

Lumber prices have soared, but New Brunswick's tree sellers aren't reaping the rewards

GREG MERCER >

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A lumber truck moves logs near Fredericton.

ROGER HALLETT/THE GLOBE AND MAIL

The mountain of pale yellow wood chips, destined to be rendered into countless rolls of tissue and paper towels, are piled so high it dwarfs the bulldozer trying to keep the abundance under control.

The unprecedented size of the chip pile outside a sawmill in Sussex has become a talking point for people who live around it, and tangible proof of just how busy Canadian sawmills have been as they cash in on record prices for lumber in North America during the pandemic.

But for private woodlot owners in New Brunswick, it's also an aggravating sight. At a time when lumber companies across the country are shattering profit records, the people who grow and sell trees for a living in New Brunswick say they're not seeing a penny more.

"I was getting more money for my wood in the 1990s," laments John Sabine, a retired police officer who runs a hobby farm and woodlot in Passekeag. "A lot of people aren't bothering to harvest at all because prices are so poor. It's not worth it."

After hitting dizzying heights, year-long lumber rally unravels

Mr. Sabine and others argue that the recent price surge in the lumber market, which saw the cost of a spruce two-by-four more than triple in the span of a year before recently cooling off, also exposed flaws in the pricing system their province uses to sell wood from Crown lands. They say both the province, which owns half the commercial forest in the province, and private woodlot owners are losing out on millions in potential revenue.

While Alberta, Ontario and British Columbia have been raising their Crown royalty rates, or the price they charge companies to harvest from publicly owned forests, New Brunswick has kept its rate frozen for more than six years. In early June, Alberta raised its fees on Crown softwood logs to a record \$166.63 per cubic metre, more than five times the \$31.09 New Brunswick is charging companies, an increase set to bring in millions more in revenue to provincial coffers.

In March, as the price to harvest Crown forests remained unchanged, sawmills and wood-treatment facilities in New Brunswick smashed a 19-year-old monthly earnings record by more than \$80-million. Despite soaring sawmill profits, the province took in the least amount of royalty revenues last year – \$72 million – since 2014. It also paid forestry companies nearly \$22-million to manage their own licences to cut timber on public land.

"I don't understand why the province is okay with just leaving that money on the table. Taxpayers in New Brunswick should be asking some serious questions about this," said Chris Spencer, general manager of the Southern New Brunswick Forest Products Marketing Board, which represents more than 8,000 woodlot owners.

Private woodlot owners say they know why Crown royalties haven't budged despite sawmills' record profits. In New Brunswick, Crown royalty rates are tied to the private market – a system they say gives sawmills an incentive to keep prices low to woodlot owners.

And in a province where one company, privately owned J.D. Irving Ltd., owns most of the mills and gets most of its wood from Crown land, private woodlot owners say it's impossible to get a fair price for their wood when they're forced to deal with a single dominant buyer.

New Brunswick woodlot owners could sell their wood elsewhere, but Mr. Spencer said transporting timber to another jurisdiction where prices are better isn't as easy as it sounds, and it can add significant costs. While the J.D. Irving mill in Truro, N.S. pays \$28 more per tonne for raw studwood than the company's Sussex mill, it won't accept wood from New Brunswick, he said. Part of the reason is that wood from New Brunswick bound for the U.S. market is not exempt from tariffs, unlike wood from Nova Scotia.

Because the price paid to private woodlot owners determines Crown royalties, sawmills engage in practices that deflate the private market, Mr. Spencer alleges. They do this by working around marketing boards that help regulate the price, offering land owners forest management programs to offset lower prices, and operating their own harvesting crews who compete with private land contractors, he said.

A spokesperson for J.D. Irving (JDI), Canada's fifth-largest lumber producer and the largest buyer of wood in New Brunswick, said private woodlot owners are free to sell when and where they want, including outside the province. The company also says it bought more private wood in N.B. last year than it has in any other year.

"It's been reported by the [provincial] Forest Products Commission that, historically, private wood from New Brunswick has flowed to Nova Scotia, Quebec and the state of Maine. In 2020, J.D. Irving Limited purchased \$50-million worth of private wood from private woodlot owners in New Brunswick, a record volume," J.D. Irving's Anne McInerney said in a statement.

Woodlot owners, however, complain that while their share of the timber market in the province has decreased from around 28 per cent of overall supply in the 1980s to around 13 per cent today, wood coming from Crown land has grown to more than 50 per cent in that same time frame. They say they're being forced to compete against their own government for sawmills' business, while dealing with sawmills who want to pay less and less.

New Brunswick's Natural Resources Minister, Mike Holland, acknowledged there are "roadblocks" for private woodlot owners in his province trying to get better prices for their wood. But he said pegging Crown royalties to swings in the commodity price of lumber isn't a better alternative – and it would have hurt the province's revenue when the price dropped like it did in 2017 and 2018.

"It's true Alberta is making millions of dollars more in this boom," he said. "But if New Brunswick used the same commodity pricing model, we would have actually collected almost \$55-million less over the past five years. If you chase the price when it's up, you also have to follow it when it's down."

Still, the minister said he understands that private woodlot owners are unhappy and says he's looking at legislative changes that restores some balance to the sector. That could include a possible levy system to be used when prices soar as they have in recent months, Mr. Holland said.

"There's a public perception that governments have done nothing but appeal to industry," he said. "I want to try to address it. We're committed to putting together a forestry plan than has a number of targets ... whereas before, maybe that balance wasn't there."

David Coon, leader of the New Brunswick Green Party, said the Blaine Higgs government is under significant pressure to fix problems in the province's lumber industry. But JDI, with its 18,000 employees and extensive network of Irving-owned companies, is such a significant employer in New Brunswick that he's doubtful any real changes will come that disrupts the company's steady supply of low-cost wood.

The government's Crown royalty policy encourages a depressed marketplace, and sawmills want to keep it that way, he said, while reaping millions more in profit.

"The department of Natural Resources has had a history of being quite happy to comply with resource companies and minimizing their cost of raw materials," Mr. Coon said.

"JDI has a tremendous role in the economy, and that enables them to try to wield considerable influence."

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351 King Street East, Suite 1600, Toronto, ON Canada, M5A 0N1

Phillip Crawley, Publisher