Recap of 2014

Newfoundland and Labrador’s wood products industry provides significant revenue, employment, and diversification to the province’s economy. Traditionally and currently, many communities around the province, particularly rural areas, rely on the wood products industry as an economic driver. Faring well in 2014, the industry employed approximately 5,100 people and consumed approximately 1 million cubic meters of timber to make wood products, resulting in approximately $305.2 million of revenue.

Newfoundland and Labrador’s wood products industry is comprised of four main sectors: sawmilling, pulp and paper, value added manufacturing, and wood energy. Each of these sectors is its own entity, but they are all interconnected to ensure success of the industry. The industry as a whole is significant and continues to evolve to overcome regional and marketplace challenges. This report will examine each sector and how it fared in 2014, identifying revenue, production, employment, product pricing, and more.

Points of Interest

- Lumber prices strong in 2014
- Pressure treating sector a significant contributor to the industry
- Corner Brook Pulp and Paper Ltd. continues to utilize substantial amounts of biomass
- U.S housing market on the rebound
- Fougere Menchenton Architecture Inc. receives NL Non-Residential Project Award
- Local sawmill makes upgrades to operation
Pulp & Paper Sector

Corner Brook Pulp & Paper Ltd. makes improvements to better position themselves in the marketplace

The global newsprint industry is facing many challenges, mainly a decreasing demand for newsprint. The closure of newsprint mills is a common theme in many parts of the world in recent years. However, it continues to be a large piece of the wood products puzzle, particularly in Newfoundland and Labrador. Corner Brook Pulp and Paper Ltd. (CBPPL), owned by Kruger Inc., is the province’s sole pulp and paper mill. The mill has made improvements to its manufacturing process over the past year to reduce manufacturing costs and increase its economic viability. These improvements will make the operation more efficient and, in turn, better position the mill among its global competitors.

The province’s newsprint production has been consistent in recent years. In 2014, CBPPL shipped 241,400 tonnes of newsprint to various markets, a slight decrease from 242,200 tonnes shipped in 2013. The market prices for newsprint have steadily declined over the past decade and 2014 was no different. The average market price for newsprint in 2014 was $667 (CDN) per tonne, an increase from $625 per tonne in 2013. This increase can be attributed to the weakening of the Canadian dollar affecting currency exchange rates. Based on the average price per tonne and the total amount of shipments, we can conclude that Newfoundland and Labrador’s newsprint industry was valued at $161 million in 2014.

CBPPL continues to use a significant amount of biomass as an alternative to oil as fuel for their boilers. The biomass, which consists of waste-wood and sawmill residues in the form of sawdust, shavings, and bark, reduces operational costs. In 2014, CBPPL utilized more than 155,000 gross metric tonnes of biomass, displacing nearly 190,000 barrels of oil.

As part of its commitment to sustainable forests, Corner Brook Pulp and Paper Ltd. is certified to three environmental standards, the ISO 14001 Environmental Management System and two Forest Management Standards. By satisfying the requirements of these standards, Corner Brook Pulp and Paper Ltd. is ensuring its timber limits are being managed in an environmentally-sound manner while considering all the values of the forest.

Corner Brook Pulp & Paper Ltd. utilizes a camera-based digital scaling system

Corner Brook Pulp & Paper Ltd. continues to enjoy success with the use of a digital scaling method, adopted in 2006, that uses digital photography in combination with on-screen digitizing to capture an image of stacked wood. All measurements are done on-screen using digitizing methods to traverse and capture the surface area of a stack of wood. The average surface area, in combination with the known length of the wood, is used to calculate the gross volume in m$^3$ stacked.

Deductions for cull, voids, and undersized wood are based on buyer’s specifications. Loose piling is still estimated visually by the scaler. Deductions are completed with the use of a randomized placement of a sample icon on the stack to statistically determine the required deductions. The system operates on a pre-determined number of plots or rolling average maintained in the system. This scaling method requires frequent calibration to meet the accuracy tolerances for stacked wood measure currently stated in legislation.
The sawmilling sector continues to be a significant source of employment to many areas of the province. The Forestry Services Branch issues more than 1000 sawmilling permits annually. In spite of the large number of permits, three larger sawmills produce approximately 90 percent of the total production, while another 5 medium sized sawmills make up another 5 percent. Total lumber production in Newfoundland and Labrador in 2014 was approximately 66 million board feet (FBM), a significant decrease from 2013’s total of 79 million FBM. The drop in production can be attributed to irregular down time in some larger operations.

Market prices for commodity lumber was positive in 2014. The price for kiln-dried stud lumber continued its steady climb in 2014, averaging $489 (CDN) for 1000 FBM. An increased from last year’s average price of $434 (CDN), 2014 saw the highest average price for stud lumber since the beginning of the economic recession in 2008, mainly due to the recovery of the U.S housing market. Based on the average price for lumber and total sawmill production, NL’s sawmilling sector is valued at $32.3 million in 2014.

The sawmilling sector supports other industries in the province by selling wood chips, wood shavings, and hog fuel to Corner Brook Pulp and Paper Ltd. (CBPPL) and the agriculture industry. CBPPL uses wood chips in their manufacturing process and hog fuel as an alternative to oil to fuel their boilers, while some agriculture businesses use wood shavings for animal bedding. In 2014, the sawmilling sector provided other industries with approximately 112,000 m$^3$ of wood chips and 42,000 tonnes of wood shavings and hog fuel, adding $8.7 million to the value of the sector, increasing the total value of the sector to $41 million.

### Burton’s Cove Logging & Lumber Ltd. invest in operation upgrades

Burton’s Cove Logging & Lumber Ltd. has made improvements to its operation in recent years, including the installation of a hewsaw, new dry kiln, laser scanning system and debarker. The debarking upgrade included a log flare-reducer that contributes to improved lumber recovery and mill efficiency. These investments have collectively resulted in a significant increase in lumber production capacity and have expanded markets for their lumber products.

### Housing Market

#### Overview of local and US housing market

The sawmilling sector is directly related to the local and North American housing markets. Market conditions influence lumber prices, and in turn, sawmill production. The local housing market declined, but still remained relatively strong in 2014, with a total of 2,119 housing starts (Source: The Economy 2015). While most areas of the Province saw a decline in housing starts, Corner Brook and Gander saw an increase compared to 2013. The US housing market continues to pick up steam, according to the U.S Census Bureau. This source estimated 1.06 million housing starts in the U.S in 2014, up 8.8% from 2013.

### Pricing trend of 1000 FBM of kiln-dried eastern spruce/pine/fir stud lumber delivered to the Great Lakes area

(source: Madison’s Lumber Reporter)
Value Added Sector

The value-added sector is the most diverse of the wood product sectors. Value-added manufacturing is the process of making specialty wood products from commodity wood products. An example of this would be the production of hardwood flooring from lumber. Newfoundland and Labrador’s value-added sector produce a variety of wood products, including kitchen cabinets, hardwood flooring, roof trusses, wood siding, and wooden furniture to name a few. This sector is comprised of many relatively small companies that produce high-end valuable products. The majority of products from this sector are sold to the local market. Therefore, the high number of housing starts in the province, particularly on the Avalon Peninsula, continues to drive this sector in recent years. The value-added sector provides meaningful employment to the province and generates approximately $85 million annually.

Wood Energy

Wood energy in the form of firewood, wood pellets, and briquettes are commonly used in Newfoundland and Labrador. Wood, a readily-available renewable resource is an affordable and environmentally-friendly product to heat residential and commercial buildings in the province.

Firewood, the most commonly used source of wood energy in the province, is very economical to residents. As many other sources of energy continue to rise in cost, firewood remains fairly constant. There is also a large supply of allocated timber to meet the needs of any residents who use this resource. Residents have the option of buying firewood from a commercial seller or cut their own supply with the acquisition of a cutting permit. There were approximately 90,000 m³ of commercial firewood harvested in the province in 2014(source: Departmental Stats), with revenue from sales estimated to be approximately $17.8 million.

Wood pellets is another economical source of wood energy with minimal environmental impacts. They can be purchased in bags, making them easy to store and handle. While residential use is becoming more popular, there are also a number of commercial buildings that utilize wood pellet heat. In 2014 there were two wood pellet producers in the province, with a combined production upwards of 1000 tonnes, equating to approximately $300,000 in revenue.

Another convenient form of wood energy is briquettes. These are produced from wood chips and sawdust that are compressed into the shape of a brick. Although made from the same materials as wood pellets, briquettes differ in the fact that they can be burned in traditional wood stoves, whereas pellets can only be burned in specific wood pellet appliances. There were approximately 450 tonnes of briquettes produced in 2014, generating more than $100,000 of revenue.
Industry Employment

Historically, Newfoundland and Labrador’s wood products industry was the main source of income for many families throughout the province. Today, the industry continues to be a significant employer in the province, providing employment to families in all regions of the province, particularly in rural areas. Research completed in 2013 concluded that approximately 2550 people are directly employed in the wood products industry in the province. This number is comprised of five main sectors: pulp and paper, sawmilling, value-added, harvesting, and government officials. When in-direct employment is considered, it is believed that the province’s wood products industry provides employment to upwards of 5100 people. The pie chart displays the distribution of direct employment among the four sectors. Although employment is spread throughout different regions of the province, it is particularly important to the rural economy. In addition to this total, there are approximately 450 government staff that are employed to support the industry.

Wood Measurement

Provincial legislation requires that all commercially harvested timber be scaled or quantified. The Newfoundland and Labrador Timber Scaling Manual provides guidelines to scalers to determine the quantity and quality of timber harvested in the province, as authorized by the Forestry Act (1990) and the Timber Scaling Regulations. Provincial legislation requires any timber scaler to renew his/her Timber Scaler’s Certificate annually, to legally continue scaling on a commercial basis. In 2014, there were 68 certified scalers (39 full-time, 29 temporary) in the province. The NL Forest Service is currently drafting a revised version of the Newfoundland and Labrador Timber Scaling Manual for release in 2015.

The most common scaling method used in the province is for measuring stacked wood. This is typically done by performing a stick scale, where the stack of wood is measured with a graduated scaling rod and measuring tape. An alternate way to measure stacked wood is digital scaling. Currently being utilized by CBPPL, this method uses digital photography in combination with on-screen digitizing to capture an image of the stack of wood.

Another type of scaling performed in the province is measuring logs individually. In this case, the diameter and length of each log is measured individually to arrive at a volume. This volume can then be translated to projected board feet using the Newfoundland Log Rule. This method is particularly useful to small-scale sawmill operations for determining potential lumber recovery from a log.

Newfoundland and Labrador Non-Residential Project Award

During the 1st Annual Atlantic Wood Design Awards Luncheon in Halifax, Fougere Menchenton Architecture Inc. was presented with the Newfoundland and Labrador Non-Residential Project Award for their design and use of wood in the Southlands Community Center. This event, sponsored by Atlantic WoodWORKS! rewards recognized excellence in wood construction and design in Atlantic Canada. The Southlands Community Center was recognized and awarded for its creative and distinctive use of wood materials, particularly the use of cross laminated timber (CLT), wooden glulam beams in its multi-purpose area, as well as wooden siding on the exterior of the building. The Southlands Community Center is the first project to utilize CLT’s in Atlantic Canada and demonstrates that wood can be cost effective, versatile, and visually appealing when used in design.
This summary is presented by the Newfoundland and Labrador Forest Service, Forest Engineering & Industry Services (FEIS) section which is located at the provincial Forestry Headquarters in Corner Brook. This section of the Forestry and Agrifoods Agency provides technical advisory services to individuals and companies in the forest products industry. It also maintains statistical databases and reports for research and assistance purposes.

INDUSTRY SUMMARY

Newfoundland and Labrador’s wood products industry is valued at $305.2 million CDN in 2014.

The pulp and paper sector shipped 241,400 tonnes of newsprint at an average price of $667 CDN per tonne for a total sector value of $161 million in 2014.

The sawmilling sector produced 65 million FBM in 2014. The average price for 1000 FBM of kiln-dried 2x4x8’ was $489 CDN, valuing the sector at $41 million, when the value of by-products are incorporated.

The value added manufacturing sector remained strong in 2014, with an estimated value of $85 million.

The wood energy sector, dominated by commercial firewood, is valued at approximately $18.2 million in 2014.

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<th>Sector</th>
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<td>Pulp &amp; Paper</td>
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<td>Sawmilling</td>
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<td>Value added</td>
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<td><strong>TOTAL</strong></td>
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