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RIGHT FINDINGS, WRONG SOLUTIONS: SPOTLIGHT ON THE FORESTRY INDUSTRY

CIRANO Note written by Mathieu Laberge, September 2009

In some circles it has long been believed that only reducing the cut volume could limit the environmental damage caused by forestry activities. With recent advances in product development in some sectors of this industry we can now use the resource more efficiently and minimize the production of waste that was once a hallmark of this activity. These developments open the door to alternatives to reducing the cut volume.

Technological Alternatives

The emerging wood products sector might encourage the development of new products that are better adapted to consumer's demands. These products often consist of materials formerly discarded as waste. For example, products made from glued-laminated (glulam) timber, I-joists, open-web roof joists, and high-density precast panels are all wood products with a high value added that allow recuperation of a part of the resource once considered garbage.

As to the pulp and paper industry, it will need to identify and develop new technological niches, especially in the fields of biotechnology and nanotechnology, if it is to have a future. First, we may think of initiatives involving cogeneration or generating steam from hog fuel, such as tree bark—which could fuel both a turbine for generating electricity and pulp-drying kilns. In the case of nanotechnologies, the most interesting applications appear to be in using nanofibres from wood cellulose to reinforce plastic. This process could, for example, replace fibreglass in the manufacture of car bumpers. In time, some pulp and paper plants could be converted into bio-refineries specialized in creating cellulose nanofibres, which are characterized by a very high yield. Residues, sugars, and lignin could be used to create methanol and road dust suppressants.

Divergent Evolution

This transformation in the supply of wood products has an impact on economic indicators for each segment of the industry. Thus, since 2000 the wood products sector has posted annual increases of 2.3% in the value of its deliveries and 6.1% in value added. This has been accompanied by rising productivity and employment and a stabilization of employee compensation.

In contrast, by all indicators the pulp and paper sector has experienced a rapid decline in recent years. Its value added has posted a mean annual drop of 8.7% and deliveries have fallen by 4.2%. The softwood lumber and logging sectors lie somewhere in between.

So we see that not all sectors of the forestry industry are contending with the same reality. Consequently, they do not all require the same degree of support from government institutions. Despite hard times in the past, the logging and wood products sectors have made significant gains. However, it does appear necessary to come to the rescue of workers affected by the structural crisis in the pulp and paper sector and those suffering through the cyclical downturn in softwood lumber. However, this support does not extend to keeping afloat firms that have proven unable to adapt to the new reality of this industry.

More Targeted Aid

While the reorganization in the pulp and paper industry has been ongoing for several years, governments have used the cover of the recession to continue lavishing money on paper manufacturers and the forest industry. It is not, however, unreasonable to believe that governmental intervention will have little impact on the outcome of the industrial transformation currently sweeping through that sector. In fact, this restructuring is necessary and, just as it began before the current recession, so it will persist into the recovery.

This context, in which different sectors of the forest industry are headed in opposite directions, raises serious questions regarding the most appropriate public policy. Would it be good stewardship to publicly fund research and the development of new wood products with a high value added? Is it better to help an infant industry than to maintain a sector on "life support" that has proven itself incapable of dealing with international competition?

For more information, we invite you to consult the burgundy report at the following address:

http://www.cirano.qc.ca/pdf/publication/2009RB-06.pdf