OPEN MARKET FOR TIMBER FROM QUÉBEC’S PUBLIC FORESTS

QUÉBEC’S FOREST REGIME IS EVOLVING CONSTANTLY, AND THE GOVERNMENT WORKS HARD TO ADJUST ITS MANAGEMENT METHODS TO SUIT NEW CONTEXTS, THE GROWING NEEDS OF LOCAL AND REGIONAL COMMUNITIES AND THE MARKET SITUATION. THE SUSTAINABLE FOREST DEVELOPMENT ACT PROVIDES FOR THE CREATION OF AN OPEN MARKET FOR TIMBER FROM THE PUBLIC FORESTS BY INSTITUTING THE TIMBER MARKETING BOARD.

THE TIMBER MARKETING BOARD

 Québec’s Minister of Natural Resources and Wildlife officially announced the creation of the province’s first-ever timber marketing board on January 14, 2011, and six months later the board organized the first round of auction sales in its history. The sales took place within the Program for an Open Timber Market, which allowed the board to sell volumes of wood not harvested during the forestry crisis. A year later, in June 2012, the first official sales took place under the provisions of the Sustainable Forest Development Act.
BACKGROUND

The forestry sector crisis of recent years highlighted the limitations of the timber supply and forest management agreement (TSFMA) system that prevailed under the old forest regime. Some companies had difficulty obtaining timber supplies, while volumes of wood were set aside for companies that were not operating at 100% of their capacity, or had closed down temporarily. This inherent rigidity in the supply chain was an obstacle to the creation of new companies and hindered the effectiveness of the forest sector in general.

To remedy the situation, the new forest regime stipulates that 25% of the timber from the public forest will now be allocated via a public auction mechanism. The creation of an open market for timber from the public forest is conducive to better use of the resource and helps to make the sector more effective and efficient. Ultimately, all Québécois will benefit from the creation of wealth generated by freer access to the forests.

A NEW TIMBER ALLOCATION MECHANISM

The timber marketing board created by the Sustainable Forest Development Act is responsible for selling 25% of the timber from the public forests, and for ensuring that sales are made on an open market. To obtain the best possible – and fairest – prices, the timber must be made available to as many buyers as possible, across regional boundaries. Processing mill owners, contractors, cooperatives, forestry groups and log dealers are all permitted to take part in the auctions organized by the board. Once the trees have been harvested, the logs may be sold on the secondary market, although the obligation to process them in Québec remains in force. In addition, the prices obtained from open market timber sales are now used instead of private forest prices to calculate the stumpage rates offered in the supply guarantees (formerly known as forest dues).

RESULTS AND OBSERVATIONS

The results obtained by the timber marketing board since 2011 are encouraging and clearly show that the main goals of the forest regime review have been achieved. Under the Program for an Open Timber Market, roughly 1.7 million cubic metres of timber have been offered by the board, and approximately 82% of this volume was purchased. In the period from April 1, 2013 to March 31, 2018, the timber marketing board will offer for sale at least 5.7 million cubic metres of timber each year. These are the volumes set aside for the open timber market in the new forest regime.

Generally speaking, nearly half the volumes sold on the open market since the board began its operations were purchased by companies that were previously unable to access wood from Québec’s public forests, suggesting that one of the new regime’s goals has in fact been achieved – namely, to broaden access to timber resources from State-owned forests. In addition, given that buyers are free to process the timber themselves or sell it to the mill best able to develop it, the number of final destinations of timber purchased at auction is generally higher than for timber from sectors harvested under supply guarantees, clearly showing the open market’s capacity to generate better use of forest resources.

For further information on the timber marketing board, please visit the following website: bmmb.gouv.qc.ca.

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