Forestry Innovation Investment

Report to Stakeholders
October 2011

Forestry Innovation Investment

On the cover: Environmental Systems Science Building, University of British Columbia

Perkins+Will Architects Canada Co.

Partners in market development

British Columbia maintains its position as a leading global supplier of wood products by continuously delivering innovative, high quality products to buyers in major markets around the world.

Retaining this competitive edge takes coordination and joint effort between the many different groups involved in the B.C. forestry sector - individual businesses, trade associations, various levels of government, post-secondary institutions and research groups. All parties bring significant strengths to the table, and together, our efforts have much greater impact than separately.

Forestry Innovation Investment is pleased to work closely with the following organizations to sustain B.C.'s global leadership in wood products.

Forest industry associations and organizations

- APA – The Engineered Wood Association
- B.C. Forestry Climate Change Working Group
- B.C Shake & Shingle Association
- BC Wood Specialties Group
- Bi-national Softwood Lumber Council
- Canada Wood Group
- Canadian Wood Council
- Canadian Wood Council – Wood*WORKS!* BC
- Cedar Shake and Shingle Bureau
- CertiWood
- Coast Forest Products Association
- Council of Forest Industries
- Forest Products Association of Canada
- Sustainable Building Coalition
- Western Red Cedar Export Association
- Western Red Cedar Lumber Association
- Wood Pellet Association of Canada
- Wood Products Council

Post-secondary and research institutions

- British Columbia Institute of Technology
- FPInnovations
- University of British Columbia

Government organizations

- B.C. Ministry of Jobs, Tourism and Innovation
- B.C. Ministry of Forests, Lands and Natural Resource Operations
- Canadian Mortgage and Housing Corporation
- Department of Foreign Affairs and International Trade, Government of Canada
- Department of Natural Resources (NRCan), Government of Canada
- Western Economic Diversification Canada

Highlights - Building the Market for Wood in China

The growth B.C.'s softwood lumber trade with China has been phenomenal. In 2003, at the start of the joint provincial-federal-industry market development program in China, B.C. exported $69 million worth of softwood products to China and Hong Kong. In 2010, after seven years of hard work and clear focus, B.C. exported $687 million dollars worth of softwood lumber – an increase of almost 900 percent.

Breaking into the multi-family housing sector

In November, 2010, Minister of Forests, Mines and Lands Pat Bell, signed the Canada-B.C.-China agreement on cooperation and research in wood frame construction. The first joint project is the four-storey Tianjin TEDA Apartment Project, which will literally raise the roof over the current three-storey limit on wood frame buildings.

Opening new markets for wood products in Northern China

In July, 2010, FII signed an MOU with the Hebei Provincial Government to construct a wood frame construction demonstration project. The Hebei Building Science Research Centre is the first demonstration project in a province that is quickly commercializing wood frame construction.

The Vancouver Pavilion at Expo 2010, Shanghai

FII, in partnership with Natural Resources Canada, successfully designed, built and operated the Vancouver Pavilion at Expo 2010 in Shanghai. The Pavilion, a showcase for wood frame construction, attracted 649,600 visitors and generated $1.3 million in advertising-equivalent news coverage.

"The exposure we gained was equivalent to hosting 400 trade shows. It was a tremendous opportunity to promote our products and technology, and build on the market inroads we have made since 2003."

Minister of Forests, Mines and Lands Pat Bell, on visiting the Vancouver Pavilion at Expo 2010 Shanghai in November 2010

Leveraging government-industry connections

During 2010/11, FII coordinated two highly successful trade missions to China. A 10-day trade mission in November 2010 resulted in the signing of three MOUs and the first meeting of the Bi-lateral Joint Working Committee established as part of the cooperation with China's Central Government Ministry of Housing and Urban-Rural Development. During the March 2011 trade mission, the delegation attended the Beijing Green Building Show, where Minister Bell unveiled a three-storey pre-fabricated 776-square-metre demonstration apartment building that was assembled in 60 hours outside the venue.

Highlights - Building on North American Success

Creating a culture of wood in B.C.

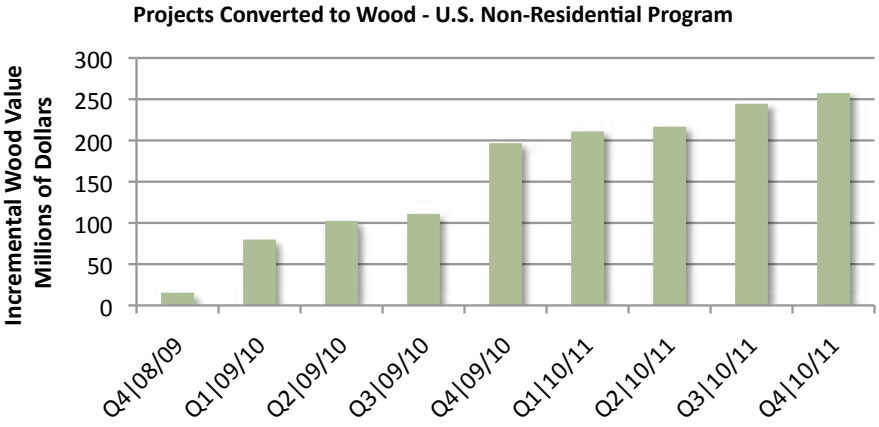
B.C.'s Wood First Initiative encourages a cultural shift toward wood as the first choice for construction, interior design and daily living. In the summer of 2011, FII assumed management of the inititiative. Over the past year:

- FII funded the creation of the Wood Enterprise Coalition, a partnership of B.C. trade and research associations to champion the Wood First initiative across B.C.
- Wood First efforts were endorsed by at least 37 municipalities.
- More than 95 new 6-storey wood-frame construction projects were begun across the province.

Helping architects think Wood First

In response to an overwhelming demand from architects for more information on designing and building with wood, FII published the Architect's Toolkit, a package of materials on the merits of wood, green building tools, technical information, design tips and links to information on the internet.

Tapping into the non-residential construction sector in the U.S.



Capturing a larger share of the vast non-residential construction sector in the U.S. is a priority for FII and its partners.

With financial support from FII, efforts by the Wood Products Council directly generated more than $128 million of sales of wood products through 500 projects that switched to wood-frame construction or otherwise increased the use of wood products. If projects influenced are added (those switching to wood, but where no technical support from the WPC was requested), then sales generated are estimated at over $250 million.

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Message from the Minister

As Minister of Jobs, Tourism and Innovation, I believe that forestry is one of the most important sectors of the B.C. economy. It makes up the largest share of provincial manufacturing, employs tens of thousands of British Columbians, and anchors more than 40 percent of B.C.'s regional economies.

Supporting the growth of B.C. forestry is a priority of the government, and is best achieved by building on the Province's other efforts in international trade, competitiveness, investment and innovation.

That is why Forestry Innovation Investment is now under the mandate of the Ministry of Jobs, Tourism and Innovation. Aligning the Province's market development agency for forest products with its other jobs and trade initiatives reflects the government's commitment to put families first by creating the necessary conditions to generate more forest jobs throughout the province.

As noted in this report, our strategy has been successful over the past year. Exports to China continued to grow at an astounding rate, with sales doubling on a year-over-year basis, and increasing a remarkable 370 percent over only two years ago. Closer to home, the Wood First policy to make wood the primary choice for building construction is taking hold, and we are seeing many communities in our province adopt their own versions of the policy at the municipal level.

In these efforts, as well as in other market development programs, the key to success has been cooperation between government, industry, trade associations and research institutions.

By continuing to work together, in partnership with the federal and other levels of government, the Province will maintain B.C. forestry's global leadership and open up even more markets to our forest products.

Pat Bell
Minister of Jobs, Tourism and Innovation

Message from the CEO

As the British Columbia Crown agency responsible for developing and diversifying markets for the province's forest products, FII is pleased to report that 2010 was a turnaround year for B.C. forestry output, in large part due to strong Asian demand for B.C. lumber, pulp and paper. The value of lumber sales increased by 19 percent compared to 2009, while pulp and paper sales increased by 13 percent. As significantly, sales have continued to climb in the first half of 2011.

The increase in lumber sales was especially remarkable because it happened in spite of continuing weak demand in the U.S. This marks an historic shift as Asian markets, and in particular China, have surpassed the U.S. in total volume of sales for the first time.

The increasing flow of lumber to China is credited not only with expanding our industry's customer base, but also with keeping the price for lumber much higher than it otherwise would be, world-wide. Company share prices rose significantly in 2010/11, and B.C. firms announced the first major capital investments in several years.

Lumber sales to Japan rose by 24 percent in 2010 compared to 2009, and significant increases were evident in exports to the smaller markets of the United Kingdom, Taiwan, Saudi Arabia, and India. The latter is especially interesting because India has recently changed its phytosanitary constraints to the import of Canadian SPF lumber, which may open the door to doing much more business in south Asia.

As outlined later in this report, a majority of FII's budget was directed towards developing these markets by funding programs operated by industry trade associations.

In addition to FII's investments in offshore markets, funding in 2010/11 was directed to domestic market development through the Business Innovation Program by which BC Wood Specialties Group, FPInnovations and the Centre for Advanced Wood Processing at UBC are directly supporting value-added firms to improve their business planning, product design, manufacturing and marketing. FII also supported the Province's emerging Wood First priorities, such as development of cross laminated timber technology and capacity.

On the Market Acceptance front, FII continued to collaborate with other organizations to make architects, specifiers, developers and builders aware of the environmental merits of our forest products, especially as documented by the emerging science of life cycle assessment for building systems.

Looking forward, Asian markets will remain a priority for FII, with support also continuing for Wood First, the Business Innovation Program, the North American non-residential strategy, and programs promoting the technical and environmental benefits of building with B.C. wood products.

This annual Stakeholder Report highlights the accomplishments of FII and its partners in 2010/11 and profiles activities underway in the current fiscal year. It also outlines how FII and its funding recipients have been working to retain existing markets and develop new market opportunities.

K. Baker

Ken Baker
Chief Executive Officer

Section 1 - An Overview of FII

Mandate

Forestry Innovation Investment was established in 2003 as the B.C. Government's market development agency for forest products with a mandate to work with the forest industry and federal government in building new markets domestically and internationally by:

- promoting B.C.'s forest products and forest management practices around the world;
- positioning British Columbia as a global supplier of world-class, environmentally friendly forest products;
- helping break down non-tariff trade and market barriers to sales of B.C. forest products in foreign markets; and
- ensuring that the forest sector, through product development and strong international sales, continues to be a leading contributor to the B.C. economy.

When FII was created, less than one-sixth of B.C.'s forest product exports were sent to markets outside of North America. Today, more than one-third of exports are shipped overseas. In particular, sales to China have increased more than 10 times since a joint China market development program was set up by FII and the industry, with generous federal government support, in 2003.

Business units

FII is organized into business units that reflect the organization's focus on international market development and communication initiatives.

Forestry Innovation Investment

Market initiatives and outreach	Corporate services	China subsidiary
Support industry trade associations in developing and/or opening markets for B.C. forest products	Ensure financial reporting to Government standards	Partner with industry in developing China market for B.C. forest products
Champion the Province's Wood First policy and support capacity development in the B.C. value-added wood products sector	Oversee budget planning and controls	Manage relations between B.C. government, industry and Chinese national and local governments
Promote the benefits of wood and position the B.C. forest sector as a world-leading supplier of forest products	Provide human resources, information technology, and office services to meet organizational needs	Design and deliver demonstration projects
Ensure markets are aware of B.C.'s sustainable forest practices and high environmental standards		Undertake market research and manage forestry trade missions
Research international markets and identify opportunities for sales growth of B.C. forest products		

About half of FII's budget is used to fund, in whole or in part, initiatives that are designed and delivered by industry trade associations. These activities are typically co-funded by FII, Natural Resources Canada through its Canada Wood Export Program and its North American Wood First Initiative, and industry. Trade associations play an important delivery role in market development and market diversification by representing specific industry sectors, products or species of relevance to their member firms.

Business focus

FII investments are spread across three key areas of marketing activity:

10%

Use Wood – The focus is to promote the environmental merits of wood alongside other advantages, such as cost efficiencies and code compliance. This demonstrates the multiple benefits of using wood in competition with other materials such as concrete and steel, setting the stage for promoting products specifically from B.C.

To promote wood as a preferred material, FII collaborates closely with a number of stakeholders in the planning and delivery of these activities, such as the Forest Products Association of Canada, Bi-national Softwood Lumber Council, B.C. Forest Sector Climate Change Working Group, Sustainable Building Coalition, and FPInnovations.

20%

Buy from B.C. – The focus is to promote B.C. as a preferred source of a wide range of sustainable forest products. This sets the stage for promoting specific B.C. products.

Also important is ensuring that British Columbia is widely known as a leading global supplier of a wide variety of products from sustainably managed forests. Promoting B.C. and its forest sector are central to all of FII's investments, and specific activities are undertaken to differentiate B.C. as a preferred supplier. This B.C.-specific messaging is typically delivered through FII's market outreach program, in partnership with other B.C. and overseas Canadian trade and forest product organizations, such as Canada Wood Group.

70%

Develop B.C. Product and Market Opportunities – The focus is to promote specific product lines for specific applications. Most of this work is done by trade associations.

Developing specific market and product opportunities represents the majority of activities that FII supports, with over 2/3rds of FII's investments directed to market development programs delivered by industry trade groups as well as market development services delivered by FII on behalf of the Government of B.C. Programs delivered include market access (e.g., developing building and fire codes in offshore markets); construction quality assurance, builder and architects training; and building system and product promotion. Within this area, FII also provides funding to institutional partners to stimulate the development of innovative products and/or technologies (e.g., alternate uses for beetle-killed wood).

Section 1 - 2010/11 Expenditures and 2011/12 Budget

Financial

FII operates primarily on an annual funding allocation from the Ministry of Jobs, Tourism and Innovation. The projected budget for 2011/12, compared to actual expenditures in 2010/11 is provided below:

Statement of funding and expenditures by program
Comparison to budget and prior year

	2010/11 Actual	2011/12 Budget
Funding		
Receipts - Province of B.C.	**$18,800**	$18,800
Receipts - Wenchuan Reconstruction	**4,772**	-
Receipts - NRCan Funded Demonstration Projects	**2,637**	-
Transferred from defferred revenue	**-**	200
Total Funding	**$26,307**	$19,000
Expenditures		
Market Initiatives & Outreach	**14,358**	14,830
China - Market Development	**2,781**	2,800
China - Wenchuan Reconstruction	**4,690**	-
China - NRCan Funded Demonstration Projects	**2,761**	-
Corporate Support	**1,100**	1,170
Amortization	**331**	200
Total Expenditures	**$26,021**	$19,000
	$286	$ -
Transfer from Contributed Surplus	**-**	-
Excess of Funding Over Expenditures	**$286**	$ -

In 2010/11, FII received base funding of $18.8 million from the Government of B.C. In addition, FII received a further $4.8 million designated for completion of the Wenchuan Earthquake Reconstruction projects (Sichuan, China). This latter amount included $3.3 million from the Province of B.C., $1.14 million from Natural Resources Canada (NRCan), and $332,000 from Beichuan County, China as part of its contribution to the reconstruction efforts. NRCan also contributed $2.6 million for other wood frame demonstration projects undertaken in China.

In addition to expenditures of $7.4 million for earthquake reconstruction and other demonstration work in China in 2010/11, FII invested $14.8 million in delivering a variety market outreach and market development initiatives in Asia, the U.S. and Europe. This amount included $8.9 million committed to partly or fully pay for product and market development activities proposed and ultimately delivered by trade associations, FPInnovations and the University of B.C. Amounts also included $880,000 directed to the Business Innovation Program by which BC Wood Specialties Group, FPInnovations and the Centre for Advanced Wood Processing at UBC are supporting value-added firms to improve their business planning, product

design, manufacturing and marketing. A further $471,000 was directed at research to support the Province's emerging Wood First priorities, such as development of cross laminated timber technology and capacity.

Together, these investments leveraged over $15 million of contributions from industry and the federal government during the year. Overall cost sharing under FII's funded recipient programs was:

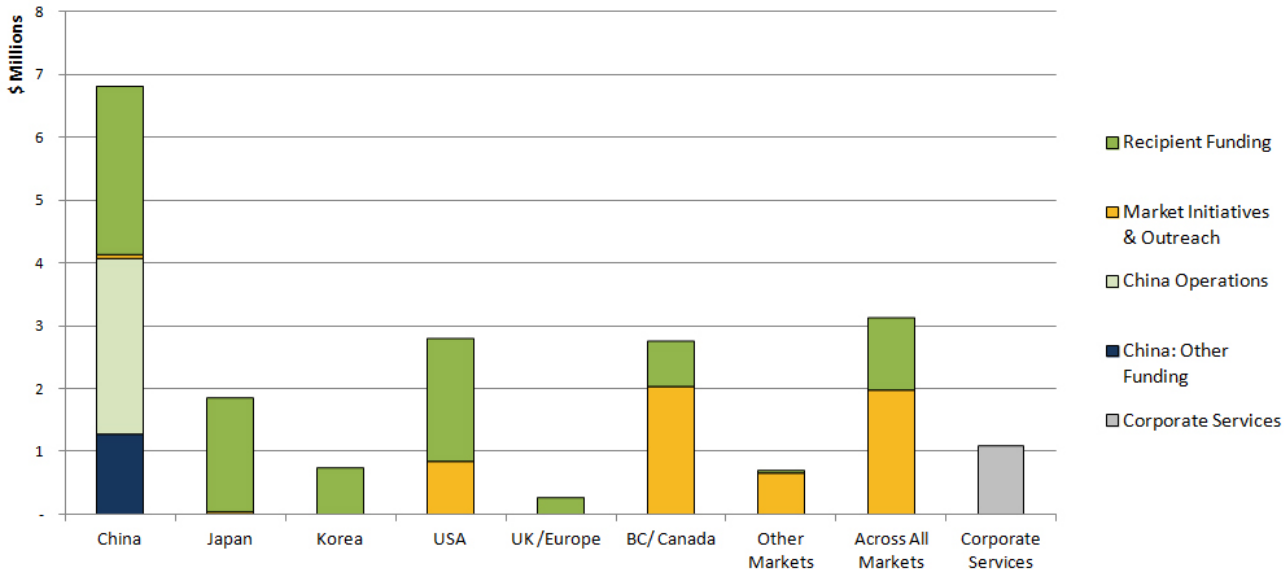
FII	38%
Natural Resources Canada and other government agencies	42%
Forest industry	20%

A total of $2.78 million was directed to the operations of FII's subsidiary in China, FII Consulting (Shanghai) Company Ltd., to undertake market development activities in China, including management of the Wenchuan reconstruction efforts.

Market priorities

For 2011/12, FII's revenues and expenditure will remain roughly equivalent to 2010/11, after accounting for the expiry of one-time funding from the federal and provincial governments for Wenchuan and other demonstration work in China. FII funding priorities are continuing to emphasize market development in Asia, especially China, as well as the activities of trade associations in offshore markets and in North America. A summary of projected funding allocations by region is presented, below:

Summary of funding allocations[1] 2011/12



[1]'Recipient Funding' refers to funding provided to industry associations and other groups to carry out market development activities that they propose. 'Recipient Funding' also includes funding for the Business Innovation Program. Amounts include associated program administration.

'Market Initiatives & Outreach' refers to funding for product and market development activities managed directly by FII, including market research, market outreach and demonstration projects. Amounts include $470,948 for Wood First initiatives.

'China Operations' refers to activities directly managed by FII Consulting (Shanghai) Co. Ltd.

'China: Other Funding' refers to funding provided by the B.C. Ministry of Small Business, Technology and Economic Development, the federal government (Natural Resources Canada) and other agencies. The amount for 2010/11 includes $1.3 million from deferred revenue.

'Corporate Services' refers to FII's accounting and financial reporting and to general office functions that support program delivery and transparency.

Business results

FII employs a comprehensive suite of measures to track performance by its own employees and by the organizations to which it provides funding. High-level performance measures are shown in FII's annual Service Plan: www.bcfii.ca/wp-content/uploads/aboutus/corporate/corporate-reports/Service-Plan-FINAL-signed-version.pdf.

A full description of FII's detailed performance management framework, and the specific performance measures tracked for FII's funding recipients, can be found in the FII Performance Management Framework, available on the FII website: www.bcfii.ca/aboutus.

In 2010/11, FII substantially achieved all of its targets.

	Performance Measure	2009/10 Actual	2010/11 Forecast/ Actual	Forecast		
				2011/12	2012/13	2013/14
A	B.C. softwood lumber exports to priority asia pacific markets (thousands of cubic metres)[2]	4,056	6,268/7,169	8,868	9,604	10,322
	Consisting of:					
	China	2,589	3,700/4,562	6,300	7,900	9,500
	Japan[3]	1,986	2,400/2,447	2,400	2,400	2,400
	S. Korea[4]	105	168/160	186	204	222
B	Incremental sales generated in U.S. non-residential market (millions of board feet of lumber)	190	340/552	470	600	775
C	Incremental sales generated in the B.C. non-residential market (millions of board feet of lumber)	52[5]	52/73	86	95	105
D	Percent of customers who feel that choosing products from B.C. (Canada) is a good choice for the environment	n/a	90%/98%	n/a	90%	n/a

[2] Performance Measure A is broadly influenced by global economic conditions beyond the control or direct influence of FII or the provincial government; however, export data provide a helpful indicator of overall progress by FII and its funding recipients in fostering market diversification. Volumes are reported by Statistics Canada.

[3] It should be noted that many specialty products formerly shipped from B.C. to Japan (e.g., Douglas-fir, cedar, sitka spruce) are now often exported from B.C. to China, manufactured into value-added products, and re-exported to Japan. This is increasing B.C. export volumes to China while reducing shipments from B.C. to Japan. The trend is expected to continue and is factored into export targets.

[4] Lumber consumed in structural applications (residential, non-residential and additions).

[5] Actuals for 2009/10 were adjusted upward by the Canadian Wood Council to 52 million board feet from the 43 million board feet reported in the 2009/10 Service Plan Annual Report.

Section 2 - Global Market Trends

Global wood product markets recovered in 2010 from the severe downturn in 2009, although the recovery was uneven and in many countries slow. In the U.S. and Europe, demand for wood products grew slightly, but full recovery of market demand in Europe and the U.S. will require more time.

In the U.S., high unemployment and a depressed housing market held back demand for wood products. The effect of federal stimulus money diminished in late 2010 and is estimated to contribute just half a percentage point to economic growth in the US in 2011.

Significant differences in the pace of growth exist in Europe, where some countries suffered large financial shocks and a collapse of the housing market (such as Ireland and Spain), while others such as Germany posted relatively strong growth in 2010. The main concern in Europe is the sovereign debt crisis, such as in Greece.

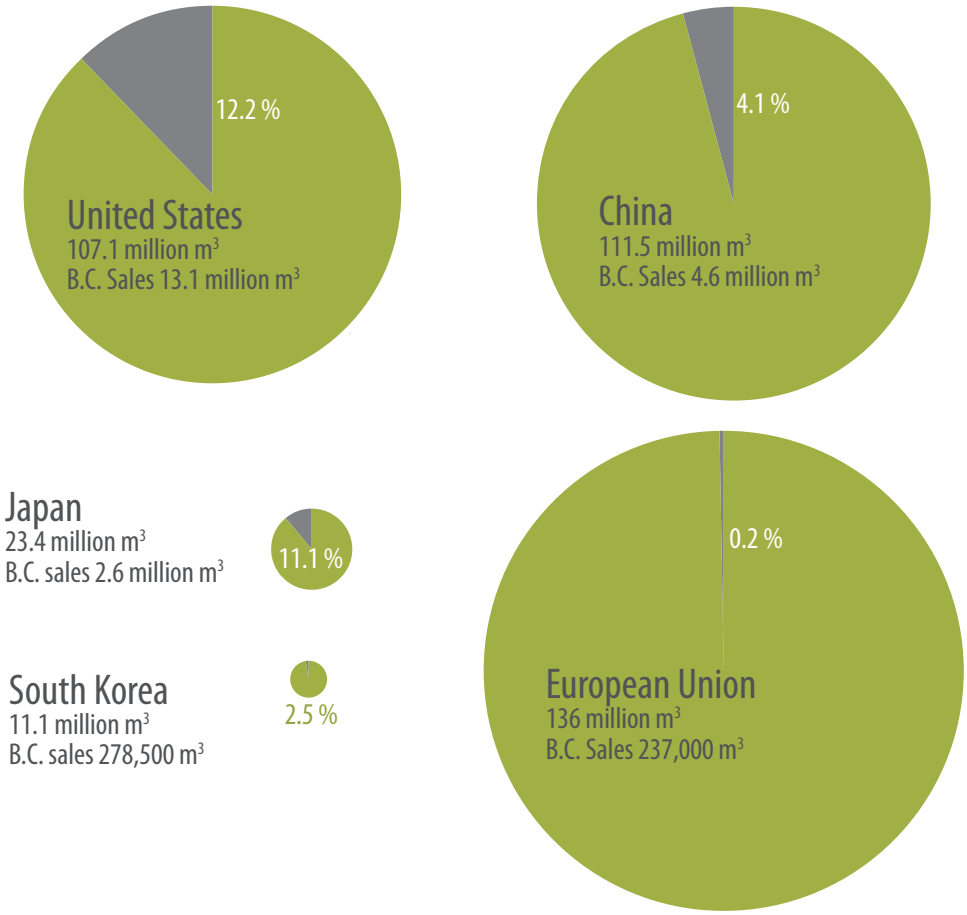
Japan's wood product market was particularly hard hit in 2009 but consumption grew significantly in 2010 due to a rebound in housing starts. Following the devastating earthquake and tsunami in March, the immediate need for temporary shelter housing will be followed by higher demand for softwood lumber and panels for permanent reconstruction. Supported by outstanding export performances and domestic demand, strong economic growth was observed in most other Asian nations in 2010. In China, demand fundamentals for wood products remain strong, and increasing wealth and urbanization drive up wood product demand.

Softwood lumber consumption increased in almost all major markets in 2010, but demand still suffered from the effects of the global financial crisis in 2008. The main reason for the slow recovery was weak demand from new house construction in North America and Europe. The recovery was stronger in Asian markets. Globally, softwood lumber consumption increased by 18 percent in 2010.

2010 B.C. exports of solid wood products - cubic meters

Exports	Softwood lumber	Softwood plywood	OSB	Particleboard	MDF & fiberboard	Total	% of exports
U.S.	12,278,543	79,823	639,947	9,693	85,235	13,093,241	59.7%
Japan	2,447,548	6,109	154,649	0	0	2,608,306	11.9%
China (incl. HK)	4,566,080	127	19,337	0	2,026	4,587,570	20.9%
Taiwan	348,633	0	5,806	0	1,451	355,890	1.6%
South Korea	231,587	383	45,478	0	1,027	278,475	1.3%
Australia	62,375	8,068	0	0	0	70,443	0.3%
New Zealand	14,492	2	69	0	0	14,563	0.1%
EU27	232,726	3,467	788	0	0	236,981	1.1%
UAE, Qatar, Kuwait, Saudi Arabia	286,576	117	409	0	0	287,102	1.3%
Other	382,980	20,607	6,895	144	3,706	414,332	1.9%
Total	20,851,540	118,703	873,378	9,837	93,445	21,946,903	100%
% of Total BC Exports	95.0%	0.5%	4.0%	0.0%	0.4%	100%	

2010 solid wood products consumption and B.C. share in key export markets



Markets for B.C. wood products

B.C. exports of solid wood products increased from 19.1 million m^3 in 2009 to 22.0 million m^3 in 2010. The top three export markets (U.S., China and Japan) accounted for 92 percent of that volume, almost unchanged from 2009.

The shift away from the U.S. market continued for B.C.'s solid wood exports, as sales to the U.S. accounted for only 60 percent of the province's solid wood shipments in 2010, down from 68 percent in 2009 and 76 percent in 2008. The weak U.S. housing market played an important role in this shift, coupled with China's growing wood demand.

B.C. softwood lumber shipments to the U.S. increased by 4 percent to 12.3 million m^3, but B.C.'s share of the U.S.'s total imports declined slightly from 57.4 percent in 2009 to 55.6 percent in 2010. B.C. exports of softwood plywood to the U.S. dropped significantly to just 80,000 m^3, although this still represents a 21 percent import share. B.C.'s share in U.S. OSB consumption declined from 31 percent in 2009 to 26 percent in 2010.

China replaced Japan as B.C.'s second-largest export market for solid wood products in 2009 and in 2010, as B.C.'s shipments to China continued to climb. Softwood lumber sold to China increased from 2.6 million m^3 in 2009 to 4.6 million m^3 in 2010, accounting for 21 percent of total B.C. solid wood exports. Conversely, B.C.'s share of China's total softwood lumber imports was 49 percent in 2010.

Exports to Japan recovered in 2010 due to higher housing starts. Canada went back to being the largest supplier of softwood lumber to Japan in 2010, just ahead of Europe. B.C. softwood lumber shipments grew by 23 percent to almost 2.5 million m^3. B.C.'s share of Japan's lumber imports increased from 37 percent in 2009 to 40 percent in 2010. B.C.'s share of Japan's OSB imports was 74 percent in 2010, down 4 percentage points from 2009.

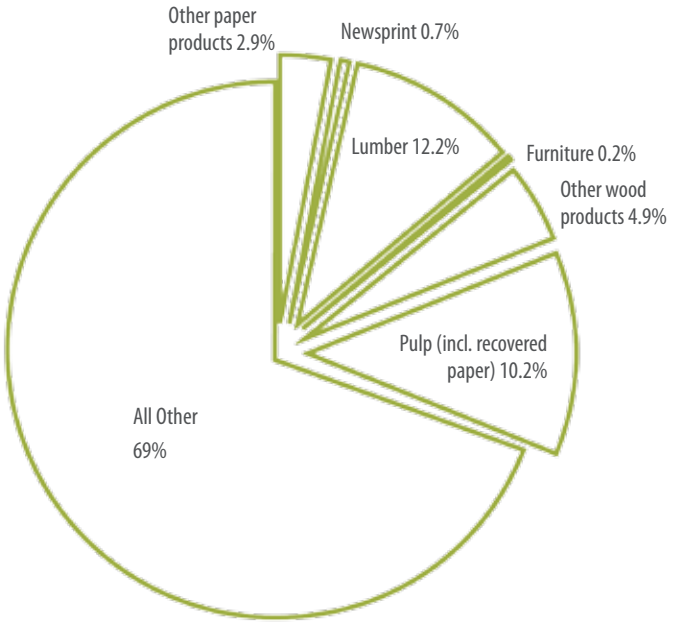
South Korea was B.C.'s fifth-largest offshore market by volume in 2010 (after Taiwan). B.C. exported a total of 278,500 m^3 of wood products to Korea in 2010, down 1 percent from 2009. B.C.'s share of Korean imports of softwood lumber was slightly up in 2010 at 17.8 percent even though B.C. exports decreased to 232,000 m^3 from 233,000 m^3 in 2009. B.C. supplies much of the OSB consumed in Korea, although B.C.'s import share dropped from 85 percent in 2009 to 72 percent in 2010. The weak U.S. dollar favoured imports from the U.S.

B.C. exported a total of 237,000 m^3 of wood products to the European Union (EU) in 2010, up 3 percent from 2009. EU imports of softwood lumber recovered in 2010, but shipments from B.C. increased only slightly over 2009 to 233,000 m^3. Sales of western red cedar, SPF and Douglas-fir rose compared to the previous year, while hem-fir shipments declined.

For a detailed analysis of global and B.C. trends in export markets, please refer to FII's companion document, British Columbia Forest Products Trends Analysis in Export Markets 2010 Volume 1 (Global Market Overview and B.C. Exports) and Volume 2 (Export Market Summaries) available for downloading at www.bcfii.ca/tools-resources/market-research/trend-data-stats/.

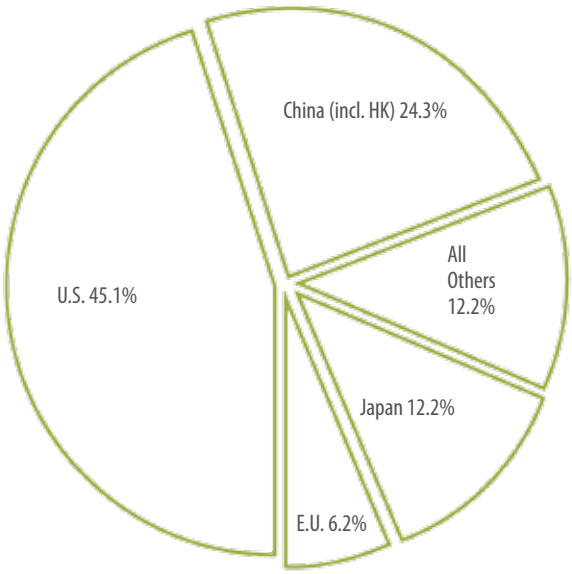
B.C. exports

Sales 2010 $29.3 billion



B.C. forest product export market

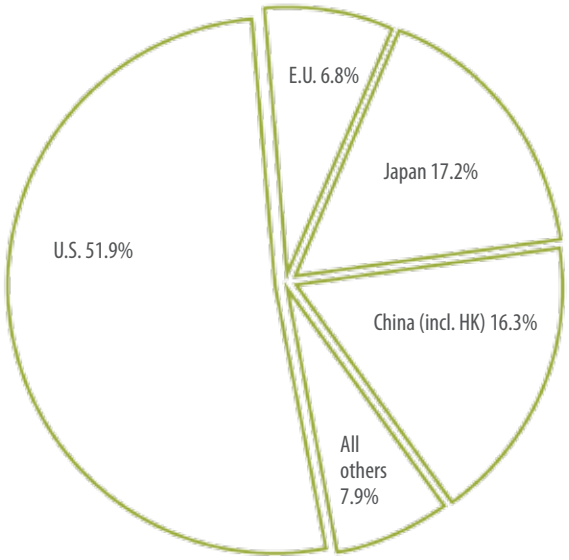
Sales 2010 $9.1 billion



B.C. solid wood exports

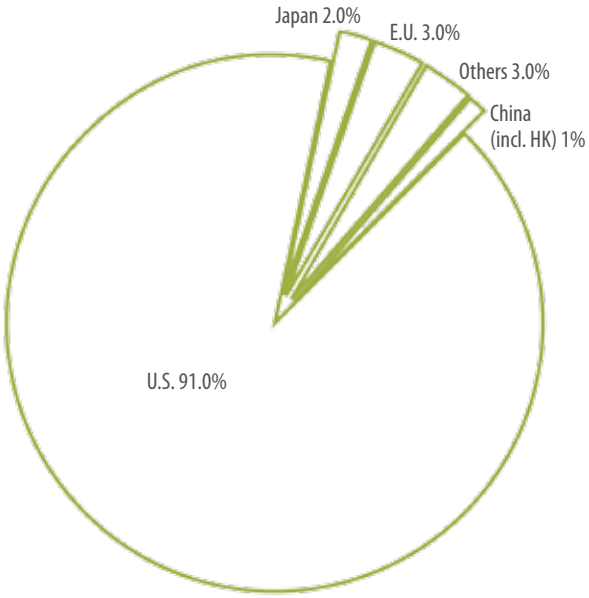
(incl. wooden furniture)

Sales 2010 $5.0 billion



B.C. value-added export sales

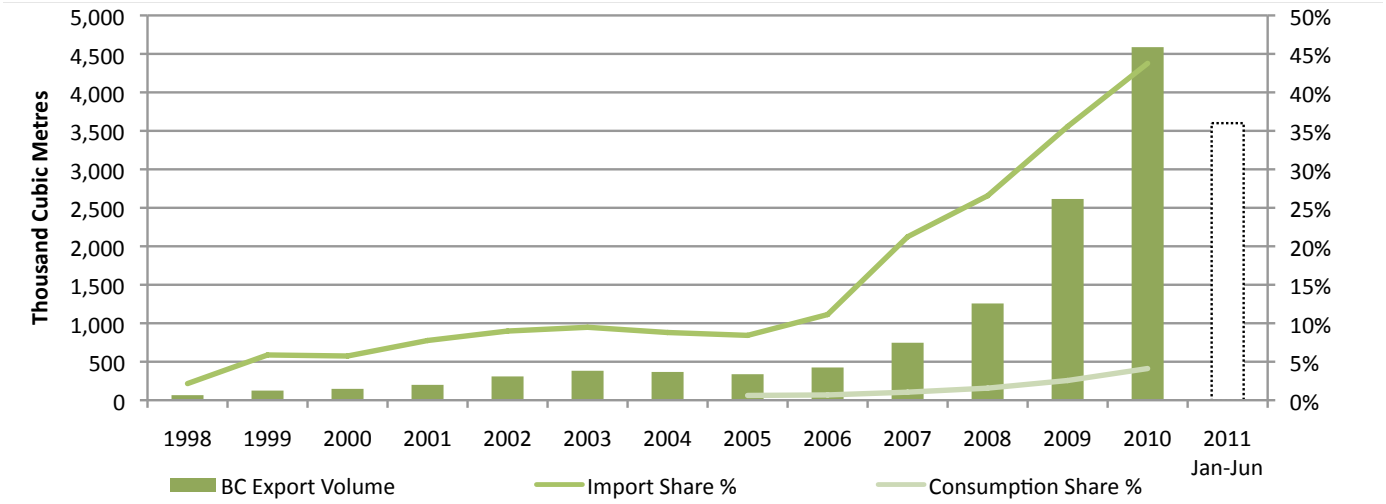
Sales 2010 $0.33 billion



Section 3 China Market Report

B.C. softwood commodity product sales in China

(Softwood lumber, plywood, OSB, MDF and particleboard)



Market type

- B.C.'s second largest export market for softwood lumber, after the United States (though value of B.C.'s exports to China in both May and June 2011 exceed those to the U.S.).
- Rapidly growing market for softwood lumber.

B.C. position

- Leading market player with 43.8 percent share of total softwood commodity product imports.

Export sales

- 2010: 4.6 million m^3 of commodity wood products valued at $692 million.
- 2011 (through June): 3.6 million m^3 valued at $588 million.

Market overview

China passed Japan to become the third-largest economy of the world in the second quarter of 2010, after the EU and the U.S. Demand fundamentals for wood remain strong in China, and fast urbanization could further drive up lumber demand and prices. A property price bubble has in some urban areas caused the government to tighten requirements for home buyers and developers. While these measures may dampen demand growth, the stimulus nature of the government's plan for 36 million affordable housing units by 2015 is expected to boost disposable household income and domestic consumption.

China is expected to remain the fastest-growing producer and importer of softwood lumber in the world in the coming years. In 2010, Canada passed Russia to become China's largest supplier of softwood lumber. China was the second-largest market for B.C. sawmills after the U.S., and accounted for 21 percent of total softwood lumber exports from B.C. New Zealand, Europe, Chile and the U.S. also expanded lumber exports to China in 2010.

China

Market strategy

Building on the success of recent years, China remains a top priority for the B.C. industry and for FII. FII will continue to support the introduction of wood building systems and structural and appearance grade products to take advantage of high potential construction applications. These include mid-rise and multi-family construction, wood "in-fill" in high rise construction, wood truss roofing, wood-hybrid construction and other high potential structural wood applications.

Continued focus on larger developers and builders remains a priority, encouraging further market pull from large Chinese companies as they continue to embrace the benefits of wood frame construction. In all efforts in China, a continuing focus on training and construction quality assurance is critical to support the introduction of wood frame construction technology, and ensure that early construction projects are completed to acceptable standards.

Select accomplishments 2010-11

- B.C.'s exports of softwood lumber to China doubled in 2010 and were up over 150 percent in the first six months of 2011 as compared to the same period last year.
- In November 2010, B.C. Minister of Forests, Mines and Lands, Pat Bell, joined a delegation of industry leaders and Chinese officials at a ceremony to break ground for a 6,000 m^2 four-storey apartment project being constructed in cooperation with the Chinese Ministry of Housing and Urban-Rural Development (MOHURD).
- FII completed construction of, and then operated, the Vancouver Pavilion at Expo 2010 in Shanghai. The Pavilion provided a showcase for key messages on wood and wood frame construction. The Pavilion was open for six months and received 649,600 visitors.
- FII, with Canada Wood Group, and funding from Natural Resources Canada, completed construction of the second of four Wenchuan Earthquake Reconstruction projects: the Mianyang School for the Disabled in Sichuan Province. FII also began construction of the final two major projects under the earthquake initiative: a 5,600 m^2 elderly care facility in Beichuan County and a three-storey mixed commercial-(ground floor) and institutional (school on the top two floors) building in Chengdu.
- Supported by a sustained promotional effort, B.C. structural and value added wood products companies experienced significant sales growth in China. Organizations receiving funding from FII reported over $6.6 million in new sales in 2010-11.
- At the MOHURD annual Green Building Show in Beijing, B.C. attracted major public attention by erecting a three-storey, nine-unit, apartment in only 60 hours.
- Over 3,000 Chinese builders, developers and students received training on the use of wood products, including 1,205 people completing the intensive Canada Wood College training program in 2010-11.
- Canada Wood Group completed and disseminated to over 1,000 designers, a new Design Manual showing how to get the most out of wood within the Shanghai Building Code.

Opportunities and threats for B.C.

- China's demand for softwood lumber continues to increase because of strong growth in wood remanufacturing and concrete construction.
- The best opportunities exist in remanufacturing, roof trusses and, in the longer term, wood-frame construction of apartments and commercial buildings.
- Russia is likely to remain the main supplier of softwoods, in the form of lumber or logs (if the Russian export tax is reduced).

Activities in 2011-12

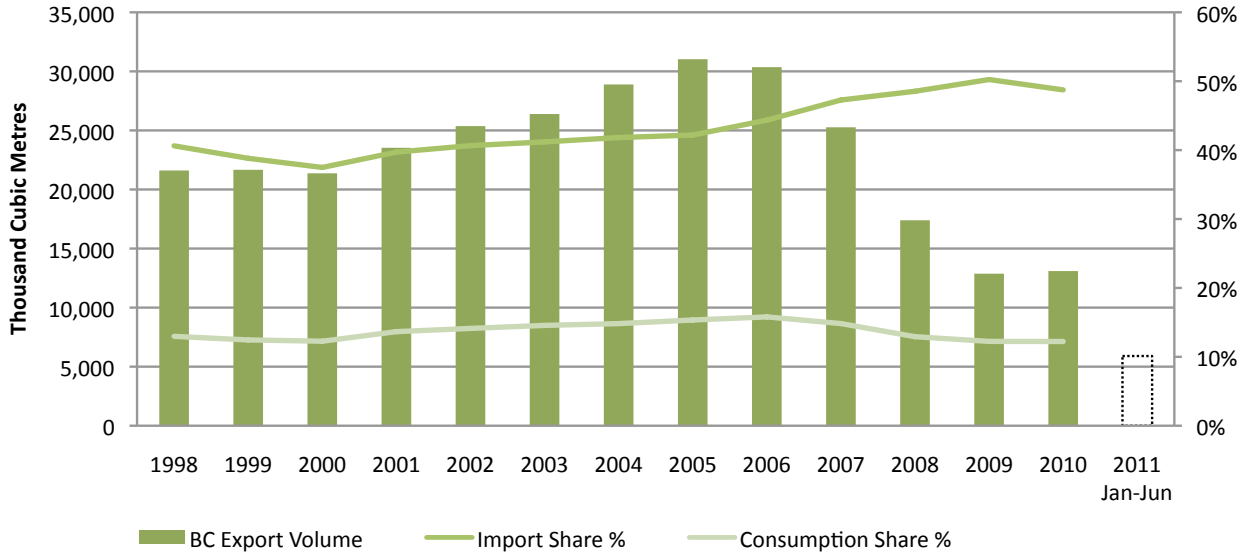
FII's focus in 2011/12 in China is to maintain the recent growth in use of B.C. wood products in Chinese building systems and continue to expand this through ongoing promotion, tradeshows and construction quality assurance. FII China is working closely with Canada Wood Group to maximize opportunities to grow demand for wood use in China. Maintaining a public profile for wood products among key end users will be achieved through promotional campaigns, tradeshows and distribution of technical literature. Work is continuing to address barriers to market entry such as building/fire code limitations and competition from products manufactured by B.C.'s competitors. Inbound and outbound missions continue to build trade connections between B.C. suppliers and buyers in China.

Section 3 United States Market Report


Arena Stage, Mead Center for American Theater, DC, U.S.
Bing Thom Architects. © Nic Lehoux

B.C. Softwood Commodity Product Sales in U.S.

(Softwood lumber, plywood, OSB, MDF and particleboard)



Market type

- Traditionally, B.C.'s largest market for wood products, though with declining share of total B.C. exports.
- Mature housing sector dominated by wood; large non-residential market sector with limited wood use.
- Potential growth opportunities in expanding from residential housing to non-residential (commercial) and multi-family dwelling sectors.

B.C. position

- Market leader with 48.7 percent share of total softwood commodity product imports.

Export sales

- 2010: 12.88 million m^3 of commodity wood products valued at $1.8 billion.
- 2011 (through June): 5.9 million m^3 valued at $925 million.

Market overview

The U.S. economy continues to recover slowly, but unemployment is high and has remained unchanged since the start of the recovery. The housing market improved only slightly in 2010. The high number of foreclosed homes on the market, low prices and tight credit continue to keep new home construction at low levels. Housing starts were 587,000 in 2010, remaining far below their historic range of 1 to 2 million. The weak housing market and concerns over the slow economic recovery are moderating growth in spending on remodelling.

The US consumed 74.4 million m^3 of softwood lumber in 2010, up just 2.9 percent from the record low in 2009. B.C. softwood lumber exports to the US increased by 3.5 percent to 12.3 million m^3. In June 2011 the U.S. Department of Agriculture managed a referendum by which U.S. lumber producers and importers voted in favour of introducting a mandatory "check-off" fee to support generic lumber marketing and research. This has the potential to significantly improve, in time, the prospects

for lumber sales in the U.S. On the other hand, the U.S. industry has formally alleged that British Columbia has violated the terms of the Canada – U.S. Softwood Lumber Agreement by selling too much lodgepole pine timber at the statutory minimum rate, and the B.C. industry should be penalized on future sales.

Market strategy

The U.S. remains B.C.'s largest and most mature export market. In 2010 there were promising signs of stabilization in the U.S. housing market with 587,000 new starts. However the residential housing market is not expected to rebound to historic levels of approximately 1 – 1.5m starts until 2014 according to most forecasts. Therefore the residential housing market is not expected to drive growth in B.C.'s exports to the U.S. in 2011/12.

FII focuses its investments in the U.S. on non-residential construction, and other high potential, growth segments and market niches such as cedar shake and shingles, decking and siding products. FII places a priority on areas where there is still significant potential to grow market share and there is a strong industry commitment to support and co-fund activities. Because environmental concerns have an increasing impact on purchasing decisions, FII's market outreach activities provide science-based evidence with which to influence architects, designers and other key decision makers in this crucial market. Ensuring that the B.C. industry speaks with one voice on this issue is a priority for FII especially as green building is estimated to grow significantly in the future.

Opportunities and threats for B.C.

- The slow recovery of the housing market keeps lumber and panel prices low and limits export growth. The repair & remodelling sector has been performing better.
- Smaller home sizes and the growth of multi-family housing will affect demand for lumber and panels. This means less wood per housing start but has a potential for higher unit values.
- Opportunities are being pursued to increase wood use in non-residential construction using traditional wood-frame construction and innovative systems, such as cross-laminated timber (CLT) and hybrid wood-concrete construction.

Select accomplishments 2010/11

- Over 330 non-residential projects were directly converted to wood (or influenced to increase wood use), leading to an estimated $121 million in additional wood sales.
- Over 7,000 architects, designers and engineers were educated about the benefits of wood in non-residential construction via training at Wood Solutions Fairs and Lunch-&-Learn workshops.
- $8 million in increased sales of value added products were achieved due to trade shows, advertising and promotional activity.
- New Environmental Product Declarations (EPDs) were completed for cedar decking and siding.
- A new costing tool was developed to allow architects to compare the costs of building non-residential structures with wood, with costs of using other materials.

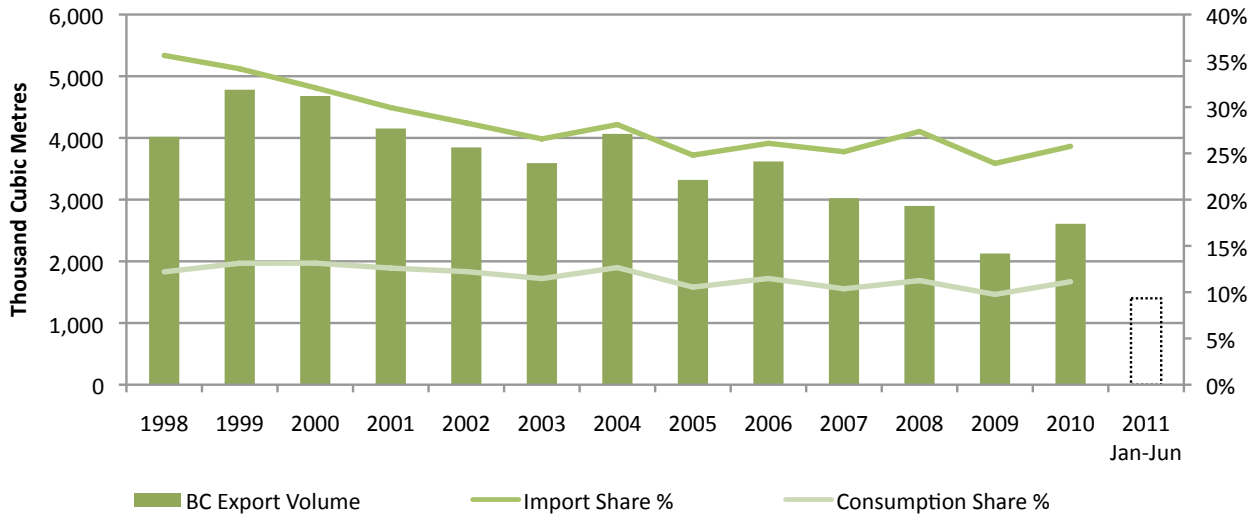
Activities in 2011/12

FII continues to work closely with the Bi-national Softwood Lumber Council and Natural Resources Canada to support the development of non-residential wood construction in the United States. The Wood Products Council and its partner agencies continue to target architects and designers through its regional events and promotion while expanding its focus on national level opportunities with major end users. The WoodWorks program is expanding its reach to influence major new developments across the country, particularly in stimulating the use of wood products in major national chain stores. The current level of wood use in non-residential construction will be documented as a baseline against which to track the impact of promotional investments.

Section 3 - Japan Market Report

B.C. softwood commodity product sales in Japan

(Softwood lumber, plywood, OSB, MDF and particleboard)



Market type

- Third largest market for B.C. wood products.
- Mature over-all housing sector, but opportunities in hybrid construction and "green building".

B.C. position

- Market leader with 25.8 percent share of softwood commodity product imports.

Export sales

- 2010: 2.6 million m^3 of commodity wood products valued at $688 million.
- 2011 (through June): 1.4 million m^3 valued at $372 million.

Market overview

Japan's GDP grew by 4.0 percent in 2010 and growth accelerated in January and February 2011 when export demand improved. The Great East Japan Earthquake in March 2011 disrupted supply chains and caused electricity shortfalls and weak demand, which are likely to hold back economic activity for some time. The building of temporary shelters is underway for the people made homeless by the tsunami. Broad reconstruction of civil infrastructure and housing is not expected to start before late 2011.

Housing starts recovered from the record low in 2009 and grew by 3.1 percent in 2010. Wood construction increased at more than twice the pace (+7 percent) to reach a new high of 56.6 percent of total housing starts in 2010.

Japan

Canada returned to being the largest supplier of softwood lumber to Japan in 2010, just ahead of Europe. B.C. softwood lumber exports grew by 23.2 percent to almost 2.5 million m^3. B.C.'s share of Japan's total lumber imports increased from 37.2 percent in 2009 to 39.8 percent in 2010.

Market strategy

B.C. has a long history of forest products exports to Japan and this continued in 2010/11 with exports remaining strong despite weak economic conditions in the market. On a volume basis, B.C. exports of softwood lumber (+23 percent), panels (+15 percent) and pulp (+10 percent) all increased from 2009 to 2010. Although this is a mature market for many products, FII continues to work with the industry to develop niche opportunities in elderly care facilities, post-and-beam, and 2x4 wood frame construction and value-added products. Under the "Living and Building with Wood" strategy, B.C.'s value-added producers have continued to build market share as they inspire Japanese designers and architects with innovative architectural and interior products.

Japan has long been a key market for B.C. cedar and hemlock and work has focused on ensuring optimal building and fire codes and standards to accommodate the use of these important Coastal species. Ongoing work to develop construction guides and undertake testing for applications of cedar, hemlock and OSB in Japan will ensure B.C. maintains its position as a preferred supplier.

Opportunities and threats for B.C.

- Japan remains B.C.'s largest market for high grade lumber.
- Substantial volumes of softwood lumber will be needed when the rebuilding of permanent homes starts. J-grade will be in high demand.
- Japan's Wood First initiative, a new law requiring low-rise public buildings to be built of wood, will increase the overall market for wood products and building systems and will likely promote the use of wood in non-residential private developments; however, the policy may encourage the use of domestic species over imported product.

Select accomplishments 2010/11

- 18 new wood frame elderly care facilities were initiated or completed in 2010 following aggressive promotion into this new segment.
- $15 million in increased sales of value added products were achieved through trade shows, advertising and media campaigns.
- Technical research was completed to expand the use of OSB and other engineered products for platform frame construction, which lead to Ministerial approval of OSB Shear Wall construction.
- Over 3,500 engineers, students, architects, and trade leads were contacted through promotional and seminar activity.

Activities in 2011/12

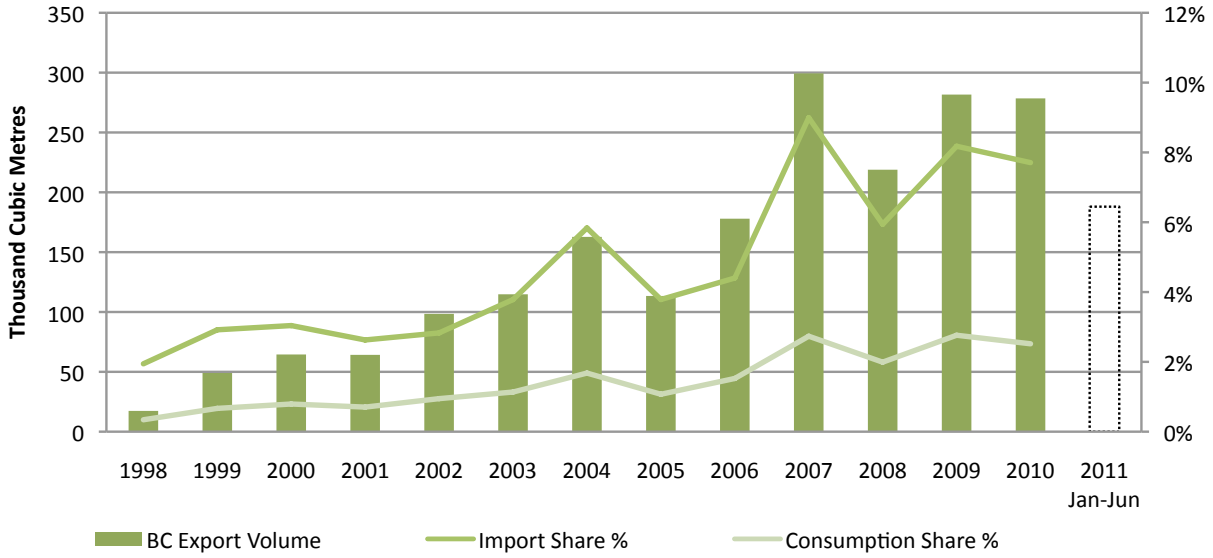
Following the devastating earthquake and tsunami in March 2011, FII has been working with the industry to identify opportunities for B.C. to assist with reconstruction efforts. Panel and lumber products are expected to fill a burgeoning demand as affected regions of the country begin to rebuild. Engineered wood products continue to be a priority in the Japanese market and B.C. has been working with Japan to encourage Wood First policies for the Japanese construction industry.

After some years of research and development in the market focus is shifting to new market opportunities for existing products including the expansion of efforts into niche markets such as wood frame elderly care facilities and special purpose non-residential buildings.

Section 3 - South Korea Market Report

B.C. softwood commodity product sales in South Korea

(Softwood lumber, plywood, OSB, MDF and particleboard)



Market type

- 4th largest overseas market for B.C. softwood commodity products after China, Japan, and Taiwan.
- Growing market for B.C. softwood lumber exports (value of exports up 24 percent in 2010).
- Strong potential in the residential housing sector.

B.C. position

- Market leader in supplying softwood lumber with a 17.8 percent share of total imports.

Export sales

- 2010: 278,000 m^3 of commodity wood products valued at $54.4 million.
- 2011 (through June): 188,000 m^3 valued at $36.6 million.

Market overview

South Korea became the 6th largest exporter in the world in 2010, up from 9th largest in 2009. The country avoided a recession after the 2008 financial crisis, and the outlook for export growth and domestic demand remains strong for 2011. Korea is the first country in Asia that plans a mandatory cap-and-trade scheme for greenhouse gas emissions, due to start in 2013 if parliament passes the bill in 2011.

Korea remains highly dependant on wood product imports. Over 90 percent of wood products consumed are imported. The small size of the country limits domestic wood supply, even when Korea's forests mature.

Overall home construction remains at a much lower level than just three years ago, but starts of single-family homes (where wood-frame construction is most established) have increased every year since 2008.

South Korea

Market strategy

The South Korean economy remained strong in 2010, largely avoiding the effects of the global recession and this contributed to the strength of B.C.'s pulp exports to this market, up 19 percent on 2009. Softwood lumber and panel exports were down slightly on 2009. Multi-family residential construction is an opportunity for B.C. exporters if stringent fire and sound insulation requirements can be met. B.C. remains Korea's largest supplier of softwood lumber products, primarily structural products, exterior envelope products, and value-added products.

Environmental concerns continue to influence Korean consumers as the government works to address carbon footprint and "sick house" syndrome from non-wood construction methods which dominate city developments. B.C. is working with the industry to position wood frame construction as a sustainable healthy alternative to other building materials and leverage Korean preferences for wood in their traditional home design.

Opportunities and threats for B.C.

- Wood house construction is increasing, driven by the growth in single-family homes and townhouses.
- Multi-family housing could be a large market for B.C. exporters if wood assemblies can be designed to meet Korea's stringent fire and sound insulation requirements. Lower density multi-family housing construction shot up in 2010, but concrete buildings continue to dominate this sector.
- Russia significantly increased softwood lumber exports to Korea in 2010 and is a major competitor for B.C. exporters.
- Wood pellet imports are expected to grow significantly because Korea's coal-fired power plants are required to produce an increasing share of their power from renewable sources starting in 2012.

Select accomplishments 2010/11

- Over $17 million in additional wood sales were achieved through tradeshows, advertising and promotional campaigns and the Korean developers attending the Global Buyers Mission in Whistler B.C.
- 3,146 engineers, architects, students and developers received training and education via wood construction and design seminars.
- There was a 236 percent increase in entries to the Korean Wood Design Awards following high profile promotion of the awards within the Korean government and industry.
- OSB products from B.C. were officially recognized under new Korean construction standards.

Activities in 2011/12

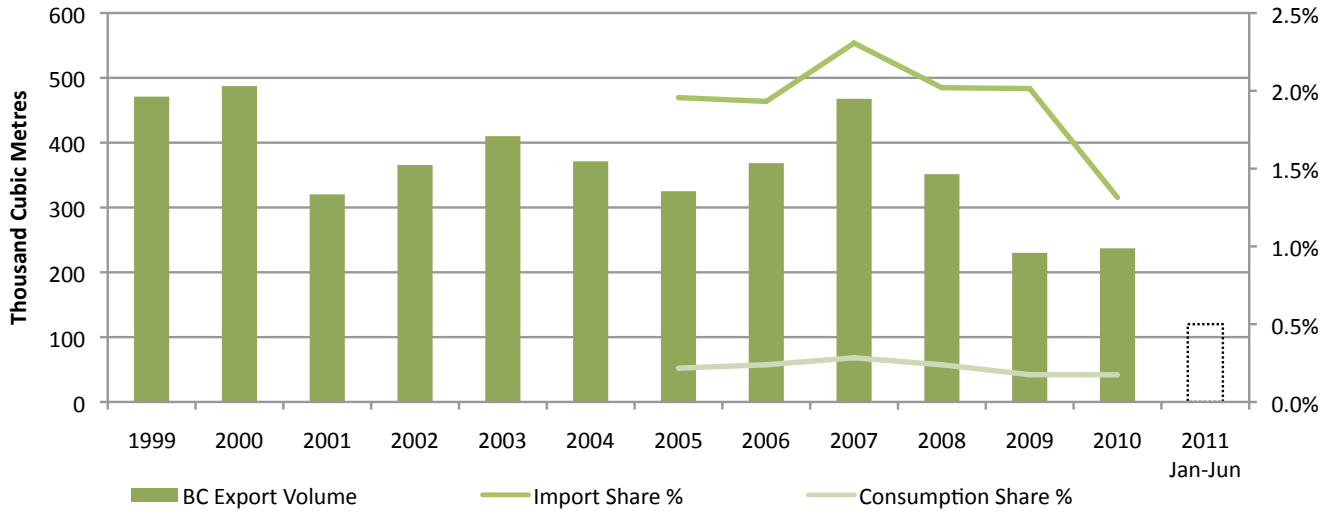
Due to economic conditions efforts in Korea have been scaled back slightly in 2011/12; however Canada Wood Group continues to focus on building markets for structural lumber, panel products and value added products. Significant work on codes and standards has been completed to ensure access for B.C. products and the focus of the program has now shifted to expanding niche opportunities for B.C. products. The Korean Government has announced plans to expand housing construction in satellite and second-tier cities to relieve some pressure on key urban centres. This is expected to open opportunities for B.C. producers with long standing ties to the market.

Increasing focus on construction quality control and training for the Korean wood construction industry will ensure that B.C. products are used to their best advantage in multi-family, residential and non-residential construction. Promotions will seek to leverage Koreans' traditional preferences for healthy, wood construction.

Section 3 - Europe Market Report

B.C. softwood commodity product sales in E.U.[6]

(Softwood lumber, plywood, OSB, MDF and particleboard)



Market type

- 5th largest overseas market for B.C. softwood commodity products (by volume) after China, Japan, Taiwan and South Korea.
- Mature housing sector with niche opportunities, particularly for high quality products.

B.C. position

- Minor overall supplier at less than two percent of total imports of manufactured softwood products, but traditionally a strong market for western red cedar and Douglas-fir.

Export sales

- 2010: 237,000 m^3 of commodity wood products valued at $158 million.
- 2011 (through June): 120,000 m^3 valued at $77 million.

Market overview

Europe's recovery from the recession has been very slow, but the main concern is the sovereign debt crisis in the euro zone. Greece, Ireland and Portugal are receiving assistance from European funds and the IMF. Austerity measures to reduce public debt are slowing domestic demand in many countries. Germany, France, the UK and the Nordic countries on the other hand, are well on their way to recover from the recession.

Investment in new housing and non-residential construction in many countries has fallen dramatically since 2008. Expenditure has shifted from new construction to repair and renovation of existing stock, especially for energy efficiency improvements. In the UK, reduced public spending is expected to hold back house construction.

[6]Due to a change in data sourcing methodology, B.C. market share in the EU is only available from 2005.

Europe

EU imports of softwood lumber recovered in 2010, but imports from B.C. increased only slightly over 2009 to about 233,000 m^3. Exports of western red cedar, SPF and Douglas-fir rose compared to the previous year, while hem-fir shipments to Europe declined.

Market strategy

FII continues to support market development for value added, western red cedar and some structural products in Europe. Canada Wood Group will continue to promote the B.C. industry's prospects in the United Kingdom, Germany, the Netherlands and Eastern Europe. As a leader in communicating B.C.'s environmental standards and regulation, FII keeps a close watch on European trends related to green building and environmental product declarations and changes to codes and standards.

Select accomplishments 2010/11

- Over $1.5 million in additional product sales were achieved due to advertising and promotional efforts and lead generation through major trade events.
- Research was completed into emerging niche opportunities in Eastern Europe (Ukraine, Turkey, Russia).

Activities in 2011/12

In 2011-12 activities are shifting slightly to expand the focus on opportunities in the Netherlands and Belgium for western red cedar and into Eastern Europe for value-added products. Traditional markets in the United Kingdom and Germany continue to receive promotional support. A watching brief on environmental issues and code development will be maintained to ensure access for B.C. species and products. Activities are focusing on trade shows, advertising and promotion in 2011-12.

Opportunities and threats for B.C.

- The restructuring of the sawmill industry in Central Europe may reduce overcapacities and lower competition in B.C. export markets (Asia and U.S.).
- The best prospects continue to be in B.C. Coastal lumber and processed products for the joinery sector. There is also a great opportunity for prefabricated housing packages.
- OSB production capacities are increasing in Europe and Russia and will make it more difficult for Canadian producers to diversify to markets outside the U.S.

Because of Europe's leadership on environmental standards and regulation, FII keeps a close watch on European trends related to green building, environmental product declarations and changes to codes and standards.

Section 3 - B.C. & Canada Market Report

Apple Valley Residences, Kelowna, B.C.
New Town Architecture, photo courtesy WoodWORKS! BC.

Market overview

Generally the Canadian market has fared better than the U.S. despite the economic downturn in 2008/09. Housing starts dipped by nearly 62,000 in 2009, with activity down in all provinces except Prince Edward Island. In 2010 housing construction began to rebound, gaining back nearly 41,000 starts across Canada. The strongest gain relative to 2009 was in B.C. with an increase of 10,402 starts, and Ontario with an increase of 10,063 starts.

Building permits were up 4 percent nationally in May 2011, with B.C. building permits increasing by 7.9 percent over the last year. In B.C. the total value of building permits increased by 33 percent. Non-residential commercial construction increased in value in 2010 showing growth of over $1.5 billion in value compared to 2009. The production of sawn lumber rebounded in 2010 with an increase of 8 million cubic metres nationally but has still not returned to pre-crisis levels.

Canada's unemployment rate was down slightly at 7.4 percent in June 2011. Canada's exports remained high but were dampened by an appreciating dollar against the U.S. currency, averaging $1.03 in 2010. Manufacturing sales from the wood products sector were estimated to be up $2.1 billion from 2009.

Market strategy

A bright spot on the horizon for 2010-11 was the domestic housing market as starts in B.C. and most of Canada remained strong in 2010. Value-added producers continued to benefit from support for the Business Innovation Program to enhance their competitiveness and innovative capacity. Structural lumber, western red cedar and other products found good domestic markets in the residential and non-residential construction sectors.

Non-residential construction continued to be a major focus 2010-11. Conversion of major projects to wood use from other materials is a key platform of the strategy for the domestic market and U.S. markets through the Wood First program and a Canada-U.S. committee of trade associations that is targeting the non-residential market.

B.C. & Canada

Select accomplishments 2010/11

- Over 50 technology transfer, product development and business development projects were completed under the Business Innovation Program.
- Over $4.6 million in additional sales of value added products were achieved through advertising and promotional activity.
- Over 95 new six-storey wood frame construction projects were initiated.
- At least 37 communities across B.C. passed Wood First resolutions by the end of 2010/11.

Wood First

The Wood First Act of September 2009 fosters the use of wood in provincially-funded buildings. Following introduction of the Act, FII provided substantial funding to a new Wood Enterprise Coalition (WEC), a partnership of the Canadian Wood Council (through its WoodWORKS! BC program), FPInnovations, and BC Wood Specialties Group. The role of the WEC is to:

- Advance Wood First demonstration and pilot projects.
- Increase public communication around the benefits of using wood.
- Develop a Wood First education and training strategy, including support for the planned Wood Innovation and Design Centre in Prince George.
- Support implementation of Wood First policies and construction.
- Support commercialization of new wood products.

In the summer of 2011, FII assumed responsibility for the Province's full suite of Wood First initiatives.

Activities in 2011/12

In 2011-12 FII is increasing its focus on implementing the Wood First Policy and undertake research to support the use of wood in commercial and other occupancy classes of buildings in B.C. Working with the Wood Enterprise Coalition, FII is supporting research into building codes, and fire prevention during the construction phase.

The Business Innovation Program continues to support value added wood manufacturers to build their competitiveness and innovation to succeed in B.C. and in key export markets. The focus is shifting to more product development and technical assistance to generate solid benefits for participating companies.

FII continues to partner with Natural Resources Canada to support non-residential construction via the WoodWORKS! BC program. Achieving greater penetration of six-storey and other multi-unit construction across the province will be a priority. Promotion of tools such as the Wood Use Matrix developed by the Wood Enterprise Coalition will assist city managers, designers and engineers to identify optimal applications for wood in public projects.

FII is also working across government to ensure procurement policies support a Wood First approach and will be involved in direct delivery of some Wood First activities.

Conversion of major projects to wood use from other materials is a key platform of the FII strategy for the domestic market and U.S. markets through the Wood First program and a Canada-U.S. committee of trade associations that is targeting the non-residential market.

Section 4 - New Markets and Products

India

India is a complex, diverse and fragmented country. However, there is growing interest from the B.C. industry in develop niche opportunities for B.C. wood products. Thanks to longstanding work by Canada Wood Group, in early 2011, India amended its plant-health import controls so that they better accommodate Canadian SPF and western red cedar products.

Since 2005 FII has invested in research in the India market to identify and quantify opportunities for B.C. products. In 2011 FII revised its research in India and indentified niche opportunities for B.C. lumber products to target a nascent but fast growing market for western style products. This included opportunities for softwood lumber to displace hardwoods in specific applications, and to position Coastal and/or Interior species as alternatives to radiata pine in remanufacturing.

Interest in this market has been growing for some time and there are indications that the time may be right to pursue this market more agressively. Over the last few years trade has been growing rapidly although off a very small base. In 2010 total exports of softwood lumber to India were only 11,707 m^3. However, by June 2011 the year to date total was already 38,400 m^3 more than 500 percent higher than the same period the previous year.

Mongolia

Significant progress was made in 2010-11 on introducing wood frame construction to Mongolia. Demonstration projects, training for the nascent wood frame construction industry and quality assurance support were provided by FII and its partners. Building on Mongolia's adoption of Canada's wood frame construction code and methods, FII is assisting its national government with implementing a plan to build 96 large *Soum Centres* to create government and commercial infrastructure in many locations. This is expected to prove the economic and other merits of using B.C. wood products for residential and non-residential construction.

New commercial projects commissioned in early 2011 by the Mongolian government will be supported with quality assurance and design assistance from B.C. FII will continue to identify and support opportunities for wood frame construction in social housing, community centres and municipal buildings to support the government's plan to provide modern housing for some three-quarters of a million people, and the anticipated mining boom in Mongolia.

New Markets & Products

New product opportunities

FII supports product development and innovation through New Product Opportunities funding. Mid-rise construction, CLT and innovative hybrid building systems are the focus for these investments, which are managed in consultation with key stakeholder organizations.

In 2011 FII's investments focused on completing technical work that will lead to development of new applications for cross laminated timber. Stress testing and mapping the performance of CLT under different conditions has opened new commercial opportunities in B.C., especially in the non-residential construction sector. Moving forward the focus will shift to further developing these commercial opportunities while continuing technical work on other new construction technologies, such as hybrid construction.

Research, testing, and technical outreach activities funded through this program are undertaken by universities, research institutes, and associations that are best positioned to do so. These investments support the development of innovative, high-potential products in B.C.

Section 5 - Market Outreach

City Central, Surrey, B.C.
Bing Thom Architects

The market outreach program focuses on creating a broad suite of communications materials that make audiences aware that wood is an environmentally superior building material, that the B.C. forest management regime is world-class, and that the B.C. industry is a world leader in its environmentally friendly manufacturing standards. This kind of fact-based information is especially important as people grapple with how to mitigate climate change, how to invoke green building standards, and how to be more environmentally responsible at the consumer level.

In creating and directly delivering a range of electronic and print materials, and by making those materials broadly available for use by the forest industry, FII's market outreach activities focus on achieving three strategic outcomes:

- Target audiences recognize that wood is the best building material wherever its use is technically appropriate. Information is tailored to inform developers, designers and architects, builders, building owners, and government regulators.
- Customers conclude that B.C. is a preferred supplier of forest products.
- Regulators and policy makers accept B.C. / Canadian products and building systems in foreign codes, standards and policies, including Green Building / Procurement standards.

Most market outreach is strongly collaborative in nature. On a day-to-day basis FII staff work closely with other agencies of the Government of British Columbia, the Government of Canada, independent academic and research institutes, trade associations and wood products companies. Much of the communications material is jointly developed on a cost-shared basis.

Select accomplishments 2010/11

Environmental Product Declaration

An Environmental Product Declaration (EPD) documents the environmental attributes of a product and is meant to help buyers and consumers make informed choices when choosing green products. Increasingly, many foreign governments are using EPDs in their purchasing decisions. As a result, it is in the best interests of the B.C. wood products industry to accelerate North American activity in EPDs and position itself as a leader in industrial sustainability by developing EPDs early.

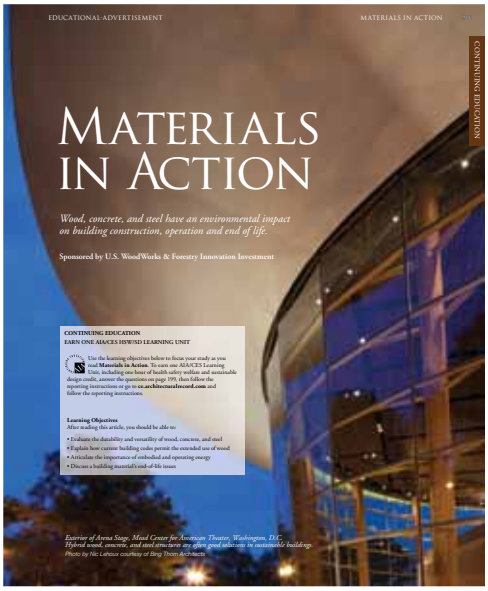
FII commissioned a report to raise awareness within the industry on EPDS and outline strategies for taking advantage of the green benefits of building with wood. The report discusses:

- Eco-labeling and the rise in interest of EPDs;
- How EPDs are created;
- Global activity in EPD development and creation of national infrastructure;
- How B.C. can address trade implications, assess B.C. and Canada's readiness, and provide recommendations for moving more quickly to bring the potential benefit of EPDs to the Canadian wood products sector.

Architect continuing education

Driven by wood-concrete-steel competitive communications research, as well as architect feedback with regards to misperceptions and the need for more information on this topic, FII and U.S. WoodWorks co-published the second of a three-part series documenting the environmental footprint of wood, concrete, and steel. Materials in Action covers material performance during construction, operation and end-of-life, reaffirming that in the quest for carbon-neutral buildings, materials do matter.

Last year's Wood Rates: How Wood Products Stack Up in Green Building Systems LU was one of the top ten most popular Continuing Education courses of 2010.


EDUCATIONAL ADVERTISEMENT

MATERIALS IN ACTION

CONTINUING EDUCATION

MATERIALS IN ACTION

Wood, concrete, and steel have an environmental impact on building construction, operation and end of life.

Sponsored by U.S. WoodWorks & Forestry Innovation Investment

CONTINUING EDUCATION
EARN ONE AIA/CES HSW/SD LEARNING UNIT

STEP 1: Use the learning objectives below to focus your study as you read **Materials in Action**. To earn one AIA/CES Learning Unit, including one hour of health safety welfare and sustainable design credit, answer the questions on page 199, then follow the reporting instructions or go to **cn.architecturalrecord.com** and follow the reporting instructions.

Learning Objectives
After reading this article, you should be able to:

- Evaluate the durability and versatility of wood, concrete, and steel
- Explain how current building codes permit the extended use of wood
- Articulate the importance of embodied and operating energy
- Discuss a building material's end-of-life issues

Exterior of Arena Stage, Mead Center for American Theater, Washington, D.C. Hybrid wood, concrete, and steel structures are often good solutions in sustainable building.
Photo by Nic Lehoux courtesy of Bing Thom Architects

naturally:wood architect toolkit

Demand for the Buyers' Guide to British Columbia Wood Products, along with architect research in Canada and the U.S., pointed to a common need to have a comprehensive resource that makes it easy for architects to begin exploring options to build and design with wood, including green building considerations. FII created and distributed a new Toolkit as a gateway to extensive information available via the internet.

The Toolkit is a boxed compendium of information that includes a high level overview of the merits of wood, wood and green building tools, technical information,design tips, and samples of B.C. wood species and products. The goal is to provide information that will point architects to experts, trade associations, and company websites for more information.

200 toolkits are being distributed to B.C. architects and other building design influencers.

European Union forestry tour – B.C. and Quebec

This forestry tour provided EU policy makers from Belgium, France, Netherlands and Italy with an opportunity to experience the size of Canada's forests and the rigorous legislative framework governing forest management in Canada . More specifically, they we able to see firsthand how Quebec and British Columbia ensure world class sustainable forest management in their jurisdictions.

The tour successfully demonstrated the rigorous regulatory framework for sustainable forest management in Canada and how the three forest certification standards used in Canada complement the lawsand government policies by providing customers with an additional proof that the products they are buying come from legal and sustainable sources. A report and an article published by the two Dutch delegates demonstrated how successfully the tour objectives were achieved.

Section 5 - Market Outreach

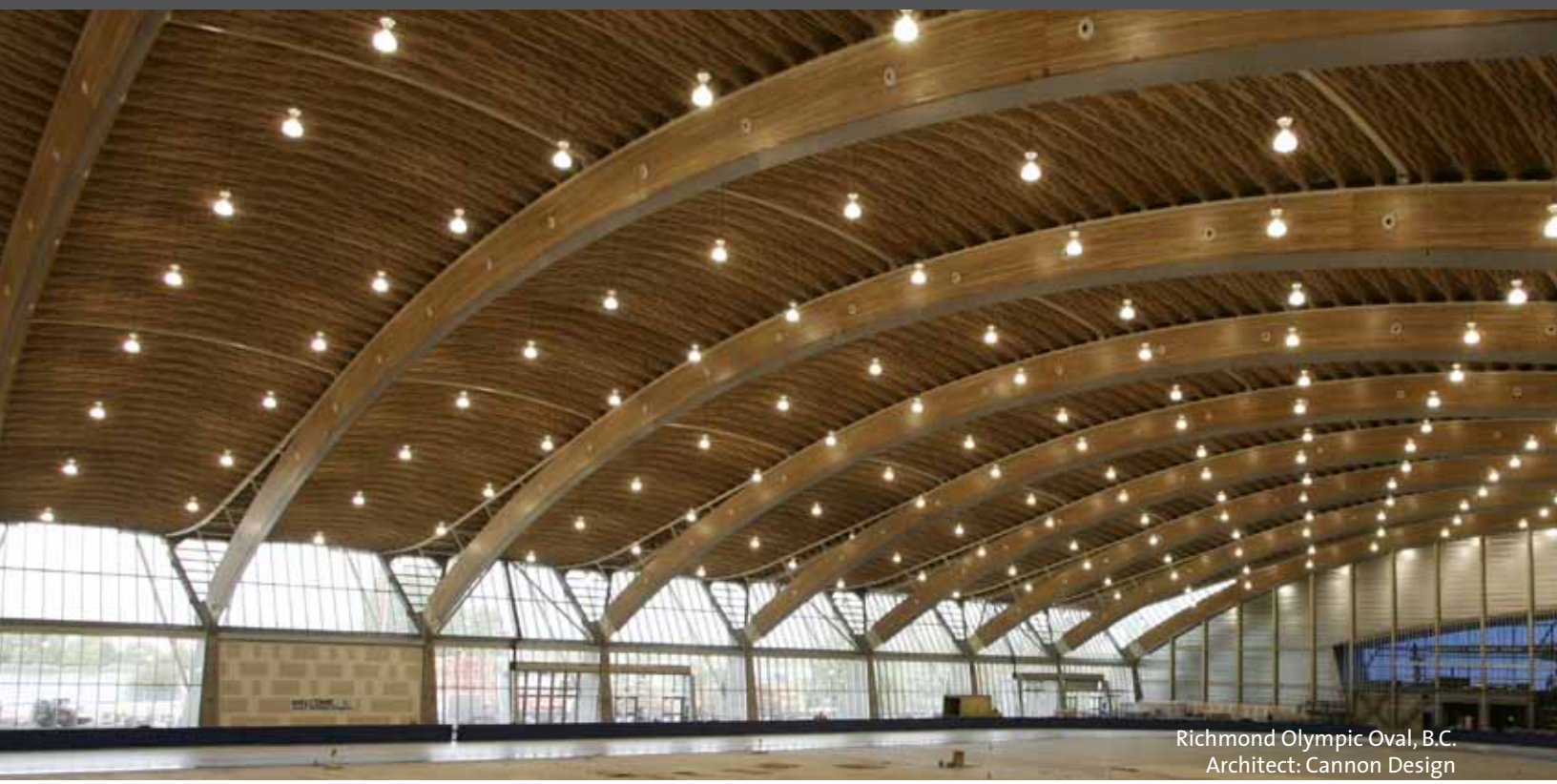
Church bell tower with cross-laminated timber
MDS10 Architects, photo courtesy U.S. WoodWorks

Activities in 2011/12

FII is:

- Acting as a B.C. voice on behalf of industry and government with regards to environmental issues and trends.
- Advocating for fair and transparent procurement policies and intervene when B.C. forest products are unfairly disparaged.
- Supporting research to provide science-based, objective evidence of environmental attributes of wood and B.C.'s superior forest management regime.
- Supporting a collaborative strategy on B.C. forestry, wood and climate change to deliver factual and consistent messaging domestically and internationally.
- Positioning wood as an environmentally-superior building material, and B.C. as the preferred supplier of quality forest products from sustainably managed forests.
- Providing timely, factual and scientific information regarding B.C. forest practices, third-party certification programs, and B.C. products, including pulp and paper.
- Acting as a comprehensive resource for B.C. companies faced with marketing and environmental challenges, including providing the facts and research behind the benefits of using wood to achieve green building standards and mitigate climate change.

Section 6 - Industry Resources



Richmond Olympic Oval, B.C.
Architect: Cannon Design

Forestry Innovation Investment works with the forest industry and government to develop materials and tools to help promote British Columbia's forest products and sustainable forest practices internationally. The resources outlined here are designed for use by the British Columbia government, forestry companies and associations to:

- Research market opportunities;
- Support marketing and communications activities; and
- Provide facts and science on British Columbia's forest practices and the environmental benefits of wood as a green building product.

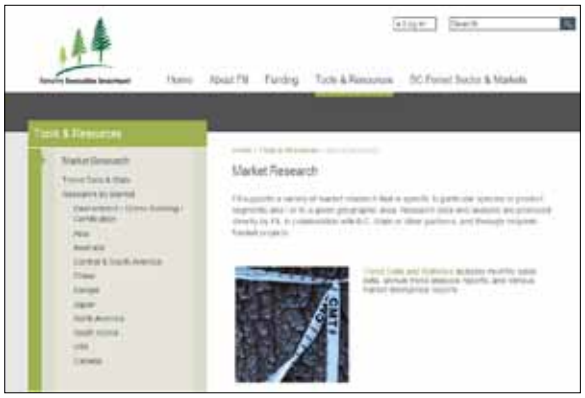
These resources are available at no charge. See FII web site's Industry Resources section for more information: www.bcfii.ca/tools-resources/

Market research

Because the global market for forest products is so competitive and always evolving, firms need timely market research to identify evolving opportunities and maintain competitive product advantage. FII offers:

- An extensive library of research on major and emerging geographic and sector markets for British Columbia forest products;
- An annual trend analysis with export data and market reviews.

To view report summaries, as well as to request a password to access entire reports, visit www.bcfii.ca/tools-resources/market-research/



Promoting benefits of wood and B.C. forestry

British Columbia is well positioned as a supplier of quality, innovative, and environmentally-responsible products to markets around the world. FII has prepared a variety of print and electronic materials for use by B.C. forest companies and associations to assist with marketing efforts at all levels.

www.naturallywood.com

A portal to the British Columbia forest industry. This comprehensive online resource about B.C.'s forests, wood and pulp and paper industries draws attention to British Columbia, as a supplier of high quality, environmentally-responsible products to markets around the world. Facts are also provided on wood as the green building and manufacturing material of choice. There are also many links to associations, as well as a supplier directory.

Supplier and Certified Product Directory

A searchable database that lists over 600 companies manufacturing and/or selling British Columbia wood and pulp and paper products, including product, species and certification/chain of custody information. Please visit www.naturallywood.com/supplierdirectory/ to see if your company is included. Contact FII at info@bcfii.ca to request edits or additions.

Image Library & Video Library

The FII Image and Video Libraries contain a wide range of professionally photographed and filmed images of B.C.'s forests, forestry activities, manufacturing, building, trade and overseas market use of wood products.

- Images - for high resolution images suitable for printing or advertising please fill out the on-line request form at imagelibrary.bcfii.ca.
- Video - for a list of available footage, or to arrange a time to view clips at FII's office, please contact FII at info@bcfii.ca.

Buyers Guide to British Columbia Wood Products

A comprehensive guide on B.C.'s forest and wood industries. Everything from the diversity of tree species and sustainable forest management to available wood products, quality assurance and association listings.

Forest Facts Series

Diverse and Innovative Wood Products – Demonstrates how B. C. has a wide variety of quality wood products to meet any structural or finishing need.

Mountain Pine Beetle – Summarizes the epidemic and how B.C. has responded.

Sustainable forest management

Customers often ask *"How can I be sure that if I purchase your product, it is coming from a responsible source?"*. FII has a suite of publications available for industry use that provide factual, up-to-date information on British Columbia's forest management practices; and fact-based evidence in support of all forest certification programs operating in B.C., to support inclusive purchasing policies.

For questions on British Columbia's forest management, the following resources are available:

Forest Facts Series

Sustainable Forest Management – Describes B.C.'s forest practices and policies.

B.C. Parks and Protected Areas – Highlights how B.C. protects our diverse forests.

British Columbia's Boreal Region – Describes the management of B.C.'s Boreal region.

British Columbia's Forest Diversity – Demonstrates how we are conserving B.C. forests.

Involving British Columbians – Describes how British Columbian's are included in land use planning.

British Columbia: Legal Source of Quality Forest Products – Demonstrates how B.C. is a legal source of wood products.

Video

Managing for Sustainability - Shows how B.C.'s sustainable forest management serves the needs of our people, our environment and our customers worldwide.

Certification

For questions regarding third-party certification standards in B.C. and around the world:

Forest Facts Series

Third-Party Forest Certification in British Columbia – Summarizes and compares CSA SFM, FSC, PEFC and SFI in B.C.

Research and Factsheets

Comparison of selected forest certification standards (2009) – A study conducted by Indufor Oy examines the linkages between forest regulation and forest certification around the world.

Comparing B.C. with the World (2004) – An independent ground-breaking study conducted by Dr. Cashore a professor at Yale University, comparing Canada's environmental forest practice regulations with those in jurisdictions around the world.

A Guide to Chain of Custody – This guide will help companies develop a chain of custody that can be used for their entire wood supply, adding value to existing certification efforts through verified claims that promote their products.

Wood, forests and climate change

Forests play a key role in mitigating climate change by absorbing and storing carbon in trees, soil and biomass. Healthy growing forests recycle carbon naturally. When trees are used for forest products, the carbon often remains stored in the products for decades or longer.

The following publications have been developed to demonstrate how British Columbia's and Canada's forests and forest products can help mitigate climate change.

Publications

Tackle Climate Change, Use Wood – Highlights the environmental attributes of Canadian forest products and the achievements of the country's forest industry with respect to climate change (in collaboration with the BC Forestry Climate Change Working Group, Natural Resources Canada (NRCan) and the Forests Products Association of Canada (FPAC)).

Canadian Wood. Renewable by Nature. Sustainable by Design. – Examines the environmental benefits of building with wood (in collaboration with NRCan, Canadian Wood Council and FPAC).

Video

Tackle Climate Change, Use Wood – Demonstrates how B.C. forests and forest products help mitigate climate change (in collaboration with the BC Forest Sector Climate Action Steering Committee).

Forest Facts Series

Responsible Paper Production - Highlights how the pulp and paper industry is reducing its impact on the environment and increasing use of solid waste and post-consumer recycled products.

Research and Factsheets

A Synthesis of Research on Wood Products & Greenhouse Gas Impacts 2nd Edition (FPInnovations) – A review of 66 studies comparing wood to other materials in terms of net greenhouse gas (GHG) footprint (in collaboration with Natural Resources Canada and FPAC) .

Woodmiles UK and ***Woodmiles Japan*** – Two studies that assess the impact of shipping timber from B.C. to the UK and Japan (in collaboration with FPAC).

Toward a Common Cause: the Embrace of Carbon Along a Supply Chain – A study conducted by UBC's Forest Resources Management Department and WWF's Global Forest Program to measure carbon emissions of a magazine along its supply chain.

Demonstrating Wood's Carbon Benefits: A Carbon Footprint of Four Canadian Wood Products Delivered to the UK - A study by the Athena Institute and FPInnovations that shows the carbon footprint of four wood products manufactureed in Canada and delivered to the UK.

Green building and non-residential sector

Green building practices have proliferated across the marketplace and the wood products sector is well-positioned to benefit from science-based approaches, such as life cycle assessment (LCA) and carbon sequestration research. The following publications help promote the environmental attributes of wood in relation to green building as well as provide examples to promote B.C. as a leader in recognizing wood in green building applications.

Forest Facts Series

Building Green and the Benefits of Wood – Summarizes different green building rating systems and compares three prominent green building standards – Green Building Assessment Protocol for Commercial Buildings, Leadership in Energy and Environmental Design (LEED) and the National Green Building Standard.

Wood Use in 2010 Olympic & Paralympic Winter Games Venues – Summarizes the different ways wood was utilized in the 2010 Olympic & Paralympic Venues.

Presentation / Publications

Building Green with Wood Tool Kit – A PowerPoint presentation and supporting modules that address the principles of green design, what makes a product green, and how wood fits in (in collaboration with FPAC).

Module 1 - Key Elements of Green Design
Module 2 - Life Cycle Assessment
Module 3 - Energy Conservation
Module 4 - Resource Conservation
Module 5 - Durability and Adaptability
Module 6 - Health and Wellbeing
Module 7 - Social and Economic Sustainability
Module 8 - Transportation Effects
Module 9 - Climate Change
Module 10 - Forest Practices in Canada
Module 11 - Green Building Tools
Module 12 - Links to Information Sources

Video

Building Green - Demonstrates how wood products are an excellent choice to reduce the impact of buildings on the environment.

Research and Factsheets

Green Building Rating Systems and How they Relate to Wood – A study by Light House Sustainable Building Centre that analyzes several green building rating systems and how they relate to wood.

Wood, Concrete, Steel: Competitive Environment for British Columbia Wood and Wood Products in North America – A report by Fleishman Hillard that reviews and compares the messaging and approaches to marketing undertaken by the wood products, steel and concrete industries.

Environmental Product Declarations (EPDs) – A study by FPInnovations on new environmental labeling designed to provide accurate, accessible and comparable information about the environmental impact from goods or services.

Case Studies

Highlight commercial and institutional buildings in British Columbia and around the world that utilize B.C. wood products:

- *Cross-laminated Timber in B.C.- Featuring the Dowling Residence*
- *Gleneagles Community Centre*
- *John M.S. Lecky UBC Boathouse*
- *Nita Lake Lodge*
- *Richmond Olympic Oval*
- *Squamish Adventure Centre*
- *Squamish Lil'Wat Cultural Centre*
- *Percy Norman Aquatic Centre and Trout Lake Ice Rink*
- *Six-Storey Wood Construction in British Columbia*
- *Vancouver Convention Centre*
- *Whistler Public Library*
- *West Vancouver Aquatic Centre*
- *Wood in Transportation*

Wood export guide to China

In recent years the British Columbia government and B.C. forestry associations have been experiencing a growing need to be able to provide potential exporters with a comprehensive guide to help people get started in planning and conducting wood export activities to China from Canada. This guide addresses Chinese import restrictions and B.C. and Canadian export regulations and processes.

Resources

www.bcfii.ca/tools-resources/

Market research:
www.bcfii.ca/tools-resources/market-research/

Marketing tools:
www.bcfii.ca/tools-resources/marketing-tools-images/

Supplier and certified product directory:
www.naturallywood.com/supplierdirectory/

Image gallery:
imagelibrary.bcfii.ca/

Publications:
www.naturallywood.com/resources

For questions, requests for print copies and market research passwords, contact us at info@bcfii.ca.

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