



**Canada Wood
Produits de bois canadien**

CANADA WOOD EXPORT PROGRAM

ANNUAL REPORT 2004-2005

**NATURAL RESOURCES CANADA
CANADIAN FOREST SERVICE
POLICY, ECONOMICS AND INDUSTRY BRANCH
INDUSTRY AND TRADE DIVISION**

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Launched in May 2002, the Canada Wood Export Program (Canada Wood) has passed the mid-point of its five-year mandate, which is to broaden the export base of the Canadian forest sector. The Government of Canada has committed \$35 million to pursue new offshore market opportunities for the Canadian wood products industry. The Canada Wood partners include the Canadian wood products associations and various provincial governments across Canada.

From inception to the end of the 2004-2005 fiscal year, the federal government has spent \$14.9 million on Canada Wood funded projects. Combined, the industry, provinces and Canada have invested more than \$35 million to expand and develop offshore markets.

OFFSHORE OFFICES

The 2004-2005 report provides a thumbnail sketch of the Canada Wood offices and representatives based in China (Shanghai and Beijing), Japan, Belgium, the United Kingdom, South Korea and Taiwan. The offshore offices supporting the in-market activities are a vital component of the program. Staff members in these offices are the direct interface with offshore clients seeking information and guidance on Canadian wood products, and they offer outstanding service in this capacity.

2004-2005 OFFSHORE MARKET ACHIEVEMENTS


In addition to continued support for the common offshore offices, creating a demand

for wood-frame housing as a substitute for other building materials has been one of the program's major goals. In China, wood exports have increased by 50 percent over the past two years to \$100 million annually. Maintaining this pace in China and creating similar opportunities in new markets is the key for future growth. In Japan, wood-frame housing is exhibiting the most rapid growth in the housing industry, and is dominated by Canadian firms. In 2004, lumber shipments rose by 15 percent to \$1.4 billion. The Korean Building Code has been revised to allow larger, multi-family dwellings to be built using the Canadian wood-frame construction system.

In Shanghai, the Canada Wood Group has signed an agreement to develop local building codes for wood-frame construction. Ultimately, a system of inspection to ensure that appropriate materials and construction methods are used, as well as regulatory approval to construct hybrid, multi-storey residential buildings, will contribute greatly to expanding the use of wood products in that area.



Wood-frame Construction in China



In Europe, projects related to certification of Canadian wood products (CE marking) are ongoing. Plywood is among the products that have achieved the CE mark.

At a number of major international trade shows, the wood products associations came together under the Canada Wood banner to promote their products. International clients attending Interbuild, Salon Maison Bois d'Angers, the Japan Home Show and others were provided with a unified and impressive Canadian presence at these shows.

COUNTRY-BASED MARKET STRATEGIES

Over the last two years, Canada Wood and Forest Innovation Investment (FII) have jointly funded a series of country-based market development strategies to address opportunities in specific product segments and to identify the activities required in order to most effectively target these segments. In 2003-2004, market strategies for South Korea, Taiwan and Japan were developed. In fiscal year 2004-2005, a strategy for Europe was completed and one for China was initiated.

Summaries of the country-based market strategies for Europe and China are highlighted in this report, and both of these countries present excellent opportunities for market expansion. Europe remains Canada's second largest offshore market with wood products exports totalling \$521 million in 2004, up 8.1 percent from the previous year. Canadian exports of wood products to China have risen fivefold over the last four years, totalling \$104 million in 2004. The potential for future growth in China makes it a very attractive market.

MID-TERM REVIEW

During the fall of 2004, the Canada Wood Secretariat commissioned an independent evaluation of the program in order to identify any mid-term program course adjustments. Following interviews with senior representatives of forest sector companies, wood products associations and federal/provincial government departments, the results returned were favourable.

The review covered program operations, funding, direction and communications activities as well as a comparison of Canada Wood to similar initiatives by other countries. Stakeholders cited progress on important technical issues such as building codes and standards. Canada Wood's successful campaign for common office space and branding activities in China and Japan drew praise.

COMMUNICATION

The review identified the need for improved communication about the program and its achievements as not all stakeholders were aware of the activities carried out under the program. A bi-monthly e-bulletin was initiated in July 2004 targeting the industry component of the forest sector, in addition to the wood industry association and government partners. This bulletin has proven to be effective in delivering information to industry on important program initiatives.

In December 2004, a China Information Day was held in Vancouver to update industry representatives on Canada Wood's offshore activities and to give them a chance to comment on the direction of the program. As announced at the session, the Canada Wood web site has been redesigned to allow

Canadian companies direct access to market studies that were undertaken through funded projects.

PROGRAM INFORMATION

Comprehensive details on the Canada Wood program, including annual reports from previous years, can be found on the Web at www2.nrcan.gc.ca/cfs-scf/Canada_wood/

In addition, the wood products associations host an industry Canada Wood Web site at: www.canadawood.info/

Your comments or views on this report, or any aspect of the Canada Wood program, are welcomed. You may contact us at:

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The 2004-2005 fiscal year marks Canada Wood's third year of operation, which is the mid-point of its mandate. In May 2002, the Government of Canada launched Canada Wood, a five-year, \$35-million offshore market development program.

Canada Wood program funding is based on three elements: (1) enhancing industry's presence in offshore markets to brand Canada's wood products, (2) increasing shipments to these markets through market development and promotional activities, and (3) improving market access by addressing building codes, product standards and technical/educational issues.

PROGRAM HIGHLIGHTS - 2004-2005

One of the biggest accomplishments of the program to date is the operation of the international network of Canada Wood offices and in-market representatives. With offices in Shanghai, Beijing, Tokyo, Brussels, and Farnborough (near London), as well as in-market representation in Taipei and Seoul, the Canada Wood Group of offices is the featured theme of this annual report. These offices represent the epitome of cooperation among the various wood products industry associations. They have come together under one roof in offshore markets to promote Canadian wood products under a common "Canada Wood" brand and present a unified front to offshore clients where information on Canadian wood

products can be obtained while still retaining their own identities.

In addition to the network of offices (element one of the Canada Wood program), further accomplishments are highlighted under the two other program elements found in Chapter Two of this report. In broad terms, fire codes for wood-frame construction (WFC) in China, Korea and Japan have progressed, and technical assistance for WFC builders has increased in all markets. Under the Canada Wood banner, associations have participated in major trade shows, again providing international clients with a unified presence featuring Canadian wood products.

Two new communication initiatives were begun in 2004-2005 that targeted industry executives. A bi-monthly electronic bulletin informs stakeholders of the offshore market development work being done on their behalf by the wood industry associations in partnership with the Government of Canada. As well, a China Information Day was held in Vancouver in December 2004 to update industry leaders on the funded program activities and provide them with an opportunity to comment on the future of the Canada Wood market development program. Through the Web, Canadian industry executives are being provided with access to market studies and research carried out by the wood products associations under Canada Wood program activities.

As in past years, Canada Wood has continued to carry out country-based market strategies to ensure optimum use of the available financial resources. This year, the strategies focussed on the Chinese and European markets. More detail on these two strategies can be found in Chapter Three.

Canada Wood carried out a mid-term review of the program in order to seek input from industry and provincial and federal government partners. This was done with a view to making any mid-term realignments necessary to achieve the desired outcome of the program; i.e., to achieve the maximum success in increasing export opportunities for Canadian wood products in offshore markets.

CANADA WOOD GROUP - OFFSHORE OFFICES

The Canada Wood Group is an amalgamation of some of Canada's wood products associations, which have come together to operate the offshore offices in the United Kingdom, Belgium, China, and Japan, as well as having in-market representatives in Seoul and Taipei. The following eight associations are involved in the Canada Wood Group: B.C. Wood Specialties Group, the Canadian Plywood Association, the Coast Forest Products Association, the Council of Forest Industries, the Forest Products Association of Canada, the Quebec Wood Export Bureau, the Structural Board Association and the Western Red Cedar Export Association.

These wood industry associations host an industry Web site under the Canada Wood banner at: <http://canadawood.info>. This Web site not only provides the coordinates for the network of international Canada Wood offices in English, French, German, Chinese

and Japanese, but it also gives product information, details of Canada's sustainable forest management practices and the environmental benefits of building with wood.

CANADA WOOD GROUP - CHINA (SHANGHAI AND BEIJING)

A Canada Wood presence in China offers the Canadian wood products industry a credibility that cannot be gained simply through attendance at trade shows or journal advertisements. In January 2005, the Canada Wood office in Shanghai moved into the Dream Home Canada site, a wood demonstration building erected by Forestry Innovation Investment of British Columbia. The Canada Wood China operations have been complemented with a new China Director, John McDonald, in mid-2004 and additional technical staff in early 2005. China has been a major focus of the wood products associations in that 35 of the 119 Canada Wood projects in 2004-2005 were China-based.

Haiyan Zhang and Leonard Mao are located in the Beijing office. In Shanghai, Robin Lu, Jeff Li, Jennifer Yu, Armstrong Chu, Daryl Birtch, Eric Zhang, Vivienne He, Elaine Cheng, and Amalia Du work with Mr. McDonald.



New Canada Wood Office in Beijing



A major activity this year in Shanghai has been the launch and implementation of the Canada Wood Service Centre, a virtual service centre for the promotion of wood-frame construction technology featuring Canadian species and targeting Chinese builders and developers. As a technical transfer and training team, Daryl Birch and Eric Zhang are available at the centre to provide technical advice to builders and training, and to oversee training being given by visiting Canadian experts, by the British Columbia Institute of Technology, and by Tongji University. More than 300 builders, designers, government officials, and other China-based stakeholders have registered at the Canada Wood Service Centre, which gives them access to Canada Wood seminars, training and technical information.

The Canada Wood China offices have had their share of visiting dignitaries. B.C.'s Minister of Forests, Michael de Jong, opened the Dream Home Canada centre in January 2005. Federal Minister for International Trade, Jim Peterson, led a trade mission of 400 companies to China - Beijing, Shanghai and Hong Kong. The Canada Wood China staff worked with the Canadian Consulate General to support these visits.



Some of the Canada Wood Staff in China

CANADA WOOD GROUP - UNITED KINGDOM (UK)

John Park, Canada Wood Director of the UK Office and Market Access Coordinator, promotes Canadian wood products to UK suppliers and delivers the message that these products come from sustainably managed forests. On behalf of CanPly, Mr. Park spearheaded activities that resulted in five plywood mills being able to sell their products in the European Union with the required certification.

Key activities in 2004-05 included work on the Canada Wood Days - a series of products and building seminars in the UK and Ireland, coordination of Canada's presence at Interbuild in Birmingham, and important market development work with customer groups and institutional buyers and negotiating the integration of Canadian standards within the new European building code regime. In the coming year, Patrick Cooper will assist Mr. Park as the Market Development Coordinator.



John Park and Patrick Cooper Outside
Canada Wood-UK Office



CANADA WOOD GROUP - BELGIUM

Ludger Spohr, Canada Wood Director of the Belgium Office and Marketing Coordinator, and Edwin Mallory, Market Access Director, targeted their efforts to develop the European market. They promoted Canada's eastern hardwood species for flooring and furniture in Germany, in the new eastern European member countries, in Italy and in Spain. In Spain, France, Belgium and the UK, they focussed on wood-frame housing. Some of this activity included providing a presence at major trade shows and helping with missions and industry liaison in Europe. The Belgium office works to position Canada as a leader in sustainable forestry and to ensure that fact-based information is available in the market.



Ludger Spohr in Canada Wood Belgium Office

CANADA WOOD GROUP - JAPAN

During 2004-2005, David Litchfield, Director of the Canada Wood Japan office, was assisted in the Tokyo office by Hideko Fumoto, Yuri Kazamatsuri, Jim Ivanoff, Miho Ohashi, Scott Anderson, Yutaka Miyazaki, Ryoichi Takahashi, Kevin Bews and Yuko Eto. The year has been an active one for the office. Prime Minister Paul Martin visited Japan in January 2005, and the Canada Wood staff assisted by ensuring

key lumber, construction and forest industry executives were invited to the special Embassy luncheon with the Prime Minister. Minister de Jong also visited Japan, and Canada Wood staff facilitated meetings with senior Japanese officials and industrialists.

In an ongoing effort to supply information to builders, designers, specifiers and the like, Canada Wood staff participated in the Aspen Mission and Seminar in January 2005, designed to promote the Aspen species. Staff participated in a number of other trade shows including the Japan Home Show in November and the Nikkei Home Show in March. Providing on-the-ground follow-up to any requests generated by the promotional efforts of the wood products associations in Japan is a critical function of the Canada Wood office and the wood products industry are well served by the staff in Tokyo.



David Litchfield and Yutaka Miyazaki Hosting Canadian Representatives in Japan

CANADA WOOD GROUP - SOUTH KOREA

On behalf of the Canada Wood Group, Choon-Sung Lee, an in-market consultant in Seoul, represented Canada's interests in the emerging South Korean market in 2004-2005. With his knowledge of the South Korean market and network of contacts, Mr. Lee organized inbound and outgoing missions. As well, Mr. Lee has

provided a number of reports on Korean market issues and statistics over the year funded through Canada Wood projects. These reports have been shared with Canadian companies.

In 2004-2005, a 'building skills' needs assessment was carried out in South Korea, and recommendations from this report have provided a framework for planning the 2005-2006 training activities for wood-frame construction in South Korea.



Choon-Sung Lee in Seoul

CANADA WOOD GROUP - TAIWAN

Michael Craddock and Carrie Pederson, in-market consultants in Taipei, have acted as on-the-ground representatives for the Canada Wood Group when required. On behalf of the Canada Wood Group, Mr. Craddock has liaised with Taiwanese government officials on a number of wood-frame construction building code and trade issues. At the working level, Ms. Pederson has acted as a go-between for the Council of Forest Industries/Forintek with Taiwanese code officials regarding ongoing code development work in an effort to have Canadian wood-product standards deemed as equivalent to the Taiwanese.



Michael Craddock and Carrie Pederson in Taipei

CANADA WOOD SECRETARIAT - OTTAWA

The Canada Wood Secretariat, based in Ottawa, is headed by Jeff Serveau, the Program Manager. He is assisted by a small team - René Samson, Eric Saumur, Adele White, and Natalie Clayton.



Natalie Clayton, Eric Saumur, Jeff Serveau, Adele White, René Samson





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OFFSHORE MARKET ACHIEVEMENTS - 2004-2005

The sections below are broken down under the three program elements. The projects, undertaken by the wood products association, illustrate some of the accomplishments of the program over the past year.

ELEMENT ONE - INTERNATIONAL REPRESENTATION

The establishment of the international network of offshore offices in China, Japan and Europe, and in-market representatives in South Korea and Taiwan, as outlined in the previous chapter, remain the cornerstone of the Canada Wood program. Federal and provincial governments have funded the wood products associations to establish the Canada Wood offshore offices. These shared offices have not only provided international clients with better and faster service, but they have fostered greater collaboration among the various associations themselves.

ELEMENT TWO - BRANDING ACTIVITIES

In the 2004-2005 year alone, 20 market studies were carried out by the wood industry associations to increase their market knowledge. Through the Web, Canadian companies are able to access these studies, allowing the market intelligence that has been gathered to be shared and the lessons learned to receive broader coverage.

Interbuild, the United Kingdom's (UK) largest building products trade show, is a

key trade show for access to the promising UK market. Canada's presence at Interbuild in April 2004 was successful in that a pavilion housed five trade associations under the Canada Wood banner. The unified presentation — with red maple leaf banners separating each kiosk along with a stylized Canadian plywood corridor — illustrated what joint collaboration among associations can accomplish. Other major international trade shows such as Salon Maison Bois d'Angers, the Japan Home Show and Woodmac, saw Canadian industry associations joining forces for greater impact.

Branding activities in Japan promoting Canadian maple have been extremely successful. This year the Sumitomo Forestry Company, which develops limited-edition residences in Japan, featured a promotional campaign entitled Super Natural Maple using Canadian maple from Quebec. The houses will raise awareness of this wood species and create more demand in the marketplace.



Canada Wood-Japan Staff Receives Canadian Forestry Delegation, Photographed in One of the Super Natural Maple Residences

Another success for Canadian wood products has been the phenomenal growth in total offshore shipments of western red cedar, from 109.6 million board feet in 2003 to 127.1 in 2004, a 16 percent growth. While the comprehensive branding projects carried out in Europe, Australia and China by the wood products association cannot be credited with the full increase, it is clear that the promotional campaigns were a key contributing factor.



Outdoor Western Red Cedar Retreat (photo from WRCEA files)

The BC Wood sponsored Global Buyers Mission, which drew pre-qualified international buyers to Penticton, B.C. to meet with Canadian wood products companies, was held in September 2004. The forum provided many positive networking activities, a trade exhibit showcasing Canadian wood products, and one-on-one meetings between buyers and manufacturers. In view of the success of this Canada Wood-sponsored project, this activity is being repeated in Whistler, B.C. in 2005.

In addition to incoming missions, a trade mission to Tokyo was organized to promote Canadian aspen to Japanese millwork and furniture manufacturers. Canadian representatives from government, industry and wood products associations were on hand to convince Japanese clients that

Canada can deliver a consistent supply of high-quality aspen lumber. An Aspen Exposition was held at the Canadian Embassy in Tokyo, attracting more than 70 Japanese millwork and furniture manufacturers. The display featured aspen wood products manufactured from a complimentary shipment of 60,000 board feet of aspen lumber donated by western Canadian companies. The exposition included presentations on the quality and versatility of aspen, as well as seminars on aspen grading. Canadian delegates were also given a chance to tour Japanese manufacturing facilities.



Delegation at the Aspen Exposition in Tokyo

ELEMENT THREE - TECHNICAL ASSISTANCE

On January 24, 2005, the Canada Wood Group signed a Memorandum of Understanding (MOU) with the Shanghai Municipal People's Government Science and Technology Committee to develop local building codes for wood-frame construction in Shanghai. The codes will incorporate a system of inspections to ensure appropriate materials are being used as well as proper construction methods. A multi-storey, hybrid building using structural lumber in concert with traditional concrete will be built to demonstrate the advantages of hybrid construction. The building, being constructed with a Shanghai partner, will use wood for interior walls and a wood truss roofing system. The project will use on-the-ground Canadian technical support and a Canadian building design. This type of hybrid construction holds great potential for Canadian wood products in China.





Robin Lu at a Wood-frame Construction Site in Shanghai

A number of wood-frame construction demonstration buildings are being constructed throughout China. In 2004-2005, the Chinese Academy of Forestry built a demonstration house in Beijing with wood donations from B.C. companies. Through Canada Wood projects, the house was instrumented to measure changes in humidity and temperature. In 2005-06, data will be collected from this house in Beijing, along with two other test houses in Shanghai (built through B.C. Forestry Innovation Investment). As opposed to previous theoretical studies and speculation, the data will be used to assess the real-life potential for moisture-related problems to develop and provide actual operating cost information. These results will be extremely important for Canadian industries selling wood and construction technology to China.

Building/fire codes and products standards work remains at the core of the technical projects carried out in all markets. Incoming and outgoing missions, product standard comparisons and market research, phytosanitary regulation work, wood-frame construction software design and design guides for builders and architects all play a role in opening up the offshore markets for Canadian-style construction methods. All of

the initiatives, together and separately, will enhance the offshore opportunities to market Canadian wood products.

Super E[®] technology is a method of building healthy, energy-efficient homes that was developed by Natural Resources Canada. This technology has already been introduced in parts of Europe and Japan. Canada Wood supports using this technology, which is now being introduced to China.

With the emergence of the European Union (EU) came the requirement for CE marking (a mandatory EU accreditation identifier) on products being sold there. A number of Canadian manufacturers have faced challenges as the EU phases in its rules over a period of time. Canada Wood projects have contributed significantly to facilitating European market access for wood products from Canada. Softwood plywood and prefabricated home kits are among the products that have been helped. Currently, five Canadian plywood mills have CE-marked products. Meeting EU technical guidelines for products puts the onus on Canadian manufacturers to prove they are compliant with EU regulations. This involves domestic factory control procedures, follow-up administrative/regulatory work and the retention of an overseas accreditation body. These market access activities have become an important focus of industry and have precipitated some of the Canada Wood projects initiated by the associations.

Fire testing was carried out to satisfy the Japanese Government Housing Loan Corporation (GHLC) so that Canadian post and beam construction for wall and ceiling assemblies would meet the GHLC requirements. Meeting these standards enabled post and beam houses to fall under

a fire insurance category at a lower rate than was previously held. In recognition of this higher performance standard, the Japan Wooden Home Association (WHA) honoured the Council of Forest Industries (COFI) with its 2004 WHA award in recognition of COFI's contribution as a member of the technical committee and for the testing that COFI carried out. This is the first time a non-Japanese recipient was given the award. Canada Wood was pleased to be involved in the support of this important testing and technical committee work.

In addition to fire testing, the wood products associations also carried out 25 "2x4 Building Seminars" in regions throughout Japan. Seminar participants consisted of 50 percent architects, with the remaining being builders' job site supervisors and sales personnel. A media campaign, "From Canada 2x4 Campaign," supplemented the seminars and further raised the profile of wood housing in Japan. Designed to increase the 2x4 market share of new homes being built in Japan, statistics show that 2x4 housing starts increased 11.3 percent in 2004 from 2003; i.e., 90,706 units versus 81,502 units respectively.





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COUNTRY-BASED MARKET STRATEGIES

During the past two years, Canada Wood and Forest Innovation Investment (FII) have jointly funded a series of country-based market development strategies to address opportunities in specific product segments and to identify the activities required in order to most effectively target these segments. In 2003-2004, market strategies for South Korea, Taiwan and Japan were developed. In fiscal year 2004-2005, a strategy for Europe was completed and one for China was initiated. The following summaries provide highlights of these strategies, which were developed in close collaboration with associations and provincial partners.

EUROPEAN STRATEGY

Europe remains Canada's second largest offshore market, with wood products exports totalling \$521 million in 2004, up 8.1 percent from the previous year, but only half of the peak export value in 1990. For Quebec producers, Europe represents the destination market for 65 percent of their non-United States (US) exports, while it accounts for about 41 percent of the non-US exports for western red cedar producers. The United Kingdom (UK) is by far the largest market with exports of wood products totalling \$130 million, followed by Italy at \$80 million, Germany at \$70 million, the Netherlands at \$47 million, Belgium at \$46 million and France at \$40 million.

Canada is facing stiff competition in Europe. In addition to the Scandinavian producers, there is the emergence of the Baltic States and Russia as a source of wood fibre and construction grade lumber, the countries of Eastern Europe as a source of hardwoods, as well as China as an increasing competitor. Nonetheless, Europe's favourable economic growth, the strengthening of the Euro, and signs of a change in perception toward wood products are opening up opportunities for Canadian producers. These opportunities range from structural softwood primarily in the UK and the Netherlands, to appearance coast softwoods in Italy, the UK, Belgium, Germany and Ireland, to maple and other hardwoods in Spain and Italy. Engineered products, with a focus in the UK and France, have also been identified as well as prefabricated homes, which recently have been doing particularly well in those two markets.

The main recommendations to emanate from this strategy include:

- provide greater on-the-ground resources to realize the potential in Europe;
- increase promotional wood-frame construction activities such as the ones promoting log homes and factory-built housing and components;
- continue to support Super E homes (a recognized brand associated with a quality certification that is reassuring to builders and consumers);



- enhance the brand image and product differentiation of Canada's prime species such as maple, western red cedar, Douglas fir and hemlock;
- increase cooperation with European wood associations (to form partnerships in activities promoting the use of wood and to ensure favourable code treatment for wood);
- develop effective follow-up to trade enquiries; and
- continue to support common promotional activities such as 'Canada Wood Days'.

As expected, these recommendations will become part of the guiding principles when evaluating future market development activities in Europe. Since the completion of this strategy in late March 2005, associations have already addressed some of these recommendations, including the Canada Wood Group which has increased its strength in the UK office through the recent hiring of a promotional director.

CHINA STRATEGY


China has undergone drastic economic reforms since 1978 with GDP growth averaging 9.5 percent a year. The country is moving into the world of developed economies, and with its accession to the World Trade Organization in 2001, China's impact on world markets is growing. Virtually every major sector of the Canadian economy is experiencing the effect of China in their business, and these impacts are expected to be more pronounced in the future.

In response to China's economic growth, more than 15 Canadian forest products companies have established representation in the Chinese market. Canada's wood products sales to China have increased more

than fivefold over the last four years, totalling \$104 million in 2004. While these exports are relatively modest when compared to sales in markets like the US and Japan, the potential for future growth makes this market a very attractive one.

The strategy for China highlighted that less than 10 percent of Chinese wood imports are used in structural applications and that 85 percent of the current Canadian wood exports to China is used in remanufactured products, which are often re-exported to Japan and North America. Although the Canadian wood sector is believed to be about three years ahead of the competition in this market, it is recognized that this is a long-term investment and that short-term opportunities are limited. On the value-added product segments, the prospect for exports is slim, with China's interest more focussed on manufacturing with unique high-value Canadian species. In the longer term, there are opportunities in wood-frame construction (WFC), particularly in multi-family, multi-storey buildings and in hybrid (wood/concrete) buildings. Nonetheless, WFC faces a number of hurdles including regulatory and code issues, training, quality assurance concerns and a general lack of knowledge about the WFC systems.

The China strategy advocates 34 recommendations under four principal priority areas. Going forward, the main area of focus should be in the structural use of wood, including hybrid structures, multi-family buildings, roof trusses, as well as single family homes. As part of this recommendation, greater effort must be targeted at pursuing the suitable building and fire codes provisions required in the two main local markets of Shanghai and Beijing. In addition, the durability of wood should be addressed through the development of



appropriate code specifications, and a greater focus must be placed on quality assurance as well as providing more support for in-China WFC technical capacity.

The second area of focus should be to provide the necessary support in the development of the remanufacturing and value-added sectors. This includes (1) the research aimed at identifying the species and products with the most opportunities in China, (2) the promotion of the unique attributes of Canadian species to buyers, and (3) the development of technical specifications for Canadian wood species used in remanufacturing.

As part of the third element of this strategy, the promotional activities in China must be coordinated through the development of a marketing and promotional strategy, making more efficient use of demonstration projects, and the establishment of a single brand identity for the Canadian presence in China.

Lastly, the strategy recommends that organizational changes be initiated in order to deliver all activities in China under a real 'Team Canada' approach with formalized lines of accountability among the proponents in China, as well as enhancing the 'Team' leadership and capacity within China. It is also recommended that the overall priorities and strategic direction of the 'China Program' be provided by a senior industry advisory committee made up of senior industry executives in Canada.

Following various consultations with associations, Canada Wood and FII have already addressed several of the recommendations in the report, including the creation of a Senior Industry Advisory Committee due to convene in the fall of 2005. Priorities set by this committee will provide the guiding principles in the future rounds of project funding.



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CANADA WOOD PROGRAM EXPENDITURES FOR FISCAL YEAR 2004-2005

Approved Canada Wood projects in FY 2004-2005 were matched by provincial and/or industry funding. The table below details the total cost of the projects, followed by the Canada Wood-funded amount.

	Total Project Cost (CAN\$)	Total Canada Wood Expenditures
1. Canada Wood Offices/Offshore Representation	4,261,425	2,105,250
2. Branding Activities	7,462,082	2,930,269
3. Technical Support	3,080,585	1,270,859
Grand Total	\$14,804,092	\$6,306,378

TOTAL CANADA WOOD PROGRAM EXPENDITURES TO DATE

(as at July 15, 2005)

	Total Project Cost (CAN\$)	Total Canada Wood Expenditures
1. Canada Wood Offices/Offshore Representation	8,835,424	4,287,390
2. Branding Activities	16,296,922	6,726,963
3. Technical Support	9,378,139	3,851,674
Grand Total	34,510,485	14,866,027



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CANADA WOOD MANAGEMENT COMMITTEE MEMBERS - 2004-2005

Mr. Jim Farrell, Chair

Director General, Policy, Economics and Industry Branch
Canadian Forest Service/Natural Resources Canada

Ms. Sara Filbee

A/Director General, Manufacturing Industries Branch
Industry Canada

Mr. David Summers

A/Director General, Trade Commissioner Service Market Development Bureau
International Trade Canada

Mr. Sylvain Lasnier

Director, Government and Industry Relations
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