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Re-manufacturers – Supply Chain Project Report

for Coast Forest Products Association

OBJECTIVE

The objective of the Coast Forest Products Association (Coast Forest) Remanufacturers - Supply Chain (RSC) Project was to gain a greater understanding of the interconnectedness of the segments of the coastal forestry industry in British Columbia. The secondary manufacturing (value-added) segment of the coastal BC solid wood industry was analyzed with a focus on attaining an accurate measure of the size, state, economic impact and degree of reliance on the primary segment.

BACKGROUND AND METHOD

For the purposes of this study, the two solid wood manufacturing segments of the BC coastal forest products supply chain were defined as the following:

- *Primary segment:* Companies that cut the (round) log into variations of smaller (rectangular or square) wood products. The primary industry is the major supplier to the secondary segment.

- *Secondary segment:* The main focus of this study, this segment was defined as companies that purchase one or more of the 5 coastal species products from the primary segment of the industry to further manufacturer (remanufacturer) the raw material into higher valued products. The 5 coastal species include: Western Red Cedar (WRC), Douglas fir (DF), Hemlock (HF) , Sitka Spruce (SS), and Yellow Cedar (YC).

- *Tertiary segment companies* and companies that purchase WRC logs or blocks for the manufacture of shakes and shingles were not included in this study.

The method for data collection for the RSC Project involved a survey (see Attachment #1) administered by telephone interview by the researcher, G.W. Tree Inc., with key personnel at the secondary-segment companies operating in coastal British Columbia. 181 secondary segment companies were contacted and 100 provided results for this study.

RESULTS

The RSC Project produced results that demonstrate that the secondary (remanufacturing) segment of coastal forestry heavily relies on the health of the primary segment.   It also illustrates the economic impact and importance of the 100 secondary segment companies that manufacture value-added solid wood products.

AT A GLANCE

Below are selected results from the 100 companies that participated in the survey. Please refer to Attachment #2 for further data breakdowns.

Total sales	$1.602 billion
Total # of employees	> 3100
Total volume consumed	576.2 million fbm (approx 1.36 million M3)
Average percentage of species consumed	◦ WRC: 69% ◦ DF: 17% ◦ HF: 14% ◦ SS & YC (combined): < than 1%
# of companies with < 50 employees	91
	Total sales: $1.2 billion
	Mfbm WRC volume consumed: 330,166 (66%)
	Mfbm DF volume consumed: 93,502 (19%)
	Mfbm HF volume consumed: 73,105 (15%)
	Mfbm SS volume consumed: 597 (less than 0%)
	Mfbm YC volume consumed: 1,558 (less than 0%)
	Total Mfbm volume consumed: 498,928
# of companies with < 100 employees *(Industry Canada definition of small goods-producing company)*	96
# of companies with > 100 employees	4
Top 3 concerns about business future:	◦ Supply – availability: 67% ◦ Cost of doing business in BC: 12% ◦ Labor – availably and cost: 11%

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DISCUSSION

A number of findings emerged from the RSC Project that point to the fact that the coastal forest industry in British Columbia is comprised of primary and secondary companies that make up a diverse, commercially-driven and integrated supply chain. Secondary (remanufacturing) segment companies that produce value-added solid wood products rely heavily on strong, primary industry companies for their success.

The 100 secondary (remanufacturing) segment companies analyzed in this study manufacture a diverse array of value-added products in British Columbia. These include products ranging from: flooring, sidings, wall cladding and mouldings to cabinets, siding, architectural woodwork, interior & exterior trim, boards, decking, veneer and more.

In addition, the results of the RSC Project provide solid evidence of how today's coastal forest industry in BC is a commercially-driven, integrated industry. Both the primary and secondary segment companies are vital components to the value chain with the 100 secondary segment companies consuming 576.2 million fbm (approx 1.36 million M3) from the primary segment in 2012. They were supplied mostly with Western Red Cedar products (60% of total volume consumption) followed by Douglas Fir (17%) and Hemlock/Fir (14%) products.

The secondary (remanufacturing) segment is key to strength of the entire BC economy. While 181 companies were identified, 100 (almost all small with less than 100 employees) companies produced $1.62 billion worth of sales in 2012. Moreover, greater than 3,100 people in BC directly rely on the health of this industry segment for their employment and livelihoods. All of this translates to stable communities and taxes paid to the Crown which support important public infrastructure throughout the province.

Finally, the RSC Project revealed that a number of challenges face secondary (remanufacturing) segment companies. Specifically, these included:

- Availability of supply
- Cost of doing business in BC
- Availably and cost of labour

Because of their dependence on the primary segment, it is not surprising that these are also what the primary segment companies identify as their own greatest challenges.

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CONCLUSION

The results of the RSC Project clearly reveal that, from an economic standpoint, the segments that comprise the coastal forest industry in BC is central to the livelihoods of thousands of British Columbians and key to the economic health of our province. Moreover, the welfare of the companies that manufacture value-added solid wood products, the secondary segment of coastal forestry, is directly dependent on the strength of the primary segment companies. They cannot exist without them.

As we move forward, the coastal forest sector in BC has the ability and the motivation to meet their shared challenges together. By working to understand and cooperate with their industry partners as well as collaborating with Government and their many stakeholders, this is possible.

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Attachment #1

Survey

Coast Forest Products Association

(CFPA) Coastal Forest Products Association

Project

BC Secondary Industry Using Coastal Species

Date:

Company Name:

Location: Tel:

Contact Person: Position:

Main Products Produced:

Annual Volumes Consumed by Species:

Species	WRC	DF	H-HF	SS	YC	SPF	Hardwoods
Volumes:							
Mfbm							
M3							

Can You Regularly Purchase The Raw Material (Species/Grades) Required to Operate your Business?

Raw Material Suppliers (by %)

Primary Sawmills	Independent Custom Cutters	Own Custom Cut	Other Remanufacturers	Wholesalers/ Brokers	Other

Markets (as a % of Sales)

Canada	BC (as a % of Canadian Sales)	USA	Offshore

Company Years In Business:

Number of Employees:

Annual Gross Sales:

Future: Major Business Concern(s) Going Forward:

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Attachment #2

Companies broken down by number of Employees, Sales & Coastal Species Consumption.

	Employees	Companies	Total Sales	Consumption (Mfbm)					Total
			M C$	WRC	DF	HF	SS	YC	Mfbm
	1 to 10	37	$ 178,300	47,413	25,612	19,135	505	1,475	94,140
	11 to 20	17	$ 225,000	68,602	15,145	5,570	0	58	89,375
	21 to 30	22	$ 176,750	89,383	32,995	11,400	92	25	133,895
	31 to 40	5	$ 91,000	49,640	8,000	11,000	0	0	68,640
	41 to 50	10	$ 511,500	75,128	11,750	26,000	0	0	112,878
	51 to 60	3	$ 48,500	1,300	190	2,000	0	0	3,490
	61 to 70	1	$ 35,000	60,000	0	0	0	0	60,000
	71 to 80	1	$ 15,000	5,000	0	0	0	0	5,000
	> 100	4	$ 321,000	0	2,200	6,000	0	600	8,800
Totals	**3131**	**100**	**$ 1,602,050**	**396,466**	**95,892**	**81,105**	**597**	**2,158**	**576,218**
				69%	17%	14%	0%	0%	100%