

For immediate release

Titan Timber Ltd.

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Québec weighs UK prospects for CLS shippers

CARDIFF, UK: Titan Timber has taken a significant step towards re-establishing the supply of Canadian construction timbers to the UK with a shipment from Rolute Forest Products in Montréal, which arrived at DP World London Gateway port aboard Hapag-Lloyd's Osaka Express. The consignment of CLS 2x3 studding was destined for a timber merchant in southern England.

Eastern Canada, once a major supplier to the UK, has been virtually absent from the market for some 20 years. In light of Titan's shipment, Sven Gustavsson of the Québec Wood Export Bureau (QWEB) considered future prospects for reigniting the trade relationship.

"It's a market that we need to keep open, but we are unlikely to return to a pre-1992 situation when Canada was a leading supplier to Europe and the UK," said Gustavsson. "The US is always going to be our main export market, that won't change. Frankly speaking, the UK will not become one of our major markets, but it will become a niche market for us and for some producers."



Hapag-Lloyd's Osaka Express

Gustavsson is Manager, Softwood and Value-Added Softwood Lumber at QWEB, a non-profit which develops export markets for wood products from Québec. QWEB's 125 member companies range across five groups: softwood lumber and value-added softwood; hardwood lumber and added value hardwood; wood flooring; wood construction; and wood pellets.

QWEB, which has specialised directors working in France, China and Japan, in August of 2022 appointed Mark Wilkinson as Director of the UK overseas office, based in Milton Keynes, with a registered office in Salisbury. Wilkinson supports QWEB members' market access and export promotion initiatives.

"Canadians in general, and this goes for English Canada and French Canada, love to do business with the UK compared to any other country in Europe," Gustavsson said. "They have always had a good, constructive relationship with UK customers. Brexit changed the UK mindset to some extent as well, perhaps making people more open-minded to other sources of supply."

"It's a question of demand - to have an option to work with the UK, particularly for certain dimensions that are less in demand, is definitely of interest."

Given that timber is a commodity market, Gustavsson noted that while Eastern Canadian shippers like to keep their options open, fluctuations will always occur depending on the market situation and factors such as exchange rates and US demand. Other European CLS markets such as the Benelux region are also of interest, while QWEB has identified niche possibilities in Israel, Japan, Egypt, and Saudi Arabia. Pakistan has shown a particular receptiveness to new products and species, developing into an important niche importer of hardwood and eastern white pine from the province.

Against this background, Gustavsson highlighted a number of favourable conditions that are encouraging Canadian shippers to consider the UK as a viable market.

Top of the list is reduced production and supply, notably in central Europe, at a time when the UK has demonstrated the will to build more homes using wood. “We are going into what I believe is a period where globally we will have supply problems more than demand problems,” he said.

Exchange rates and the healthy UK construction market, boosted by government targets and incentives, are positive indicators, while in the US, Fitch Ratings expected housing starts to fall by 20% during 2023 and to remain under pressure until at least the beginning of 2024.

Some Eastern Canadian production, notably simple products such as 2x3, 2x4 and 2x6, fits well into the UK’s CLS prefab sector, Gustavsson said, although barriers such as grading standards would need to be overcome. He believes that the resource compares favourably to European and Scandinavian supply as it is particularly well-suited to small sizes, with 2x3 and 2x4 offering a particular advantage. “Compared to European supply, a product coming out of a smaller log has smaller knots,” he said. For example, when a central European sawmill or even a Scandinavian sawmill cuts 2x3, they would usually use a 2x6 and split it into two pieces. That’s a problem we don’t have.”

In terms of logistics, break bulk lumber facilities are no longer available from Montréal. Shipments to the UK are containerised, bringing agility benefits as producers can ship frequently without having to wait to accumulate large quantities. Shipments via container have seen significant reductions in transport costs since the Covid-19 pandemic, while global recessions have further increased availability. At the same time, North American demand for high-end goods from Europe offers potential for discounted return shipments, indicating that shippers in Eastern Canada would get a reasonable return for their export business.

In addition, trade relations remain an issue as a result of the anti-dumping and countervailing taxes imposed by the U.S. on Canadian shipments. The Canadian government in late August said it would challenge the latest U.S. duties which were set at 7.99% in July 2023, describing them as unfair, unjust and illegal.

“You never know what will happen in that dispute,” said Gustavsson. “While the duties have come down after reaching as high as 20% in 2018, there are no exemptions. All provinces in Canada are taxed at the same rate, so trade relations between Canada and the U.S. for lumber are still very strained. In terms of Eastern Canada’s potential to trade with the UK, that is definitely at least as important as currency and housing starts.”



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Environment a top consideration

Planting trees is widely recognised as one of the best ways to capture carbon. In the UK and across the world, there has been a reawakening to the health and environmental benefits of building with wood.

Eastern Canada is one of two North American regions, along with the southern U.S., that has surplus growing stocks where annual growth exceeds the annual allowable cut.

Taking Québec as an example, almost half the province is covered by hardwood, mixed and boreal forests, across an area of more than 900,000 km² which is nearly twice the size of Sweden. This equates to 20% of Canada's total forested area and approximately 2% of the world's forests. Almost 93% of Québec's forests are managed by the government with the remainder divided between small and large woodlot owners.



Spruce plantation harvesting and replanting in the lower St. Lawrence. Image courtesy of The Forest Time, Forêt Investissement.

The proportion of public forests certified by third parties in Québec is among the highest in the world, with 93% managed to the sustainability standards of the Canadian Standards Association (CSA), the Forest Stewardship Council (FSC) and the Sustainable Forestry Initiative (SFI).

Québec is considered an expert in sustainable forest management, while Canadian federal law requires 100% of harvested forest lands to be regenerated.¹

According to the Montréal Economic Institute (MEI), less than 1% of Québec forests are harvested each year, with forests regenerating themselves faster than they are harvested. Logging represents a small share, for example, in 2018 over 5.5 million hectares of the province's trees were defoliated by

insects, 202,000 hectares were harvested, and 86,000 hectares were burned down by forest fires. Since 2015, the Québec Department of Forests, Wildlife and Parks has collected LiDAR data to identify characteristics of trees, such as their height, size, and age, to inform optimal harvesting plans and maximise carbon capture.²

Canada is the birthplace of the passive house concept, which was developed in Saskatchewan in 1977. According to the MEI, innovations in wood products, such as those that enable high-strength construction materials to be created from wood residues, not only improve the environmental footprint of the construction industry but ensure that the wood products industry is actively involved in the circular economy.

1. *Canada Action, Forestry in Québec: By the Numbers, October 2022, and Forestry Sector in Canada: 55 facts, April 2023.*

2. *Forestry: A Sector That Keeps Innovating, By Olivier Rancourt and Miguel Ouellett, Montréal Economic Institute, November 2021.*

About Titan Timber

Titan Timber Ltd. is a global softwood and engineered wood products sourcing organisation that offers comprehensive import and export services to suppliers and buyers in Canada, the Nordics, Scandinavia and the Baltics. All Titan's timber products, with no exceptions, are sourced from sustainably managed forests certified to Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC) standards. Titan also employs rigorous checks to ensure that no resources or raw materials from sanctioned countries such as Russia enter its supply chain. Titan's executives have combined experience of over 100 years in sourcing and trading timber. Titan and its European sourcing business Novastar Baltic Sia are part of the Economic Forestry Group (EFG) Ltd. which, together with its sister companies EFG (Forestry) Ltd. and Eco Homes Direct Ltd. span the entire timber supply chain from forest to family home. timber.co.uk

About Eco Homes Direct

Eco Homes Direct Ltd. designs, supplies and builds eco-friendly precision-engineered low energy timber framed homes for self-build and property developers. Prefabricating most of the house in factory conditions ensures accuracy, reduces labour and waste on site and improves efficiency to keep costs low without compromising on quality. The system's unique fully integrated closed panel timber engineered wall system exceeds UK building regulation specifications, yet an Eco Home can be erected in just one day, offering an affordable passive house solution to all. Eco Homes Direct is the UK's gateway to the Canadian Super E® build concept, incorporating a sound approach to 'fabric first' principles and an integrated focus on insulation, airtightness and controlled ventilation to deliver truly affordable, low energy, healthier homes. Since the first passive house was built in Saskatchewan in 1977, the technology and build concept has been adopted worldwide, and hundreds of Super-E homes have been built in the UK. ecohomesdirect.co.uk.

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