

How to Pick the Right Dessert



JLerner + Associates

Picking the right Value-added
business is like choosing the
right dessert



Pick too big or too rich a
dessert and you soon will feel
quite sick



Pick too big or complex a value-added business and you will be overwhelmed



Pick too small a dessert and
you won't be satisfied



Pick a VA business that has meagre returns and you will soon be looking for another



There are lots of value-added opportunities out there



Value-added Opportunities

- Millwork
- Furniture
- Remanufacturing
- Manufactured Housing
- Engineered Wood Products
- Other (veneer, panels, chopsticks etc)

You need to pick a VA opportunity that matches your digestive (business) capacity



Community Forest Context

– Most Community Forest organizations:

- Small number of staff
- Modest revenues & profits
- Volunteer Board
- Limited if no value-added manufacturing or marketing experience
- Relatively distant from major markets

Value-Added Context

- Many of the VA sectors require a **SIGNIFICANT** investment of resources (financial, human, technological, physical)
- Skilled labour is scarce and labour costs are increasing
- Transportation costs are increasing
- The Canadian \$ is increasing in value and could be at par with the US\$ in the near future

Value-added Context

- All of the VA sectors now compete in global markets
- China and SE Asia are competing in every sector and imports are expanding every year
- The US market is still growing but housing starts are slowing and expected to slow through to 2008

Value-added Context

- Good News
 - The US housing and wood products market is still very large
 - The western Canadian economies are expected to do well into 2008
 - Growing demand for “green” and “healthy” wood products (low emission), esp. in California
 - Growing demand for customized products and high quality service

Selection Criteria for Small VAs

- Unique product
- Strong customization and service orientation
- High-end
- Uses the strengths of local wood supply

Selection Criteria for Small VAs

- Consistent with organizational capacity (\$\$, human, technological)
- Has a local market but also a growing export market
- Transportable at a reasonable cost
- Green or healthy product orientation

Good Desserts

- Timber Frame homes and components
- Log Homes and components

Timber Frame & Log Homes

- Full frame or hybrid
- Timbers/logs (preferably dried)
- Interior millwork and furniture
- Exterior cladding

Timber Frame & Log Homes

- Barriers to Entry
 - Highly skilled craftsmen
 - Highly service and custom oriented
 - High quality wood
 - High transportation costs
 - New CNC technology very expensive
 - Sales largely generated by Word of Mouth

Timber Frame & Log Homes

- Markets
 - Local housing market (Hybrid)?
 - 4 season resort or recreation areas throughout western North America
(huge build out and/or renovations occurring)
 - Japan
 - Europe

Investment Strategies

- Direct Investment and Ownership
- Investment Attraction

Direct Investment and Ownership

- Investment of equity
- Sole or shared ownership

Investment Attraction

- Limited or no ownership by promoter
- Enticements via:
 - Marketing local business strengths
 - Subsidies
 - Access/Guarantee to key resources

Direct Investment and Ownership

- Pros
 - Control the development
 - Reap the rewards
- Cons
 - Responsible for everything
 - Risk of losses

Investment Attraction

- Pros
 - Steer the investment and enjoy the community benefits with less risk
- Cons
 - Little or no control of the business once established

Direct Investment Cautions!

- DO THE DUE DILIGENCE BEFORE INVESTING (thorough business plan)
- DON'T START OUT UNDER-CAPITALIZED
- BRING IN EXPERIENCED MANAGEMENT OR JOINT VENTURE PARTNER

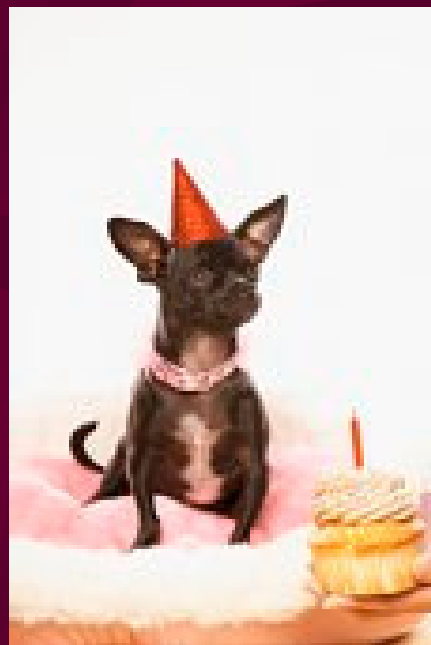
Investment Attraction Cautions!

- DO YOUR DUE DILIGENCE AND TARGET YOUR MARKETING \$\$
- LOOK FOR COMPANIES WITH A GOOD TRACK RECORD
- BE CAREFUL ABOUT LOCKING UP YOUR WOOD SUPPLY (unless the terms are very favourable)

CONCLUSION

- Value-added Opportunities for community forests or rural communities exist
- High value timber frame and log homes and their components might be a good match
- Do your homework before investing and...

Best wishes with your dessert!



Shameless Self-Promotion Info

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