Value Added Wood Products: Global Context

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Global Competitiveness

China main competitor in all markets

- ✓ China is 2nd largest wood importer and world leader in manufacture and exports of secondary wood products (e.g. moulding, HW & eng. wood flooring, laminated lumber, doors, etc.)

Annual increase of imports from China 2000-05

Item	EC (15)	USA
doors	30%	105%
moulding	46%	41%
furniture	34%	28%
flooring	46%	61%

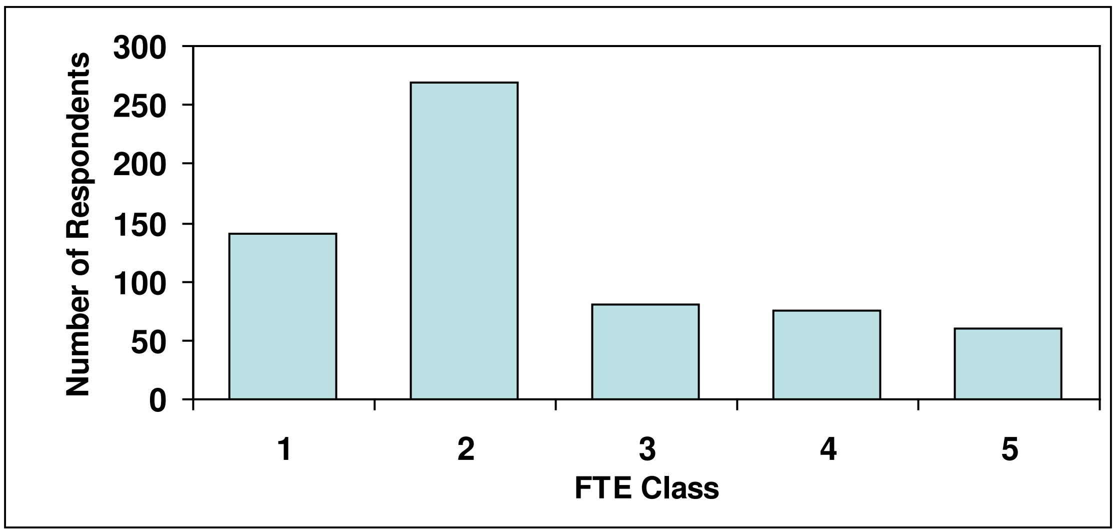
Zhang Jiagang Port near Shanghai 2001

Low Tech Value Added

Hi tech value added

Overview of Secondary Wood Products Sector

- ✪ Canadian secondary sector has been growing
- ✪ most companies are SMEs employing <25 with annual revenues < $5million
- ✪ most markets are local followed by US (BC ➔ Asia)
- ✪ most considered part of manufacturing sector
- ✪ partnerships with customers was important concern



Respondents by FTE

1 = 1-3,
2 = 4-25,
3 = 26-50,
4 = 51-100,
5 = >100

Canada's Global Competitiveness – Summary

Prefabricated Buildings (log & TF)	8	globally competitive
Wood Windows	7	
Engineered Products & System	7	
Designer Furniture	6	
Wood Cabinets	6	
Wood Doors	3	not globally competitive
Commodity Wood Furniture	2	
Wood Flooring	2	

What about value added and communities

- little opportunity for large scale operation
  - ✓ too far from market, offshore competition
- only a few need logs or large sized wood
  - ✓ most need panels, composites, adhesives, etc.
- custom cutting (value added primary production) one option
- community forests must sell entire log; not just the best parts of a log
- can produce a portfolio of wood products that include value added products

Coming Forest Tsunamis

or

Tempests in Teapots

Logs will get VALUABLE

After >5 decades of ↓ prices log prices will increase! WHY?

- ✪ wood as fuel (bio and pellets) ↓ supply
- ✪ forest for carbon sequestering ↓ supply
- ✪ higher log export cost (↑ Russian / BC export tax) ↓ supply
- ✪ running out of illegal logs ↓ supply
- ✪ forest conversion to agriculture for food and biofuel ↓ supply
- ✪ more beetle & other attacks ↓ supply

Longer Term Changes …… or Not

- Climate change ➔ forest managed for carbon
  - ✓ What does that mean?
- Environmental services (e.g. water, biodiversity, soil stabilization, etc.) will become more valuable than wood supply
- Plantations around equator will supply increasing proportion of global wood supply

Opportunities

Despite global situation opportunities abound for community forest and value added

- ✪ growing support for community forests from foundations, NGO's, world bank, etc
- ✪ LOHA's cohort growing customer niche
- ✪ big players ignore regional market niches
- ✪ entrepreneurship, innovation, adaptability and "mistakes as portals to discovery" thrive in rural BC