



Memo

**J.D. IRVING, LIMITED
WOODLANDS DIVISION**

To: New Brunswick Forest Product Marketing Board Managers: Dick Bellefleur; Patrick Doucet; Linda Bell; Paula Creamer; Lisa Barkley; Erica O'Donnell; Pam Folkins

From: Brent Thompson

Date: August 31, 2017

Re: **J.D. Irving, Limited's New Brunswick Private Wood Purchasing Program Update**

In order to facilitate understanding of J.D. Irving, Limited's private wood purchasing programs we are providing this update of our purchasing principles and program components. Please review this and share it with the board of directors in your board area, as well as in communications with private woodlot owners and wood producers. If you or your directors have any questions please do not hesitate to call me.

**J.D. IRVING, LIMITED (JDI)
NEW BRUNSWICK PRIVATE WOOD PROCUREMENT PRINCIPLES AND TERMS**

Objectives:

- A. Establish productive, partnership-based relationships;
- B. Improve the competitiveness of the forest products industry in New Brunswick; and
- C. Increase the volume of competitive wood supply on a sustainable basis for JDI mills.

Principles:

1. Transparency and accountability. JDI ensures a reliable and consistent supply of wood for its mills by making wood supply contracts with producers who cut the wood and who decide where to sell it. JDI also purchases stumpage through agreements made with individual woodlot owners. JDI and its producers and woodlot owner clients must be accountable to meet the contract commitments made to each other.
2. Performance-based. JDI's business success is conditioned upon meeting high standards of delivery performance to its customers; and similarly JDI must work with producers who demonstrate consistent high levels of performance.
3. Partnership based. JDI works with producers and woodlot owners who are willing to work together to find win-win solutions that improve the competitiveness of the wood supply for JDI's mills, for the producers, and for woodlot owners.

Components:

1. **Contract option.** Wood purchase contracts made between JDI and New Brunswick private woodlot owners and wood producers for delivered wood are available regardless of size – for a few loads or hundreds of loads. Contracts are made through JDI’s local Wood Buyer and copies of contracts are provided to the applicable marketing board. Key features of these contracts include the following:
 - a. First-in-line market access priority at JDI mills.
 - b. Applicable marketing board levies are paid on all of JDI’s private wood purchases.
 - c. The names and delivery volume commitments for each wood producer are included so that individual performance can be objectively measured and documented.
 - d. Producers may choose to be paid by direct bank deposit which includes secure internet access to view scale and payment transactions.
 - e. Contract performance results for product quality and delivery will be used by JDI in an objective and transparent manner to qualify and select producers.
 - f. Productivity improvement initiatives may be reflected in the applicable wood purchase contract by way of an adjustment to price, volume, duration, or bonus.
 - g. Contracts may have fixed prices for the duration of the contract or have prices flexed according to a process agreed between JDI and the producer(s).
 - h. Each contract is a distinct contract between JDI and an individual producer and/or a group of producers, and is independent of other contracts.

2. **Gatewood Option.** Wood purchased through JDI’s gatewood purchase program will be subject to the following:
 - a. JDI will use best efforts to provide a minimum two weeks’ notice through the marketing boards and JDI’s scale offices of any price reductions or specification changes.
 - b. JDI may at its discretion, limit or curtail gatewood deliveries immediately and without notice, however JDI will provide advance notification whenever its business plans permit.

3. **Stumpage Option.** JDI offers to purchase stumpage and to provide woodlot management services through agreements made with individual woodlot owners. Currently this option is available to woodlot owners in proximity to JDI’s woodlands operating regions in southern and central New Brunswick.