Fédération des producteurs forestiers du Québec

Forêts de chez nous PLUS

AUGUST 1ST, 2017, vol. 22, issue 8

10 arguments for granting an exemption to private woodlot timber in the softwood lumber export agreement

Background

Negotiations continue with the United States on softwood lumber issues, in an effort to reach an agreement that is satisfactory to both parties, at the same time that Canada is planning legal measures to challenge the U.S. imposition of countervailing duties on its lumber exports. As was the case in previous agreements, certain exemptions could be granted during these negotiations. For example, the 2006–2016 Softwood Lumber Agreement contained clauses exempting the Maritime Provinces and Quebec border mills, since a large percentage of their supplies comes from private forests in the U.S. and Canada.

In this context, the FPFQ demands that Canadian lumber produced from roundwood harvested from private forests and that has demonstrated traceability should be exempt from duties and quotas.

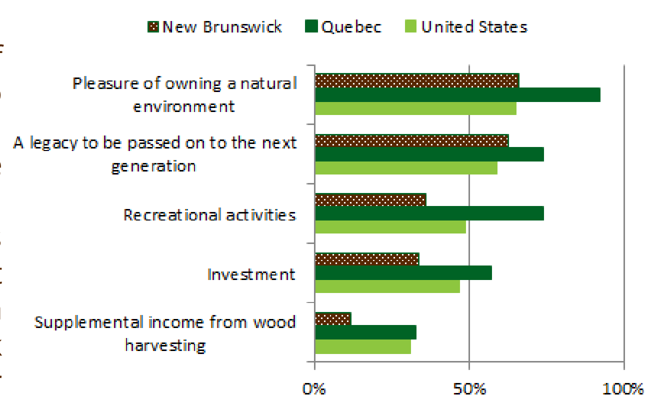
This is also one of the demands being made by some provincial governments in the negotiations with the U.S. led by the Canadian federal government.

We outline 10 arguments supporting this position below.

1. The motivations of Canadian woodlot owners are similar to those of U.S. woodlot owners

A number of studies confirm that the motivations of the 450,000 woodlot owners in Canada are similar to those of the 10 million woodlot owners in the United States. For woodlot owners on both sides of the border, possessing a woodlot allows them to fulfill various personal and family objectives, such as managing a natural environment for the pleasure it brings, making a safe investment and obtaining extra income. Both Canadian and U.S. woodlot owners seek to maximize their returns when they harvest their timber.

Motivations of woodlot owners

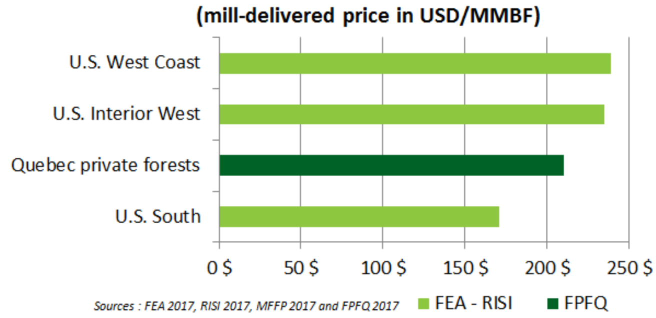


Sources : Côté et al. 2015, Butler and Leatherberry 2004, Nadeau et coll. 2012

2. The price of roundwood from private forests on the Canadian market is comparable to wood prices on the U.S. market

The price of roundwood from Canadian private woodlots is comparable to the price of its U.S. counterpart, according to various price indexes. Indeed, in 2016, roundwood harvested in private woodlots in Quebec fetched a higher price than similar wood from the southern U.S. states. The southern U.S. is the largest lumber-producing region in North America and should therefore serve as the baseline.

Estimated price of softwood sawlogs in 2016 in different regional markets (mill-delivered price in USD/MMBF)



Sources : FEA 2017, RISI 2017, MFFP 2017 and FPFQ 2017

3. If granted, the exemption would increase the price of a portion of Canadian sawmill's supplies

If an exemption is not granted, a generalized decline in demand for roundwood on the Canadian market will occur. Under this scenario, prices will fall for roundwood from both public and private forests in Canada owing to the lower demand, which will mean that the forest producers that supply the sawmills will absorb part of the countervailing duties. Conversely, a scenario in which an exemption is granted for roundwood from private forests will increase the demand for such wood, which will also be reflected in higher prices. Canadian sawmills will rely more on wood from private forests for their supplies, which corresponds to the objectives sought by the U.S. side since is the prevailing model in that country.

4. Wood from private forests cannot completely replace wood from public forests

In 2015, 14% of the hardwood and softwood bolts and sawlogs harvested in Canada came from private woodlots. If an exemption is granted to private-forest wood, this percentage could increase, but not to the extent that such wood could completely replace public-forest wood, since only 16% of Canada's annual allowable cut is found in private forests.

Share of private forest in relation to total productive forest of each province

Province	Area	Annual allowable cut	Roundwood harvest in 2015
Newfoundland and Lak	61 %	30 %	30 %
Prince Edward Island	87 %	100 %	90 %
Nova Scotia	72 %	83 %	86 %
New Brunswick	50 %	41 %	40 %
Quebec	16 %	33 %	15 %
Ontario	13 %	IND	15 %
Manitoba	7 %	7 %	7 %
Saskatchewan	3 %	IND	3 %
Alberta	7 %	5 %	4 %
British Columbia	4 %	7 %	10 %
Total	13 % 0,25 M km²	16 % 35,2 M m³	12 % 18,9 M m³

Sources : BNF 2017, FCPB 2017 and MFFP 2016

5. Both Canada and the United States support woodlot owners' deficit-producing forest management activities

Governments in both the United States and Canada fund forest management work. These programs support activities that generate benefits for the community but do not provide sufficient financial returns to be cost-effective for woodlot owners. Examples include partial cutting (instead of clearcutting) and activities that protect biodiversity and sensitive habitats, mitigate the impact of harvesting on forest landscapes or protect buffer strips of lakes and rivers.

6. The decision to harvest wood from private forests is free from governmental interference

In Canada, just as it is in the United States, the decision to harvest wood on private land is always up to the individual woodlot owner. The government cannot force woodlot owners to harvest wood on their properties.

7. Wood from private forests can cross the border freely

Woodlot owners in the United States and Canada (except for British Columbia) can export roundwood to mills on the other side of the border. This choice to sell roundwood to a mill across the border is strictly a business decision. Woodlot owners export their timber when it increases their revenues. The price offered by the mill must offset the additional costs of shipping the wood and ensuring that it clears customs, among other things.

8. If prices are too low, woodlot owners will not sell their wood

Price negotiation is a key element in wood sales from private woodlots. Timber is sold at a price that satisfies both the woodlot owner and the purchaser. If an agreement on price cannot be reached, wood production will stop. Ultimately, market conditions dictate whether wood will be harvested in private forests.

9. Canadian woodlot owners' associations allow owners to benefit from better and fairer terms of sale

In some provinces, mainly Quebec and New Brunswick, woodlot owners have formed associations to negotiate the terms of sale for their wood. These associations, set up primarily to restore the balance of power between woodlot owners and the forest industry through strength in numbers, are administered and funded by the woodlot owners themselves.

10. Standards exist to ensure the traceability of roundwood from private forests

Various traceability control systems could be used to distinguish wood from Canadian private forests from public-forest wood. For example, the FSC or SFI standards for the environmental certification of forest products could serve as a model, as could the traceability chain employed in New Brunswick under the 2006–2016 Softwood Lumber Agreement. We could even use the mechanism currently being employed by the U.S. side to segregate American roundwood processed in Canadian sawmills.

For more information, we invite you to read the brief prepared by the Canadian Federation of Woodlot Owners.

Fédération des producteurs forestiers du Québec

Marc-André Côté, ing. f. Ph.D.
Vincent Miville, ing. f. M.Sc.