



IMPACT OF
COVID-19
ON THE
**GARDENING &
FORESTRY**
SECTOR

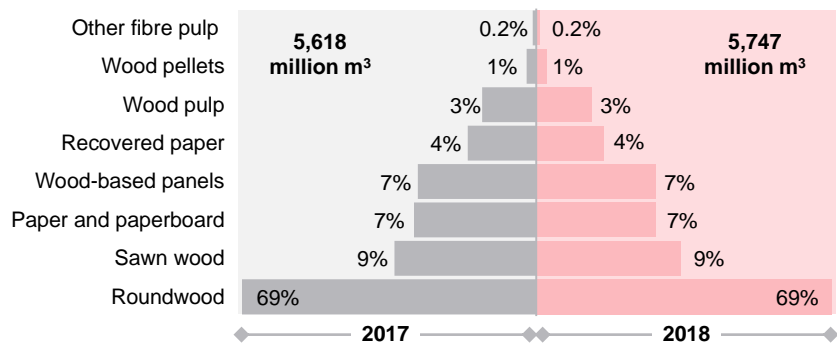


FutureBridge

Overview: Covid-19 Impact on Gardening and Forestry Sector

Reduced forestry operations, job losses and difficult economic recovery are the current challenges caused by Covid-19. These challenges coupled with reduced demand have led stakeholders of gardening and forestry sector to re-structure their business segments

Global Wood Production



Covid-19 impact

It is expected that wood production output for 2020 will be less considering following:

- Reduced demand for wood products
- Reduced forestry activities such as planting, pruning and logging
- Reduced production capacity by wood processing companies

CURRENT CHALLENGES caused by Covid-19 pandemic in forestry sector

Reduced forestry operation: Forestry output has reduced as immigrant workers are having difficulty coming in. This has resulted in low availability of workers for tree planting and other types of forestry activities like pruning trees and helping fertilize trees.

Job losses: With the logging industry just coming out of its wet season, Covid-19 has further delayed any possible work, causing job loss and unemployment.

Difficult economic recovery: It will get difficult for forestry economy to recover in developing markets as workers once move away to a different type of job, bringing them back into this industry oftentimes is very difficult.

Need for capital investment and training new workforce: There is a greater demand of sanitary products like wipes or toilet paper. However, it's hard to increase production in the pulp and paper industry because machines are already running near capacity. To fulfill the new demand, huge capital investments and a lot of training of new workers is required.

Impact of Covid-19 on Key Geographies



Note: The size of the bubble indicates intensity of impact

Source: FAO, World Bank and FutureBridge Analysis

Gardening and Forestry Sector Response to Covid-19

Reduction in forest and factory output, suspension of production facilities and planning on financial rescue strategies are some of the ways in which stake holders are responding to Covid-19 upheaval

OEMs' Response



Komatsu halted its production facilities in Asia & Oceania, and is planning to halt the production in Americas, Europe & CIS. However, the company has resumed operations in China



Caterpillar has temporarily suspended operations at certain facilities and executing the business continuity plans including the use of alternative sources for parts, redirecting orders to other distribution centers and prioritizing the redistribution of the most important parts



Most of the manufacturing plants of Volvo Group are closed and their employees are temporarily laid off



Deere suspended production a factory in Illinois, USA after finding out a confirmed Covid-19 case with an employee on April 2. After thorough disinfection, operations were resumed on April 5. Deere is making use of in-house 3D-printing technology to improve employee safety.

Industry Association Response



Forest Products Association of Canada (FPAC) discussed possible solutions with House of Commons Standing Committee on Finance to overcome financial difficulties faced by forest products companies

Wood Processing Companies' Response



Conifex Timber Inc., announced that, in response to weakening global forest products demand impacted by the continuing Covid-19 pandemic, it is extending its temporary production curtailment at its Mackenzie, British Columbia sawmill for two weeks to May 3, 2020.



Interfor announced a 60% reduction to its lumber production capacity at all B.C., Pacific Northwest and U.S. South sawmills for two weeks in order to align production with the prevailing market



West Fraser has dropped its production at Western Canada sawmills by 18%, and its U.S. South sawmills by 24%. Also, it has suspended plywood production at Quesnel, B.C.



Prompted by limited log supply and weak market demand, Western Forest Products expects ongoing curtailments at its Cowichan Bay and Ladysmith sawmills in Canada to continue into the second quarter



Canfor will curtail its lumber production in Canada by 40% through reduced operating hours and temporary plant curtailments

Forest Ministries' Response



Forestry Commission in the UK has issued office closures and suspended forest site visit. Private forestry operations would continue, however, those will be under government guidance



Minister of Forestry in New Zealand has planned to restart forest operations such as forestry management, harvesting and planting when the country drops to Alert Level 3 on April 28



















U.S. Department of Agriculture's Forest Service has temporarily shut down several developed recreation sites across all national forests in New Mexico to protect the public and employees



Ministry of Forests and BC Wildfire Service banned all category two, category three and resource open management fires in order to reduce demands on firefighting resources and help protect the health and safety of the public and staff

Impact of Covid-19 on Forest Product Markets

Massive drop in demand along with challenges such as labour shortage, sourcing of raw materials and uncertain future have caused all four major product markets to take a plunge

Forest product markets	Covid-19 impact description	Challenges	Market demand (relative comparison)		
			Prior to Covid-19	During Covid-19	Post Covid-19
Housing market 	<ul style="list-style-type: none"> With regards to Covid-19 impact on housing market, there are underlying factors such as housing starts over the past six months, housing stocks and demographic demand, unemployment that have reduced. Prior to Covid-19 widespread, in the US much awaited housing boom had arrived. Housing starts averaged 1.6 million in the last six months ending in February, however, in the last month, US housing starts plunged to 1.2 million, which is a worst monthly decline since 1984. 	<ul style="list-style-type: none"> Labour shortage Supply chain issues Uncertainty over future planning 			
Lumber market 	<ul style="list-style-type: none"> Before Covid-19 widespread, lumber market was subjected towards competition among Canadian and European lumber suppliers since consumption was increasing. However, currently there is a drop in imports, especially in China, which is a major importer of lumber. Since last month, China sawmills are at 50-70 per cent capacity again, and lumber exports will begin to move back into China. 	<ul style="list-style-type: none"> Labour shortage Supply chain issues Reduced demand 			
Timber market 	<ul style="list-style-type: none"> In the early 2020, timber market had a stable demand from most mill sectors. Additionally, exports were improving as there was an agreement between the US and China on import tariffs for logging lumber. On the other side, access to timber will likely remain open and sawmills will continue to operate as most states in the U.S. and provinces in Canada have considered forest products industry essential. However, in last few months, due to Covid-19 widespread consumption has dropped and there are production curtailments at sawmills. 	<ul style="list-style-type: none"> Labour shortage Supply chain issues 			
Panel market 	<ul style="list-style-type: none"> Similar to other wood markets, panel market has taken plunge in the last few months. Panel market is defined by OSB - Oriented Strand Board which is primarily used in building houses. In response to Covid-19 pandemic, OSB manufacturers have announced production cuts. For example, Norbord, a global manufacturer of wood-based panels has announced 25% production cut across its portfolio of North American OSB mills. 	<ul style="list-style-type: none"> Labour shortage Supply chain issues Reduced demand 			

 High  Moderate  Low

Business Functions Impacted by Covid-19

Currently there are various challenges that have disrupted various business functions, however, post Covid-19 scenario can redefine the market, wherein new opportunities will be created across gardening and forestry sector

	Impact on gardening and forestry equipment manufacturer		Impact on wood processing company	
	During Covid-19	Post Covid-19	During Covid-19	Post Covid-19
Business operations	<ul style="list-style-type: none"> Companies have initiated to reduce production capacity due to the component supplier closure and lowering demand If there is a 2nd Covid-19 wave, there can be complete shutdown of production 	<ul style="list-style-type: none"> Wood processing market would ramp-up the production to meet new demand. This would lead to growth in demand for using forestry equipment 	<ul style="list-style-type: none"> Forest product market have been deemed to be essential by major geographies such as the US and Canada However, production cuts have been announced by various companies considering safety of employees and uncertain future demands 	<ul style="list-style-type: none"> End-markets such as lumber, timber and wood panel would ramp-up the production that would lead to increased forestry operations
Strategy	<ul style="list-style-type: none"> Planned M&A activities have been suspended since there is high risk susceptibility Due to declining demand, business goals would be unmet from service as well as product business model 	<ul style="list-style-type: none"> Established companies would largely to focus on having inorganic growth using acquisition strategy Potential companies for merger, acquisition or investment have to be evaluated again 	<ul style="list-style-type: none"> Planned activities towards purchasing new forest land for harvesting and acquiring saw mills have been suspended 	<ul style="list-style-type: none"> Established companies would look forward to increase productivity by acquiring new forest land for harvesting
Supply chain	<ul style="list-style-type: none"> Suspension of import or export and transport restrictions within countries has impacted supply chain Low-cost sourcing countries are non-operational and temporarily shut 	<ul style="list-style-type: none"> Opportunity for equipment manufacturers to source material from low cost sourcing countries 	<ul style="list-style-type: none"> Reduced wood import and export have also led companies to work on low capacity 	<ul style="list-style-type: none"> Opportunity for timber manufacturers to source wood from different vendors since this disruption has caused to global market to reset
Product development	<ul style="list-style-type: none"> Opportunity to research and develop various solutions that can enable remote forest operation Technologies such as GIS, drones and AI can be explored 	<ul style="list-style-type: none"> Opportunity to increase revenue by selling various solutions based on marketing of tested benefits and features 	<ul style="list-style-type: none"> Opportunity to explore various remote forest operation solution that help monitor harvesting and wood inventory 	<ul style="list-style-type: none"> Dedicately using various explored solutions and deploying them other forest and mills

What is Gardening and Forestry Equipment Industry asking us?

Strategic Growth Opportunities

What are the various new risks and opportunities associated with equipment manufacturing and supply chain during and after Covid-19?

What kind of new market scenarios are likely to occur post Covid-19? Which of those scenarios will be beneficial for our business?

How companies are planning to leverage exponential technologies to overcome the impact of Covid-19 like Automation, Digitization, IoT, etc.?

Which are the start-ups that are actively offering disruptive solutions to address the issues associated with Covid-19?

What kind of innovations and advancements can be developed for having cost-effective products and solutions keeping post Covid-19 challenges in mind?

What amendments & guidelines are expected by the global regulatory bodies in policies to minimize the current impact of Covid-19?

What is Wood Processing Industry asking us?

Strategic Growth Opportunities

What is impact of Covid-19 on market potential for forest products? What kind of new market scenarios are likely to occur post Covid-19?

What are new supply chain scenarios that will potentially develop post Covid-19? What are the different sourcing opportunities available for import wood?

How companies are planning to leverage exponential technologies to overcome the impact of Covid-19 like Automation, Digitization, IoT, etc.?

What kind of innovations and advancements solutions be adopted keeping post Covid-19 challenges in mind?

Which are the start-ups that are actively offering disruptive solutions to address the issues associated with Covid-19?

What are the various segments of stimulus packages announced by federal government of different countries for forestry sector?

Strategic Response Options for Companies



FutureBridge supports decision-makers across industries and verticals by keeping them ahead on the technology curve, identify new opportunities, find answers to unknowns such as COVID-19 impact and recovery roadmap, and facilitate best-fit solutions and partnerships using our platforms, programs, hyper-customized solutions.

Consolidation

Understand the impact of COVID on global economy and consider partnerships or acquisitions to reduce competition



Strategy

Evaluate various business models and look to strategize on growth opportunities, if required by resetting and repositioning your business



Innovation

Research and develop new products or modify existing ones and update your product development strategy



End-use Industries

Evaluate which industries are most affected and further analyze and modify your business strategies accordingly.



Applications

Understand which applications to focus on and frame growth strategy opportunities



Locations

Strategize which locations to target and penetrate and plan sales, marketing and distribution strategies



Thank you

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