



# Exploring Market Opportunities for Mountain Pine Beetle-affected Wood

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# Overview



- **Overview of Forestry Innovation Investment**
- **Developing and promoting opportunities for pine beetle-affected wood**
- **Conclusion**



# Forestry Innovation Investment



- **Increasing the value of the forest asset through:**
  - ✓ Product development, international marketing
- **FII Marketing Program:**
  - ✓ Coordinating BC Government investments
  - ✓ Retaining and developing existing markets for BC forest products in Japan, Europe and the United States
  - ✓ Developing new market opportunities: China, Taiwan and Korea
- **Promoting BC's sustainable forest management**
- **Managing special initiatives & broad provincial focus**
  - ✓ International marketing, web sites, DVDs, directories / publications



# Diversifying Products through Market Development



- **BC is one of the world's leading exporters of wood products – track record of quality, reliability and global experience**
- **BC produces a wide range of wood products – from dimensional construction lumber to value-added specialty wood products**
- **Internationally recognized technical standards**
- **Proven commitment to sustainability**

# Market Access Strategies



- **Developing new markets key to diversification**
  - ✓ Gathering market intelligence, identifying market opportunities
  - ✓ Increasing market awareness
  - ✓ Addressing market access issues
  - ✓ Building demand
- **Key objective of overcoming barriers to trade in existing and emerging markets**
- **Market development is a partnership**
  - ✓ Industry, Associations, BC Government, Federal Government and engaged interests in the marketplace

# Market Perception Risks



- **Need to address potential market concerns about fibre availability**
  - ✓ Supply stability is a critical product sourcing criteria for established international markets
  - ✓ Important to new markets as well
- **Opportunity to mitigate concerns over potential product supply impacts**
  - ✓ i.e. – questions at Japan Home Show

# Marketing Challenges of Beetle-affected Wood



- **Marketing beetle-affected wood offers both challenges and opportunities**
- **Conveying structural integrity of wood**
  - ✓ Affected trees can be harvested within 15 years without impacting product quality
  - ✓ After harvesting, wood is as structurally sound as any wood
- **Countering concerns of fungus stain effects – blue or grey stain**
  - ✓ Perception challenges in international markets – in some cases, sales may be conditional on discount rate, despite good quality of wood
- **Showing there are no risks to forests from imported pine beetle wood**
  - ✓ Demonstrate to international markets safety of pine beetle wood
  - ✓ No risks of transporting beetle problem

# Marketing Beetle-affected Wood



## Opportunities for selling beetle-affected wood:

- **Capacity of the North American market**
  - ✓ Efforts to develop new capacity in non-residential applications
- **Some value-added opportunities based on appearance of wood**
  - ✓ Opportunities identified through groups such as “Denim Pine”
  - ✓ But limited demand in relation to the scale of the beetle infestation
- **Developing new large-scale markets for beetle-affected wood**
  - ✓ Emerging markets such as China and others
- **Research to demonstrate structural safety of wood**
  - ✓ Allowing local scientists to verify product quality and safety to satisfy international markets and expedite approvals for pine beetle wood imports
- **Demonstrating BC’s environmental stewardship**



# Market Realities



- **Pricing factors could assist the opening of emerging markets**
  - ✓ Low-cost applications
  - ✓ Hybrid, multi-family dwellings
  - ✓ Products for remanufacture
- **Market development takes time**
  - ✓ FII and industry are committed and active in key emerging markets such as China

# Emerging Market Potential in China



- **China is the fastest emerging market for BC wood exports**
  - ✓ 10 million housing starts per year
  - ✓ Currently 500 homes built per year with wood
  - ✓ New building code will encourage wood construction for housing
- **Dream Home China demonstration project positions BC as a market leader**
- **Other Opportunities for wood export promotion:**
  - ✓ Beijing Summer Olympics 2008
  - ✓ Shanghai World Fair 2010
  - ✓ Multi-family hybrid construction
  - ✓ Non-residential construction



# Encouraging Progress in China



- **Letter of intent with Chinese Academy of Forestry to study opportunities for naturally damaged wood**
- **Research will confirm what BC already knows**
  - ✓ **Beetle-affected wood is structurally sound**
  - ✓ **Fungus stain does not affect strength, gluing or finishing**
  - ✓ **There is no threat of beetle transfer**
  - ✓ **Various commercial opportunities for pine beetle and fire-damaged wood**
- **Allows CAF and SFA to contribute to identification of new product opportunities in China, and to address technical barriers to trade**

# Emerging Market Potential in Korea



- **FII and partners preparing market launch for Korea**
- **Research indicates no aversion to stained wood in Korea**
- **FII evaluating proposals for further market development in Korea**
  - ✓ **Strategy for full wood market development, not just pine beetle wood**
- **FII continuing to explore other international markets**

# FII Product Development Program



- **In addition to CAF, FII's product development program will consider funding research for new products and new product applications**
  - ✓ RFP in December and January, funds available in April
- **Research must be non-proprietary, results broadly available to all potential product producers**
- **Priority on research creating commercial opportunities for BC wood products**
  - **Past examples:**
    - Characterizing the properties of Mountain Pine Beetle affected wood
    - Applications for lesser-used wood species
- **Opportunities in energy and other product development to be addressed by other presenters**

# Conclusion



- **Summary**

- **Continue market development / market retention activities for BC products including pine beetle affected wood**
- **Continue market intelligence and market strategy development**
- **Support new product development**
- **Promote BC's world-class environmental stewardship**
- **Work closely with industry, associations, technical institutions**
- **Address inclusion of beetle affected wood within investment and individual market strategies**