



New Directions in Ontario's Forests

Crafting More Jobs with Less Wood

This is the seventh in a series of fact sheets examining the economic links between healthy forest ecosystems and the long-term viability of resource-dependent communities in Ontario. This fact sheet considers the potential for secondary manufacturing of wood products (value-added industry) to contribute to the development of a healthy and diverse economic base in these communities.

ILLUSTRATION BY CHARLES DREVER

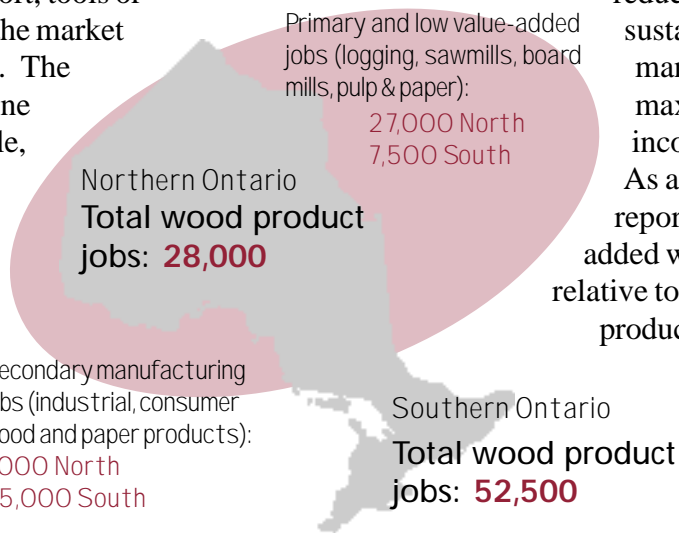
Ecologically responsible logging is only one strand in a tapestry of forest-related enterprises that can nurture the economic life of Ontario communities. An equally important element — and partner to ecological forestry — is industry that adds value to the harvested wood.

After a tree has been cut, any further processing involving human effort, tools or machines increases the market value of the raw log. The process of making fine furniture, for example, requires many steps (see graphic above). Each of these steps adds more value to the wood, creating a greater potential for jobs and other economic spinoffs.

Many Ontario communities have traditionally concentrated on timber extraction, shipping logs away in a raw or semi-raw state for processing and manufacturing elsewhere. High-volume timber cutting becomes the key to jobs and economic survival, trapping com-

munities in a cycle of selling cheap raw materials in bulk and buying back expensive manufactured products. This cycle encourages overexploitation of Ontario's forests, damaging forest ecosystem health and undermining the province's "renewable" timber resources (see *Fact Sheets #1-5*).

Changing our forestry practices can help to reduce logging to a more ecologically sustainable level. Increased local manufacturing of wood products can maximize the local employment and income benefits from every tree cut. As an Ontario government task force reported in 1992, "while the [value-added wood products] industry is small relative to the Canadian lumber and panel products industries, it generates substantially more employment per unit of wood and per dollar of sales than does primary production [ie. logging]."¹



Wood cut in the South amounts to a tiny fraction of Ontario's total wood harvest. Yet high value-added secondary wood industries in the South provide a greater number of jobs than all wood-industry jobs in the North combined.¹

Finding the Right Fit Industry that works for communities

Communities need to identify the type of value-added industry most beneficial to themselves and to their forests.

Some wood industries that are, technically, "value-added" — such as pulp and panelboard production

continued next page

Crafting more jobs with less wood from page 1

— involve a relatively low level of wood processing while demanding heavy investments of capital and large volumes of wood (*see graphic on page 3, and Fact Sheets #2, 3*). In such cases, the lion's share of the economic returns often go to remote corporations while providing relatively few benefits to local communities.

In contrast, many small and medium-sized enterprises scattered throughout Ontario employ skilled people in the production of high-quality wood products such as fine furniture, canoes, musical instruments and custom doors and windows. These operations generate a large number of jobs in relation to the small amount of wood they utilize (*see graphic on page 3*). They often sell to national or international markets, but the operations' local base ensures that the money returns to their home region where it circulates and supports the local economy.

If they are to contribute to sustainability, value-added industries need to satisfy specific requirements: In the woods, they must support "a much-reduced cut and a new forest stewardship that lives off nature's interest not its capital"; in the market, they must create "distinctive products that are job-intensive and resource-efficient, and that direct financial returns into the community."²

The Wikwemikong Economy

A community experience in adding value

In Ontario, Manitoulin Island's Wikwemikong community offers some useful lessons in putting these principles into practice. By the early 1990s, 80 years of unsustainable logging had severely depleted the community's 110,000-acre forest. A dozen people employed sporadically generated \$250,000 per year by

logging poor quality pulpwood.³

In 1992, the Ontario government chose the Wikwemikong Unceded First Nation as one of four Community Forest Pilot Projects because the reserve was committed to community based and controlled forestry. Three years of project funding supported the community's efforts to design a comprehensive new forest management plan — one that takes into account the needs of wild plants and animals as well as people and makes room for many forest uses including medicine, recreation and tourism.

The people of Wikwemikong are actively implementing these changes, combining forestry and community economic development. Stuart Assiniwe, the business manager of Wikwemikong's forest products operation, reports that cutting is now highly regulated. Nature reserves, wildlife refuge areas, and no-cut areas are all included in the management plans. Much of the current bush work is dedicated to regenerating, pruning, nurturing and enhancing the forest. In January 1995, Wiky Forest Products was established as a centralized timber purchasing and marketing outlet to buy raw timber from community members, process the wood to the maximum extent and market the resulting wood products effectively. The goal is to create and maintain value-added work. The operation currently produces small dimension lumber, fencing, pallet and pre-cut material. There are plans to eventually move into furniture production using a range of wood species. Profits from the operation go back into the company to be reinvested in silviculture and community forest development trusts.³

There are now approximately 150 people working in Wikwemikong's forest sector, generating approximately \$2 million worth of revenue annually. Approximately 43 of these jobs are in value-added pursuits ranging from sawmill operating to marketing. In the

REFERENCES*

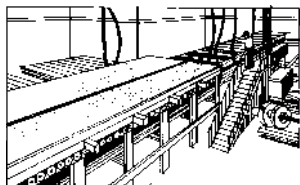
1. SCAN North Task Team Report: Value-added in the Forest Industry. Ministry of Northern Development and Mines. 1992.
2. M'Gonigle, M. and Parfitt, B. Forestopia: A Practical Guide to the New Forest Economy. 1994. Harbour Publishing, B.C.
3. Assiniwe, S. Business Manager of the Wiky Forest Products. Phone interview with N. Siciliana. March 19, 1996.
4. Graf, O. Phone interview with N. Siciliana. April 1, 1996.
5. Kissik, B. Industrial Liaison Officer for the Province of Ontario. Phone interview with R. McIntyre. March 11, 1996.
6. Kostopoulos, G. WoodNet: Five Year History Fact Sheet. received by fax March 26, 1996.
7. EcoTrust Annual Report for the 1993 Fiscal Year. Oregon.
8. Ministry of Natural Resources. 1995. See FDCS Fact Sheet #3.
9. Statistics Canada. Selected Forestry Statistics. Canadian Forest Service 1992.
10. National Forestry Database. 1994 Compendium of Canadian Forestry Statistics. 1995.
11. Pritchard, A. Manager, Madawaska Doors Co. Interview with T. Cowan. March 21, 1996.
12. Pulari, J.; Tarvudd, P. Representatives, Maple Leaf Lumber Co. Phone interview with N. Siciliana. April 2, 1996.
13. Kilbridge, J. Owner, Temagami Canoe Co. Phone interview with N. Bayly. March 8, 1996.
14. Unfair Shares: Corporations and Taxation in Canada. Ont. Coalition for Social Justice & Ont. Federation of Labour. 1996.

*Complete references available upon request

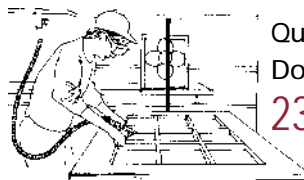
FACT SHEET #7

Where are the jobs? – A sample comparison of wood products industries in Ontario

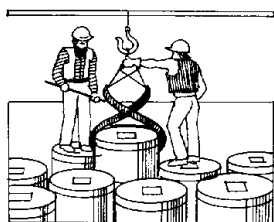
Jobs per 1,000 m³ of wood



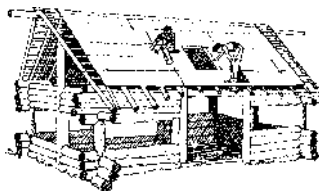
New oriented-strandboard mills⁸
1.8 jobs



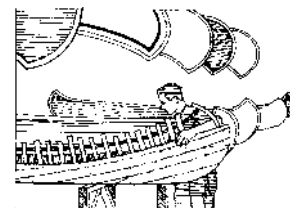
Quality doors (Madawaska Door Company, Barry's Bay)¹¹
233 jobs



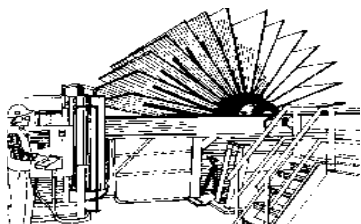
Pulp/paper mills¹⁰
2.4 jobs



House kits and log homes (Maple Leaf Lumber Co., Sault Ste. Marie)¹²
256 jobs



Cedar canoes (Temagami Canoe Company, Temagami)¹³
3,874 jobs

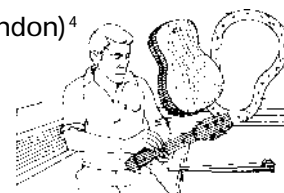


Older particle/waferboard mills⁸
7.2 jobs



Fine guitars (Oskar Graf, Clarendon)⁴
95,238 jobs

Logging operations⁹
37 jobs



This chart looks at a variety of wood industries in the province. In each case, it compares the number of full-time jobs that theoretically could be created with the use of a set amount of wood. And while

guitar making may never employ as many people as pulp and paper, this comparison does show that impressive job gains can come with high value-added industries.

first year, the new operations logged 1.1 million board feet of timber. In the second year of production, the raw harvest volume actually declined by 15-20%; but with more efficient wood use and greater value-added processing, Wiky was able to generate the same quantity of finished product and maintain the same income level.³

Preparing the Ground for Value Added

Some issues for communities

To take advantage of value-added opportunities, communities will need to realistically assess their strengths, build on their existing advantages and acquire new skills (in business, marketing and manufacturing). New value-added industries, because of their relatively small size and local focus, will need to be promoted, nurtured and encouraged. Active government support in policy and planning will be required.

Existing value-added operations often have difficulty

accessing local wood supplies because the mills holding wood allocation licences are unwilling to interrupt their high-volume shipment of raw or semi-processed wood out of the region.^{4,11} Greater community control over forest resource allocations — whether through community boards or local forest authorities — might help to address this problem (see *Fact Sheet #6*).

Those starting up new value-added businesses will need to learn about and reach existing markets for their products.⁵ A cooperative network such as a “Northern Wood Crafts Guild” (recommended by a 1992 government task force) might be helpful with marketing and distribution.¹ A number of such networks already exist from British Columbia to California to Kentucky; they bring together many small, specialized wood products enterprises to jointly produce and distribute product catalogues, investigate wood sources, and develop business training seminars.⁶

Funding (especially start-up funding and access to

continued next page

FACT SHEET #7

Crafting more jobs with less wood from page 3

banking facilities and low-interest loans) is probably the most critical element in developing a healthy value-added industry. There are many different ways to provide this financial support. Partnerships, such as the "EcoTrust" program in the U.S. Pacific Northwest, could be created between governments, environmental advocates, private foundations and funding agencies to produce and secure start-up financing.⁷ Governments could stop subsidizing large timber-extraction companies with tax deferrals and tax "breaks" (see table on this page); they could also increase industry logging charges on Crown land to reflect the real costs of growing timber (see Fact Sheet #9). Dedicating a portion of these new funds to value-added wood industries and "green" community economic development programs would support the shift to ecological sustainability.

FORESTRY TAX SUBSIDIES: A funding source for value-added wood industries?

Funding is key to encouraging new value-added industry. Governments can help by redirecting some funds away from tax subsidies for large extraction-based forest companies (such as the examples below) and toward smaller high value-added wood industries.

Corporation	Amount
Deferred Taxes owing as of 1994¹⁴ may never be paid	
Abitibi Price	\$112 million
Avenor	\$26.7 million
Domtar	\$101 million
Income Tax Rate (1994)¹⁴	
Malette	4.3% <small>(on pre-tax profit of \$21.3 million)</small>
Domtar	9.8% <small>(on pre-tax profit of \$51 million)</small>

In all of these and many other ways, Ontario could actively encourage value-added industries in forest-based communities. The payoffs are many. We can create work which enhances skills and provides greater satisfaction. We can ensure that more economic benefits remain in the local community. We can maximize the number of jobs while minimizing wood use. With value-added industries as an integral part of a sustainable forestry program,

our healthy forests can continue to support human communities.

Produced by the **Wildlands League** through its Forest Diversity ♦ Community Survival Project, this series seeks to promote constructive dialogue between resource-dependent communities and forest conservation advocates (see *Fact Sheet #1* for more details). We hope the information will be useful in developing economically sound approaches to forest stewardship in Ontario that can help to ensure sustainable economies and sustainable communities.



● In this series to date:

- #1 *Where Have All the Loggers Gone?*
- #2 *Cutting the Future Out of Prosperity?*
- #3 *A New Appetite in the Forest*
- #4 *Undercutting Our Natural Capital*
- #5 *Biodiversity at the Crossroads*
- #6 *Ecological Forestry ... A Cut Above*
- #7 *Crafting More Jobs with Less Wood*

Upcoming:

Nurturing Diversity Through Ecotourism

Forest Diversity ♦ Community Survival is a project initiated by the **Wildlands League**, and financially supported by the Richard Ivey Foundation and Ontario Hydro. For more information, mail or fax this coupon.

I would like to know more about:

the Wildlands League the Forest Diversity ♦ Community Survival Project

Please send me other Fact Sheets in this series: #1 #2 #3 #4 #5
 #6 #7 #8 #9 #10

Name _____

Address _____



Charitable Registration
#0369454-52-13

Wildlands League, 401 Richmond St. W., Suite 380, Toronto, Ont. M5V 3A8 Phone (416) 971-9453, Fax 979-3155

The Wildlands League, an Ontario chapter of the Canadian Parks and Wilderness Society, has been working for more than 25 years to promote forest protection and sustainable forest-management practices in the province.

FACT SHEET #7