, a quota, or an arbitrated ruling on price, volume and delivery. If an arbitrated price is outside the margins that allow for profitability, either party cannot fulfill the ruling without incurring an unsustainable economic outcome. It also acknowledges the roll of the free market and the many influences on the system that we now adhere to. The only logical conclusion is the solution requires cooperation, a plan that is mutually agreed too and a negotiated system that is beneficial to all parties. Voluntary not forced.

This Brief highlights the importance of the forest industry and its many facets. It looks at the interdependence of the many participants and suppliers of wood from the private woodlot owners, the marketing boards, industry and the mills that purchase and sell wood and the Crown. It looks at how the market and the realities of the largest slump in economic activity in decades have impacted the flow of wood fibre and the relation between Crown and private sources. It analyses the contributing factors to the wood supply crisis facing the sector. It identifies barriers and proposes a series of recommendations to facilitate the selling and buying of private wood.

The New Brunswick Forest Products Association and its many members believe we can work cooperatively and build a system that is transparent, offers the tools to both industry and the private woodlot owners, through their Federation, to secure reliable contracted agreements that provide reliability and confidence in the wood supply model.
2. Introduction

New Brunswick’s forest industry depends on wood supply from three main sources, Crown lands, private lands and industrial freehold. Overall, New Brunswick’s crown lands constitute 46% of the provincial landbase while private and industrial freehold covers 33% and 16% respectively (Figure A). Combined we have more than 7 million hectares of land to supply our communities and the forest industry with the wood fibre to support our economy.

Our vast and healthy forests provide for our very existence, energy and the many products we use in our daily lives from tissues, paper to the roof over our family’s heads. More so, forestry has been the economic engine for our economy and our social fabric providing 21,000 jobs to our men and women, sustaining our local communities and generating wealth.

Our forests have sustained our communities for centuries and based on sound management practices, they will continue to provide prosperity and a healthy environment for future generations.

A visionary approach and plan that considers all land sources for providing wood supply well beyond 25, 50 and 80 years is needed. The role of New Brunswick’s private woodlot owners is crucial in fulfilling future wood supply requirements. New Brunswick has an estimated 40,000 privately owned woodlots whose owners can all be wood suppliers and producers. In order to thrive for years to come, it is crucially important for the forest industry to ensure the wood supply available from private woodlots is sustainable and accessible.
In order to create economic wealth and green jobs, we need to work together with all stakeholders to co-operatively develop policies and strategic directions that support a sustainable and growing forest sector. In the past, the New Brunswick Forest Products Association has called on the Minister of Natural Resources and the Premier to ensure there is a growing wood supply timber objective on Crown lands. Also, we strongly believe there should be a timber growing objective and incentives for the private woodlands. It is the desire of the New Brunswick Forest Products Association to work cooperatively with the many private woodlot owners through the New Brunswick Federation of Woodlot Owners and create a fair system that identifies and overcomes barriers and encourages the sale and purchase of private wood in New Brunswick.

Establishing a long-term wood supply timber objective on private land and Crown land would represent a monumental accomplishment as important and significant as the 1982 Crown Lands Forest Act. It would provide some guaranties that are necessary to reach our manufacturing goals. It would encourage investment and upgrades by mill owners who would then have confidence in a stronger future wood supply chain. Without a timber growing objective, the uncertainty would only serve to erode at an embattled sector, create doubt and deter future investments.

Here in New Brunswick we have a long history of forest management and – we have seen the benefits of implementing sustainable forest management planning and are reaping the rewards of taking care of our greatest asset. With careful and insightful planning, we can calculate and monitor the fibre supply needed to grow for our future economy. We must also work to support silviculture programs on both private and crown lands and find ways to encourage and maximize wood flow from all managed lands.

We remain optimistic that a revived forest industry can, and will stem the recent rash of mill closures and resulting job losses with a clear understanding it will be a different forest industry landscape over the next few years. It will be a landscape where adapting to change is embraced and allows for New Brunswick forest industry to thrive in the current global reality. In turn, a vibrant and globally competitive forest sector will continue to support an array of social, environmental and economic values that will benefit New Brunswickers for generations to come. Private woodlots will be vital contributor to the provincial wood supply and cooperatively industry, government and woodlot owners can develop a system that benefits all stakeholders and provides the security and reliability of wood supply by establishing and growing a timber objective from private and Crown sources of wood.
3. Economic value of the industry Future

Forestry has been the cornerstone of the New Brunswick economy for decades. More than 21,000 families are supported by the forest sector. With more than 11,600 people directly working in forestry related jobs, our people produce 30% of total manufacturing output of the province and as such makes the forest sector the largest in the New Brunswick.

The forest sector pays more than $1 billion in annual salaries to the men and women who are the backbone on the industry and the heart of our communities. Forestry jobs are high paying and are the pillar of our rural economy and of particular importance to the Northern economy. Every town and city in New Brunswick is affected by the forest sector.

The Value of the Forest to the New Brunswick Economy

Total output in the forest products sector is significantly lower than it was in the early part of the last decade. In the early 2000s, total direct gross domestic product from the forest products sector was as high as eight percent of gross domestic product (GDP). As of 2010, the sector directly contributed just over five percent to the provincial GDP1. At 5.1 percent (Figure B), that makes the forest products industry in New Brunswick more important to the provincial economy than in all other provinces in Canada.

Total direct GDP in 2010 for the forest products sector was an estimated $1.4 billion in current dollars. The industry has significant indirect GDP multipliers of between 0.5 and more than 1.0 depending on the area of activity. Including direct and indirect effects, the GDP in 2010 was between $2.2 billion and $2.5 billion.

1 Only includes forestry and logging, support activities for forestry, wood and paper products manufacturing. Statistics Canada has been suppressing the GDP associated with the forest products sector in New Brunswick for several years due to confidentiality requirements. However, using the historical average relationship between GDP and international exports (which are available to the current year), the GDP for recent years can be estimated. Given the sector is primarily export-based, this would be a good proxy for GDP.
The industry is one of the top job creators in the province. In 2010, the industry direct sustained over 11,600 jobs (see Figure C) and with indirect effects supported nearly 22,000 jobs across New Brunswick or nearly seven percent of the total provincial workforce.

In fact, the forest products sector has one of the largest employment multiplier effects of any sector in New Brunswick. Figure D shows the comparative total employment impact for each direct job created in various sectors of the New Brunswick economy.

*Includes estimated indirect employment effects across New Brunswick.


*Full time equivalent (FTE) jobs. Includes both direct and indirect effects.

Forest products drive the rural economy

As Seen in Figure E, the forest products sector in New Brunswick is the leading private sector employer in rural and small town New Brunswick. Nearly 80 percent of forest products sector employment in New Brunswick is outside the urban centres of Moncton, Fredericton and Saint John (Census Metropolitan or Agglomeration Area. Source: 2006 Census). Further, 87 percent of jobs in the forestry & logging sector are located outside of the three urban centres.

This distinction is even more pronounced when looking at the business sector. Figure F shows Of the 1,370 firms operating in the forest products sector, only 81 are based in the three urban centres. Only 16 of the 676 logging firms are based in the three urban centres. There are more forest products firms in Edmunston than any of the three large urban centres

2Source: Statistics Canada – Canadian Business Patterns 2011. Shows the percentage of business establishments located outside the Fredericton, Saint John and Moncton urban centres. Moncton includes the Town of Riverview and the City of Dieppe.
Wood and paper products manufacturing accounts for over 30% of the total manufacturing output of the province and forestry is the largest exporting sector in the province. (Not including oil and refineries)

In addition, New Brunswick is the most forestry dependant province in Canada, surpassing British Columbia and Quebec. New Brunswick has the highest per capita forest products exports of paper manufacturing and wood products manufacturing (Figure G).

**The Value of Exports**
It is important to emphasize forestry and the forest products sector is primarily an export-based industry. This is critically important because it is bringing hundreds of millions of dollars in new wealth into New Brunswick generated by transforming a small part of our forests into economic value each year.

**What is the opportunity?**
As mentioned above the forest products sector is down from its peak economic contribution to the New Brunswick economy. In the early 2000s, the industry directly employed more than 20,000 people across the province and with estimated indirect effects supported more than 35,000 jobs.

There has been a substantial drop in the number of firms operating in the sector as well. From 2003 to 2011 the industry lost more than 1,000 firms – mostly small businesses such as logging firms, trucking firms and forestry support operations.

It is difficult to estimate the economic impact from an increase in timber harvested given the variability of the data over the past few years. However, based on the 2010 estimates of direct and indirect GDP and employment, 8.4 direct and indirect jobs are created per $1 million worth of forest products output.

A modest three percent growth in forest products GDP (direct and indirect) over the next five years would add an estimated 3,300 new jobs across the economy (by the end of the period there would be 3,300 more jobs supported directly and indirectly).

**Figure G - Per Capita Forest Products Exports by Province (2010)**
Paper manufacturing [322] and wood product manufacturing [321] only

Source: Statistics Canada.
Future Opportunities Depends on Wood Supply

New Brunswick’s renewable forest sector is a vital component of the province’s economy. Despite recent economic hardships, New Brunswick’s forest sector remains an integral part of the provincial economic well-being and is the support system for more than 20,000 New Brunswick families. Ensuring the strength and viability of the forest sector is paramount to New Brunswick’s return to economic prosperity. A secure, affordable, and sustainable wood supply is the key to a prosperous forest sector.

Establishing a reliable and deliverable timber objective for private managed lands will create confidence in the future wood fibre supply and play a critical role in planning and strategy development that will inspire future investments. This will enhance the ability of the forest sector and province to capitalize on the increasing demand for sustainable, green products – both locally and in the global context.

According to most analysts, key markets are anticipated to rebound with housing starts in the U.S. predicted to surpass 1 million units in 2012, exceeding 1.5 million units in 2013. If positioned properly, New Brunswick’s forest sector will have an opportunity to expand its share of existing markets as the North American economy recovers.

In addition, global demand for forest products is expected to increase by 3% per year, as the world’s economies recover from the recent economic crisis. Global demand for forest products is not only expected to rise, it will favour those jurisdictions that are able to demonstrate that their forests are managed in a sustainable and balanced manner.

Figure H - Forest Products Establishments in New Brunswick (2003 and 2011)

<table>
<thead>
<tr>
<th>Category</th>
<th>2003</th>
<th>2011</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Forest Products-Related Firms</td>
<td>2,418</td>
<td>1,374</td>
<td>-1044</td>
</tr>
<tr>
<td>Forest Products Trucking</td>
<td>397</td>
<td>277</td>
<td>-120</td>
</tr>
<tr>
<td>Log and Wood Chip Wholesaler-Distributors</td>
<td>21</td>
<td>13</td>
<td>-8</td>
</tr>
<tr>
<td>Logging firms (including contract)</td>
<td>1,315</td>
<td>676</td>
<td>-639</td>
</tr>
<tr>
<td>Timber tract, nurseries &amp; support activities</td>
<td>292</td>
<td>188</td>
<td>-104</td>
</tr>
</tbody>
</table>

Source: Statistics Canada – Canadian Business Patterns.
Protection of New Brunswick’s annual renewable fibre supply from all sources, will ensure New Brunswick remains well positioned to not only capitalize on our domestic, home-grown opportunities, it will also secure our sustainable future.

New Brunswick’s integrated nature of our forest sector, notably the mills that have remained viable and survived the global recession, provide a remarkable opportunity to capitalize on expanding and recovering markets for traditional primary and secondary forest products. This also creates the foundation for products in emerging markets such as bio-energy.

The forest sector progress requires a strong foundation, one that encourages investment and innovation. The Government, industry and private woodlot owners can play a critical role if they take into account these vital timber objectives and ensuring a healthy wood supply which meets market demands.

Good public policy is essential to the maintenance of existing investments as well as the attraction of new investment, the survival and growth of our sector, the maintenance of current green jobs and creation of new green employment opportunities, and the economic prosperity of the province as a whole.

Business runs on certainty, and that certainty cannot be achieved without the right public policy and solid trusting partnerships that ensure all stakeholders benefit.
4. Contributing Factors to the Crisis Affecting the New Brunswick Forest Product Industry

A number of factors, both domestic and international, contributed to the crisis that has impacted all aspects of the Forest Industry, including the private wood lots. In most cases, they led to reduced production, a decline in profitability, mill closures and job losses which translated in reduced opportunities for round wood markets. These factors include the downturn in the U.S. housing market, a rapid appreciation of the Canadian currency, and a change in the market place fast tracked by an intensification of global competition.

Figure 1 - Source: Maritime Lumber Bureau (MLB) July 2010. Unit Measure Expressed in Mbfm
4.1 U.S. Housing Market

The residential construction sector in the U.S. has long been the predominant market for the New Brunswick forest industry. Even today, more than 70 per cent of our lumber products are exported to the U.S. market. As seen in Figure IAtlantic Canadian Shipments of softwood lumber to the US have significantly decreased since 2005 and have only slightly begun to increase in the beginning of 2010.

Since 1959, the housing starts in the U.S. averaged 1.5 million per year with a high of 2.4 million in 1972 and a low point of 1 million in 1991. Since 1991, the housing starts steadily increased to 2.1 million in 2005 to suddenly decline to 554,000 in 2009 (Figure J). This sharp reduction, from an extremely high level to the lowest point ever, had a shattering effect on the forest industry.

Figure J. New privately owned housing units started in the United States of America from 1959-2010. (Source: http://www.census.gov/const/startsan.pdf)
4.2 Appreciation of the Canadian Currency

The rapid appreciation of the Canadian currency vis-à-vis that of our main trading partner has significantly harmed the profitability of our industry since most forest products are priced in U.S. dollars, whereas primary inputs (fibre, labour, energy) are priced in Canadian dollars. The core of our industry was established when the Canadian dollar was hovering around $0.65(US). Even if some operating costs tend to be higher in Canada, the business model of most companies was built on this competitive advantage that procured a low currency.

When the Canadian dollar surged to a summit of $1.085(US) in November 2007 (Figure K) the cost of doing business in New Brunswick, and the rest of Canada, escalated to artificially uncompetitive levels. In less than a year, the cost of doing business with the U.S. has soared by 28%, increasing the cost over the past five years by 75%. The time frame for this radical reversal of the exchange rate has not been nearly long enough to allow for any industry dependent on exports to make necessary adjustments. As if the steep rise in the dollar and the housing market was not enough of a challenge for the forest industry, the other shoe to drop was the collapsing lumber markets.

Figure K - Canadian versus U.S. dollar since January 1st 2002.
4.3 Lumber Market

The lumber market in the U.S. has always been highly cyclical. As indicated in Figure L, the price of studwood (2"x4" – 8"), a standard index used to describe the lumber markets, traded for $302USD/Mfbm (thousand foot board measure) in January 2002. Fortunately for New Brunswick sawmills, this was valued at $482 CND/Mfbm. By 2007, the strong Canadian dollar had eliminated this margin.

At the height of the lumber market in August 2004, the price of studwood was at $500 USD/Mfbm, a 66% increase in comparison with 2002. Unfortunately, based on a strong Canadian dollar, only one third of that increment was available to Canadian mills where they received $657 CND/Mfbm (a 36% increment).

From August 2004 ($657 Cnd/Mfbm) until February 2008 ($270 Cnd/Mfbm), the decline in the lumber market in conjunction with a strong Canadian dollar, reduced revenues to New Brunswick sawmills by 59%. Since then, market price has been hovering around $325 Cnd/Mfbm, significantly lower than the traditional value.

Figure L - Studwood prices (2"x4" – 8") delivered in Boston ($CND and $USD)
4.4 The Decline of our Manufacturing Capacity.

The lost of a competitive advantage due to the strengthening Canadian currency combined with declining markets, have become intolerable for even the largest multinational corporations. Many companies were no longer able to pay for their raw material, forcing them to reduce their prices or close their operation. Figure M shows that 127 processing facilities, including sawmills, pulpmills and others, were at one point operating in New Brunswick. Today, only 64 are left (Not all are operating at the time of writing this document). Figure N show some sawmills that closed in New Brunswick due to market conditions and the strong Canadian dollar.

This situation left an industry that was once highly integrated, in a precarious situation. The closure of large softwood pulpmills created an un-balanced pressure on the wood supply. The lack of pulpwood markets, especially in the northeastern part of the province, made it nearly impossible to produce sawlog material without incurring losses on other products. The closure of large hardwood mills and Oriented Strand Board plant also compounded this situation. Without a market for all products, it is difficult to implement the right prescription at the forest stand level. This situation discouraged many woodlot owners and contractors, which over time left the business.

Figure M - New Brunswick wood processing facilities in 2011.
Figure N - New Brunswick sawmills that closed due to market price and Canadian currency.
5. Private wood challenge from an industry perspective

5.1 Industry needs the wood

Historically, the forest industry in New Brunswick has required approximately 14 million cubic metres of wood from all sources. Industry struggles over the last half decade have resulted in a decline in total timber use. During this time, rationalization of the industry has resulted in fewer mills operating. Many of the remaining facilities have been positioning themselves for an industry rebound and will require wood availability to return to historic levels so that they are able to compete in the global environment with increased productivity. With increasing competition for crown resources (Sugar leases, protected areas, etc.), wood from non-industrial private lands will be more important than ever in keeping the industry competitive.
5.2 Defining wood availability

5.2.1 Private Forest Landbase:

The marketing of forest products as well as the development, conservation and management of forestry resources on private woodlots is under the responsibility of seven Forest Product Marketing Boards across the province. With time, marketing boards and industry employees have learned to work with hundreds of woodlot owners and contractors to generate a certain volume of wood from that landbase. Unfortunately, without having access to the physical location, ownership and forest inventory for each property, it is difficult for any individual or organization to reach out to all owners and maximize the wood production that could potentially be generated from that landbase. The usage of an up to date Geographic Information System (GIS) database could greatly improve that situation.

A GIS database could also be used to automate communication between land owners, contractors and marketing agencies. Without an efficient way to communicate to all woodlot owners, it is difficult to inform them about forest management options available to them, including; market trends and price change.

An accurate GIS database is proven to be a powerful business tool. Marketing board personnel could use this information to pro-actively identify the location of forest products and optimize its marketing across the territory or within given sectors. In restricted market conditions, the location of the resources and the cost associated to its transportation remain the predominant factors affecting the capacity to deliver wood at a given price. The ability to assess this situation and to come up with tangible solutions for some owners, would greatly improve the overall potential for forest product marketing on the territory. Without the right information, this scenario is practically impossible to implement.

Recommendation: We recommend the implementation and maintenance of a Forest Woodlot Owners GIS database showing property boundaries, ownership and forest inventory of each private woodlot in New Brunswick. This database should be centrally managed and regularly updated and should be made available to all Forest Product Marketing Boards in New Brunswick.
5.2.2 Importance of a General Forest Management Plan:

A crucial step into rebuilding the private woodlot sector is in the establishment of a defined wood supply level for privately own lands. To ensure a constant supply in fiber for years to come, the Annual Allowable Cut (AAC) should be carefully calculated for at least 80-years in the future and should clearly be identified for each Marketing Board. A standardized long-term planning strategy that accounts for updated forest inventory, growth & yield information, harvesting and silviculture techniques, associated forest response and ownership boundaries is necessary to reach this important milestone. Without an approved AAC, it is difficult for the industry and the private sector to work towards a common wood supply goal and it is nearly impossible to ensure the long-term sustainability of private forests. Correcting or measuring the impact of any deviation from an adopted scenario would also not be possible.

In addition to providing a scheduled level of harvest treatments overtime, the General Forest Management Plan would also provide a silviculture level, in terms of hectares to be planted to thinned overtime, to sustain the AAC.

To ensure the forest resource capital is not depleted over time, the General Forest Management Plan should be revised at least every 5-year.

Recommendation: As an Association, we recommend the implementation of a General Forest Management Plan to standardize the calculation of the Annual Allowable Cut (AAC) and silviculture level for each Forest Product Marketing Board in New Brunswick. The Plan should be conducted for an 80-year horizon, should be revised on a 5-year basis and should include updated forest inventory, growth & yield information, harvesting and silviculture techniques, associated forest response and ownership boundaries.
5.2.3 Annual Expected Cut (AEC) Level:

The AAC established for each Marketing Board constitutes the amount of wood that can be generated by the private woodlot sector should every woodlot owner take advantage of the management opportunities available to them. Nonetheless, many owners favour values other than harvesting wood and may never generate wood for sale from their property. For that reason, the AAC cannot be used as an attainable target by the board staff nor by the New Brunswick mills.

In order to establish an achievable timber objective from private land, a survey should be conducted amongst the land owners to gauge their short and long-term intentions. This information could in turn be factored in the wood supply calculations to get at an Annual Expected Cut (AEC) level. Results from the survey could be used for 5 to 10 years but regular updates should be conducted to ensure philosophical changes are captured.

**Recommendation:** As an Association, we recommend the implementation of a standardized survey that will poll private woodlot owners on their forest management intentions over time. The results of this survey should be used to reduce the AAC by a certain factor to establish the Annual Expected Cut (AEC) level.
5.3 Improving access to private wood

5.3.1 Increase willingness to conduct forest management activities

Many woodlot owners are willing to manage their property and willing to sell wood. Unfortunately, a lack of information and resources prevent some of them from moving forward. For instance, the closure of the DNR Forest Extension Services left an important gap in forest consultation resources. This primary point of entry provided forest management training and educational material for woodlot owners to learn more about the possibilities available to them.

As an Association, we believe that rejuvenating such a program would provide woodlot owners with the tools they need to increase their willingness to conduct forest management activities. The revived program could be under the umbrella of Forest Product Marketing Boards or it could be administered by a third party.

**Recommendation:** As an Association, we recommend that a program be instituted to provide woodlot owners general training or advice in forest management, operational techniques, best practices, business administration and related tax implications.
5.3.2 Tax incentives that promote forest management of private lands

A significant portion of private woodlots owners in New Brunswick are approaching or are at the age of retirement. A sudden income rise generated by the management of their properties, which would affect their pension and benefit levels, could be considered as a barrier by many. Due to the time frame that it takes to grow forest into merchantable products, the investment related to its management is distributed over a long period of time while the forest grows. In turn, once the forest reaches maturity, the revenues that can be generated from forest management in even-aged forest tend to be over one single year. This situation serves as a disincentive to harvest wood from private land.

Recommendation: Provide tax incentives that favour forest management:

a. Support private woodlot owners that are actively managing their properties and delivering wood to New Brunswick facilities.

b. Strike a Select Committee on woodlot taxation to consider things such as:

1. Deferring woodlot revenues over several years.
2. Facilitating the succession of well managed woodlots (inheritance tax).
3. Evaluating the impact of revenues from forest management on old age security, capital gains and other benefits.
5.3.3 Increase capacity

In order to capitalize on an increased willingness to conduct forest management activities, private woodlot owners must be able to understand how they can engage with contractors, proceed with the harvesting operation, market their forest products and understand how financial and wood transactions will be handled and verified. Organizing all this can become overwhelmingly, complex, and many owners may be discouraged by this daunting task.

In order to capture this missing link and to facilitate the implementation of forest management activities on private lands, the mandate of the Forest Product Marketing Boards could be modified to include this responsibility. An affiliation with various professionals along with elite logging contractors would allow them to provide a full coordination of service and service providers to woodlot owners.

As an initial step, professional Foresters and/or Forest Technicians would initially visit interested private woodlot owners to prepare a detailed forest management plan for their property. The plan would include the scheduling of harvest prescriptions and silviculture treatments. The plan would also include the details about the construction or maintenance of necessary access roads and infrastructure. The document would brief the owner on all financial aspects by providing the cost for conducting those activities and by identifying available market prices and net margin to the owner. This process would expose the owner to options available to him and would empower him to move forward with the operation.

Once a strategy has been identified and agreed upon for the property, a business agreement would be signed between the woodlot owner and the marketing board. If harvest treatments are scheduled to occur in the first year, an agreement with the contractor can also be signed. The agreement would then roll-up the property into the board’s short and long term Operating Plan, strengthening the board’s position to negotiate a firm, contract with the industry.

**Recommendation:** We recommend that the mandate of the Forest Product Marketing Board be modified to encompass the promotion and management of forest operations to provide a coordination of service to interested woodlot owners.

**Recommendation:** Forest Products Marketing boards should engage on a regular basis with woodlot owners, contractors and primary wood users to assess their needs, concerns and expectations and to identify barriers affecting the implementation of forest management activities and wood marketing to identify potential opportunities.
5.3.4 Improve certification

At a time when responsible environmental behavior tops the agenda of many corporations, customers are demanding products that meet high environmental standards. In New Brunswick, forest operations on crown lands are currently required to be certified under a sustainable certification system. Unfortunately most of the private woodlots are currently not under any certification regime. With time, the demand for certified fiber will increase and certified fiber from private lands will become necessary.

Recommendation: Forest Product Marketing Boards could facilitate the implementation of forest certification, should it become mandatory to access markets. Consideration should be given to keeping certification cost at a minimum, considering that there is no additional revenue for wood from certified sources at the moment.

5.3.5 Improve predictability

The predictability of the delivery of product is one of the most important attributes when any industry is signing a contract – wood from private sources is no exception. Processing facilities depend on a constant and predictable flow of wood supply to run. A predictable wood supply allows the industry to count on a certain volume of wood at a given period of time. This concept allows each company to better manage cash flow, optimize the work force and ensure consistent mill production. Without a predictable supply of wood, alternative plans have to be made, larger inventories have to be built and in the worst scenarios, manufacturing facilities have to be shut down.

As an Association, we believe that if Marketing Boards are able to secure some agreements with woodlot owners while providing coordination and promotion of services, it will allow them to prepare a solid operating plan which in turn will improve wood predictability.

Recommendation: Annual Operating Plans be prepared for each forest products marketing board based on contracted agreements signed with woodlot owners, The Operating Plan will identify where the volume will come from and when it will be available.
5.3.6 Improve reliability

In addition to predictability, another attribute required to reach successful agreements between industry and private woodlot owners is reliability. For the same reasons already mentioned above, increasing the certainty associated with contracted wood deliveries is crucial to maintain and improve business relationships between private woodlot owners, contractors, Forest Product Marketing Boards, the forest industry and their customers. Without reliability, business agreements cannot be fulfilled.

**Recommendation:** In order to improve the reliability of wood deliveries, we recommend that business agreements between the Marketing Boards and industry should have some provisions to promote secured volume deliveries.

5.3.7 Monitoring

To ensure the success of this new system, it is imperative that regular monitoring activities take place. To close the loop on each process, a qualified individual or body should be appointed to review every step, to improve them where required and to remove any barriers that may hinder the production and delivery of a sustainable wood supply from private lands. At the same time, this person or body should be actively involved in the monitoring of market conditions, cost control and efficiency of all private operations.

**Recommendation:** We recommend the appointment of an individual or body to review the implementation of the changes proposed in this document. At the same time, this person or body should be able to remove any barriers impeding the production and delivery of wood from private lands and should be able to perform cost control & efficiency operations and should stay abreast with market conditions.
6. Stability – An Asset to Private Woodlot Owners

The Crown Lands and Forests Act provides opportunity for the private woodlot sector to be engaged in the selling of wood to New Brunswick facilities. However, one must consider the state of the economy, communities and industry prior to ceding any level of control over wood flow that has the potential to jeopardize the sustainability of a community or the viability of a business. This is especially the case when the economy is in a downturn. Forest industries are willing to pay fair market value for wood. However, when fair market values are low, private woodlot owners may be reluctant to harvest their products as margins are almost non-existent. At such times, it is the continued availability of wood, at a price the market can bear, that is extremely important to all the people of New Brunswick.

The ability to access wood from other sources when fair market value is low provides businesses an opportunity to eke out a living in the poor times while remaining viable. Continued operation is crucial to keeping businesses open, communities growing, and the Province benefiting. Without clear business friendly policies supporting wood sales, it is possible to have businesses shutdown and not restart – in such cases this could be disastrous to private woodlot owners. An open access to all wood sources helps to ensure a market place continues to exist in New Brunswick for the benefit of private woodlots, communities and all residents of the Province.
7. Summary of Recommendations

Recommendation: We recommend the implementation and maintenance of a Forest Woodlot Owners GIS database showing property boundaries, ownership and forest inventory of each private woodlot in New Brunswick. This database should be centrally managed and regularly updated and should be made available to all Forest Product Marketing Boards in New Brunswick.

Recommendation: We recommend the implementation of a General Forest Management Plan to standardize the calculation of the Annual Allowable Cut (AAC) and silviculture level for each Forest Product Marketing Board in New Brunswick. The Plan should be conducted for an 80-year horizon, should be revised on a 5-year basis and should include updated forest inventory, growth & yield information, harvesting and silviculture techniques, associated forest response and ownership boundaries.

Recommendation: We recommend the implementation of a standardized survey that will poll private woodlot owners on their forest management intentions over time. The results of this survey should be used to reduce the AAC by a certain factor to establish the Annual Expected Cut (AEC) level.

Recommendation: We recommend that a program be instituted to provide woodlot owners general training or advice in forest management, operational techniques, best practices, business administration and related tax implications.

Recommendation: Provide tax incentives that favour forest management:

a. Support private woodlot owners that are actively managing their properties and delivering wood to New Brunswick facilities.

b. Strike a Select Committee on woodlot taxation to consider things such as:

   1. Deferring woodlot revenues over several years.
   2. Facilitating the succession of well managed woodlots (inheritance tax).
   3. Evaluating the impact of revenues from forest management on old age security, capital gains and other benefits.
Recommendation: We recommend that the mandate of the Forest Product Marketing Board be modified to encompass the promotion and management of forest operations to provide coordination of services to interested woodlot owners.

Recommendation: We recommend Forest Products Marketing Boards should engage on a regular basis with woodlot owners, contractors and primary wood users to assess their needs, concerns and expectations, and identify barriers affecting the implementation of forest management activities and wood marketing to identify potential opportunities.

Recommendation: Forest Product Marketing Boards could facilitate the implementation of forest certification, should it become mandatory to access markets. Consideration should be given to keeping certification cost at a minimum, considering that there is no additional revenue from having such system at the moment.

Recommendation: Annual Operating Plans be prepared for each forest products marketing board based on contracted agreements signed with woodlot owners, The Operating Plan will identify where the volume will come from and when it will be available.

Recommendation: We recommend the appointment of an individual or body to review the implementation of the changes proposed in this document. At the same time, this person or body should be able to remove any barriers impeding the production and delivery of wood from private lands and should be able to perform cost control & efficiency operations and should stay abreast with market conditions.

Recommendation: In order to improve the reliability of wood deliveries, we recommend that business agreements between the Marketing Boards and industry should have some provisions to promote secured volume deliveries.