Virkesforum 2018

Stockholm, Sverige,

Sept 12th 2018

Conseil de **l'industrie forestière** du Québec

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Québec Forest Industry Council (QFIC)

Voice of Québec companies involved in

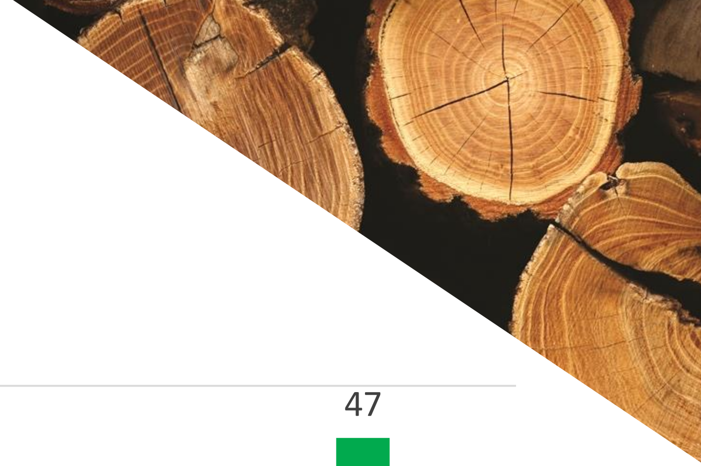
- Pulp and Paper (95 %)
- Sawmilling (92 %)
- Pannels (100 %)

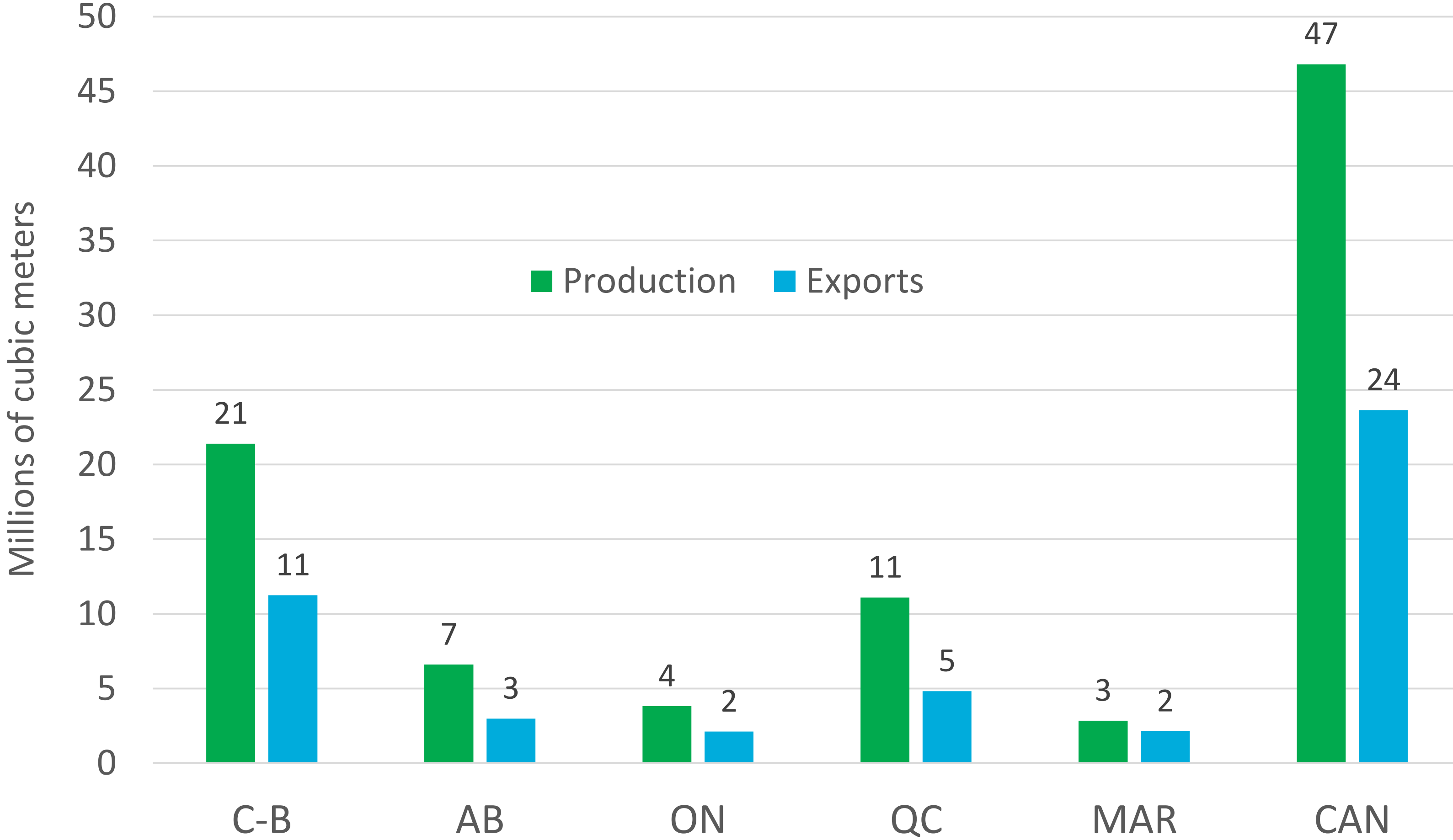
Our members:

- Turnover of 15 billion dollars
- 60 000 employees
- Spread throughout the province
- Commercial balance over 7 billion dollars


Natural Resources Canada
Ressources naturelles Canada
Canadian Forest Service
Service canadien des forêts
Forest Regions of Canada
YUKON TERRITORY
NORTHWEST TERRITORIES
BRITISH COLUMBIA
ALBERTA
SASKATCHEWAN
MANITOBA
ONTARIO
QUEBEC
NEWFOUNDLAND and LABRADOR
PRINCE EDWARD ISLAND
NEW BRUNSWICK
NOVA SCOTIA
Hudson Bay
Pacific Ocean
Atlantic Ocean
FOREST REGIONS
PRINCIPAL TREE SPECIES
BOREAL – PREDOMINANTLY FOREST
White spruce, black spruce, balsam fir, jack pine, white birch, trembling aspen
BOREAL – FOREST AND BARREN
White spruce, black spruce, tamarack
BOREAL – FOREST AND GRASS
Trembling aspen, willow
SUBALPINE
Engelmann spruce, alpine fir, lodgepole pine
MONTANE
Douglas-fir, lodgepole pine, ponderosa pine, trembling aspen
COAST
Western red cedar, western hemlock, Sitka spruce, Douglas-fir
COLUMBIAN
Western red cedar, western hemlock, Douglas-fir
DECIDUOUS
Beech, maple, black walnut, hickory, oak
GREAT LAKES – ST. LAWRENCE
Red pine, eastern white pine, eastern hemlock, yellow birch, maple, oak
ACADIAN
Red spruce, balsam fir, maple, yellow birch
GRASSLANDS
Trembling aspen, willow, bur oak
TUNDRA
0 125 250 km

Canadian Lumber Production and U.S. Exports by province





Source: StatCan

U.S./Canada past litigations on Lumber

Litigation	Year	Decision	Outcome	Trade restriction
Lumber I	1981	Victory of Canada	Free Trade	None
Lumber II	1988	Victory of Canada	MOU	Weak
Lumber III	1993-96	Victory of Canada	SLA	Moderate
Lumber IV	2001-06	Victory of Canada	SLA-2006	Strong
Lumber V	2017-			

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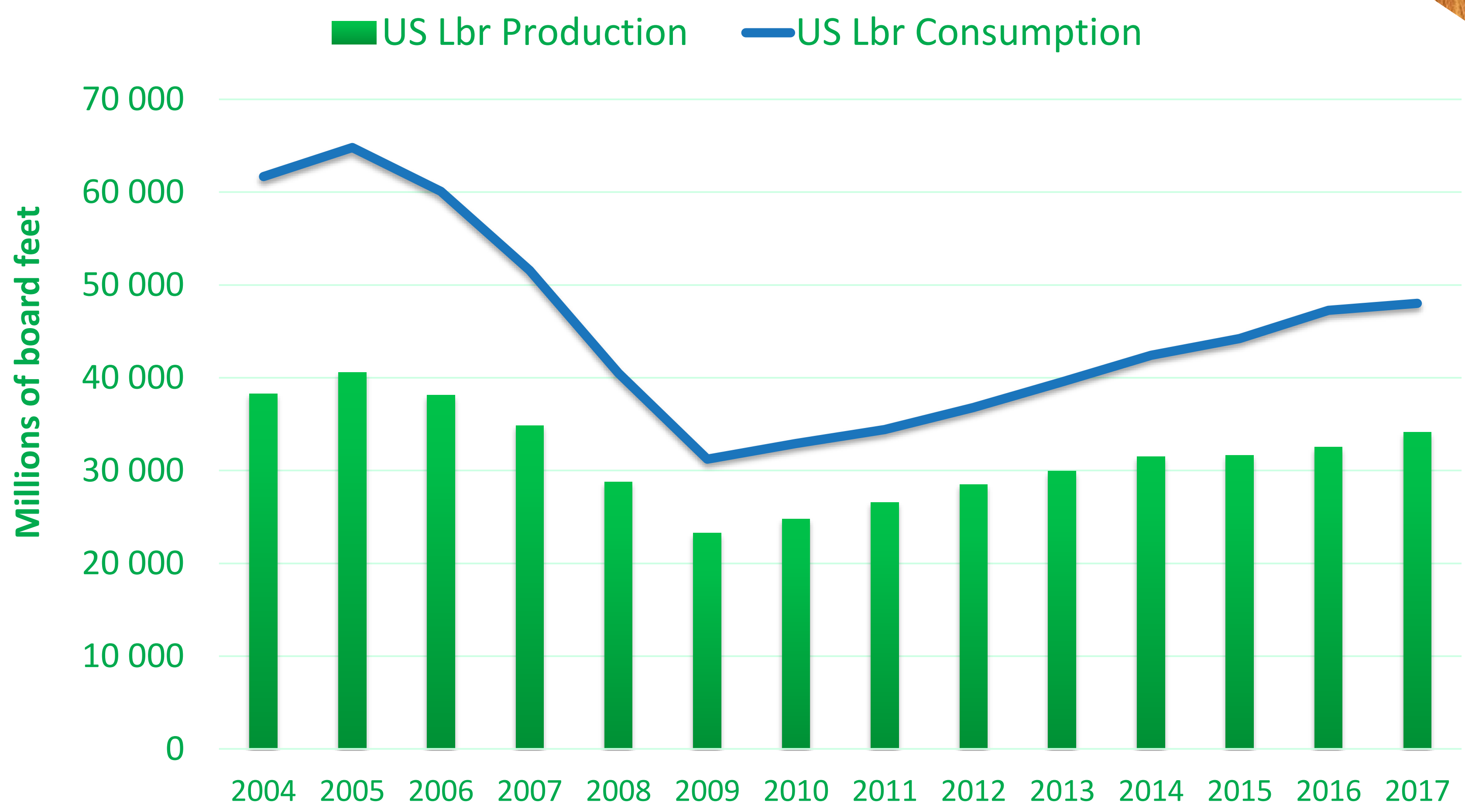
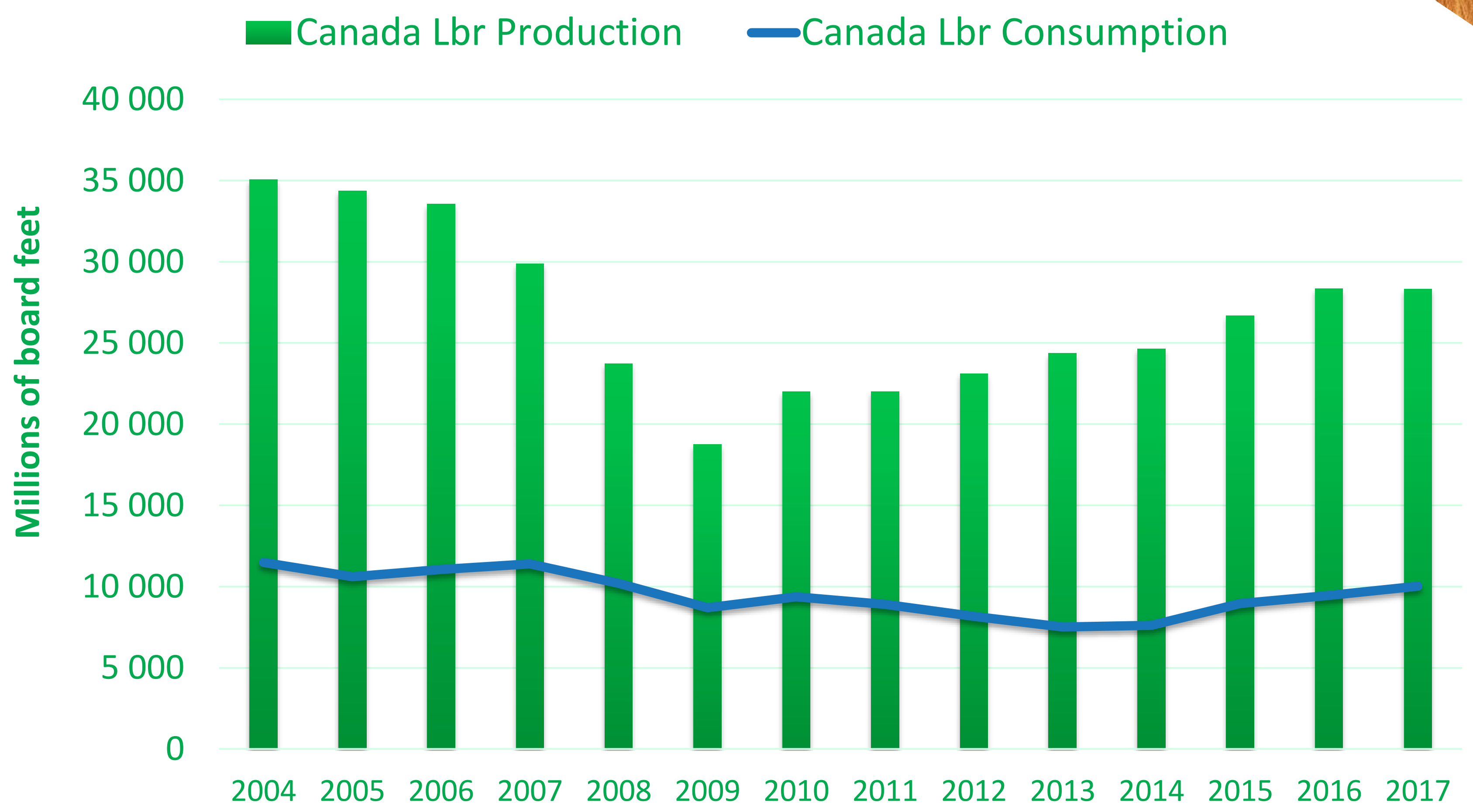
The U.S. is not self sufficient with Lumber



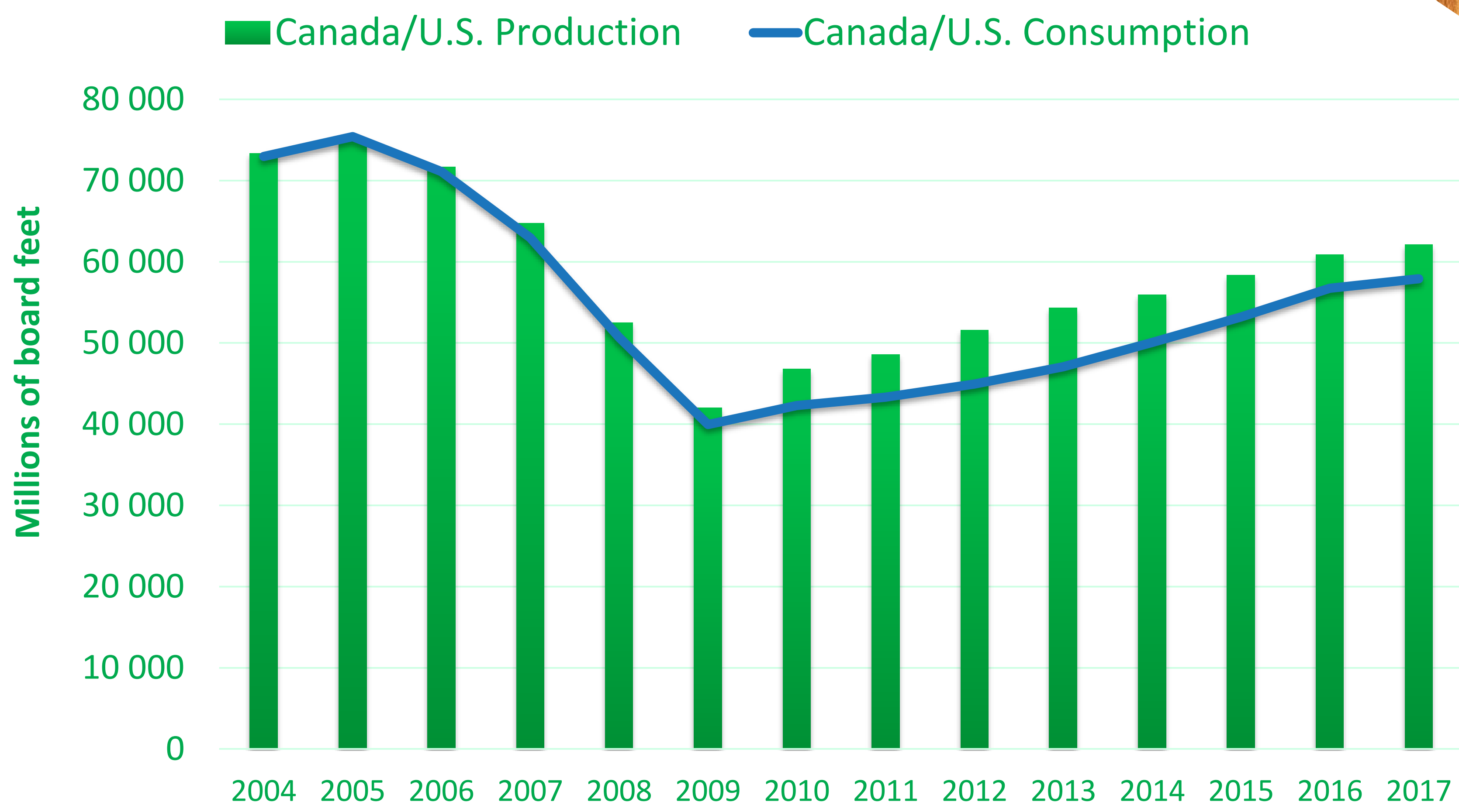
Source: Lumber Track

Canada is more than self sufficient with Lumber



Source: Lumber Track

The U.S. / Canada perimeter is in equilibrium with Lumber

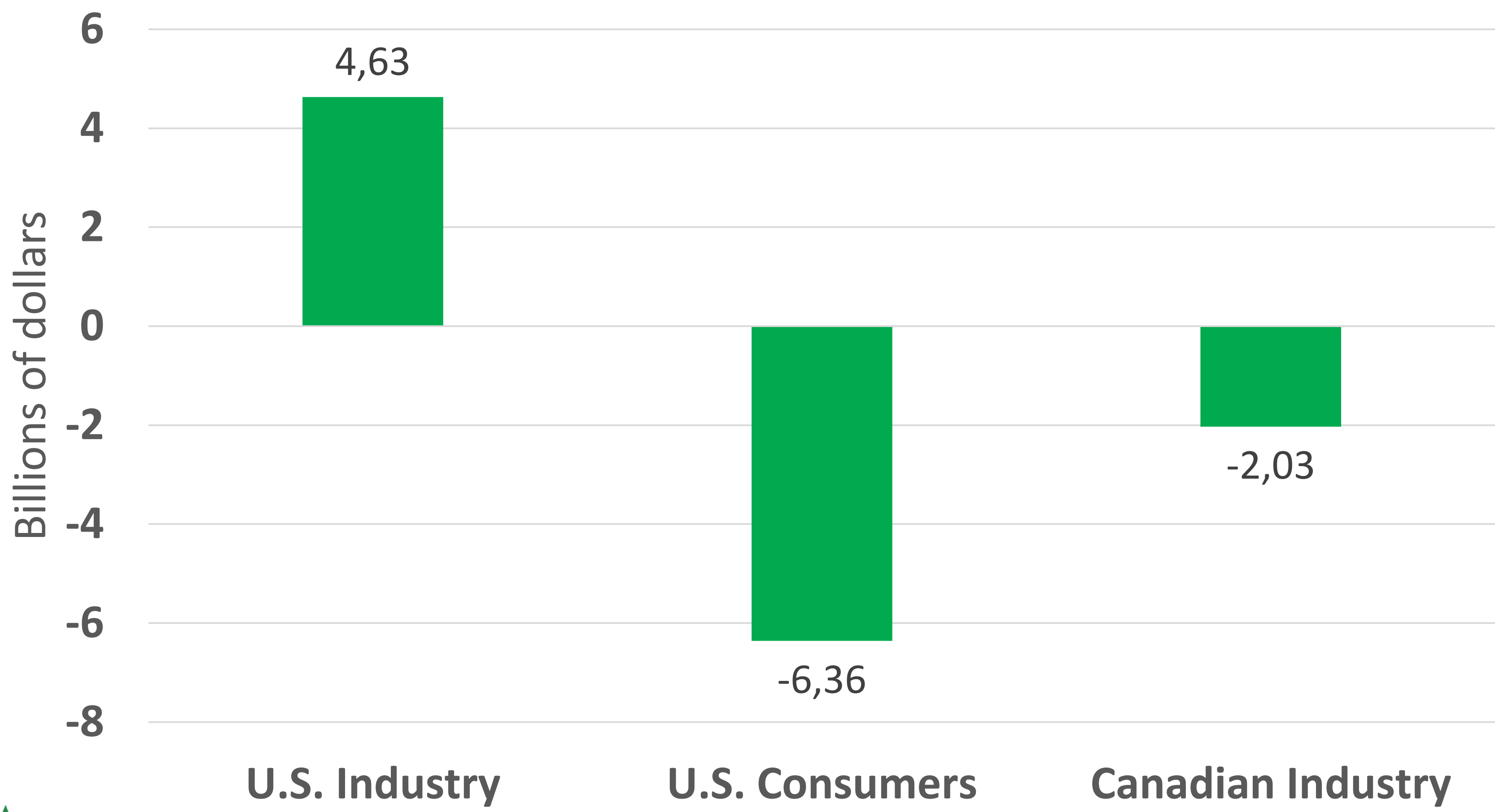


Source: Lumber Track

Why would the U.S. want to restrict our wood?

- **Unfair trade would be a good reason. But DOC's allegations of subsidies (and injury) have never survived judicial review.**
- **Long history of Canadian legal victories…but also of huge market disruptions.**
- **Long history of U.S. industry complaint, but mostly of landowners, not necessarily lumber producers –**
  - International Paper led Lumber IV; Georgia Pacific led Lumber III. Plum Creek now because reducing lumber supply drives up forest land values.

Financial impact of SLA-2006



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Source: IEDM, 2016

SLA-2006 Burden and Strategy for Lumber V

- **Canada: won Lumber IV hands-down, but signed an Agreement (ABR-2006) under wich…**
  - … 1 billion US dollars is returned to the U.S.
  - …Canadian companies must assume the bulk of market risks for the next 7-9 years (quotas and taxes)
- **Lumber IV showed the U.S. Lumber Coalition how to:**
  1. Weaken their Canadian competitors
  2. Create a fund (jackpot) with AD and CVD deposits
  3. Negociate with a position of strength
  4. Run away with the loot

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Québec's sawlog price

- **Has always been determined by markets**
  - Based on private forest's transactions before the new regime
  - Based on auctions since 2013 (because of US pressure)
  - New regime designed to match US's
- **US and International tribunals have never found any subsidy in the past. Our system is now even better, in compliance with U.S. requirements.**

Québec's position

- Québec's new forest regime must be taken into consideration. It was crafted to comply with US free market requirements on roundwood.

- Québec Border Mills must keep their exclusion as their situation has not changed since 2006.

Failing which the Québec industry will get ready and, if necessary, will go on litigation to assert and enforce its exemption.

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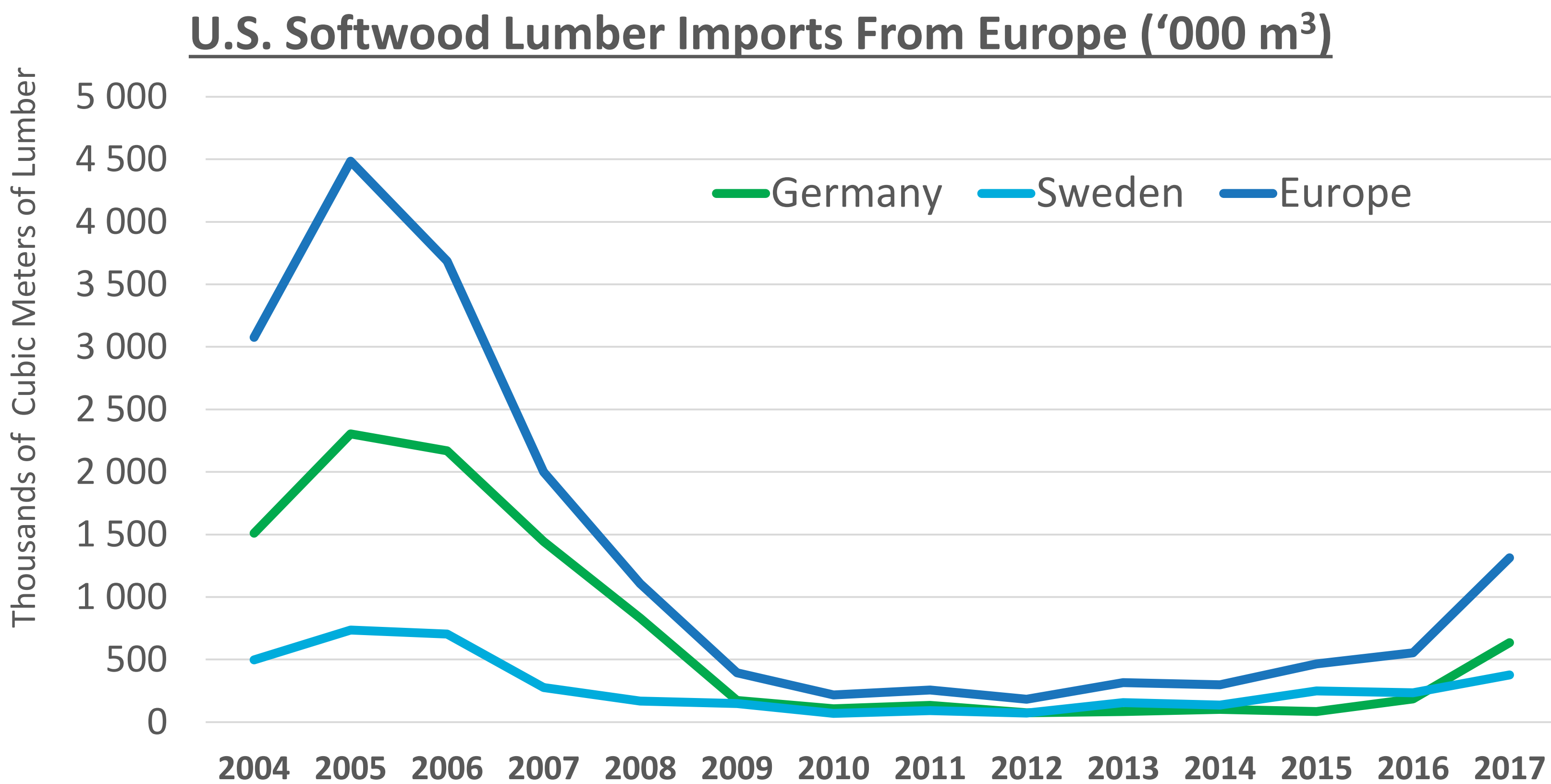
Is Sweden in the Crosshairs of the U.S. Lumber Coalition ?



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Source: Wood Markets International, August 2018

Is Sweden in the Crosshairs of the U.S. Lumber Coalition ?

- **Probably. You lumber is the highest quality.**
  - That does not mean a trade war is looming.
- **Should a new petition be launched, the whole European Union could be the targeted.**
  - After Lumber V has been settled with Canada.

Take home

- The United States must rely on foreign sources to meet its global demand for lumber.
- Canada has a competitive advantage to fill that gap.
- No end is sight for « Lumber Protectionism »
- Periods of litigations followed by periods of managed trade have become stuctural in the economic landscape of the Canadian Lumber industry.
- The U.S. industry wants to curtail international imports of lumber. It will make every possible effort to do so.

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QUESTIONS ?

Tack Så Mycket!

COMMENTS ?

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