

The beetle epidemic:

An opportunity to re-assess the forest industry landscape

By Jim Stirling

The mountain pine beetle epidemic is hardly good news, but perhaps it isn't an altogether bad thing either. It offers a historic opportunity to re-assess the landscape and review the provincial government policies directing the forest industry in British Columbia.

The sheer scale and far reaching implications of the epidemic have shocked the forest industry. It has also transcended it. The beetle plague has emerged as a global warming icon: a warning of profound change on a planetary scale. And there's plenty of alarmist shrill going around in the context of the future face of forestry in the BC Interior.

Corporate concentration in the BC Interior has shrunk the dimension lumber producers to three major players: West Fraser, Canfor and Tolko. They're committed to the bigger is better mindset to capitalize on economies of scale and influence. Fewer and larger sawmills employing less people is the continuing trend. With its changing internal structure, there was speculation at the time of writing that Canfor was a candidate for takeover involvement.

Despite the big three's dominance, however, other mid-size producers have carved out marketing and manufacturing success: players like Dunkley and Carrier Lumber. They've managed to survive the same turbulent tides of markets/currency/ tariffs and transportation travails as their larger competitors.

Beetle-killed lodgepole pine is continuing to produce lower overall grades of lumber at higher costs. There are far more dead trees out there than can possibly be accommodated by the large mills during the fibre's diminishing shelf life for dimension lumber production. That and the trend to ever larger sawmills increases the prospect of further mill closures in the Interior.

The large mills will go where they have to for fibre access. They might relocate some of their operations to nontraditional areas. West Fraser recently

purchased 13 sawmills in the southern US from International Paper. (The interesting byproduct of the acquisition is West Fraser is now on both sides of the still simmering softwood lumber agreement with the US.) With its latest purchases, West Fraser becomes the second largest lumber producer in North America with a capacity of more than six billion board feet. That's about a board foot of lumber for every human in the world. Even at that, though, West Fraser's small fry. It's only the first Canadian based company to penetrate the world's top 20 forest product firms.

A report from the Forest Products Association of Canada released in May suggested the forest industry has decisions to make about participating fully and successfully in a changing global environment. The industry needs to improve its cost competitiveness.

Provincial governments across Canada can help by providing the right operating climate for that to happen, says the report. It calls for governments to change tenure systems to improve flexibility. Tax reductions, especially on capital investment, would help. As would addressing the monopolistic powers exercised by rail carriers, continues the report.

There have been recent forest policy reforms in BC. The Liberal government struck out the appurtenancy requirement of directing timber to a specific mill among a round of changes introduced in 2002-2003. But more fundamental changes focusing on tenure reform are required for the beetle era.

Blasphemous as it sounds, there are other commercial uses for timber apart from conversion to dimension lumber. Or large scale composite wood products and pulp and paper manufacture.

For decades, the big forest companies have called the shots in the BC Interior, and government policy reflects their preferences. But the beetle is forcing a more fundamental need to diversify both products and markets. Less of the same is required. And that's not in place of the existing structure, but complementary to it.

Using wood biomass to provide green energy has a promising future. It's very much the flavour du jour for making economic use of bug-killed timber. But other possibilities exist. The secondary wood manufacturing sector could finally receive fair treatment. It has been stifled by a lack of fibre access.

The beetle epidemic could persuade the government to apportion the sector more consistent volumes. The small sawmilling sector is in the same boat. Many claim they can develop markets and would invest in equipment and infrastructure given a reasonable expectation of a predictable fibre supply.

The small sawmillers—and secondary wood product manufacturers—offer advantages in terms of jobs provided per cubic metre of timber consumed relative to large automated sawmills. Job creation is critical in keeping small forestry dependent communities alive.

What the BC government needs to do with tenure reforms, assuming it's serious about responding to changes, is to open up legitimate access to the province's forests. They're publicly owned: not the sole bailiwick of large companies. The government must craft mechanisms—and be prepared to tweak them—so smaller manufacturers can access the consistent supply of fibre needed to support and sustain a viable business. Then stand clear. Let the initiative, imagination and innovation of BC's loggers, sawmillers and their suppliers do the rest.

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