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MARKET DIVERSIFICATION OPPORTUNITIES

Bruce St.John
President, Canada Wood Group

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About Canada Wood Group

The Canada Wood Group (CWG) represents Canada's forest sector in offshore markets, including Japan, China, South Korea, Vietnam and the UK. Supported by federal, provincial, and industry funding, CWG provides market development, market access services, and demonstration projects on behalf of member associations such as the AFPA, APA, BC Wood, COFI, FPAC, MLB, WRCLA and QWEB.

Our mission is to diversify markets from U.S. by promoting Canadian forest products in offshore markets for construction and value-added end uses.

Tech support in China

Technical seminar in Japan

Industry/Gov Trade Delegation to Japan

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A brief history of CWG

- **1974:** Started in Japan by COFI, introducing 2x4 system to Japan
- **2003:** Expanded with NRCan support to consolidate a pan-Canada association
- **China:** Office opened in 2003; Dream Home Canada in Shanghai built in 2005.
- **Korea:** Office established in 2004.
- **India & Vietnam:** Collaboration with BCFII post-2015.

Shanghai/Beijing

Tokyo

Seoul

Mumbai

Delhi/Bangalore

Vietnam

UK

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FII

Market Strategies

Focus on expanding Canadian wood in non-residential and mid-rise construction markets. Support standardization and innovative building systems to drive growth.

Leverage net-zero policies and growing heavy timber/mass timber construction demand. Promote Canadian wood through updated building codes, certifications, and partnerships, showcasing landmark demo projects.

Capitalize on net-zero goals and new building codes favoring mass timber & 2x4. Partner with the Korea public housing agency and advance certifications to position Canadian wood as a top choice for sustainable construction.

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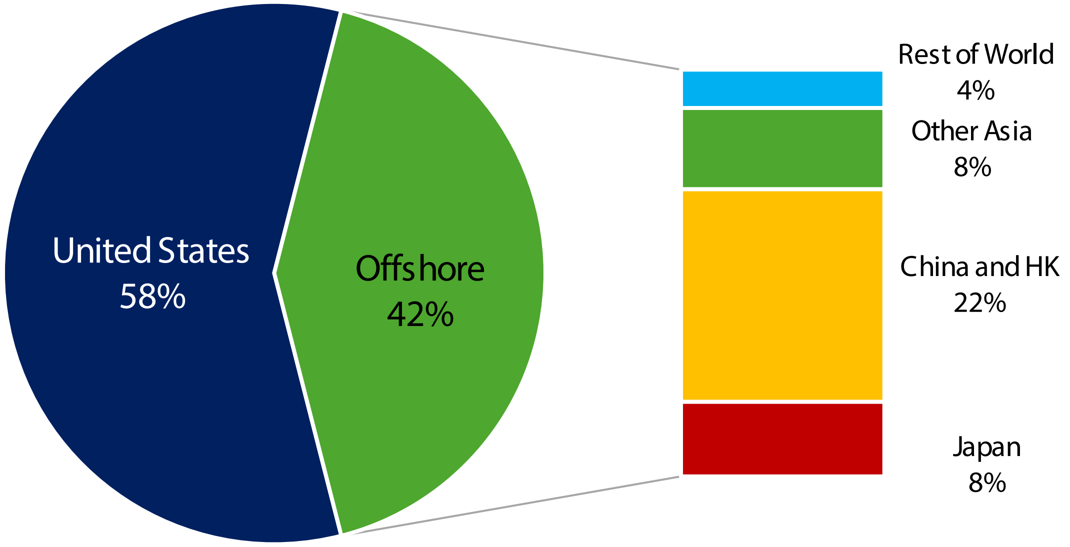
All Forest Products Exports 2024

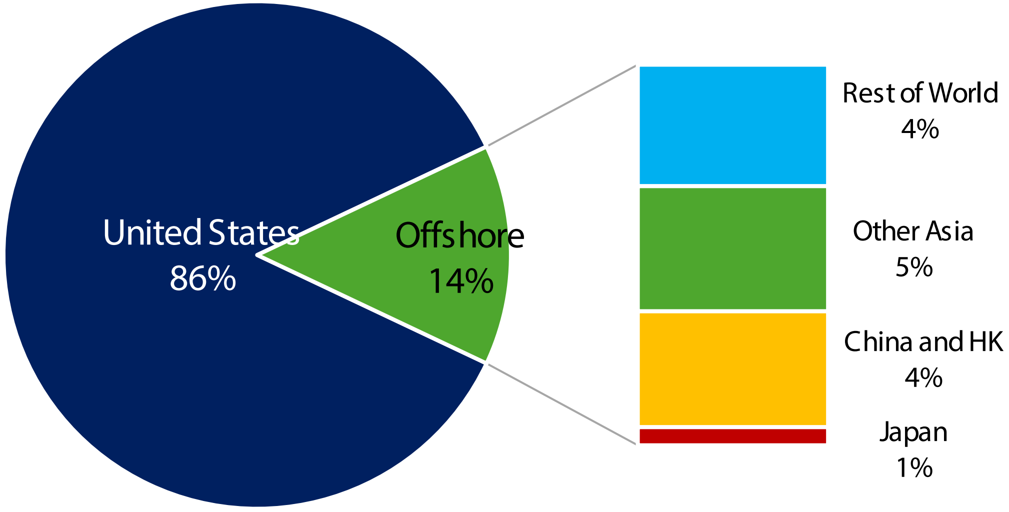
British Columbia Exports

$11.5 billion (2024)



Rest of Canada Exports

$28.1 Billion (2024)



Source: Global Trade Atlas / Statscan

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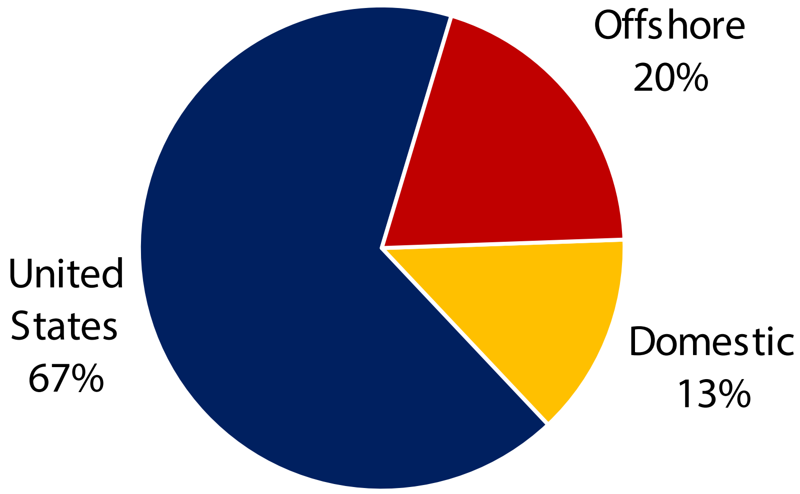
Softwood Lumber Production/Export 2024

Source: Global Trade Atlas / Statscan

British Columbia

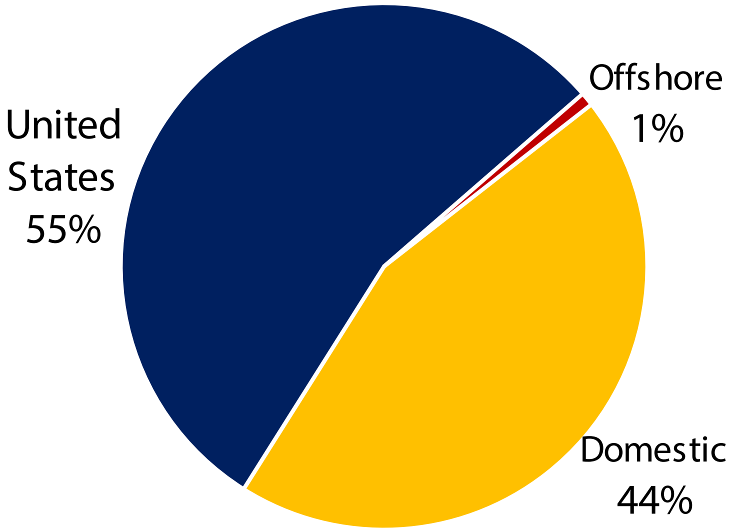
(15.7M CBM production)



- Established offshore markets
- Small domestic B.C. market

Rest of Canada

(32.2M CBM production)



- Small offshore markets
- Large domestic market in ON and QC

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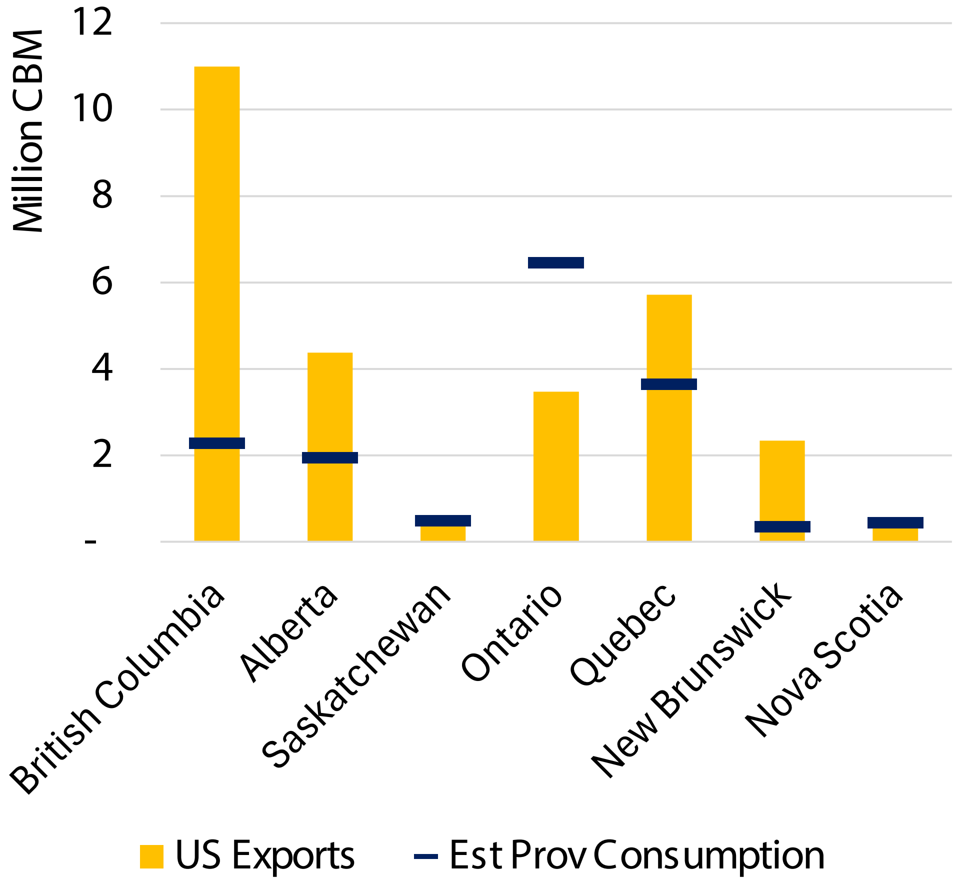
Inter-provincial Competition

- All provinces but **Ontario** ship more to the U.S. than they consume internally
- **NB** exports about double its consumption while **Nova Scotia** has low exports and low consumption, but exports still exceed domestic demand.
- **B.C.** and **Alberta** have the large gap between U.S. exports and domestic consumption
- Volumes that other provinces want to redirect away from the U.S. will create **competition within the small Canadian market**



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Maritime Shipments Offshore

BC COUNCIL OF FOREST INDUSTRIES

Canadian Softwood Lumber Exports

Last Refresh: May 12, 2025

YTD | Yearly | Quarterly | Monthly

Origin

Alberta | Manitoba | Newfoundland | Nova Scotia | Ontario | Quebec | Yukon
British Columbia | New Brunswick | North West Terr. | Nunavut | Prince Edward Is. | Saskatchewan

Destination

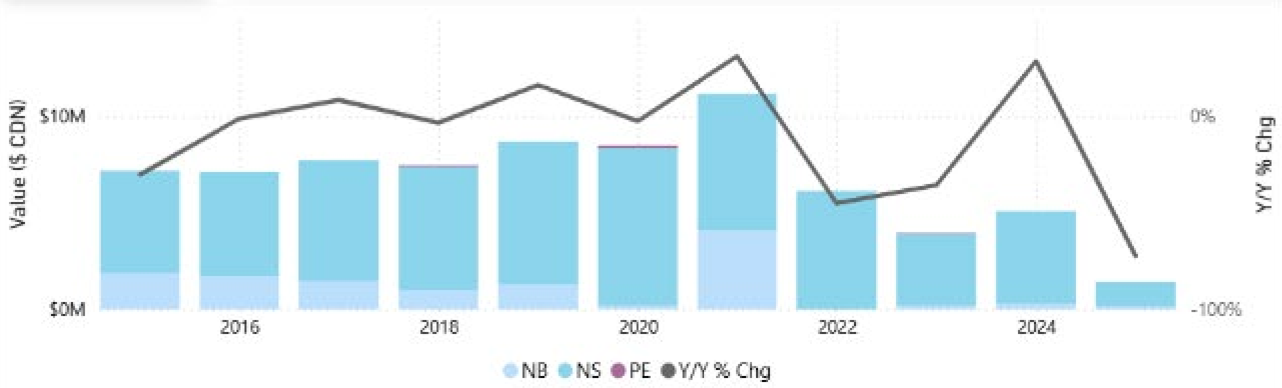
Multiple selections

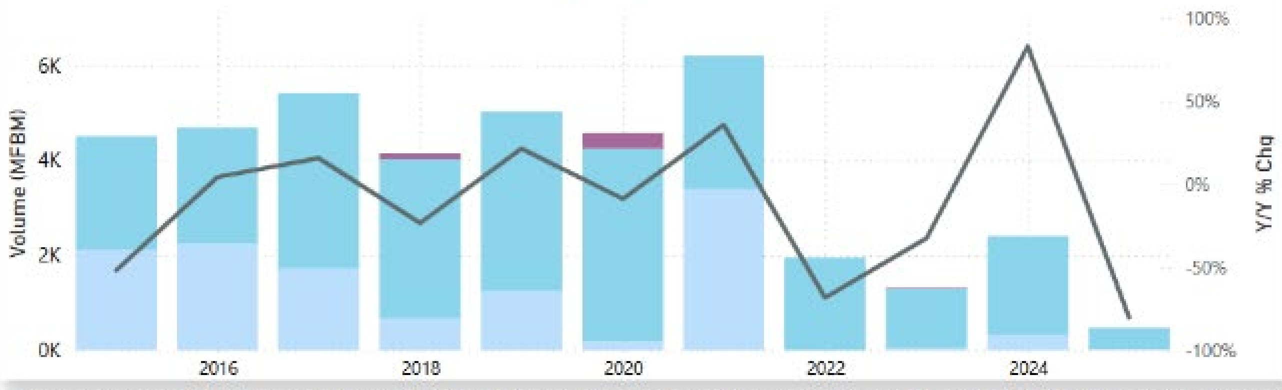
YTD Value (CDN $)

$1.41M 43.7%

YTD Volume (MFBM)

469 2.6%





Year	Value (Millions)	Y/Y % Chg	Volume (MFBM)	Y/Y % Chg
2025	$1	43.7%	469	2.6%
2024	$5	28.8%	2,405	82.9%
2023	$4	-35.6%	1,315	-32.7%
2022	$6	-45.0%	1,953	-68.5%
2021	$11	31.3%	6,199	35.6%
2020	$9	-2.3%	4,572	-9.0%
2019	$9	16.4%	5,022	21.3%
2018	$7	-3.2%	4,142	-23.5%
2017	$8	8.6%	5,416	15.5%
2016	$7	-1.1%	4,689	4.1%
2015	$7	-30.0%	4,502	-51.9%

Data Source: Statistics Canada. **Note:** This report is compiled without audit from data received from Statistics Canada. COFI is not responsible nor liable for any errors or omissions in this report. Not for reproduction or redistribution.

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International Strategic Priorities

1. **Expand existing markets** – Japan, China, South Korea
2. **Open emerging markets** – Vietnam, India, Philippines
3. **Explore new markets** –, Mexico, Taiwan, Middle East, Indonesia, Other ASEANs, Caribbean etc.
4. **Revisit historic markets** – UK, Central Europe, Australia
5. **Explore options for strategic repositioning**

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Expand Existing Markets - Japan

- Maintain share in **single-family wood housing**
- Expand wood use in **multi-family, midrise housing**
- Expand **non-residential construction**, including use of mass timber.
    - elderly care, hotels, warehouses, commercial, agricultural bldgs
- **Overcome barriers** via testing, regulatory collaboration and capacity building
- **Value-added sector**: target niche markets in resort, non-residential and renovation
- **Wood Pellets**: strengthen sales by reinforcing Canadian brand

▲ **Multi-year High Performance Shear Wall Testing for Midrise market**

▲ **90min fire testing series for residential and non-residential market**

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Key Achievements In Japan

3.3 M 2x4 houses built as of March 2024, market share has increased by 480% since the inception of Canada Wood Program

3,947 2x4 fireproof wood projects built using MLIT approvals acquired through CWJ technical programs

276 social, elderly-care and medical facilities built in wood

6,000+ houses feature MIDPLY™ shear wall system

Ministry of Land, Infrastructure and Transportation

53 Ministerial approvals conferred by MLIT for wood construction

75% positive coverage generated by public relations campaign

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Expand Existing Markets - China

- Position wood in response to **China's low-carbon agenda**
- Build **strategic relationships within the government ecosystem**
- **Expand opportunities** for Canadian wood products in:
  - urban redevelopment
  - rural revitalization
  - tourism development
  - green construction / prefabrication / engineered wood
- Continue to **remove barriers**
  - address phytosanitary issues
  - support code improvements and harmonization

▲ **Guangming International Equestrian Center**

▲ **MOU Between CWG & ECADI**

▲ **Chinese CLT codes development**

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Key Achievements In China

132 codes, standards and policies influenced and supported

25 wood demo projects completed

32.3m sqf.
estimated annual wood construction starts (MOHURD 2019 national survey)

Received Governor General's Medallion Award in 2013, CCBC Business Excellence Awards in 2023 & 2024

110+ wood projects converted to Canadian wood since 2018

12,000 construction professionals trained (e-learning, university programs and vocational trainings)

1M audience reached via social media, public relations and advertising campaigns annually

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Expand Existing Markets – South Korea

- Expand **single family wood construction**
- Expand **multi-family housing**
- Facilitate wood use in **industrialized construction and prefabrication**, including mass timber
- Leverage **low carbon and energy efficiency**
- Niche market opportunities for value-added wood products
  - Resort sector, finishings, landscaping

▲ CWG NLT demo in Jinju City

▲ Opportunities with LH

▲ Prefab Houses by Namuro Homes in Korea

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Expand Existing Markets – Vietnam

- **#2 after China in furniture production**
- **4000+ furniture factories**; many world class in size and scale
- Growing **demand for sustainably sourced wood** products
- **Education and training** for end users (factories and importers)
- **“Try Canadian Wood”** product trial program
- Create awareness and demand with **large sourcing companies**

▲ BC Trade Delegation to FII Vietnam Office

▲ Vietnam Int’l Furniture Show

▲ A display set, featuring a console table, coffee table made of Canadian hemlock

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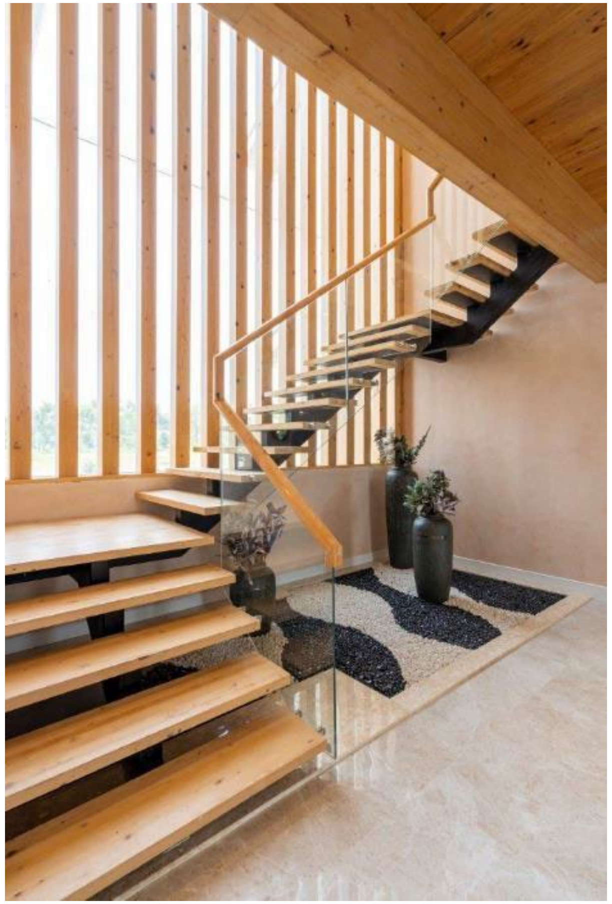
Expand Existing Markets – India

- Strengthen the **Canadian brand**
- **Position Canadian wood species** for:
    - Furniture
    - Doors / windows
    - Interior finishing
- **“Try Canadian Wood”** product trial program
- Leverage **demonstration projects**
- Strengthen **local supply networks**
- Revisit **potential for S-P-F volumes**



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Explore New Markets

- Further research and exploratory work on new potential markets
  - Mexico
  - Indonesia
  - Taiwan
  - Other SE Asia
  - North Africa / Middle East

▲ **Taiwan's first CLT office building**

▲ **Saudi Arabia released new aerial images of the NEOM Construction Megacity under development. 1500 modular houses will be built in the region.**

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Explore New Markets – Middle East

Softwood lumber exports to the MENA region - 2024

Shipments of the biggest global softwood lumber exporters to North Africa and the Middle East (in 1,000 m³)

Horizontal: Importing countries | Vertical: Exporting countries

Countries	Egypt	Saudi Arabia	Algeria	Morocco	UAE	Israel	Libya	Tunisia	Other MENA countries	1-12 2023	1-12 2024	Diff. in %
Sweden	1,438	254	382	376	5	52	89	59	82	2,819	**2,737**	–3
Finland	1,282	403	273	203	0.4	338	17	80	61	2,636	**2,656**	1
Russia	550	n/s	n/s	n/s	n/s	n/s	n/s	n/s	n/s	1,620	**1,700**	5
Austria	6	192	210	92	156	19	64	13	189	814	**941**	16
Romania	5	142	1	19	185	18	0.2	0	202	402	**572**	42
Germany	36	101	80	31	99	14	7	0.4	69	493	**438**	–11
Chile	0	174	0	0	91	0	0	0	66	287	**331**	16
Brazil	1	148	0	12	112	5	0	0	40	379	**318**	–16
Canada	11	23	0	0.3	36	0.2	0	0	20	85	**89**	6
USA	18	1	5	2	2	2	3	3	4	50	**41**	–18
EU (excl. Top 5)	239	166	111	222	96	83	19	29	133	1,089	**1,098**	1
Total	**3,586**	**1,604**	**1,062**	**957**	**783**	**531**	**200**	**184**	**732**	**10,672**	**10,920**	**2**
EUROPE	3,006	1,258	1,057	943	541	524	196	181	736		8,443	

▲ **Source: Russ Taylor**

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Reassess Historic Markets

- Is there potential to re-grow business to historic markets that have fallen off?
  - Australia/NZ
  - United Kingdom
  - Central Europe (larch/Douglas-fir)
  - Other

Sigma II panels, complete with pre-fitted windows, being installed onsite.; © Donaldson Timber Systems

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Strategic Repositioning

- Capitalize on evolving trade dynamics
- U.S. export markets – step in as they exit
- Reduce U.S. wood imports to Canada
- Europe – step in where they exit - if they shift more volume to the U.S.
- Reconstruction efforts in countries impacted by recent conflict (Ukraine, Gaza, Syria)
    - *Link aid to trade??*
- Russian wildcard – post war in Ukraine

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Market Scope, Access and Phytosanitary Survey of the United Kingdom 2025

How These Factors Influence Opportunities and the Importation of Canadian Wood Products

Prepared on 2025-5-1

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A Historic Key Market for Canada

- Canada’s past exports to the UK primarily included Green Hem-Fir, SPF, Western Red Cedar, and plywood

- Market share declined from 1993 to 2003 due to Pinewood Nematode (PWN) restrictions, public distrust of timber frame homes following *World in Action: The Great British Housing Disaster*, rising Nordic competition, and stricter EU/UK product marking requirements.

- Currently a solid market for Canadian WRC and an opportunistic market for other CDN forest products if price is favorable.

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UK Timber Construction Market

- UK gov't is targeting 1.5m new housing over 5yrs to make up the shortfall. Felt to be unrealistic and unachievable.
- In England/Wales 10% timber frame, 80-90% in Scotland (climate driven). 23% in UK overall.
- There is no onsite 'stick frame' construction in the UK. The experienced framing crews don't exist. The market is entirely supplied by prefab manufacturers. Labour shortage is a key driver.
- Wood product specifications need to meet precise parameters which lend themselves to automated handling, layout and machining etc. Excessive variation in quality will not be tolerated.

Sigma II panels, complete with pre-fitted windows, being installed onsite.; © Donaldson Timber Systems

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CLS Grades/Sizes

APPENDIX 1 ASSIGNMENT OF CANADIAN SPECIES AND GRADES TO CEN STRENGTH CLASSES

Species Combination	Strength Class				
	C14	C16	C18	C20	C24
S-P-F	Const Stud	NO. 1 NO. 2		NO. 1 & Btr	Sel Str
D Fir-L (N)	Const Stud	NO. 1 NO. 2		NO. 1 & Btr	Sel Str
Hem-Fir (N)	Const Stud	NO. 1 NO. 2		NO. 1 & Btr	Sel Str
WR Cedar	NO. 1 NO. 2		Sel Str		
Sitka Spruce	NO. 1 NO. 2		Sel Str		

CLS Specification UK Market			
Nominal size, mm	Actual size, mm	Lengths, m	%
50 x 75	38 x 64	2.4 to 4.8 m	7%
50 x 100	38 x 89	2.4 to 4.8 m	30%
50 x 150	38 x 140	2.4 to 4.8 m	60%
50 x 200	38 x 184	2.4 to 4.8 m	3%
		Heavy 2.4 and 4.8 m	

- UK buyers are used to Scandinavian lumber which is typically square edge with no wane.
- Prefab manufacturers cannot accept wane as it may interfere with plant automation.
- C16 is often ordered for 38 X 89/140/184. Lengths – 2.4/2.7 and occasionally 3 M. **No. 2 grades of SPF, HF (N) and Douglas fir are assigned to C16** – which is considered a relatively low strength grade
- C24 is preferred for 38 X 235/286. Lengths – 4.2/4.8 and 5.4 meters. C24 in particular is a commonly used grade in wider widths for timber frame construction.

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Energy Efficiency - Regulation Driven Change

- Stricter energy efficiency, ventilation requirements by the new housing act in 2023. Renewing aging housing stock from an energy perspective is imperative.
- Tougher exterior wall insulation rules challenge brick/block construction.
- Major UK builders (e.g. Taylor-Wimpey, Barratt, Victory, Croudace) pivoting to timber frame.
- Timber construction offers better insulation, air-tightness and thermal bridge.

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Findings – Technical Issues/Market Access

- **A variety of factors** (thermal performance, limitations with alternative systems, labour shortages, offsite methods) are **pushing the UK building industry towards wood construction**.
- As a nation that has fully embraced timber construction and has good technical know-how, **Canada is in a good position to support the UK** as it moves ahead to refine the performance of wood construction.
- Similar to markets in Asia, **Canada Wood could provide technical solutions and education** on how to construct and specify advanced wood frame construction.
- **Some of our Asian strategies could be repurposed** – e.g. Super E.

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Findings continued

- The entry of a number of large builders into the timber frame space suggests that there is going to be **a need for technical support**.
- The absence of a prescriptive design standard for light wood frame construction could present an opportunity for Canada Wood to **introduce standardized Canadian methodology** into the market.
- Further, the push towards high performing building envelopes fits well with Canada Wood's work in Japan, China and Korea. **Strategies and concepts developed for the Asian region could be tailored for use in the UK.**
- In the near term there appears to be **little opportunity for mass timber** pending the expected code changes linked to the Grenfell fire.

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Recommendations to Industry

- If industry is serious about re-entering the UK market, **further in-depth research is advisable**. E.g. delving into specific needs and requirements of the UK timber frame prefab industry.
- As stated, **products need to meet the exacting requirements** of partially or fully automated production lines producing housing components.
- There **may be a need to devise a precise grade spec**, similar to Japan's J-grade or Premium grade
- Given NLGA visual assignments to the EU strength system are not always competitively favourable, industry may want to **look at machine grading to optimize strength ratings**.
- Loyalty, long-term strategy and staying engaged during downturns.
- Consider having a warehouse in the UK to access more market segments.
- Look at value-added opportunities such as treated wood.

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Trade Barriers

- Logistics and high shipping costs
- Phytosanitary and market access requirements
- Limited market recognition and buyer relationships
- Scale and consistency of supply

▲ **Port of Halifax**

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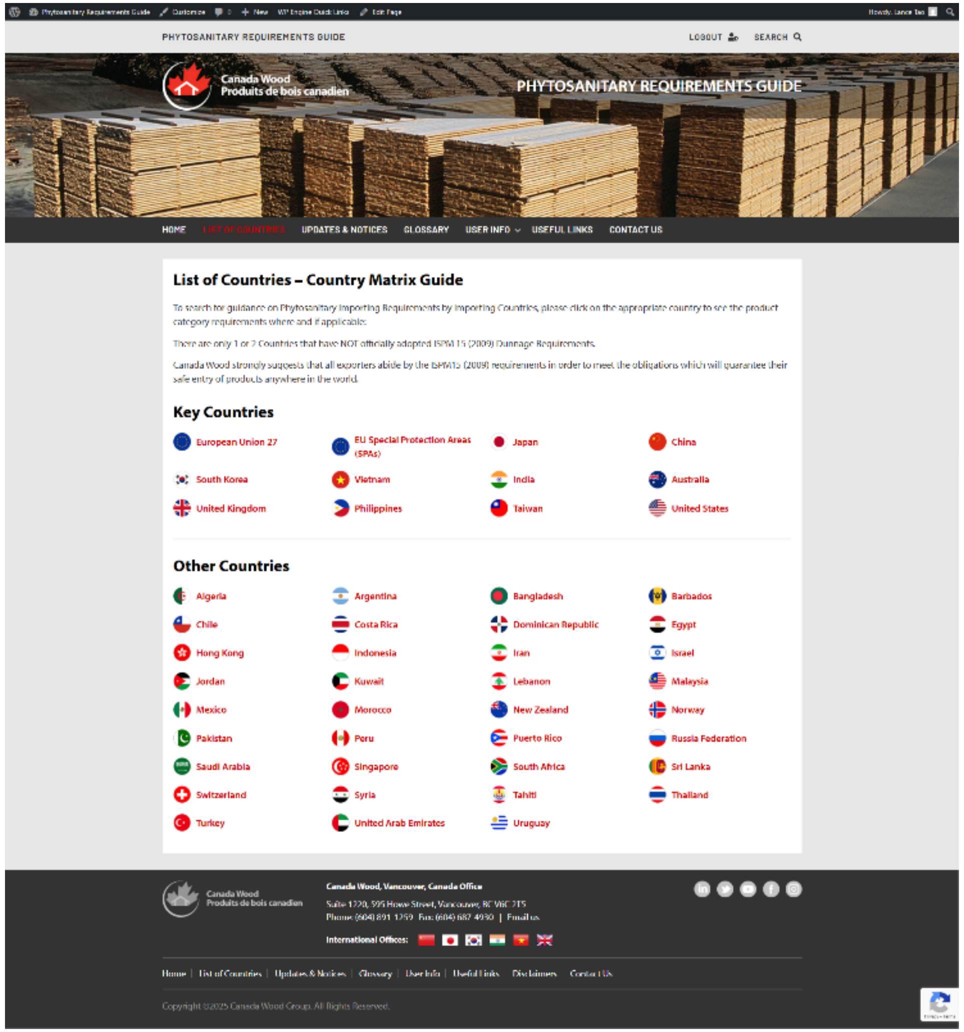
Canada Wood Phytosanitary Site

https://phytosanitary.canadawood.org/

This free, easy-to-access tool provides exporters with initial guidance on phytosanitary and entry requirements for Canadian forest products in international markets.

- Search requirements by country and product category
- Stay informed about changes to import regulations
- Access background info and key export considerations



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