

New Brunswick Federation of Woodlot Owners
Ed Perry

**Presentation to the Select Committee
On Wood Supply**

**Campbellton
Nov. 25, 2003**

1. Introduction.

This brief is being presented to discuss two issues:

- (i) Where do woodlot owners fit in future plans for the wood supply for the New Brunswick forest industry:
 - What is our contribution to the wood supply today?
 - What is the potential for increasing that contribution?
 - What policies are needed to achieve this potential?
- (ii) What happens on Crown Land affects us in a number of ways. Two important examples:
 - Woodlot owners believe wood from Crown Land is unfairly competing with us now. The Jaakko Pöyry report proposes doubling the harvest on Crown Land. The problem of unfair competition by publicly owned wood with wood produced by private citizens must be addressed.
 - We have built up an excellent silviculture program in partnership with the provincial government and the forest industry. If silviculture work on Crown Land is expanded, what is the future of our program?

The mandate of the Committee is to look at issues relating to wood supply from Crown Land. One thing most agree on is that the decisions to be made about the future of Crown Land are going to be tough. When faced with tough decisions, it makes sense to first look at all options. Our message is: At very least, decisions about the future of Crown Land wood supply must take into account the affect on woodlot owners. At best, there is a tremendous opportunity to increase the future wood supply from woodlots. With the right policies and programs, we can work together with the government and industry to create an environment in which woodlot owners will have the necessary confidence in the future to take up this challenge.

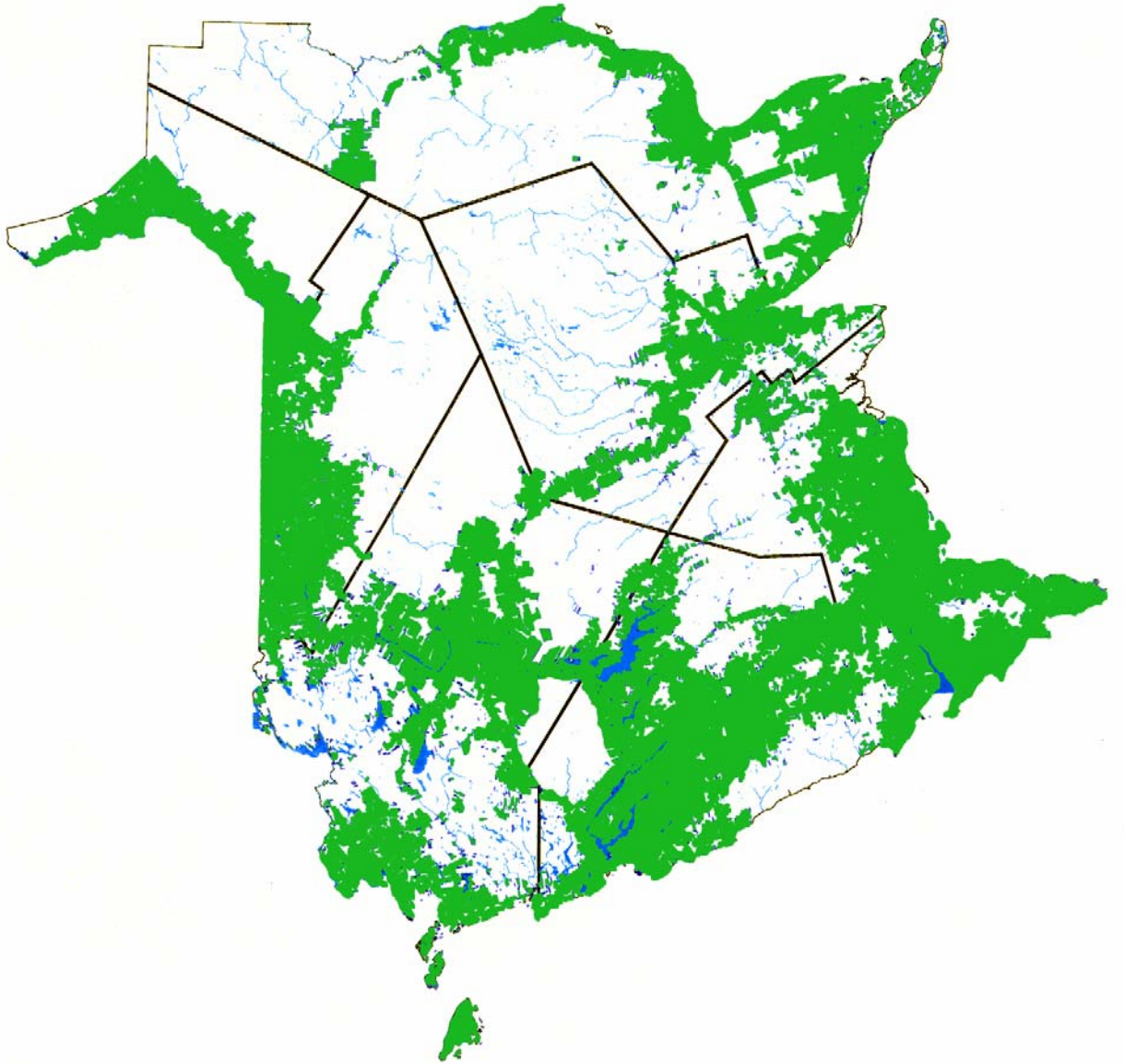
The Jaakko Pöyry Study refers to Finland where woodlot owners own a majority of the forest and have made “significant investments in silviculture” over the years. Two key quotes from the Study referring to woodlot owners in Finland:

“public resources have been used to improve forest productivity via loans, grants and provision of planning support”;

“Preconditions for investments for private owners have been high price expectations and tax deductibility of costs” (p. 28-29).

What are the “preconditions” for achieving the potential wood supply from New Brunswick woodlots?

2. Woodlot Owners in New Brunswick.



This map shows the 1,783,055 hectares of forest owned by 39,811 woodlot owners, 30.1% of New Brunswick's productive forests.

Starting in 1961, woodlot owners began organizing Marketing Boards:

<u>Board</u>	<u>Date Formed</u>	<u>Number of Owners</u>	<u>Productive Forest Area</u>
Carleton Victoria	1978	3,547	176,203
Madawaska	1962	2,213	98,048
North Shore	1973	7,126	268,819
Northumberland	1974	3,964	142,729
SENB	1981	8,065	294,730
SNB	1979	8,263	438,902
YSC	1977	6,633	363,624

The “Purpose and Intent” of the Boards, as set down in their Marketing Plans established under the Natural Products Act:

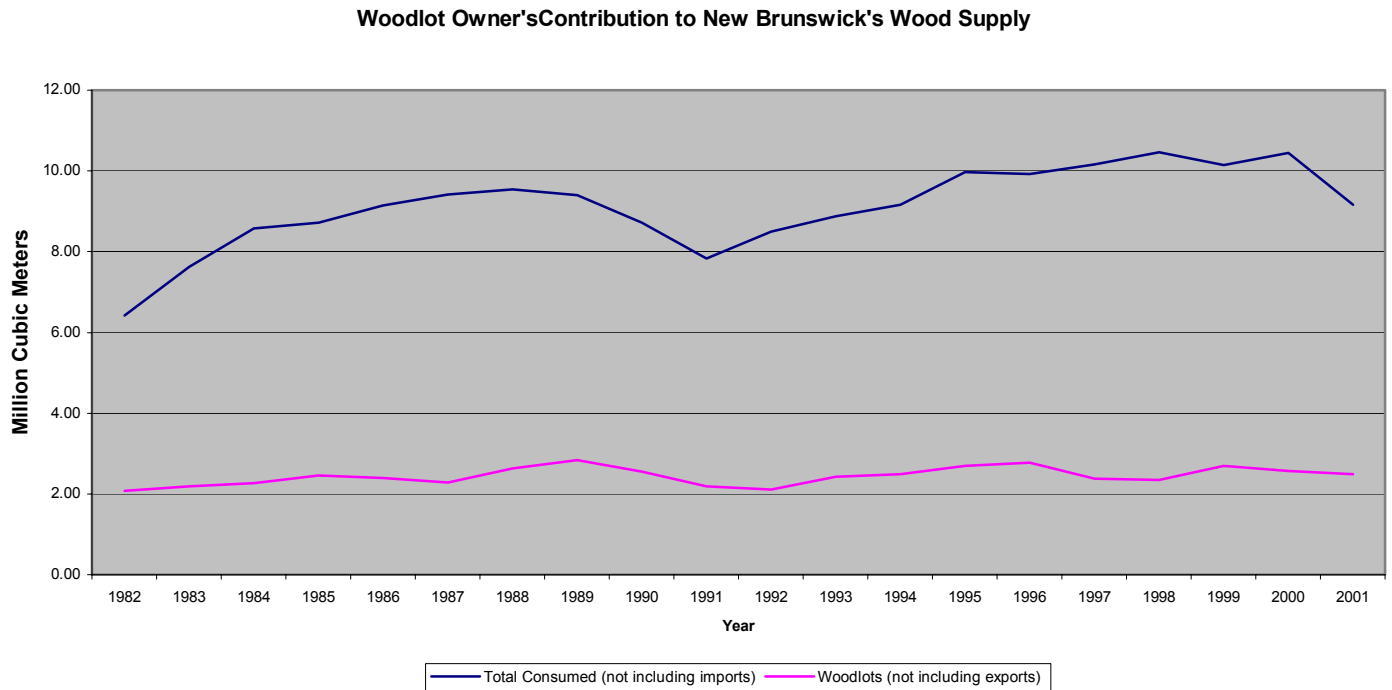
“There is hereby established a Plan, the purpose and intent of which is to promote the development and use of the private woodlots within the regulated area as a dependable source of supply of primary forest products for wood-using industries by:”

- “Promoting, controlling and regulating, to the extent provided by the Plan, the marketing of all primary forest products produced from private woodlots within the regulated area,”
- “To give the local board the power to negotiate prices, quantities, and contract conditions for forest products originating from private woodlots in the region, or otherwise produced on the authority of the local board,”
- “Encouraging the production and marketing of high-quality primary forest products,”
- “Encouraging and promoting good woodlot management practices,”
- “Co-operating with other local and provincial boards in the Province and elsewhere in regulating the marketing of primary forest products,”
- “Encouraging continued private woodlot ownership, and”
- “Providing for the development, conservation and management of forestry resources on private woodlots within the regulated area.”

In 1966, the Federation was formed to provide the Boards and Associations with a common voice.

3. Wood Supply.

Woodlot owners have contributed a remarkably stable volume of forest products of the New Brunswick forest industry's wood supply over the years. The following graph is based on figures from the Department of Natural Resource's Timber Utilization Survey:



The table of figures is attached (attachment #1). The actual volume we have sold to New Brunswick mill each year has varied up or down by no more than 15% over the past 20 years. Exports have been much more erratic and were estimated at close to 500,000 m³ per year in the mid '90's. We have just begun to get accurate figures on exports with the Transportation Certificate program. While the contribution to wood supply has been very stable, it represents 1.4 m³/hectare (say 1.5 m³ including exports), below the provincial average of 1.9 m³/hectare, and well below Finland's 2.4 m³/hectare (see page 39 of the Jaakko Pöyry report).

What motivates an owner to make a commitment to manage his or her woodlot for improved growth of timber, which will only be ready for sale many years in the future? One of the keys is: fair and orderly markets for

the wood the owner has available for sale today. There is no better way to convince owners their forest management efforts are worthwhile than fair and orderly markets. This means four things:

- Stability: owners need to know the prices, specs and delivery schedule will be not change between when they start to cut a load and when it's ready to be trucked to the mill.
- Prices: that are negotiated through a process, which is fair to both parties.
- Volumes: that are a fair share of existing markets
- Delivery schedules: that are respected by both parties

To achieve these objectives, the Licensees, at least, must be required by the government to negotiate in good faith with Boards, on a timely basis. Before 1992, Primary Source of Supply did this. As shown in attachment #2, it was specifically intended not only to ensure fairness, but also encourage an increased wood supply from woodlots.

On May 24, 2003 Premier Lord announced that Primary Source of Supply would be reinstated if the Government was re-elected (see attachment #3). Discussions have begun with the Dept. of Natural Resources to work out the details.

The change made to the Crown lands and Forests Act in 1992 was very small:

“three little words” were added to section 29(5); and “in the following order of priority” was removed. The number one source of wood changed from “Producer Associations” to “Private woodlots or Producer Associations” (see attachment #4).

The effect at the time, in 1992: 2 companies signed approximately 40 direct contracts each in less than a week with an immediate drop in price of 15% throughout the province.

Continued effect: anytime a company wants to get its way in negotiations, it talks about “going direct”, or “there is a Plan B for getting our wood”. Anytime a company wants to bypass a Board altogether, it is free to do so.

With supply and demand for softwood increasingly in our favour, what need is there for primary source of supply? The big picture appears to show that we are in a sellers' market. In reality, supply and demand is disrupted in a number of ways. Examples:

- Gagetown;
- D.O.T.-T.C.H. right-of-way;
- Ashley Colter;
- 25 year License on Crown Land with unrestricted one year cutting permits:

A guaranteed source of wood from Crown Land gives a company a huge advantage. It can keep its mill yard full with wood it produces itself, and can interrupt the delivery of the wood it purchases from woodlot owners whenever it likes. This gives the company tremendous leverage over those producers, large or small who need cash this week – for groceries, for a skidder payment. Fortunately not all woodlot owners are in this position. But many are. And what is the lever allowing companies to act in this way? It is Crown Land wood, owned by the people of New Brunswick.

One further key point: each Board has different circumstances to work with:

- differences in make up of the forest resource;
- different markets;
- different patterns of past harvests;
- different mix of small producers, contractors, brokers.

Principles for a fair and effective Primary Source of Supply Policy:

- Keep it simple. Remove the “three little words” and put back “in the following order of priority”. What is needed is an obligation on the part of industry to deal with the Boards, for each region's allowable annual cut. We need meaningful negotiations and respect for contracts. The Department should enforce this through the Crown Lands and Forestry Act.
- Sustainable harvests - must apply to Board regions, not individuals. Controls on individuals are counter-productive. Industry must have the responsibility not to buy over the a.a.c

All Boards are committed to sustainability. Because of different circumstances, each Board must be free to choose what it is prepared to do, and what tools it will use:

- Some Boards believe education and incentives will work best in their area.
- Other Boards have strong support from woodlot owners for all wood to be sold through the Board (“single-desk selling”).
- Still other Boards want to set aside a percentage of a.a.c to grandfather the direct contracts of some brokers and contractors with the mills.
- Efforts to work towards sustainability must be phased in over 3-4 years, with regular reviews of progress, and of problems arising.
- The plan must be fair to both parties, and must respect industry’s need for fresh wood and low inventories.

4. Silviculture.

Since 1978, the Marketing Boards have worked with government programs to promote planting and thinning on private woodlots. Last year, we accomplished the following:

1. New Brunswick Government program
Investment - \$9,999,956 (80% government, 20% woodlot owners, Marketing Boards, and industry).
Number of owners who took part - 2,039
Number of hectares treated - 12,836 ha
2. Marketing Board programs
Investment - \$1,020,079
Number of owners who took part - 1,025
Number of hectares treated - 4,508 ha
3. Person years of employment from Government and Marketing Board Programs: 490
Number of jobs - over 1,000
4. Bonus programs (UPM and St. Anne Nackawic).

Investment - \$465,223

Number of owners who took part - 641

Most Boards have long waiting lists for the Government program. We would like to see it expanded to \$15,000,000.

We would also like to see less year-to-year uncertainty in the program. We often wait until April before knowing for sure if the year's program will be going ahead. During this spring's election, the Official Opposition proposed a 10-year commitment to silviculture funding (see attachment #5). This is an excellent proposal and would make a big contribution to the stability we need in order to encourage more woodlot owners to manage their woodlots. It would also be a strong incentive for further development of a trained, professional labour force.

5. Related Areas of Work

(i) Wood supply analysis.

The Federation is working with the Dept. of Natural Resources and Prof. Thom Erdle to complete up to date wood supply analyses for all Marketing Boards. This will provide more accurate figures on sustainable harvest levels and on the affects of increasing investments in silviculture.

(ii) Transportation Certificates.

After a difficult start, this program is in place and will provide a useful tool for tracking harvest levels for each Marketing Board.

(iii) Wood Theft.

The Federation has worked hard with various government agencies and industry to reduce wood theft. Some progress has been made. Much remains to be done.

(iv) Certification.

Through our national organization, the Canadian Federation of Woodlot Owners, the Federation has actively participated in developing the Pan-Canadian Woodlot Certification Program. The Program gives owners who choose to take part a method of certification that is appropriate for small-scale forest management at an affordable cost.

(v) Woodlot owners and conservation

The Jaakko Pöyry study recommends that “there should be a process to establish a form of voluntary conservation designations on woodlots” (p. 53). The key word is “voluntary”. As long as that is clearly understood and respected, we agree. In fact, it is already happening:

- Community Land Trust - The Federation is a partner in this organization, which has begun using the province’s 1998 Conservation Easements Act. The first conservation easements on private woodlots will be completed in a few months.
- SNB in co-operation with Fundy Model Forest has established a Conservation Stewardship program. Owners with sensitive areas and rare species can register their land with the Board and agree to follow special management practices.
- The Northumberland Board has established a deeryard management program that now involves about 350 owners and close to 5,000 hectares of forest. Mr. Mike O’Shea of Sunny Corner received a National Forest Stewardship Award last year for his leadership in this program.
- The Pan Canadian Woodlot Certification Program requires that sensitive areas be identified in the woodlot owner’s management plan, and protected during forest management activities.

These special examples should not draw attention away from the fact that most woodlot owners have an interest in conservation as part of our “multiple use” approach to managing our land.

6. Conclusion

A great opportunity exists to increase the wood supply from New Brunswick woodlots. Two crucial tools are Primary Source of Supply, and a larger silviculture budget with long-term stability. With a lot of effort and good will on the part of Marketing Boards, government, and industry, a great deal can be achieved.

Attachment #1

Woodlot Owner's Contribution to New Brunswick's Wood Supply

year	Total Consumed (million m3) (not including imports)	Woodlots (not including exports)	%
1982	6.42	2.08	32.4
1983	7.62	2.19	28.7
1984	8.57	2.26	26.4
1985	8.72	2.45	28.1
1986	9.14	2.39	26.1
1987	9.41	2.28	24.2
1988	9.55	2.63	27.5
1989	9.40	2.83	30.1
1990	8.72	2.56	29.4
1991	7.83	2.19	28.0
1992	8.49	2.11	24.9
1993	8.77	2.43	27.7
1994	9.17	2.49	27.2
1995	9.97	2.70	27.1
1996	9.92	2.78	28.0
1997	10.16	2.37	23.3
1998	10.46	2.34	22.4
1999	10.15	2.70	26.6
2000	10.45	2.57	24.6
2001	9.17	<u>2.49</u>	27.1

Average: 2.44

Range: $\pm 15\%$

Attachment #2

A Social Contract (1980)

“Our new Crown Lands and Forests Act which was passed by the Legislature just this week, clearly emphasizes that private wood is the primary source of supply in New Brunswick. This is not intended merely as a political statement, but rather as a realization that unless we manage and harvest our private wood sources efficiently and well, then Crown forests will not themselves even be sufficient to provide for the residual dependency necessary to sustain our vital forest economy in the Province. To put it another way, all concerned have a self-interest in ensuring that private wood becomes a well managed and profitable component in the total wood supply equation, because overall our forest economy cannot live without it.”

(Letter from Hon. Bud Bird to Paul LeBlanc, N.B. Federation, July 10, 1980).

“Private Wood” - The small freehold wood potential is only 30% of the total supply at best, so it will never be the main source of supply. However, it must be the primary (or highest priority) source, because until it is secure and managed well, neither Crown wood nor total supply can be satisfactorily resolved in the long run. Therefore, the first priority in implementation of the new Act is, in my view, for Government and Industry to work together in bringing order, stability and investment incentive to the production and management of small freehold wood supply in New Brunswick. This will mean more than managing trees; it will mean managing the system so that the small wood producer and small forestry contractor can perceive their future with optimism and confidence.”

(Letter from Hon. Bud Bird to Don Lockhart, NB Forest Products Association, Oct. 29, 1980).

Attachment #3

[May 24](#)

Premier Bernard Lord ensures private woodlots will be a primary source of supply for a sustainable forestry industry (03/05/24)

FREDERICTON -Premier Bernard Lord committed today to new steps for a sustainable forestry industry and wood supply for jobs in rural communities in New Brunswick.

A new Bernard Lord PC government will review existing legislation and market mechanisms to ensure that private woodlots are harvested in a sustainable manner and are considered as a primary source of supply for the forestry industry.

This will help to strike a balance between wood used by the forestry sector from private woodlots and Crown Lands. This is important in sustaining the development on our Crown Lands and helping small woodlot owners do business in the province.

Ensuring private woodlots are a primary source of supply for the forestry industry was removed by the previous Liberal government.

The forestry sector is the source of 15,000 direct jobs and 13,000 indirect jobs in this province. The forestry sector contributes \$925-million to the New Brunswick economy annually. Approximately 40% of New Brunswick's wood supply comes from private woodlots. There are about 40,000 private woodlot owners in the province.

A strong forestry sector based on sustainable harvesting principles with appropriate opportunities for private woodlot owners and others is key to New Brunswick's economic growth and prosperity.

At the same time, the Premier announced that a Select Committee of the Legislative Assembly on Wood Supply would be struck before the end of June to begin public consultations and analysis on opportunities and strategies arising from the Jaako Povyry Report aimed increasing the available wood supply in the province and ensuring the forestry industry is able to operate on a sustainable basis.

"The forest industry is the most important industry in New Brunswick," said Lord. "The future of this industry is important in growing and supporting prosperity in our province. These measures announced today will help secure jobs and quality of life here in New Brunswick now and for future generations."

Attachment #4

Crown Lands and Forests Act, section 29(5)

Before 1992:

- (a) identify, in the following order of priority, the proportions of wood supply to be used in any wood processing facility of the licensee or any sub-licensee
- (i) from Producer Associations in the Province,
 - (ii) from freehold lands owned or controlled by the licensee,
 - (iii) from other sources within and without the Province,
 - (iv) through exchanges of wood or wood products,
 - (v) from Crown Lands; and

After 1992:

- (b) secondly, identify the proportions of wood supply to be used in any wood processing facility of the licensee or any sub-licensee
- (i) from private woodlots or Producer Associations in the Province,
 - (ii) from freehold lands owned or controlled by the licensee,
 - (iii) from other sources within and without the Province,
 - (iv) through exchanges of wood or wood products, and
 - (v) from Crown Lands

Attachment #5**LIBERALS UNVEIL FORESTRY INITIATIVES****May 15, 2003**

Liberal Leader Shawn Graham unveiled the Liberal plan for Building our Forestry Industry during a campaign stop in Miramichi Friday morning.

“Forestry is a cornerstone industry in our province,” said Graham. “One in eight New Brunswickers works in forestry-related industries and the economies of 40 communities depend almost totally on this industry”

Graham committed to a dedicated 10 year silviculture fund for private woodlot owners. Government spends about \$8 million per year on private woodlot silviculture.

“One of the challenges in forest management is planning,” said Graham “We understand these challenges. Our private woodlot owners won’t be held hostage to fluctuations. We’ll keep funding stable.”

Graham said a Liberal government would also conduct a public review of the system of primary source of supply to ensure a fair system for all forestry stakeholders.

As well they would initiate a review of the Crown Lands and Forests Act to ensure the fair use of our province’s forests.

“New Brunswickers have been well served by the Crown lands and Forests Act,” said Graham, “but it’s important to look at legislation to ensure that New Brunswick industries and individuals are getting the maximum benefit.”

The Liberal Leader also said a government under his leadership would ensure maximum use of crown land wood to support value-added initiatives.

“I had the opportunity to work with industry stakeholders when I was Manager of Industrial Development at the Department of Natural Resources,” said Graham. “Value-added initiatives create jobs and they maximize the benefits of our natural resources. Government needs to promote and support these initiatives.”

A LIBERAL GOVERNMENT WILL:

Implement a dedicated 10 year silviculture fund for private woodlot owners in order to foster stability and long-term planning.

Conduct a public review of the system of primary source of supply to ensure a fair system for all forestry stakeholders.

Ensure maximum use of crown land woodlot to support value-added initiatives.

Review the Crown Lands and Forests Act to ensure the fair use of our province’s forests.