

Quota Allocation for Independent Remanufacturers: It's good for sawmills

The allocation of quota between primary sawmill and independent remanufacturer has at times been adversarial. The perception that every board foot of quota that a remanufacturer receives is one foot of quota that the mills do not is incorrect. Granting a healthy quota allocation to ALRO members allows for expanded sales of Ontario's sawmills and the remanufacturers while maximizing utilization of quota.

Through our remanufacturing process we create trim-backs. The resulting loss of yield saves approximately 18% of quota by performing the remanufacturing process within Canada compared to shipping the unprocessed lumber into the US for further processing. The example below illustrates this.

In this scenario, the pallet manufacturer in the U.S. requires 2x4-44" pallet grade lumber, a very common product.

Comparison: Ontario Sawmill shipping directly to U.S. vs. Remanufacturing in Ontario first	Option #1: Lumber shipped direct to US.	Option #2: US Customer purchases finished product from ALRO member
Input material purchased (2x4-8' -> 32 bundles at 294 pcs each) from sawmill	50,176 BF	50,176 BF
Loss of footage from remanufacturing in Ontario (Trim back from 48" to 44" with a loss of 4")	NA	(4,181) BF
Loss of yield during remanufacturing (approx. 10%)		(5,018) BF
Quota required to ship into US	50,176 BF	40,977
Quota utilization	100%	81.7%
Maximization of quote	NA	18.3%

In addition to these benefits, remanufacturers must purchase lumber from Ontario sawmills to utilize allotted Ontario quota. Remanufacturers carry large inventories, which can be remanufactured and sold domestically or shipped into the U.S. with quota. This provides an incentive for our members to purchase significantly more lumber from Ontario sawmills. An informal survey of our members indicates that we purchase over 3 times the volume of lumber from Ontario sawmills as we ship over the border. So, each board foot of quota we receive would theoretically result in the purchase of over 3 board feet of lumber from Ontario sawmills.

ALRO wants to make it clear that we are not in competition with primary sawmills. By supporting remanufacturers, we believe that sawmills optimize the value of their wood fibre: they can use their quota for higher value products and let the remanufacturers further process the low-grade material. This adds value, creates jobs within Canada, boosts our economy, increases the value of our country's forest resource, and maximizes quota utilization.