



# The British Columbia Interior Forest Industry in a Post-Mountain Pine Beetle World

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## Items for Discussion

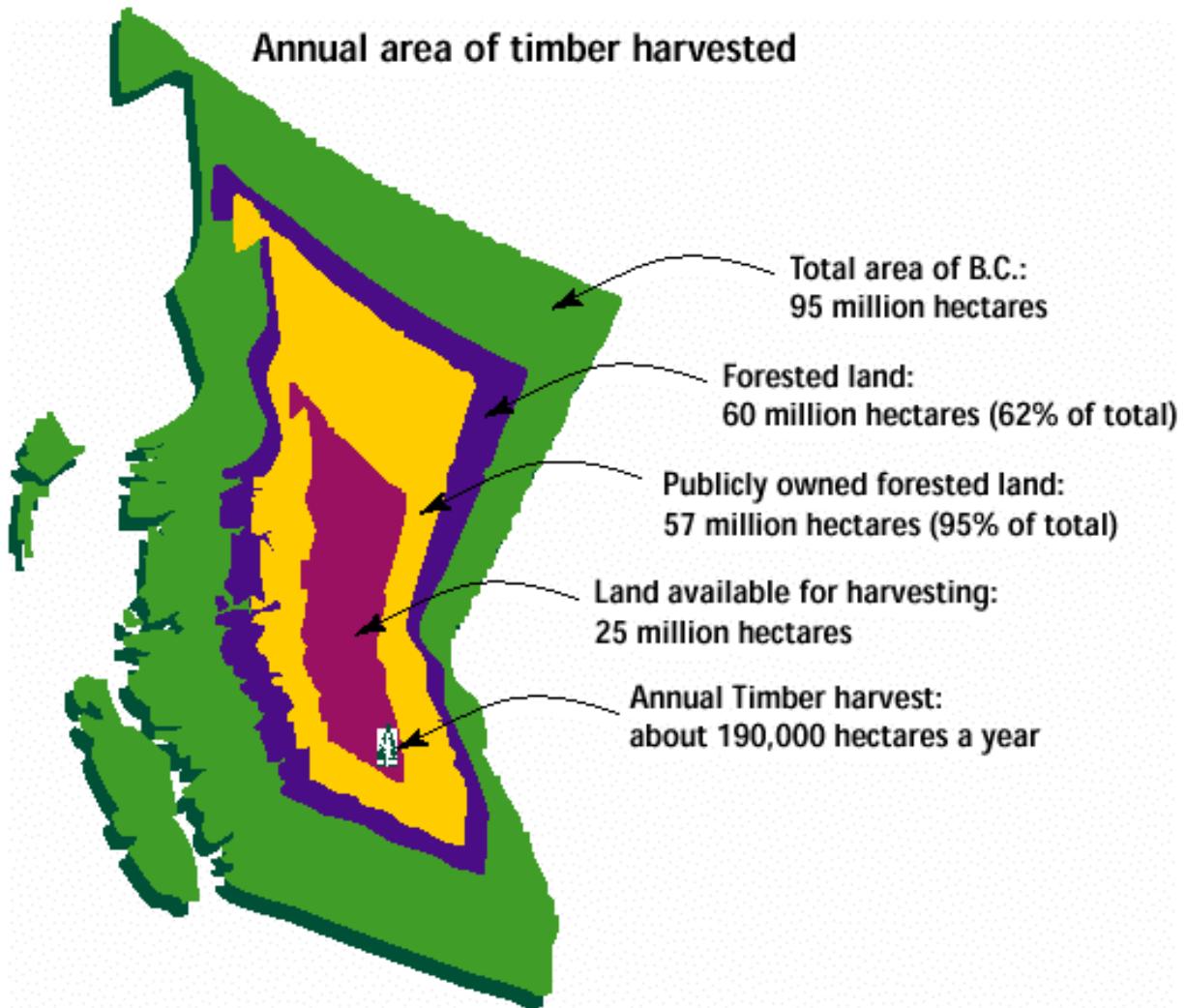
- BC Interior Timber Supply Forecast
- Canfor's Response
- Summary Perspectives



# BC Interior Timber Supply Forecast

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# BC Interior Timber Supply Forecast



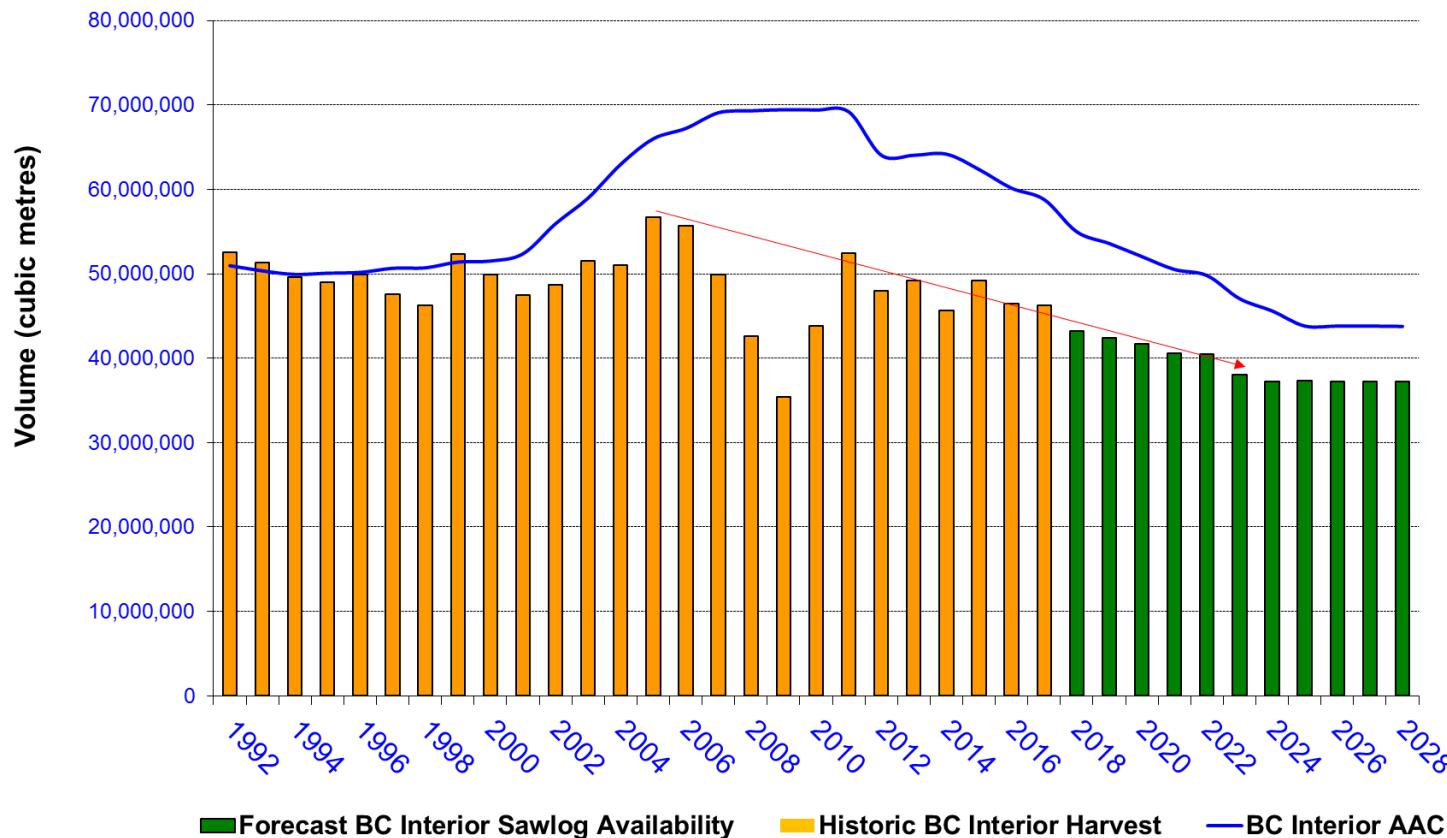
## Timber Supply in BC

- The provincial AAC is typically set every 10 years and considers the following:
  - Information about the land base that includes forest composition and management; e.g. silviculture, abnormal infestation, rate of growth and forest composition
  - Objectives for the land base, the region and the province; e.g. environmental, economic, social

# BC Interior Timber Supply Forecast

## AAC and Sawlog Supply Trend

Historic Trend in Interior British Columbia Crown AAC and Annual Harvest



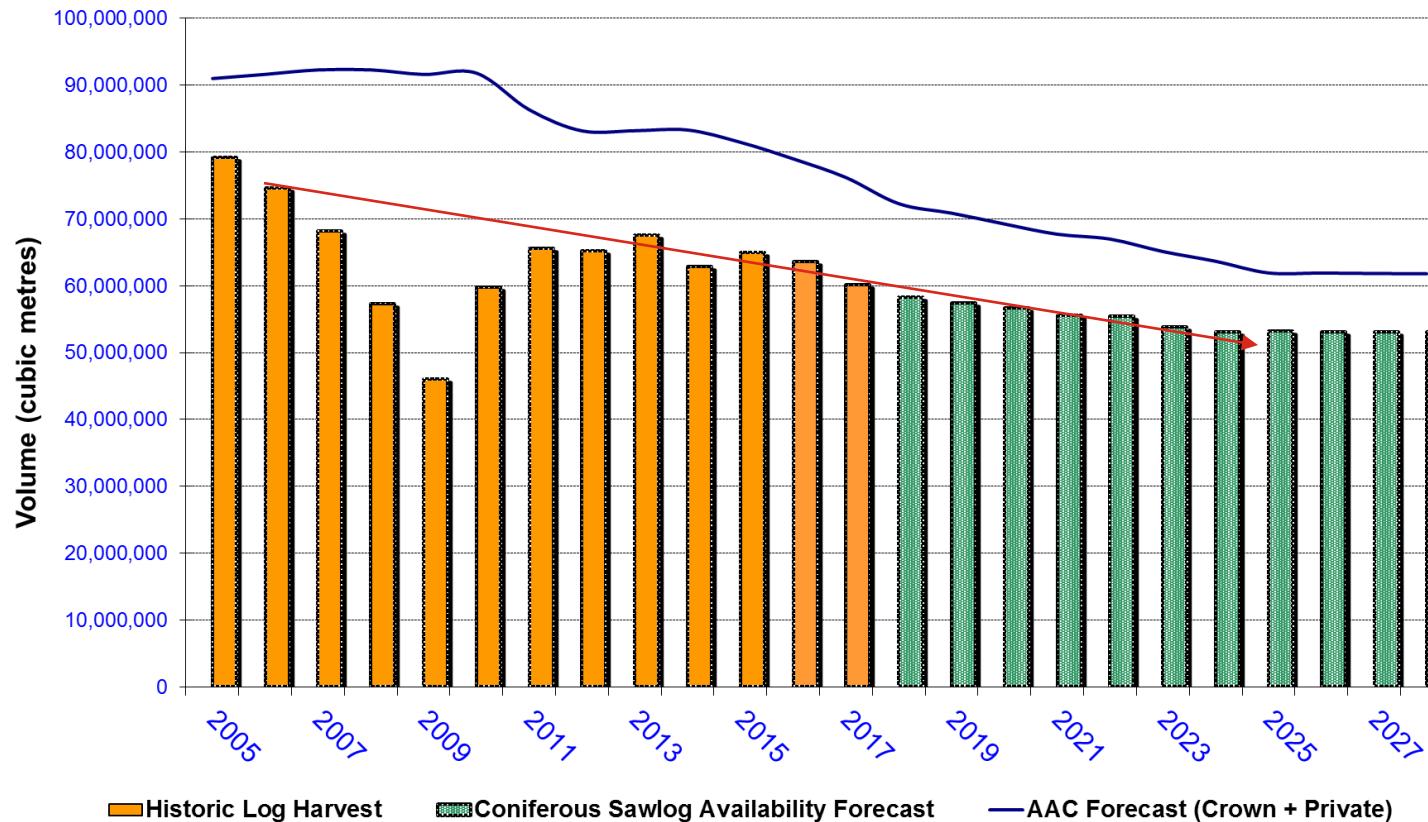
## The Trend

- Prior to the MPB the BC Interior AAC was at about 50 million cubic metres
- AAC increased to support salvage and industry increased capacity to capture opportunity
- 2009 economic recession reduced harvest and prevented dead timber salvage
- AAC reduction started in 2011 and will continue through 2025 as salvage ends
- Sawlog supply in mid-term will be 20% less than pre-MPB

# BC Interior Timber Supply Forecast

## Decreasing AAC and Sawlog Supply

British Columbia Coniferous Sawlog Availability Forecast vs AAC (Crown + Private)



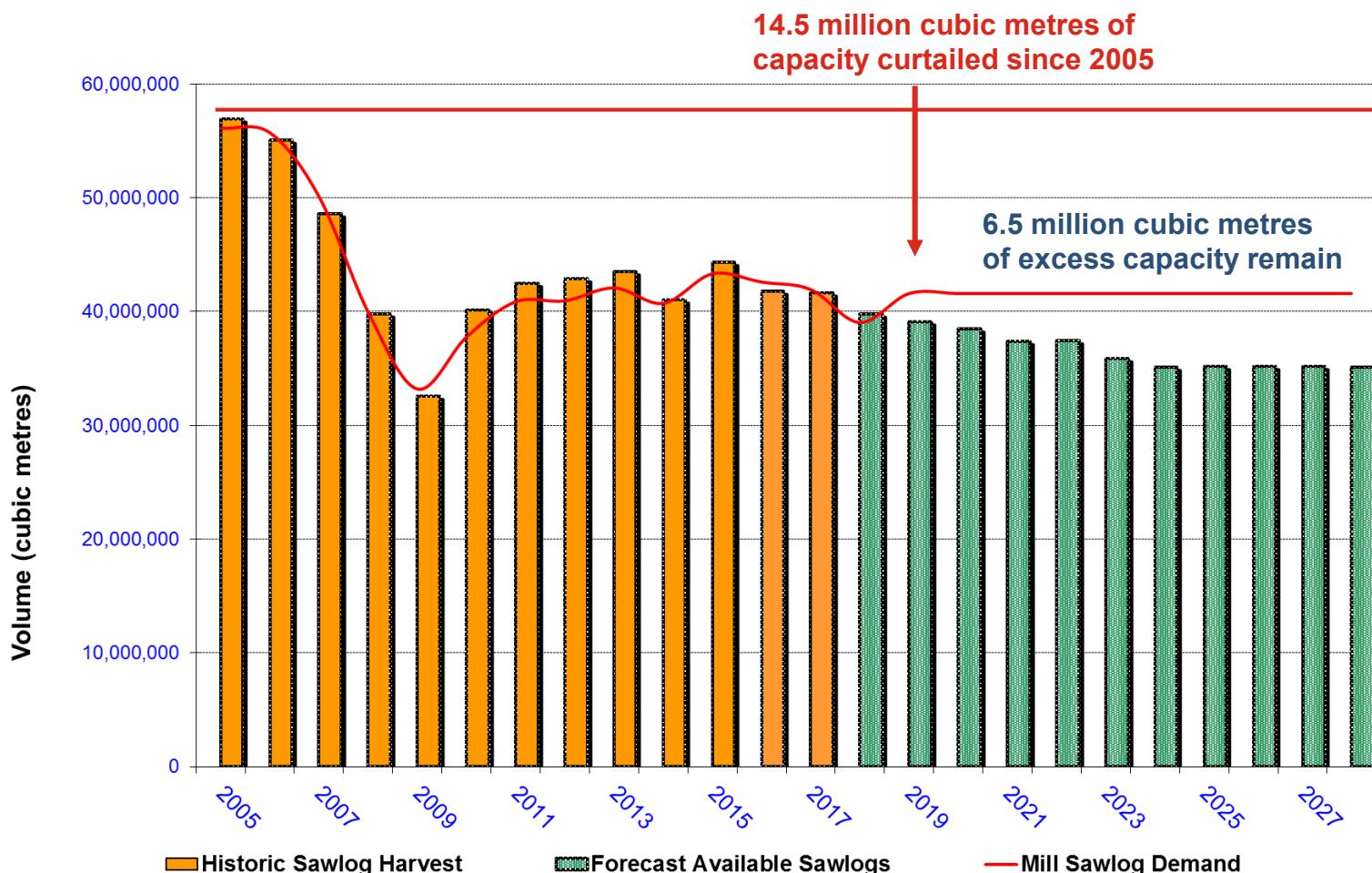
Source: Industrial Forestry Service's BC Fibre Database

## Implications of AAC Reductions

- Post-recession peak sawlog harvest occurred in 2013
- Harvest has dropped steadily since
- Since 2005: 26 sawlog consuming mills have closed (lumber and veneer)
- More mill closures are forecast as sawlog supply reductions continue

# BC Interior Timber Supply Forecast

Forecast Sawlog Supply vs Demand at Full Mill Capacities



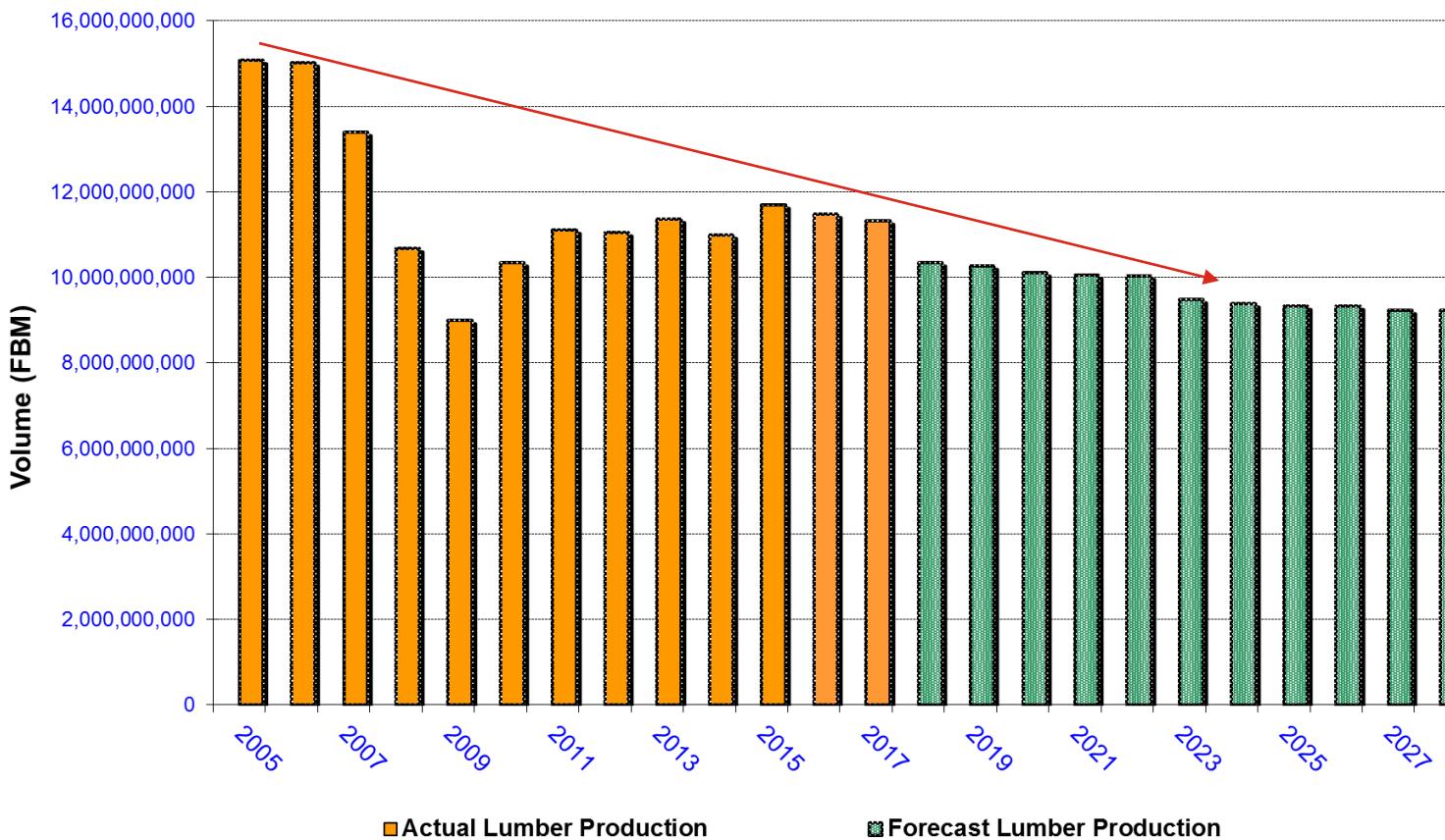
## Implications

- Since 2005: 14.5 million cubic metres of sawlog demand has been curtailed
- Forecast sawlog supply suggests up to 6.5 million cubic metres of capacity must be eliminated to bring supply and demand into balance in the mid-term

# BC Interior Timber Supply Forecast

Decreasing Sawlog Supply = Decreased Lumber Production

British Columbia Interior Lumber Production



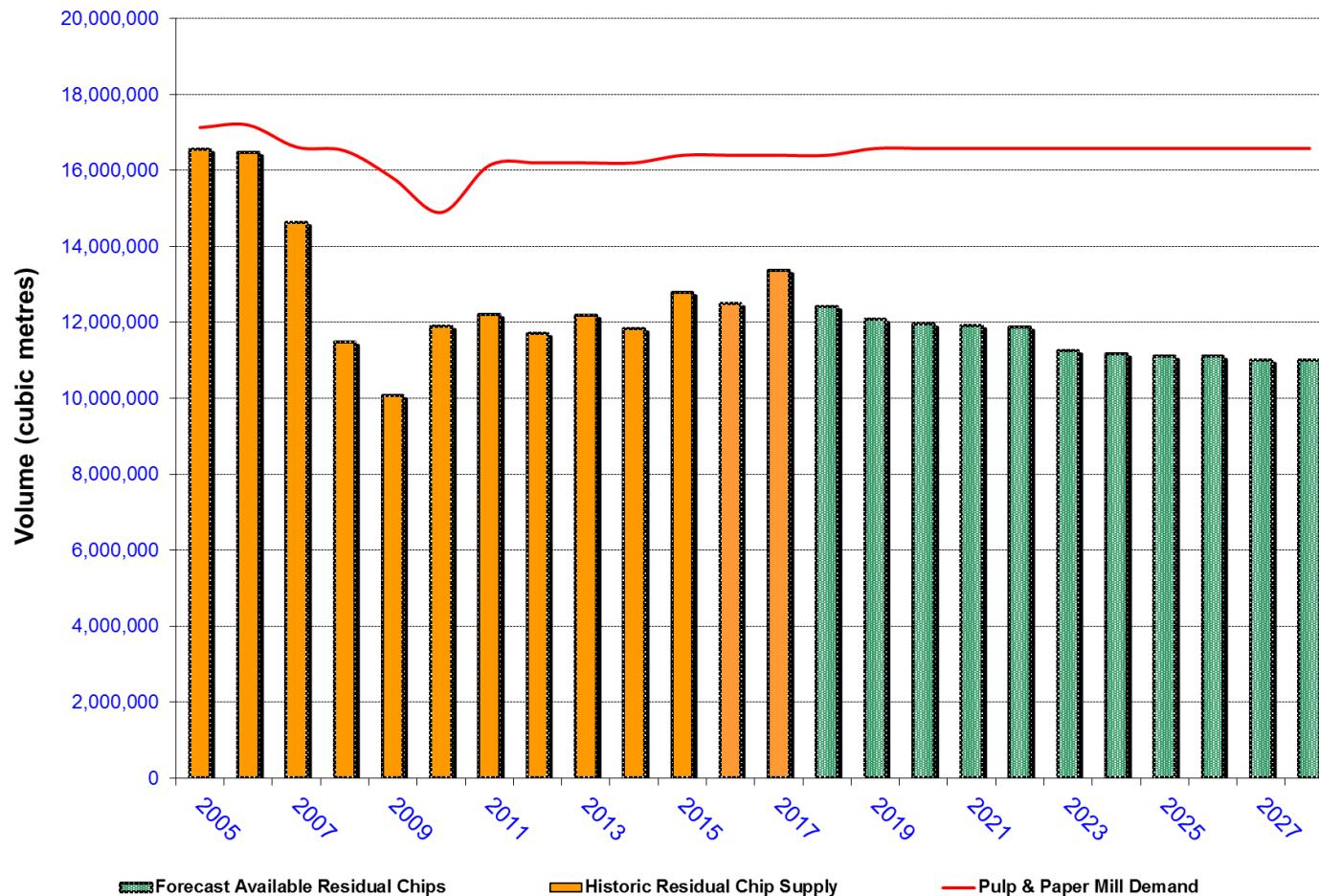
## Implications

- Pre-Beetle lumber production peaked at 15 BFBM in 2006
- Post-recession peak lumber production was in 2015 at 11.7 BFBM (22% reduction)
- 2017 lumber production was 11.3 BFBM
- Mid-term forecast lumber production is 9.2 BFBM (39% reduction from 2006 and 18% reduction from 2017 production)

# BC Interior Chip Supply Forecast

Implications of Mill Closures on Residual Chip Supply

British Columbia Interior Chip Supply Vs Demand

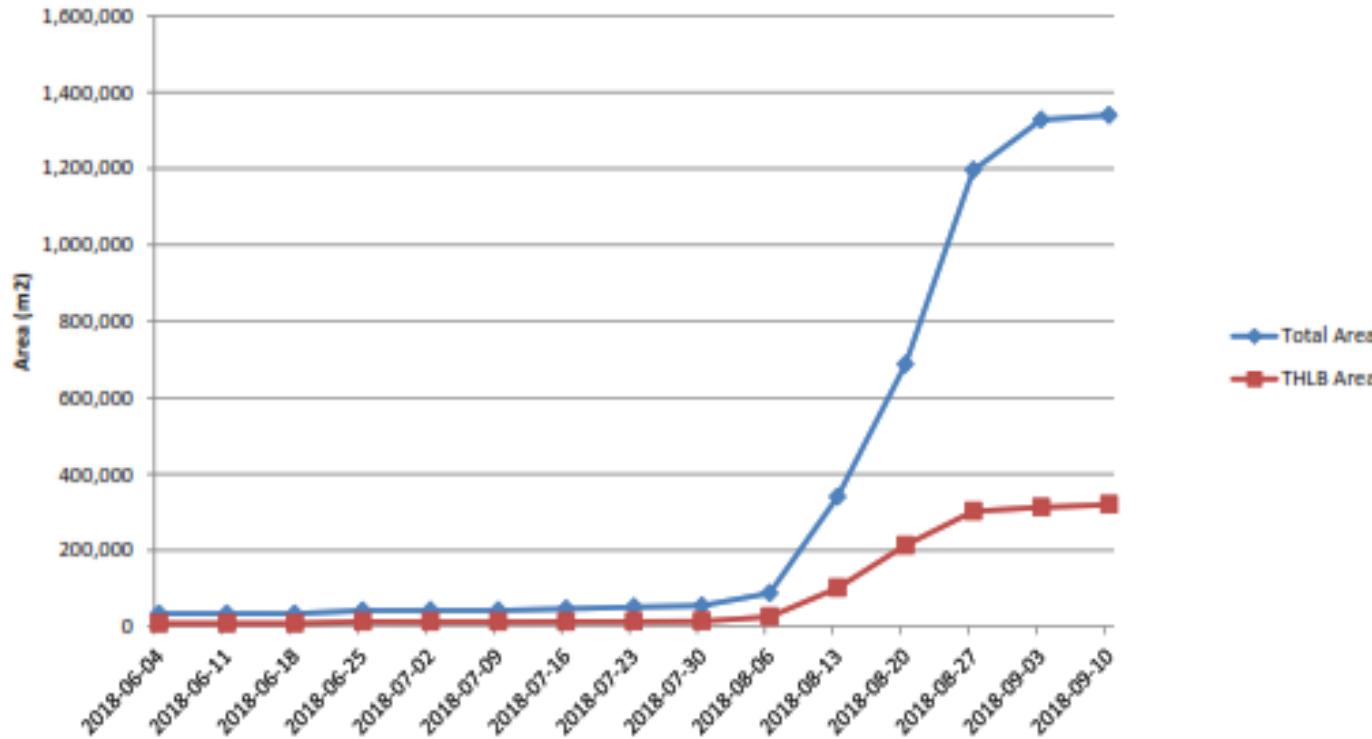


## Implications

- Sawmill and veneer plant closures have significantly reduced residual chip supply
- All mills now more reliant on pulp logs
- Forecast shortfall in residual chips is 33% of total chip demand in mid-term

# Other Risks to Timber Supply Forecast

Fire Growth 2018 Timeline – Area Within Perimeters



## BC Wildfires – Area Burned

- 2018 – 1,350,088 ha. (09/14/2018)
- 2017 – 1,216,053 ha
- 1958 – 855,968 ha
- 1961 – 483,097 ha
- 2014 – 368,786 ha
- 10-Yr. AVG – 257,470 ha.

# First Nations in British Columbia



Source: Government of Canada,

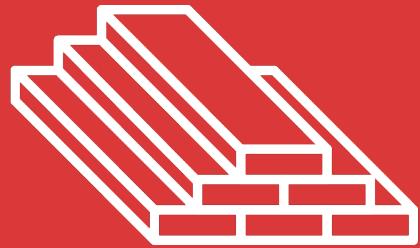
## Important Considerations

- Canada is in a reconciliation process with Indigenous peoples
- The Delgamuukw and Tsilhqot'in decisions establish that Aboriginal title exists in BC
- BC's Indigenous Engagement Strategy includes access to fibre, which is evidenced by recent tenure apportionment decisions that have allocated a higher percentage of the timber harvest to First Nations



# Canfor's Response

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## Solid Wood



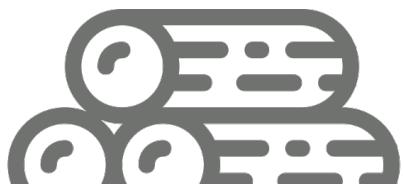
## Residuals

### THREE KEY BUSINESS STREAMS

#### SOLID WOOD

SPF / SYP

Douglas  
Fir/Larch



#### PULP & PAPER

NBSK

Kraft Paper

BCTMP



#### ENERGY/RENEWABLE

Green Electricity

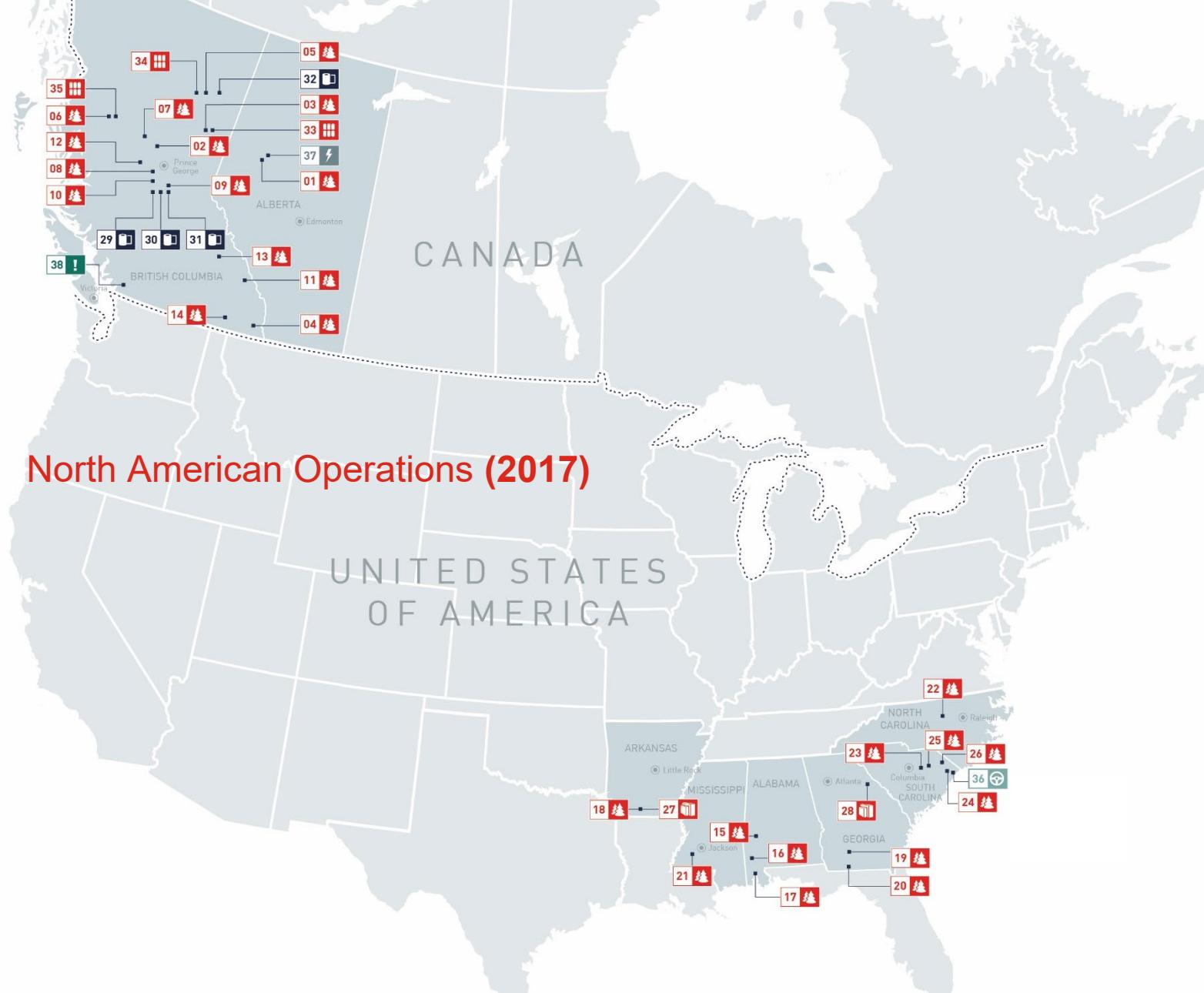
BIO Fuels

Pellets



# Canfor Operations

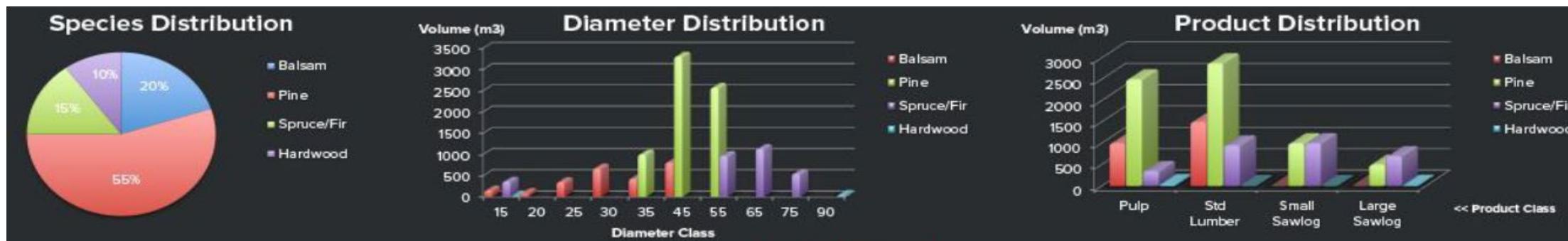
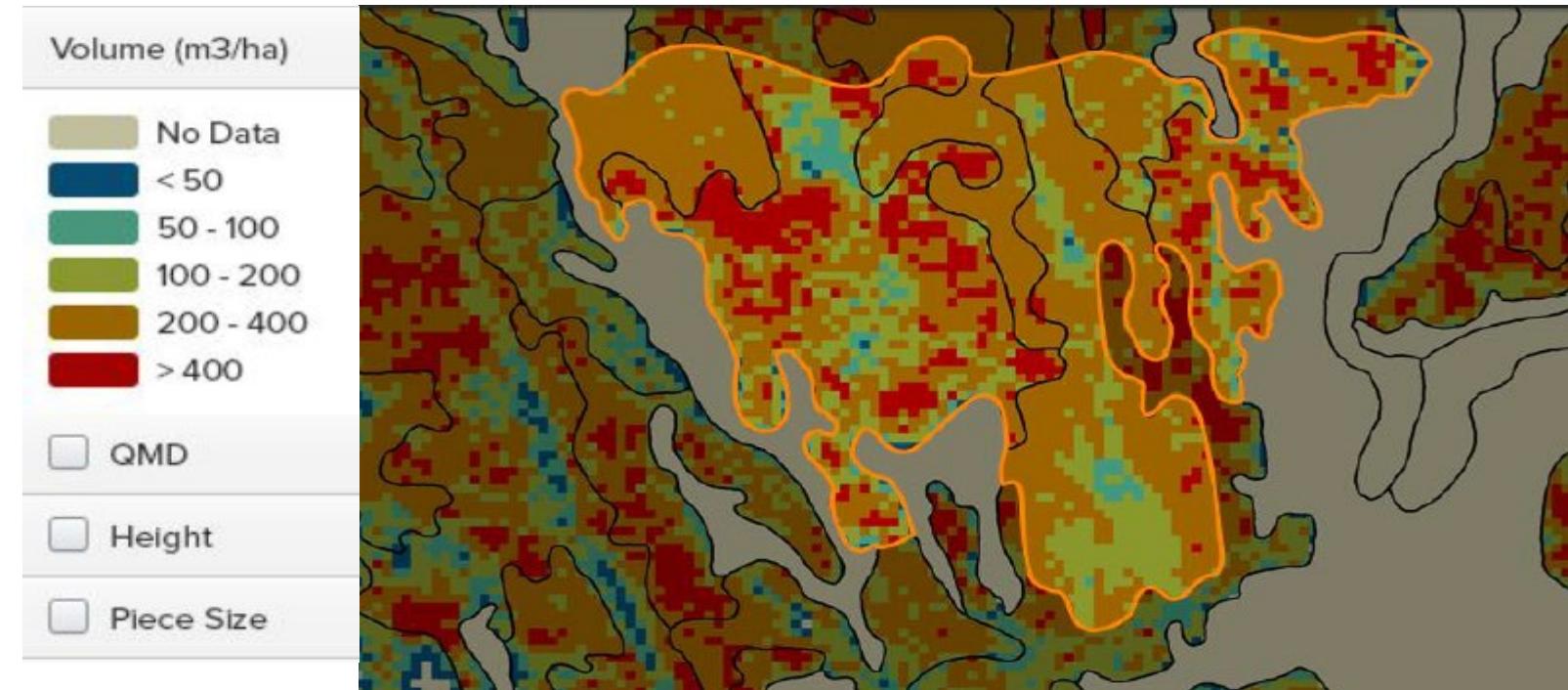
- 1.68 Medical Incident Rate
- 6,331 total workforce
- 6.1 billion board ft. of lumber
- 1.32 million tonnes of pulp and paper
- 951,000 MWh of biomass electricity
- 400,000 tonnes Industrial grade wood pellets
- 94.2% woodlands under independent forest certification
- 67 million trees planted
- \$5.86 billion in sales



# Forest Inventory – Lidar (Light Detection and Ranging)

## Individual Tree Inventory

- 3-D Laser Scanning
- Significantly reducing the cost of information gathering
- Allowing Planners to see products produced from cutblocks... *immediately*.



# Residual Fibre – Focus on Recovery



# Residual Fibre – Whole Log Chipping

## Focus on Modernization

- Improved Productivity and Yield
- Improved Debarking
- Chip Size Distribution
- Customized Options
- Easier setting changeups



# BC Interior Has Uncertainty

## Looking Forward

- Log supply reductions in the BC Interior are inevitable in the face of the MPB epidemic
- Other issues including: public pressure to reduce logging, spruce beetle, fire and species at risk protection also threaten log supply
- First Nations
- Canfor's BC investments and global expansion will ensure our customers needs are met



Thank you

