

## Forest Improvement and Research Management Branch

### Rationale for Fee Schedule Amendments

#### Background

Forest Improvement and Research Management Branch (FIRM) manages five seed orchard sites containing 40 seed orchards, established with over 50,000 genetically improved trees of nine different species. These orchards produce approximately 50% of the genetically improved seed used for reforestation in the Province. The use of genetically improved seed contributes to rapid and successful reforestation, produces future timber volume gains and reduces expected shortfalls in the midterm timber supply. This includes hedge orchards that provide vegetative cuttings for yellow cedar (cypress).

FIRM sells improved seed to the BC Timber Sales (BCTS) program, the Forest for Tomorrow (FFT) program, and to licensees in the province. Seed sales are essential to the functioning of the MFLNRORD seed orchard program, which operates on a cost recovery basis.

In the seed orchards, production of cones vary significantly from year to year due to the biological factors of tree seed reproduction, varying weather and other influencing factors. Seed demand also varies due to changing harvesting operations within regions, wildfire reforestation, climate based seed transfer, harvesting practices, constraints, and general economic conditions.

The Provincial Tree Seed Centre (TSC) started in 1956 in Duncan and moved to Surrey in 1986 to a state of the art facility specifically designed as a provincial tree seed centre. The TSC is the primary provider of cone and seed services to the MFLNRORD and BC's forest industry.

The FLNRORD cone and seed fee schedule has been in effect since the late 1980's, and was revised in 1998, 2003, and 2011. This 2018 review continues to account for costs associated with producing seed in FIRM seed orchards and for cone and seed processing services at the TSC.

The existing (2011) Fee Schedule is at: [https://www2.gov.bc.ca/assets/gov/farming-natural-resources-and-industry/forestry/tree-seed/tree-seed-centre/2011\\_cone\\_and\\_seed\\_fee\\_schedule.pdf](https://www2.gov.bc.ca/assets/gov/farming-natural-resources-and-industry/forestry/tree-seed/tree-seed-centre/2011_cone_and_seed_fee_schedule.pdf)

#### **Rationale for proposed amendments**

The revised prices for seed orchard seed reflect the actual costs of producing seed at FIRM seed orchards and processing seed at the Tree Seed Centre. Fees for orchard seed are on a \$/kilogram basis by species. These fees are based on total expenses incurred over the life of an orchard (actual and forecast expenditures). Fees are set based on species specific production costs and potential sales. The ministry may also set fees for seed that requires additional resources to produce, and negotiate fees for custom collections or bulk sales (for a multi-year seed supply) with prospective clients.

Most orchard seed price changes are less than the cumulative rate of inflation (10.5%) since 2011.

All orchard seed collected prior to 2003 with a GVO < 5 (with no other genetic worth traits (eg resistance), will be discounted to 50% of listed price. This may provide for some use of the low gain seed, while not

affecting sale and use of higher gain seed, and generating income before seed germination or value declines further.

Specific species comments are as follows:

1. Dr: A new species based on actual costs.
2. Ep: A new species based on actual costs.
3. Cw: A small increase in price for this species that is less than inflation.
4. Fdc: A small price increase just over inflation will recover more of the costs for this species. There is no longer a discount for seed with a GW 5-6%.
5. Fdi: A separate rate has now been established for Fdi to represent this species costs.
6. Hw: No change recommended to this species.
7. Lw: A small increase close to inflation.
8. Pli: No change recommended to this species.
9. Py: The 2011 price was interim as there was no production at that time to validate the cost model. The price is now decreased due to actual costs based on 4 years of production for this species.
10. Pw: No change recommended to this species.
11. Sx: No change recommended to this species.
12. Ss: FLNRORD does not currently have any orchards of this species, although seed from a retired orchard is still available for sale. No change recommended to this species.

Revised Natural Stand Seed prices (for pre 2003 collections) are based only on an adjustment for inflation.<sup>1</sup>

The proposed fees for TSC cone and seed services reflect the current cost of providing a particular service. In addition, a change in the calculation of 'germination price adjustment' for both orchard and natural stand seed is proposed as a result of a review of five different options used in other jurisdictions. The proposed approach uses a set or "specified" germination rather than average germination.

Specified germinations for orchard seed germination discounts are set at either 90% or 85% depending on the species. This introduces more price consistency from year-to-year. The result is a price reduction for 38 of 185 existing seed lots, which will have a small effect on clients, given the minor change in seed prices.

### **Cost Analysis**

Over 2017 and 2018, FIRM staff undertook a full review of the previous costing models. This detailed analysis was to ensure that all costs associated with these operations were being captured. Costs recovered include direct and indirect operating costs, such as:

- Salaries
- IM/IT
- Capital (as per a Government capital amortization model)
- Utilities
- Vehicles
- Maintenance
- Floor space
- Operating expenses
- Overheads and

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<sup>1</sup> After 2003, all natural stand seed prices are based on recovery of collection costs.

- Facilities.

A comparison of proposed new seed prices with those charged by crown and private facilities across Canada also formed part of this analysis. However, comparisons with other jurisdictions are not applicable for the most part, due to different species and different types of services provided, and this analysis did not result in any price adjustments.

A sensitivity analysis was also undertaken to review impacts from changes to species expected due to wildfire and climate change impacts.

### **Summary of Key Changes proposed**

Six new charges have been introduced, 39 fees have been increased and one decreased.

Natural Stand Seed prices (for pre 2003 collections) have been adjusted for inflation only<sup>2</sup>. The schedule now includes the following additional species: Red alder, Sitka alder, Paper birch, Noble fir, Limber pine and Black spruce (prices for these species were previously posted only in the Seed Planning and Registration (SPAR) price list).

A change in the calculation of germination price adjustment is proposed, as described above.

Prices for vegetative material (cuttings) have been added to the fee schedule, at the price most recently charged by the ministry vegetative orchards.

### **NEW CHARGES**

#### **Seed Orchard Seed prices**

- Red alder is introduced with a price of \$13,000 per kg.
- Paper Birch is introduced with a price of \$19,200 per kg.

Tree Seed Center service fees, for additional services provided since 2011 at the request of clients:

- Additional kiln treatment,
- Additional cleaning for pitch removal,
- X-ray testing and
- Fungal assay testing

### **DECREASED PRICE**

- Ponderosa Pine seed orchard seed has decreased from \$8,500 per kg to \$1,000 per kg.

## **Comparison of current and proposed Fee Schedule**

A comparison of the current fees approved in 2011 and the new proposed prices for 2019 can be found [here](#). This includes a listing of all proposed seed prices, as well as, a listing of all TSC cone and seed service fees. A brief description of service areas and the proposed fees for service details are also included where applicable.

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<sup>2</sup> After 2003, all natural stand seed prices are based on recovery of collection costs.