

Canada Wood Group

What Can We Do For You or With You

Brian Zak,
Canada Wood Group
October 17th, 2007
CWPA AGM – Quebec City



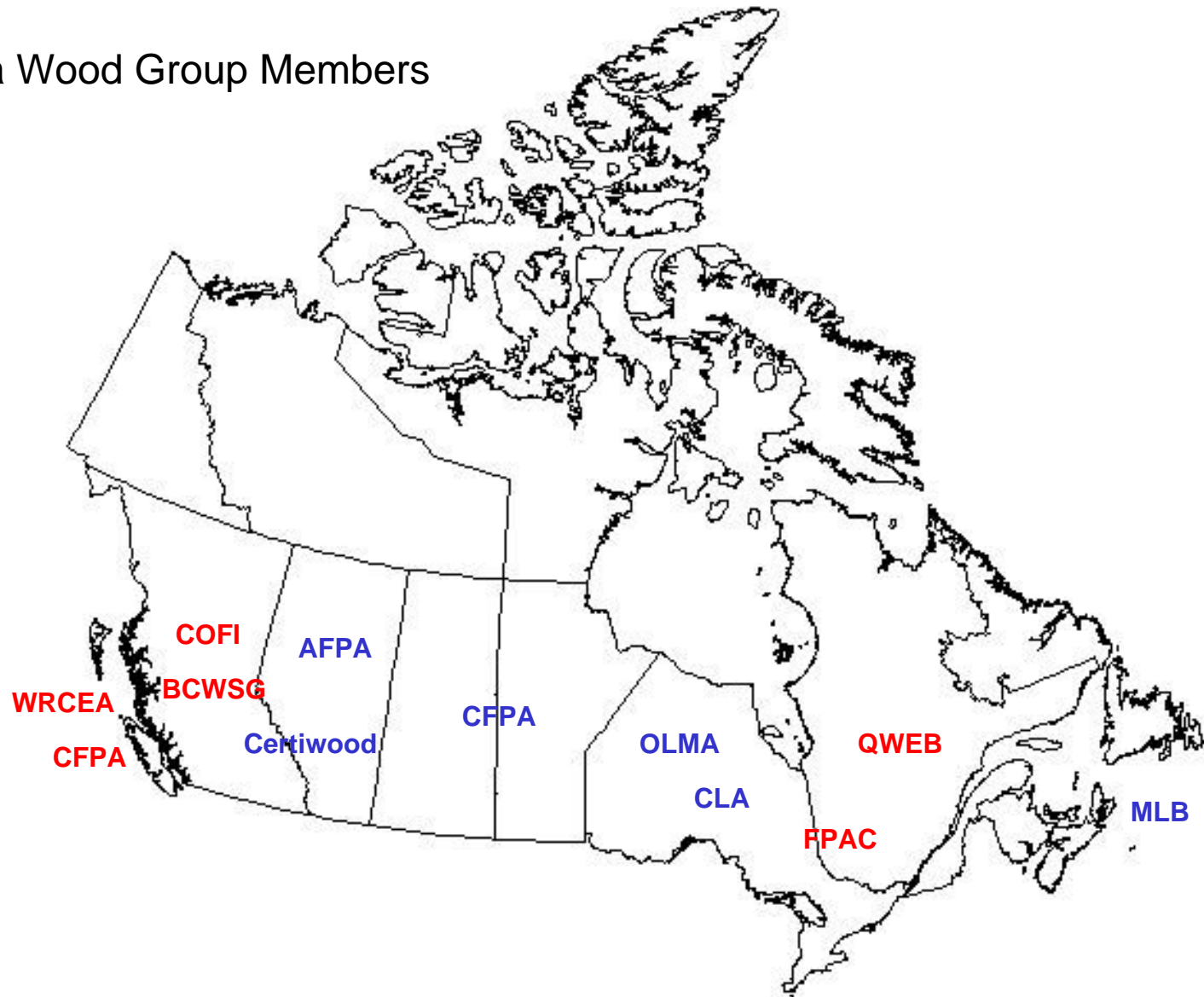
Canada Wood Group

- Collective membership of forest industry trade associations
 - BC Wood Specialties Group
 - Coast Forest Products Association
 - Council of Forest Industries
 - Forest Products Association of Canada
 - Quebec Wood Export Bureau
 - Western Red Cedar Export Association
- Allied with many other Associations & Stakeholders
- Incorporated in Canada and China
- Funded by the CWEP of NR Can & BC's FII
- Programs focused on Market Access and Market Development/Promotion



Forest Industry Trade Associations

■ Canada Wood Group Members



CWG Programs

- EU – London and Brussels
- China – Beijing and China
- Japan
- Korea
- Taiwan – no office, contract arrangement
- All Markets – Phytosanitary

Shared Funding:

- 50% from CWEP and 50% from the provincial industry (BC exception – 35/15 split between FII and industry)



CHINA - Starting from the Ground Up

An Introductory Stage Market – Long Term

- China's need for wood is real: 100 M m³ shortfall now; projected 150 M by 2015.
- Problems with alternative suppliers: Russian export taxes, pressure on illegal logging, export rebates cut = raw material costs escalating.
- Rising pressure internally and externally to address environmental ills.
- Increasingly societal wealth, both at the consumer and governmental level.
- Big needs to upgrade/refurbish housing stock.



Adapting Our Strategies

Successful initiatives must mesh with Chinese needs and realities:

- Build up, not out – hybrid construction.
- Don't bother unless cost competitive.
- Adapt to Chinese approaches (e.g. trusses tend to be fabricated on-site).
- Recognize what works here won't necessarily work in China
- China needs additional help in conformance assessment



Identified Target Markets

- Wood-frame construction: initially small structures, later larger multi-family, multi-storey – either ‘pure’ wood or hybrid.
- Roof trusses: new-build and upgrading.
- Building refurbishment: wall retro-fits for thermal upgrading purposes.
- Landscaping: treated wood or blanks.
- Rural or second tier city opportunities.



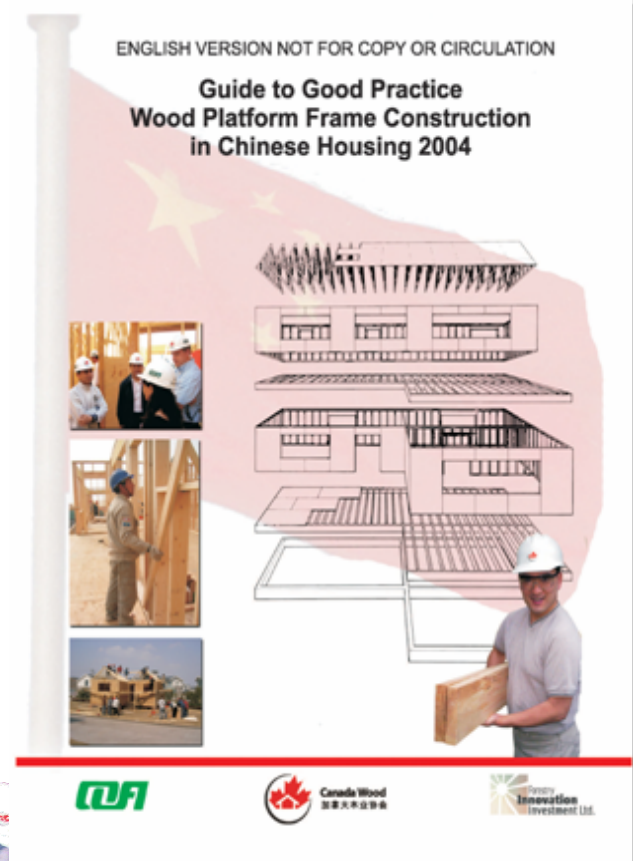
Fire Code Development

- Dictates height/area limits plus bldg uses.
- Barrier to entry to MFSH and hybrid segments.
- Inconsistencies between codes addressed.
- Working with MPS Fire Bureau and key researchers from China/EU/Canada.



Practical Toolkit

- Designers need easy to understand and use tools to facilitate the design process.
- Currently designing in wood is a headache compared to other methods.
- Toolkit elements will ease design process: Standard Design Drawings Package; Design Software; Guide to Good Practice; verified details/solutions.



Promotional Strategies

- Media and PR campaigns.
- Trade fairs and practical demonstrations.
- Consumer campaigns.
- Chinese Canada Wood web-site.
- Targeted seminar series.
- Builder-developer missions.



Gains in China

- WFC in the Chinese building codes
- Chinese lumber grades mesh with ours
- China studying our conformance assessment process
- Seminars & Training WFC builders
- Can now build 3 stories multi-family units with wood
- WFC single family starts at 400 units in 2006
- Wood truss systems have increased
- Increased in-fill with wood walls in concrete shells



CANADA WOOD KOREA



<http://www.canadawood.or.kr>

South Korea

An Extreme Make-over

- Embarked on a dramatic 20 year plan to rebuild the country both economically and physically – 4th National Plan
- The Seoul Capital region and other major urban centers are choking on themselves and inefficiencies are jeopardizing the country's region competitiveness.
- Korea intends to remake itself as the business hub of North East Asia (Japan, China, Russian Far East).
- The basic strategy consists of de-centralization and a re-balancing of development throughout the country.
- This radical centralized planning is nothing new: Korea dragged itself from the ruins of the Korea civil war to become the 11th largest global economy in 30 years.



South Korea

Growth Stage Market – Medium Term

- At least 700,000 people to be relocated from Seoul.
- 10 new industrial zones and new port facilities and airports.
- To be serviced by 200 new towns, include housing & commercial/institution/cultural/recreational facilities.
- Housing density mix is planned 50% high-rise; 30% attached low-rise; 20% detached single family homes
- High speed rail lines plus doubling of arterial expressways from 3000 km to 6000 km.
- New 5 day work week means merging second house (recreational) market
- Housing production during the 20 year plan estimated at 7.3 million units. Currently 400,000/year – need to introduce Wood Frame Construction (WFC)



COFI's Canada Wood Terrace



FII's Showcase



Gains in Korea

- Gains in the national building codes – more to do yet – fire and acoustic issues
- Working on acceptance of 4 storey wood units
- Working with us to recognize Canadian grading rules and product standards
- Increased interest by large builders for WFC
- WFC construction starts have increased since 2005 introduction of CWG
- Lumber shipments have increased



Japan – growing in a Mature market

SPF Group Working with the Demographics

- 2X4 housing exceeded 105,000 starts in 2006.
- Three storey rental starts now exceed those of single family construction.
- Average floor area of apartment is 50% of SFH.
- At current rate, more SPF will soon be going into apartments than SFH construction.
- We are working with the Japanese industry to enable 4 & 5 storey construction by undertaking fire, seismic and acoustic research.
- Market research is underway to investigate underlying factors and forces. A revamped strategy to be developed by the steering committee with new performance measures.



C A N A D A T S U G A



E 120

より丈夫で安全
な住宅のための
新しい高性能基準



Gains in Japan

- Introduction of new strength products – E 120 and E 120 - F 330 KD Canada Tsuga
- Recognition of in-grade design values for Canada Tsuga
- Secured 2x4 fireproof code approval for multi-family units – 607 fireproof 2x4 structures built
- Expansion of building with 2x4 truss systems – in all styles of wood construction
- Holding our own in the face of extreme competition with potential to grow share for all species.



The understated strength comparative

- [illegible]



Canada Wood - Phytosanitary

Critical Issues Management

- Prevent barriers to trade
- Work with CFIA – preventative strategies or resolve issues as they arise:
 - reduce direct cost implications
 - reduce tie up of product on the docks
 - develop bi-lateral arrangements with countries
 - work with CFS, IFQRG, IPPC
- Keep the industry advised of changes
- Serving as an industry advocate at various tables

Sectoral Clients include primary, value-added, panels, engineered, pulp/paper, residuals, log and manufactured homes



Forest Products Challenged

Phyto Issues – last 2 years

- Dunnage & WPM – ISPM 15
- Bark Allowance (wane) issues in China, Korea, Taiwan
- Green Lumber entry into Taiwan – P ramorum
- Re-heat treating of KD/HT products
- PH agencies investigating establishment risk of pathogens
- MPB volumes driving new concerns about nematodes
- Bark-free requirements for dunnage/wpm – an international push that endangers our lumber products
- Application of standards without WTO notifications

***SOME OF THE ELEMENTS IN THE CRITICAL ISSUES
MANAGEMENT PORTFOLIO FOR PHYTOSANITARY
SPECIALIST – plus Bugs and Diseases on Lumber***



Lumber under the Hand-Lens



Invasive Species Can Happen Both Ways



Invasive species

Brown Spruce Longhorn Beetle
Nova Scotia spruce



Asian Long-horned Beetle
Toronto – deciduous species



Emerald Ash Borer
In Ontario – on Native Ashes

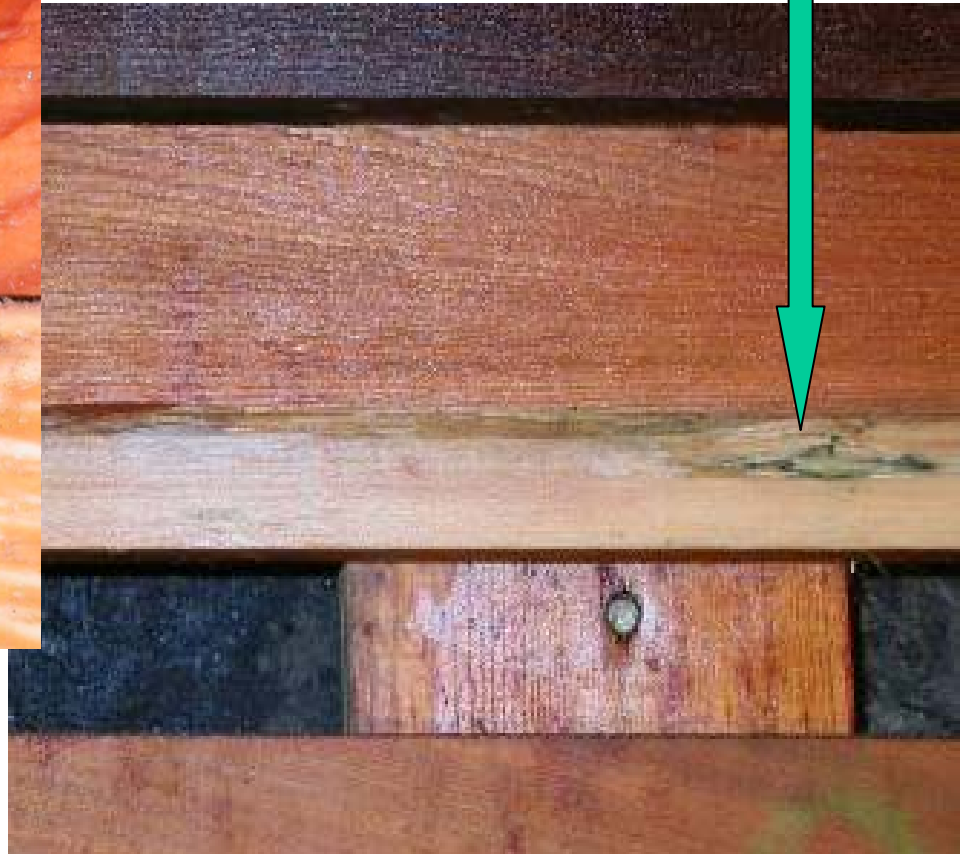


Common visual inspection sightings:

Fungi growing
in damaged
areas



Sapstain wedges

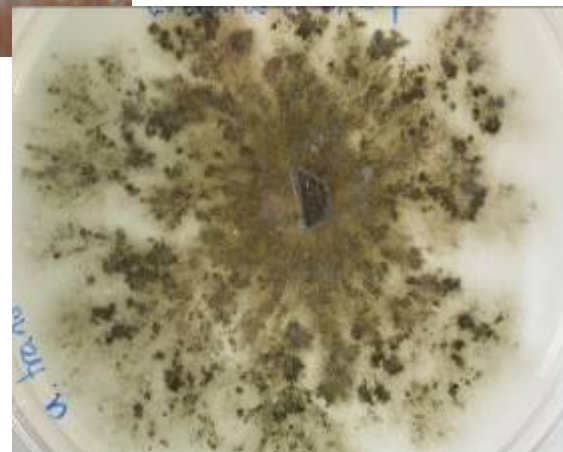




Looks okay here...



...but not so nice up close



.... or in culture

Plant Health Research Projects

The Rationale

- **International Phyto Workshops – 4 critical bits of information**
 1. Global marketplace has expanded its players = new awareness of invasive species and plant health issues
 2. Forest products under the ‘hand-lens’ of P.H. agencies
 3. We have lost the operational use of our only fumigant
 4. Research is being done in other countries on potential pasteurization applications beyond KD/HT
- **The message that is unfolding:**
 1. Non-pasteurized wood entry is becoming increasingly difficult
 2. Canada is behind in researching alternatives – our species and our pests and pathogens.



Canadian Pests

Potentially Invasive to Other Countries

- Bark Beetles & Wood Borers
- Ambrosia Beetles
- Pathogens & Basidiomycetes
- Bluestains
- Nematodes

To have secure and continued access of our products we have to know more about what resides in our wood and understand potential mitigations - Other countries are watching their borders diligently!



CWG and Industry Research Partners

Canada Wood Plant Health Advisory Panel

- CFIA
- CFS
- Forintek
- UBC

*We are linked to IFQRG and IPPC (International)
Technical Panels through our Research Partners*



Research Projects

What are we Doing?

Pathogen Testing

- Will identify which organisms can reside in each of our commercial timber species - at Victoria CFS lab
- Will allow us to target mitigations towards specific organisms
- Starting year 2 of D fir and Red Cedar & start SPF year 1
- Fiscal 07-08 funding is through CFS and CFIA with industry in-kind contributions
- Fiscal 08 – will continue for SPF, Hemlock, Sitka



Canada Wood Partners Funding Research Projects Fiscal 2007

- Chemical Pressure Impregnation
 - as a pasteurization option and an alternative to Methyl bromide
 - focus on blue-stained pine, and, Hemlock
- Alternative Fumigants to Methyl Bromide
 - starting with Phosphine and Sulfuryl Fluoride for logs and lumber
 - focus on Pine, D fir, & Hemlock

Research Protocols completed by Forintek on March 31st and format are being tabled at IFQRG as a proposed international standard to adopt



More to be Done

In Next Fiscal or with Other Funds

- Continuation of existing alternative fumigants
 - Years 2 & 3
 - Phosphine and Sulfuryl fluoride
- Initiate research on 2 other alternative fumigants –
Ethanedinitrile and Methyl iodide – two good potentials
- Alternatives to fumigants
 - Radio frequency pasteurization – starting in November
 - Microwave pasteurization – 2nd best potential
 - Gamma radiation pasteurization – long shot, futuristic



What's At Risk

Without Pasteurization Alternatives?

Interior

- 3 ½ billion fbm lumber – value > \$1 billion
 - #3, economy, S-Dry, interior Df, WRC, Hem
- Log exports – value > \$ 15 million

Coast

- 400 million fbm lumber – value > \$350 million
 - all species, low-grade, falldown, hi-grade shops and clears,
- Log exports – value > \$ 465 million



Bottom Line for CWG

Phytosanitary

- Forest products entry – close scrutiny by others
- A suite of tools for pasteurization
- R&D is part of the answer

Market Access & Market Development

- Removing road blocks – prevent TBTs
- Market the Products & attributes

Chemical Protection of Forest Products

- A part of the solution
- How best to incorporate input & industry needs?



Who Should Belong to CWG?

- Association memberships
- Chemical side of the wood products industry – can work with primaries and associations
 - can work directly with CWG
 - input via FP Innovations
 - work through CWEP & FII



Benefits of Membership

Access to Market Research

Treated Wood Market

Korea



Canada Wood Group Gains

- Programs are driven by industry
- Could not be done without shared visions of CWEP and FII
- Could not be done without the shared visions of allied partners
- Gains presented today do not represent those from all of the different associations and programs that are in place
- CWG works closely with CWEP staff in Ottawa



Adapting to Change

“It is not the strongest of the species that survives, nor the most intelligent; it is the one that is most adaptable to change.” (Darwin 1859)

... Canadian companies ARE adapting to the challenges of today for tomorrow...

at home, in the USA, and in the overseas markets; and I see that here today with the CWPA membership



Information Links

Canada Wood

www.canadawood.info/en/products/value.htm

Council of Forest Industries

www.cofi.org

Forest Products Association of Canada

www.fpac.ca

CFIA Forestry Home Page

www.inspection.gc.ca/english/plaveg/for/fore.shtml

BC Forest Information

www.bcforestinformation.com

BC Forest Products

www.bcforestproducts.com

