
“Taking the Pulse” of Nova Scotia’s Forestry Contractor’s

Survey Results

With the closure of the Northern Pulp kraft mill back in January 2020, a survey was undertaken of Nova Scotian forestry contractors’ through June and July, with the intent of gaining an understanding of the impacts on their businesses and near-term plans. The information & contractor response was compiled in aggregate to highlight the status of the contractor infrastructure and business viability, for purposes of informing government, contractors, and the forestry sector of upcoming issues, trends, overall business health.

A total of 35 contractors, (70% response rate), participated in the survey representing harvesting (25), trucking (5), road construction (1) and silviculture contractors (4). Distribution of harvesting contractors across the province were as follows: central region (14), western (6) and the eastern region (5).

Overall, according to the contractors’ feedback and survey responses, the closure of the Northern Pulp kraft mill had a major impact on the business viability and future of the majority of forestry contractors that were interviewed. The data compiled is ‘telling and stark’ and can be attributed to losing the pulpwood and off-species market previously offered by Northern Pulp. Just as significant are the general comments that were made by veteran contractors who expressed a sense of frustration and concern for the future of forest management, their employees and economic viability of rural Nova Scotia.

Some harvesting contractors in the western end of the province were not as significantly impacted, although all recognized the tight integration of the supply chain, and the overall impact on the logging, sawmill & trucking sectors.

The general sentiment outlined by most contractors is that both the economic and ecological sustainability of Nova Scotia’s forest resource is not viable without a pulpwood and low-grade market, and that there is an urgent need for market solutions.

A position paper developed and released by forestry contractors across the province on May 22, 2020, outlined their initial concerns and agreed that the best outcome for the industry would be to restart the Northern Pulp kraft mill as quickly as possible, urging the Government and Northern Pulp to work together to establish a fair and timely environmental review process for a new effluent treatment facility.

It was understood that a restart was possibly several years away because it would require a new Effluent Treatment Facility (ETF) to be approved and constructed. Therefore, to maintain the supply chain infrastructure, the contractors strongly supported several interim market strategies that were proposed to government, that would help sustain the forestry contractor capacity, expertise and employment in the short term.

The Survey was in the form of questions which solicited detailed responses from the participants:

1) Has your company's long-term viability been affected by the Northern Pulp closure?

- 31 yes (88%), 4 said no, but are concerned.

Contractor Comments:

- ✓ lack of pulpwood market - revenue stream gone - can't practice silviculture or ecological forestry without a pulpwood market - use to send one B-train load of pulpwood to NP everyday - truck for sale now
- ✓ Decline in woodlot owner engagement/stumpage lot procurement
- ✓ Currently doing some transition funding work but after this work is complete and funding depleted, I may be exiting this line of work and exploring other opportunities
- ✓ Haven't turned a profit since December's announcement, just paying the bills, tired of the waste left in the woods
- ✓ Uncertainty, rate decreases, employees very concerned about future
- ✓ Don't know what the future holds

2) Estimate of Production - To determine the impact of the NP closure on all aspects of the industry

- Harvesting – Forecast for 2020 indicated a 26% reduction in harvest levels (note: sample represented 1,270,000 t (2019) or approximately a 42% sample of the 2019 total provincial harvest)
- Trucking – Trucking production down 20%; due to loss of west to east transportation as well as complete shut down of two chipping operations. (note: sample represented approximately 700,000 t or approximately 23% of the total fibre volume trucked in 2019)
- Roads – 50% reduction for 2020 for the one participant in the central region (Note: small sample size - former NP contractor)
- Silviculture – down 10% for 2020 / concern for 2021 and availability of silviculture funding

3) What is your average number of full-time employees?

- Down 22% for 2020, compared to 2019 levels; does not include silviculture contractors who were down 10% for permanent staff.

4) What are your plans over the next 6 months?

- On average, forestry contractors (who were surveyed) are planning for a 33% decline in business/gross revenue (varied between 10-50% drop in production)

5) Indicate the impact on rates from the NP closure - using 2019 as 100%

- The closure had an immediate impact on prices, however, prices for sawables (logs and studwood) have rebounded due to strong lumber markets. However, there is a concern

that prices will fall significantly again once lumber market pricing declines. The more significant issue at the moment is the lack of a pulpwood market for low grade and off species, particularly in central and the western regions; this impacts the economic viability of harvesting, the ability to engage private landowners, and practice selection harvesting, thinning, and other forms of ecological forestry.

6) Have your plans to replace your equipment changed?

- 29 out of 35 said all equipment investment plans have been suspended due to the level of uncertainty and unfavourable investment climate.

7) What is your estimate of change in value your equipment due to the closure?

- Responses were consistently around 35% drop in value in the Nova Scotia used equipment market. – this is very asset specific (not just age and hours) but also the specifications of the asset and market – do they fit a large or small market?

8) How has your motivation to stay in the forestry business changed? Job satisfaction?

- Overall, the motivation of the majority of contractors is at an 'all time low'; only 4 indicated that they were still motivated but were very concerned for the future.

Contractor Comments:

- ✓ staff asking what the future will hold - hard to keep morale up
- ✓ No desire to continue
- ✓ more skeptical
- ✓ totally gone
- ✓ Will downsize as the opportunity presents through equipment sales and employee attrition
- ✓ I have lost my motivation; my two sons were inspired prior to closure of NP but have lost a lot of that young enthusiasm
- ✓ has changed a lot - totally frustrated. New normal of leaving so much wood wasteful - especially for mixed stands and off species

9) Do you believe our industry is sustainable with only chip, biomass and stud markets?

- In an economic sense, 30 said NO! 3 yes / 2 didn't know

Contractor Comments:

- ✓ not in the long term - need pulpwood & biomass markets distributed across the province
- ✓ A market is needed for low value pulpwood in order to engage landowners and purchase stumpage for harvest. Landowner willingness to market woodlots has declined significantly
- ✓ Lahey recommendations cannot be implemented without pulpwood market
- ✓ woodlots that should be thinned are avoided because of lack of pulpwood market.

10) Have you used any transitional provincial incentives to stay in business?

- Provincial – 6 contractors have applied for the line of credit / 4 used one-time worker assistance \$650 lump sum (silviculture and roads program not included as incentives).

11) On a scale of 1 to 10, 10 being fully supportive, rate current gov. support for the forest industry.

- Median result was 1.0 out of 10
Contractor Comments:
 - ✓ Government isn't demonstrating an interest in a healthy forest sector
 - ✓ maybe a 5 because of the silviculture funding but need to look at the whole picture to make sure it is sustainable
 - ✓ Government should have shown better leadership and come up with a solution for the mill

12) Do you believe the sustainability of our forest resource will improve as a result of the NP closure and the loss of their forest management contribution?

- The majority of contractors indicated that the sustainability of the forest resource will decline (No – 33 / Yes – 2) as a result of the Northern Pulp closure and were concerned/frustrated with the poor utilization, challenges with execution of ecological forest management prescriptions (e.g. Selection harvesting) and potential for high-grading.

13) Estimate the # of NS businesses your company & employees use for parts, service, recreation?

- 35-40 suppliers of products and services; there was a significant range, but clearly the contractors were concerned of the overall impact to their supplier base (multiplier effect) and recognized the value and contribution of their suppliers towards the success of their business.

Parting Thoughts from the Contractors:

- somewhat at a loss of words as a result of what has happened in the last 6 months - worried about the quality of resource in the future i.e. high-grading - appreciated the call, this is the first time that anyone has called him about the closure and impact it had on his business and personal life
- Trucking not profitable aside from moving wood (freshness) and getting rid of pulp to access lots etc. Government is promoting ecological forestry i.e. retention harvests; did a lot of these over the last couple of years and have been going back into those stands to salvage all of the blowdown. There is a lot of stress in this industry - need to take into account the mental health of business owners and impacts on their employees, family etc.; Wouldn't encourage a young person to get into this business
- if I was a young contractor I would be worried - no future - no real impact or benefit of talking to your MLA - lack of planning a concern – the industry is slowly contracting and getting worse - no real career anymore

- It's a struggle to believe the current situation. Forestry should be a primary industry in NS and instead it is currently not a priority or neglected altogether by government.
- A contractor conducted an analysis of the wood they cut in 2019 - 49% went to NP, therefore shows the impact of not having a market for the pulpwood and low grade, and represents the waste that is being left on the ground. Many contractors losing clients as a result
- Working 7 days a week to survive; something has to change. Have been involved in the industry for over 43 years; years ago there seemed to be a better vision and commitment but industry started to cut costs i.e. rates, reduced planting programs, industry should have done a better job in long term planning. Need to wake up and work together
- Have kept busy due to silviculture input - fuel costs are down - will continue to pursue other business - if I relied only on silviculture work, would be planning exit strategy in a couple of months - losing workforce
- After the silviculture funding was announced and those of us that could concentrate on getting landowners and jobs lined up to secure and spend that money and keep our people employed, and then COVID and all its challenges set in on us all as a society. WE never laid anyone off or missed work during COVID and due to our perseverance, our people did not have to take government assistance and we are proud our industry could continue to function. But at no time are we secure and free from worry about our future in the forestry sector.....we need help and we need a plan going forward not just a short term bailout to keep us working and then using such to say all must be well.
- Met with local MLA and cabinet minister several times - made it clear there is "0" support for forestry; government has given up on rural NS.

(September 1, 2020)