



**ALGONQUIN**  
FORESTRY AUTHORITY

*Maintaining the Balance since 1975*

An agency of the Province of Ontario



# **Annual Report** **2023 – 2024**

# Forty-Ninth Annual Report 2023 – 2024



TO HER HONOUR  
*The Lieutenant  
Governor of the  
Province of Ontario*

MAY IT PLEASE YOUR HONOUR

*The undersigned begs respectfully to present to Your Honour the Annual Report of the Algonquin Forestry Authority for the year beginning April 1, 2023, and ending March 31, 2024.*

*The Honourable Graydon Smith  
Minister*

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THE HONOURABLE GRAYDON SMITH  
*Minister of Natural Resources*

HONOURABLE SIR:

*I have the honour to submit to you the Annual Report of the Algonquin Forestry Authority for the year beginning April 1, 2023, and ending March 31, 2024.*

*Gordon Clark  
Chair*

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## ROLE AND MANDATE

The Algonquin Forestry Authority (the Authority, AFA) operates under the Algonquin Forestry Authority Act, R.S.O. 1990. The Authority is a self-financing, operational enterprise, Ontario Crown agency. The Minister of Natural Resources (Minister, Ministry) is responsible for the administration of the Algonquin Forestry Authority Act. This legislation sets out the management, objectives, and powers of the AFA within Algonquin Provincial Park.

- *Ensuring the sustainable management of Algonquin's forests*
- *Planning of all forestry operations; harvest, access, renewal and tending*
- *Harvesting and distribution of wood products to mills*
- *Monitoring and reporting on forestry operations.*

The September 26, 2022, mandate letter issued by the Minister to the AFA Board Chair sets out expectations and direction for AFA in 2023-24. AFA's governance structure, Strategic Plan and implementation tools, business planning and budgetary process, including in-year checkpoints ensures the objectives set by the mandate letter are kept in the forefront. Those objectives and a brief description of how AFA has administered these priorities follows.

Government-wide priorities:

- Competitiveness, Sustainability and Expenditure Management
  - The AFA's legislated mandate as a self-financing operational enterprise demands constant attention to these priorities. The Authority has been focussed on developing markets and increasing harvest volume to achieve sustainable forest management objectives for socio-economic and environmental benefits. Development and modernization of internal systems for efficiencies, effectiveness and cyber security are underway.
- Transparency and Accountability
  - The Authority's responsibility to report to the public is referenced in the financial audit report. Submission timelines for the business plan, interim summary report and agency annual report have been generally met as well as the posting requirements for these documents. The mandate letter and results of audits also appear on the AFA's public facing website.
- Risk Management
  - The Authority has adopted the OPS standard Enterprise Risk Management framework that utilizes a risk identification, assessment and mitigation of risk system and reviews risk on a continual basis. Detailed quarterly risk reports are produced and shared with MNR.
- Workforce Management
  - The Authority provides the best possible service delivery with a workforce that is both functional during peak workloads and nimble enough to adapt to changing environments. Succession and performance management are key elements of successfully managing the changing workforce.
- Diversity and Inclusion
  - Efforts in this area include demonstrating leadership of an inclusive environment free of harassment, promoting a diverse workplace, and implementing inclusive

engagement processes designed to ensure that all voices are heard to inform policies and decision-making. Compliance with the Accessibility for Ontarians with Disabilities Act is being achieved.

- Data Collection
  - Using data that is collected during normal business operations, AFA is growing the information systems and human resource capacity to use, interpret and analyze data for improved decision making at both the operational and management levels.
- Digital Delivery and Customer Service
  - The AFA is leveraging digital information technologies both internally, as well as with clients and stakeholders to ensure digital services are provided to achieve an accurate, efficient, and secure service delivery experience.

The second part of the Minister's Mandate Letter sets out specific areas of focus for the Authority. The AFA's efforts to achieve these are described below.

- Implementing and updating the Strategic Plan and ensuring alignment with the Government's Forest Sector Strategy.
  - A Board approved Implementation Plan is in place, administered by the AFA Governance Committee and General Manager, and is reviewed quarterly and adjusted as required. Reviews include, documenting progress, discussing relevance of strategic initiatives, and setting targets. Performance targets for the AFA Board, management, and staff flow from the Strategic Plan's Implementation Plan.
- Exploring opportunities to further engage Indigenous communities in the governance of the AFA as well as in any economic development initiatives available.
  - Engagement opportunities have been examined and initiated. A director of Algonquin descent has been appointed.
- Supporting my ministry's efforts to achieve greater inclusivity and diversity across the Board of Directors when recruiting and undertaking succession planning.
  - The AFA Board works closely with MNR and the Public Appointments Secretariat to suggest appointments that work toward achieving this goal.

The final item in the list was to continue to focus on the purposes for which the corporation was established to which the Description of Activities and Financial Results sections of this report are dedicated.

The Memorandum of Understanding, 2021 (MOU) between the MNR and the AFA further clarifies the roles and operating relationships between senior Ministry staff and the Authority's Board of Directors and its Officers, consistent with the Act and the Agency and Appointments Directive (AAD).

The Algonquin Park Forestry Agreement, made pursuant to the Act and the *Provincial Parks and Conservation Reserves Act*, subject to the *CFSA*, sets out obligations for the Authority's forest management activities. These include forest management planning, silviculture (forest renewal and tending), forest access, monitoring, and reporting.

AFA's Mission and Vision Statements are contained within its Strategic Plan and within AFA's

Sustainable Forest Management (SFM) policy.

Mission Statement: *To ensure the long-term health of Algonquin Park's forests and to produce a sustainable supply of forest products for the local economy.*

Vision Statement: *To be a leader in sustainable forest management that maintains Park values for future generations.*

All forestry activities are carried out under the direction of a Ministry approved Forest Management Plan (FMP), subject to the Crown Forests Sustainability Act, 1994. These activities are subject to an Independent Forest Audit (IFA) every seven to ten years and the audit results are tabled in the Ontario Legislature and made available to the public. The most recent IFA audit on this forest was conducted in 2017, with an audit scheduled in 2024.

The Algonquin Park Forest is certified to the Sustainable Forestry Initiative (SFI) 2022 Sustainable Forest Management (SFM) standard. Registration to this SFM standard was achieved on January 1, 2023. This certification demonstrates the Authority's commitment to sustainable forest management and provides the public access to results from annual independent audits to defined standards.

A key component of AFA's SFM certification is our environmental and sustainable forest management system (ESFMS). Key objectives of the ESFMS are prevention of pollution, sustainable forestry, continual improvement and compliance with applicable laws and guidelines. AFA receives management direction from several different plans and legislation, but its SFM Policy guides its day-to-day activities. AFA's commitment to SFM can be found in its Vision Statement.

The Authority applies the principles of sustainable forest management (SFM) to balance the protection of Park values on behalf of the people of Ontario. Protection of Indigenous, recreation, fisheries, wildlife habitat and natural and cultural heritage values is of utmost importance while creating economic opportunities and maintaining a supply of forest products to mills dependent on Park timber.

Harvesting is carefully regulated to minimize impacts on other forest values while being a significant economic generator for the region. The Authority contracts out both harvesting and forest management work to companies from communities in the region. The timber harvested regularly supports 12 mills in communities such as Huntsville, Whitney, Madawaska, Pembroke, Killaloe and Eganville. Another ten to fifteen mills in the region receive periodic supplies.

## CHAIR'S MESSAGE

The AFA Board of Directors is pleased to present this Annual Report outlining the Algonquin Forestry Authority (AFA) operations for the fiscal year 2023-2024. In its 49th year of operation, the AFA has continued to deliver the mandate of sustainable forest management in Algonquin Provincial Park. The Authority is committed to this mandate on behalf of and for all Ontarians through the economic, social, and environmental benefits that the Algonquin Park Forest provides.

The AFA and its clients have faced financial challenges over the past fiscal year related to the lack of markets for low-grade hardwood material and boltwood, primarily brought about through the closure of pulp mills in Eastern, Northeastern and Central Ontario, and a shorter than normal winter operating season. This is compounded by the clients' inability to market wood products. This not only reduces revenue to fund operations and provide jobs but, importantly reduces the prescribed harvesting in areas to achieve our silvicultural activities. We continue to explore new sales opportunities and to develop harvesting and silviculture contractors to better achieve our sustainable forest management objectives.

Meetings of the Board, the Governance, Audit and Finance, and Human Resources Committees related to strategic initiatives have been conducted in face-to-face and hybrid format. The Board is pleased to report successful compliance with the Auditor General and Independent Forest Audits, and public reporting requirements for this year.

Changes at the Board this year included the appointment of Sarah Bros as Vice Chair and the appointments of two new directors, Tim Withey and Brian Sarginson. The terms of incumbent AFA Directors appointments are listed on page 23 of this report.

The Board bid a fond farewell to Charlie Lauer who had served on the Board since 2015, most recently as Chair of the Human Resources Committee for the past six years.

The AFA has experienced a number of changes in staff over the past year. After 16 years with the AFA Jeff Leavey retired as the General Manager. Competition for this position resulted in the recruitment of Tracey Bradley as the General Manager effective January 1, 2023.

Sincerely,

Sincerely,



Gord Clark, Chair,  
AFA Board of Director

## DESCRIPTION OF ACTIVITIES

The next two sections; harvesting and forest management, describe forestry activities, operational performance, and target achievement for 2023-24. Outcome-based targets discussed herein were set out in the Authority's 2023 to 2026 Business Plan and are compared to the previous year's operations.

The Business Plan identified a trend to lower harvest volumes and higher operating costs, and outlined strategies to rebuild harvest capacity, deal with a lack of economical options for disposing of pulpwood and species with reduced markets, and a return to profitability.

Performance measures must be established during the business planning process, which must be undertaken three to four months before the results of the previous year's operations are known, such that actual results are subject sometimes to very significant in-year adjustments. Fluctuating markets for forest products, extreme weather conditions, recreational and wildlife timing constraints on operating within Algonquin Provincial Park, and the availability of human and physical resources can have negative effects on planned outcomes. The most impactful economical factor again this year has been the disappearance of markets for poplar and low-end (pulp) material. And of course, the Authority faces the same labour shortages and inflationary effects as most other businesses in Ontario.

Typically, most of the harvesting and transportation of timber to market is conducted between September and March, while forest management activities begin in April and are generally concluded by December. This requires significant expenditures early in the fiscal year that are eventually funded by revenue generated from the sale of timber later in the year. Forest management projects are planned separately and often only projects that occur in the latter part of the year, such as tree marking and stand improvement, can be adjusted.

The AFA plans all operations on a cost-recovery basis and as such sets volume and value targets to fund operations within the sustainability limits prescribed in the approved forest management plan (FMP). Achievement of business targets is tracked and compared to the annual budget and quarterly performance from the previous year on an on-going basis.

The approved FMP sets targets against which performance is also measured and reported in separate public reporting documents required by the Crown Forest Sustainability Act, 1994 (CFSA).

## Harvesting

The Authority operated in 2023-24 under the approved 2021-2031 Forest Management Plan for the Algonquin Park Forest. The approved forest management plan states that a sustainable annual harvest of 710,622 cubic metres (m<sup>3</sup>) is available from the forest. The Authority's operations have produced an annual average of 381,000 m<sup>3</sup> over the previous five years.

The 2023-2026 AFA Agency Business Plan set out a volume target of 350,000 m<sup>3</sup> for the 2023-24 budget based on current market conditions, particularly no economic market for low end material and the re-building of contractor capacity. Achievements are compared to this benchmark. Achieving the financial target in the 2023-24 budget required more volume to be harvested than the previous year and acquiring pricing for our products that covered our costs.

The 2023-24 harvest from the forest was 334,340 m<sup>3</sup> (source: AFA Sales System), which is well within the sustainable level that the Algonquin forest can provide but is less than the previous year's harvest of 347,407 m<sup>3</sup>.

Harvest levels are tracked in-year by the sales unit of measure, mostly green metric tonnes, which is the unit of measure used by most clients for payments. This year, sales were also made in board-foot-measure (fbm), Ontario log rule and net cubic metres. Mathematical conversions from tonnes and fbm to net cubic metres (m<sup>3</sup>) are made at year-end (March 31) for consistent reporting of yearly sales volume. This will often differ from the volume reported in MNR's TREES wood measurement system that reports net cubic metres by the year in which it is cut.

### **Quarterly Sales Volume**

The 2023-24 fiscal year began in April with deliveries from year-end inventories which was mostly wood harvested in the previous month. Sales remained strong for inventories from 2022-23. As in 2022-23, contractor start-ups after the spring break-up period were delayed by uncertain markets and rising costs of labour, insurance, fuel, and equipment and by inclement weather. The Authority's plan to attract more and grow existing logging contractors was complicated by uncertain demand and challenges in acquiring adequate pricing.

New contractors were introduced throughout 2023-24 and the volumes produced by entrants should become apparent in 2024-25. Efforts to improve harvest levels continue and include investing in 'turn-key' areas with road access and sample tree marking to view with new potential entrants. AFA has also engaged in different business models to engage new contractors, including, but not limited to, hiring different elements of the operation separately (e.g. trucking) and finding areas to utilize different mechanical harvesting set-ups.

Demand for white and red pine sawlogs remained steady, while the hardwood market experienced historic lows in demand and pricing. 2023-24 saw four client mills access wood supply under Third-Party, Standing Timber contract arrangements.

Pulpwood utilization issues described in the Business Plan were somewhat alleviated by Louisiana-Pacific in Quebec purchasing poplar pulpwood which helped with summer harvest volumes, and TKL in Timiskaming, Quebec purchasing poplar and hardwood pulpwood for most of the year. Where possible, clients agreed to purchase timber in tree length form to help utilize pulpwood and access sawlogs. This had a negative effect on producing hardwood veneer because sawlog recovery for sawmills was the primary objective of most clients.

In the second quarter of this operating year, the Authority exceeded planned volumes due to increases in harvest capacity in Q1 as well as summer conditions that did not lead to significant down time for operations (due to fire risk).

Relatively favourable weather prevailed into the fall and the addition of an additional harvest contractor led to continued over-achievement of volume in Q3. Early winter was milder than usual, and access was constrained to gravel roads until the end of the third quarter. This led to an increase in the harvest of higher value product, particularly red and white pine that are generally associated with all-season road access. Sales volume in Q3 was 117% of planned.

Q4 performance was 79% of the planned harvest volume. Q4 is traditionally the highest achieving quarter as measured by harvest volume, but a very early spring break up resulted in the cessation of harvest operations significantly earlier than usual, with minimal volume moving in March 2024. The mild winter resulted in operations staying primarily in white and red pine forest types as roads that required cold weather to freeze in and access hardwood volumes were not available for use.

Overall sales volume performance for the 2023-24 year was 94% of the budgeted sales volume (390,000 m<sup>3</sup>) required to achieve financial targets. Costs continued to rise, but pricing adjustments and a higher than planned harvest of higher value material (pine species) was sufficient to provide enough revenue to offset the additional costs.

Approximately 50,000 tonnes of timber were inventoried in the field, to be moved and at market as soon as road conditions would allow in April and May of the next fiscal year.

### **Contractor (Productive) Capacity**

AFA's objective to grow the business to better achieve its mandate requires implementation of key operational strategies to increase contractor capacity and produce timber for sale. Strategies include lengthening the operating season (with

early-starts, building inventories for inclement weather and the spring break-up period), advanced planning, advanced road building, tree marking, merchandizing yards, and developing new/additional road building and logging contractors. These strategies require a significant investment of human and financial capital and are at various stages of development in any given year. Rebuilding after the loss in 2022-23 of three logging contractors has been challenging. Demographics and the pandemic-caused supply chain disruptions and inflationary effects have exacerbated efforts to attract growth in the forestry sector.

The Authority's contractor workforce generates significant employment and economic benefit to the area.

The Authority continued to build harvest capacity in this operating year, engaging seven contractors and entering into seven additional standing timber and third-party agreements.

The Authority retains a professional and responsible work force to achieve its objectives and actively promotes safe and effective work practices.

AFA and its contractors administer an "Environmental and Safety Award System" that recognizes positive work practices. Based on a monthly score card for logging contractor operations, including road building and hauling sectors, the top performing contractors and their workers are formally recognized with a safety award. All operations show a trend of continual improvement.

### **Product Sales**

The volume sold in 2023-24 was less than planned (94%). Sales revenue during the year was projected to be insufficient to sustain forecasted program costs. However, in-year adjustments based on market conditions and dictated by a mild winter and early spring led to an increase in the harvest of higher value products, and reduced winter maintenance road costs.

Pine sawlogs and poles result in a higher profit margin because they command a better price at market and approximately 80% of the tree generates sawlog and better material. A hardwood tree typically contains fewer sawlogs (20-30%) and generates narrower margins because of the higher proportion of lower value wood (pulpwood, firewood) in the tree. Overall, profit margins have tightened with the rising cost of operating. A shift of markets and species mix, and product proportions for sale can have a significant impact on revenues.

Species and product mixes are compared in the chart below to the previous two years that concluded with a negative financial position on March 31, 2022, and March 31, 2023. This year's species/product mix shifted to more pine and fewer hardwoods.

This compensated for the overall lower sales volume and contributed to higher revenues. This is discussed further in the Financial Results section beginning on page 15.

**Comparison of Annual Sales Volume (m3) by Species and Product Groupings**

Species Product	2021-22		2022-23		2023-24	
	Volume	%	Volume	%	Volume	%
Conifer sawlogs (pine, spruce, hemlock, cedar)	117,800	32%	108,428	31%	147,634	44%
Hardwood sawlogs (maple, beech, oak, poplar, birch)	67,207	18%	64,405	19%	64,348	19%
Conifer pulpwood	16,262	4%	20,853	6%	10,765	3%
Hardwood pulpwood	144,952	40%	141,763	41%	97,216	29%
Red pine poles	18,465	5%	11,900	3%	12,709	4%
Veneer	166	0.05%	58	0.02%	1,667	0.50%
Total	364,852	100%	347,407	100%	334,339	100%

**Forest Management**

The approved 2021-2031 Forest Management Plan (FMP) for the Algonquin Park Forest details the goals, objectives, and strategies for the ten-year period and harvesting operations in 2023-24 were conducted under the 2023-24 Annual Work Schedule. Forest management activities in the Algonquin Park Forest must follow FMP prescriptions and within the FMP framework. Targets set out in the FMP are further refined in the Business Plan (see the following table) as required to reflect actual harvest levels in previous years.

Forest management also includes forest renewal (silviculture) activities conducted on areas that have been harvested. The only exception is tree marking, which is a pre-harvest treatment. Target setting and budgeting, therefore, are based on the forest’s needs or post-harvest stages of development. The following section briefly outlines forest management performance targets and achievements.

## AFA Harvest & Forest Management Programs – 2023-24 Budget versus Actual

Program	2023-24 Budget	2023-24 Actual	% of Target
Harvest (m3)	350,000	329,000	94%
<b>Silvicultural Activities</b>			
Silvicultural Effectiveness Monitoring Surveys (ha)	2,400	2,352	98%
Scarification (ha)	50	0	0%
Site preparation (ha)	850	812	96%
Stand Improvement (ha)	2,000	1,245	62%
Tending (ha)	600	1039	175%
Tree marking (ha)	5,500	4,861	88%
Tree planting (# trees '000s)	800	769	96%
Tree planting stock ('000s)	800	1,045	131%
Tree seed collection (hl)	100	184	184%

### Silvicultural Effectiveness Monitoring (SEM)

Regeneration assessments were conducted on 2,352 hectares (98% of planned area for 2023-24) to ensure that regeneration treatments are progressing as planned. Results of 'Free to Grow' assessments are reported in the Management Unit Annual Report to MNR in November each year and are available to the public. All selection management areas receive tree marking audits to ensure appropriate results to predetermined standards but are not included in the reported monitoring figures. Regardless of the prescribed harvest systems, the actual annual monitoring is reflective of harvest progress and scheduling of treatments. Annual targets are usually a refinement of FMP targets based on additional information and a better understanding of actual harvest depletions, stage of management and survey timing.

### Site Preparation, Tree Planting and Scarification

The tree planting program has seen a significant increase during 2023-24 (and again during the Spring of 2024-25) due to the corresponding increase in pine shelterwood areas that were site-prepared during the 2022-23 and 2023-24 seasons with a total of 768,643 tree seedlings planted on 557 hectares in 2023-24 representing a target achievement of 96%. Average density for the 2023-24 tree plant was approximately 1,379 trees per hectare.

Forest management reporting conventions differentiate between site preparation for artificial regeneration (planting) and natural regeneration (scarification). Both treatments employ the same equipment to expose mineral soil for seeding or to create plantable spots. Planting in site-prepared areas may be deferred if they

demonstrate high potential for natural regeneration during good seed years. Eight hundred and twelve (812) hectares were site-prepared for planting in future years, representing 96% of planned levels, with no scarification carried out during 2023-24. Area scheduled for site preparation is guided by post-cut needs and stock ordered for the upcoming season to ensure site prepared areas are planted expeditiously post treatment.

Private nurseries are growing approximately 1,045,000 seedlings under contract with AFA for planting in upcoming years. Trees planted in Algonquin Park are grown from seed sources appropriate for planting within the Park. Approximately 184 hectalitres (hl) of White/Red Pine seed was collected as there was abundant cone during the 2023-24 year and harvest timing allowed for collection from felled trees during an optimum time of year. A review of stored seed inventories reveals sufficient volume of seed for our near-term needs.

### **Tree Marking**

To implement forest management systems in Algonquin Park it is first necessary to designate which trees are to be harvested and which ones are to be left standing, while protecting and enhancing other resource values. This is completed by trained and certified tree markers who follow the prescriptions prepared by Registered Professional Foresters. Tree marking is directly related to annual harvest levels and with reduced contractor and labour capacity during the 2023-24 year the needs were lower than anticipated. Tree marking was carried out on 4,861 hectares in 2023-24 representing 88% of planned levels and was sufficient to service the areas harvested as well as getting a head start for the next operating year.

### **Tending and Stand Improvement**

Manual tending/cleaning was performed on 455 hectares to release established white pine and red pine regeneration from competing vegetation. A further 584 hectares of even-aged understory improvement work was completed to improve light conditions for regeneration establishment. This constituted 175% of the planned tending area for 2023-24. In addition, there were nine hectares of chemical tending completed under a Forestry Futures Trust project to help mitigate some effects of beech bark disease within a hardwood selection stand by controlling prolific beech regeneration while encouraging hard maple and associated species regeneration and growth within the stand.

Stand improvement was completed on 1,245 hectares to assist growth of residual trees and natural regeneration in areas managed under the selection system. This represents 62% of planned levels. Stand improvement can sometimes be carried out concurrently with harvest operations, without the need for renewal account funding, such as when firewood and pulpwood markets are strong. Only funded stand

improvement is budgeted and reported.

The Authority is satisfied with its operational and forest management performance relative to 2023-24 harvest levels when considering the continuing market challenges and seasonal uncertainties that have resulted in reduced harvest levels during the past several years. Development and revision of targets to ensure achievement of FMP targets are completed annually within the business planning, work planning and budgetary processes.

## FINANCIAL RESULTS

**AFA Financial Performance – 2023-2024 Budget versus Actual**

	2023/24 Budget General Fund \$ (000s)	2023/24 Budget Renewal Fund \$ (000s)	2023/24 Budget Total \$ (000s)	2023/24 Actual General Fund \$ (000s)	2023/24 Actual Renewal Fund \$ (000s)	2023/24 Actual Total \$ (000s)
<b>Revenue</b>	23,323	2,572	25,895	19,928	2,265	22,193
<b>Expense</b>	21,345	2,510	23,855	17,893	2,115	20,008
<b>Excess of Revenues Over Expenses Before Items Below</b>	1,978	62	2,040	2,035	150	2,185
<b>Administrative &amp; Other</b>	1,912	625	2,537	1,709	368	2,077
<b>Net Income (Loss)</b>	66	(563)	(497)	326	(218)	108

### Harvesting and the Statement of Operations

The following commentary references financial information in the Authority’s Audited Financial Statements summarized in the table above to compare with budgeted financial targets. This year’s objective was to generate enough revenue to manage a loss of \$497,000 while spending down retained revenue in the forest renewal account. A discussion with wood supply beneficiaries determined that raising forest renewal stumpage rates was not appropriate during tough economic times and while revenue in the account was available to help.

The 2023-24 annual budget is based on values from the previous year’s margins, species and product mixes. The year over year vagaries of markets and weather weigh on expectations of results achievable on March 31. The Authority manages year over year profit/losses while achieving the objective of financial self-sufficiency over the longer term. This year’s net income of \$108,000 combines with previous year’s profits/losses resulting in a negative balance of \$90,443 over the past five years (AFA Annual Reports 2019-2020 to 2022-2023).

General Fund revenues for the year were \$19,927,569 which represents an increase of \$1,090,256 (\$19,927,569 - \$18,837,313) or 5.8% compared to 2022-23 and \$ 3.395 million less than budgeted.

Softening demand, decreases in outlets for low quality forest products, and a reduced supply of contractor capacity continues to have a negative effect on harvest capacity resulting in a 5.2% reduction to volume produced compared to 2022-23. A higher percentage of wood cut in 2023-24 was of higher value, thus resulting in an increase to sales revenue despite the decrease in sales volume. Standing timber sales comprised a smaller portion of the total volume sold than in 2022-23, 16.3% in 2023-24, compared with 26.7% in 2022-23. The result is an increase to revenue as standing timber is sold at a lower price per unit than traditional contractor cut timber. Revenue from standing timber sales in 2023-24 was \$632,303, down from \$1,017,672 in 2022-23, a decline of \$385,369.

"Other revenue" of \$1,973,044 as compared to \$1,820,679, in 2022-23 has been itemized in Note 8 of the Audited Financial Statements. This increase of \$152,365 is due to additional revenue from the Ministry of Environment, Conservation, and Parks for reimbursement of shared road maintenance, as well as increases in the rate of interest charged on overdue accounts and earned on funds on bank deposit.

Total expenses for 2023-24 were up \$369,542 over 2022-23, representing a 2.1% increase. Costs for labour and contracted production have increased, leading to an increase in direct expenditures of \$510,936 over 2022-23, despite the reduced volume. Decreases in supply of skilled labour, fluctuating fuel costs, and general inflation put upward pressure on input costs. These increases were mitigated by a reduction in road maintenance costs due to a milder than average winter. A decrease of \$180,397 in Crown timber stumpage charges over 2022-23, also assisted in offsetting rising input costs. The resulting excess of revenues over expenses before administrative and other expenses in 2023-24 was \$2,034,919, an increase of \$720,714 over 2022-23.

Administrative and other costs were \$1,708,904 which represents an increase of \$42,571 or 2.6% compared to 2022-23. Salaries and wages increased by \$136,443 over 2022-23, which was offset by a reduction in bad debt of \$100,112. Overall, administrative costs did not show any significant change.

### **Forest Renewal Fund**

The method of accounting for Crown Stumpage reflects the requirements of the CFSA. The forest renewal portion of the Crown Stumpage Matrix is retained by the Authority, in trust for the Crown, and must be used to fund eligible forest renewal work on a cost recovery basis. The forest renewal revenue of \$1,661,207 (\$1,362,134 in 2022-23) from stumpage represents amounts charged by the Ministry to customers during the year exclusively for forest renewal purposes. The increased percentage of higher value products in 2023-24 has led to an increase in associated

forest renewal fees. Other forest renewal revenue includes amounts received through the Forestry Futures Trust for eligible silviculture work. This program brought in \$530,595 for 2023-24, an increase of \$376,630 over 2022-23.

Forest renewal expenses incurred during the year amounted to \$2,114,565 as compared to \$1,908,478 in 2022-23. Unlike forest renewal revenues, forest renewal (silviculture) expenses are not tied to harvest levels in the current fiscal year. Instead, they reflect the needed cost to renew the forest from previous seasons. Details of the forest renewal program can be found above in the "Forest Management" section of this report. Increases to renewal fund administrative costs reflect increased staff time spent on renewal programs.

Total revenue in the renewal fund of \$2,264,856 was not sufficient to cover the costs of renewal operations and administration in this period. However, the resulting loss was intentional to utilize available restricted funds and minimize rate increases. A loss of \$217,959 was incurred and was met by drawing down the Forest Renewal Fund.

### **Financial Position- Balance Sheet**

The Statement of Financial Position reflects disclosure requirements affecting government not-for-profit enterprises, such as the Authority, recommended by the Canadian Public Sector Accounting Standards, including the 4200 standards. Amounts once referred to in a single disclosure component as "Retained Income" have been divided into three separate components of 'Net Assets'. This disclosure clarifies the restricted/unrestricted nature of our net asset position.

As of March 31, 2024, cash on deposit was \$2,654,592, a decrease of \$2,334,043 over 2022-23. The reduction in cash levels is attributable to the operating loss in 2022-23 and an increase in accounts receivable. Accounts Receivable on March 31, 2024, were \$7,523,007, an increase of \$2,265,011 over 2022-23. This increase resulted from a change in customer payment patterns.

March 31, 2024, payables and accruals show only a slight increase of \$4,467 compared to 2022-23 (\$1,812,296 -\$1,807,829). Amounts due to Province of Ontario reflects amounts owing for Crown stumpage. The increase over 2022-23 of \$111,292 is attributable to the increased volume of high value products sold towards the end of the year. Funds received for public access road maintenance in advance of the planned expenditure are reported as "Deferred Contributions". Spending on public access roads was up over 2022-23, thus creating a decrease in Deferred Contributions of \$15,123.

The Forest Renewal Fund balance of \$2,797,635 (\$3,015,594 in 2022) as of March 31, 2024, remains well above the minimum required balance of \$1,500,000.

## Audited Financial Statements

The Auditor General of Ontario is the auditor of record for the Authority. The auditor's report and accompanying financial statements for the 2023-24 fiscal year can be found at [Annual Reports | Algonquin Forestry Authority](#).

## ACHIEVEMENT OF STRATEGIC OBJECTIVES

This Annual Report is the fourth report summarizing progress towards and achievement of strategic objectives set out in the Authority's 2020-2030 Strategic Plan and follows through on the commitment to report on the five key measures set out in the plan.

### Operational Excellence

- **Forest Management Results** – achieve FMP/business plan targets with rationale:
  - Achieved 94% of the business-planned harvest level of 350,000 m3. Improvements in productive capacity have been made and are expected to result in achievement of volume-based goals in future years. Lack of a low end or pulpwood market is the core factor limiting growth in volumes harvested. Creating opportunities for growth is on-going. Historically low in demand and pricing for hardwood products also had a significant impact on achieving forecast volumes.
  - A larger forest renewal program than last year's was carried out. The number of good silvicultural contractors was increased, specifically mechanical site preparation and brush saw tending capacity. The tree planting program was expanded to catch up on previously harvested white and red pine areas.
- **Positive Financial Results** – demonstrate financial self-sufficiency:
  - Intentionally drew down Forest Renewal Account with large renewal programs to catch up on silvicultural liabilities. Renewal rates were increased marginally with a larger increase forecast for 2024-25 to fund increase in silvicultural costs.
  - Achieved 94% of 350,000 m3 operational target and achieved a slightly positive bottom line due to product mix and reduced winter road maintenance.
  - Accounts receivable were managed in-year with attention to several delinquent accounts contributing to concerns with working capital.
- **Environmental and Sustainable Forest Management System** - performance including results of audits:
  - The management system procedure for the Authority's internal audit was rewritten to improve field delivery and readiness for the formal surveillance and registration audits.
  - The first SFI SFM standard registration audit completed by a Registrar, KPMG, had only one (1) finding of minor non-conformance and two (2) Opportunities

for Improvement, and three (3) good practices were identified. The minor non-conformance action plan was developed to address these findings.

- At year-end there were no unresolved forest compliance issues. Operational issues and remedies were fewer. Continual improvement continues to be demonstrated.
- The Authority's ESFMS has been maintained and used to support SFM certification to the Sustainable Forestry Initiative (SFI) forest management standard.

### **Advancing Innovative Practice**

- **Savings or gains through investment** – research and innovation:
  - Loaded new LiDAR attribute information onto AFA servers to support operational planning and treatment layout.
  - Continued utilization of secure remote access and cloud solutions which support people working from home and remote field locations. Meetings held virtually. Savings of travel and accommodation costs.
  - Utilized GPS trackers for graders. Realized gain in productivity.
  - Avenza mapping and navigation tool is being used on cell phone – AFA staff and contractors. Investment in furtherance of this technology is being piloted.
  - Migrating to virtualized on-premises servers which reduces hardware and maintenance costs while improving reliability.
  - Maturing the organizational cyber-security program to mitigate cyber risks.
- **Partnerships developed to support research and innovation:**
  - Working with MNR, neighbouring Southern Region sustainable forest license companies, Remsoft and others to investigate effective spatial modeling tools.
  - Contributed to FMPM Revision project and FMP Advisory Group, Forest Information and Data Advisory Group, Scaling Manual Advisory Group, and the Provincial Forest Inventory Advisory Committee.
  - Supported a variety of research projects through membership in the Central Canada SFI Implementation Committee.
- **Research and innovation projects initiated:**
  - Support for KTTD projects (tech development and transfer projects) provided to accelerate the delivery of a LiDAR enhanced Algonquin Park FRI and build forest structure models from ground sourced and LiDAR data.
  - Parkside Gully single-tree selection project has been reinitiated with AFA support and participation in field activities. This is a study begun in the 1960's to measure stand growth and lumber recovery after a single-tree selection harvest in tolerant hardwoods.
  - Manual tending operations to promote regeneration of other species in beech bark

disease infested areas has been initiated with support funding from Forestry Futures Trust and help from the Ontario Forest Research Institute.

- Participation and support for the Adaptive Silviculture for Climate Change research at the Petawawa Research Forest.

## **Developing and Supporting Our People**

- **Worker engagement:**

- The proceedings of monthly Staff Meetings were communicated to all staff.
- Environmental and safety incentive awards for contractors were implemented during the year. The 2023-24 results were shared with contractors and operations staff who attended the Contractor Meeting in May 2023.
- The Volunteer Health and Safety Committee was active this year; successfully recruiting new members, helping management with policy updates, incident reviews and implementation of the Safe Driving Program.

- **Worker attraction and retention:**

- Contract staff positions were maintained, acting assignments successful, and some hiring from within resulted from advertised recruitment initiatives.
- Active succession planning and management in progress. Several leadership development strategies have been implemented.

- **Job security and competitive compensation:**

- Salary administration was current up to 2021. A project initiated in 2022 continued to assess the effects of inflation, salary constraint measures and negotiations with employee bargaining agents. A competitive salary business case was developed and submitted to MNR in the summer of 2023.
- Longer term contract and seasonal contract positions were maintained for career development, fluctuating workloads, and protection of the core organizational structure.
- AFA's organizational chart (see below) has been unchanged over the past three fiscal years. FTE positions have not increased and vacancies are being managed during this industry downturn. AFA holds one executive position (General Manager) and this has been unchanged over the last three fiscal years.

- **Participation in training and recognition:**

- Tree marking certification training is back on track after the pandemic caused hiatus – several AFA staff attended Level 2 and refresher courses.
- New AFA Safe Driving Program rolled out to staff and written into AFA policy.
- Staff engagement survey conducted and used to develop Wellness Day program.

- Electronic ESFMS training matrix and records reviewed, updated and system revised to improve utility. Plans to expand the system to other aspects of AFA staff training have been initiated.
- Qualified Logging Professional training was delivered to AFA and contractor supervisors as required for SFI certification.
- New SFM Policy brochure published for distribution.

### Indigenous Partnership

- **Indigenous Community Engagement:**
  - AWS, FMP and FMP Planning Team engagement have been conducted and/or underway.
  - Hunt/Logging Activity map prepared and communicated. Explanation provided to Algonquin Hunt Monitors.
- **Indigenous people attending training facilitated by AFA:**
  - AFA representative attended 2022 Hunt Monitor session to review AFA forest activities and hunt signage. Seven monitors and five ANR attended.
  - Beech bark disease tending project and use of herbicide was presented as information and opportunity for work.
- **Staff and Board members receiving Indigenous cultural awareness training:**
  - Cultural awareness is recognized as part of ongoing interaction between AFA and Indigenous communities.
  - Formal training options with local Indigenous communities are being investigated.
- **Projects involving Indigenous communities in the local forestry sector:**
  - Supported start-up of two Indigenous tending contractors. Both indicate they will return for another season.
  - Birch bark collection facilitated by AFA tree markers resulted in cultural benefit and training opportunities.

### Supporting Local Industry

- **Wood using mills, logging operators, silviculture and other contractors engaged:**
  - Demand from Ontario mills and under-production has limited deliveries to the full roster of wood using mills developed over the last three years.
  - Small increase in number of logging contractors over last year, third-party standing timber operations have increased activity.
  - New entries and expansion opportunities are being examined.
- **Annual utilization of prescribed sustainable annual harvest level (710,622 m3):**
  - Year over year improvement is the goal.
  - 334,340 m3 is below 2022 results, but investments in harvest capacity this year will be realized moving forward. The very limited markets for

low-end wood and pulpwood and demand/pricing for hardwood lumber products were factors limiting improvement.

- **New jobs in wood mills and logging operations as a result of business with AFA:**
  - Client reported labour shortages are still present, mostly in the haulage and equipment operator sectors. Clients reported that they anticipate a small recovery into 2025 and do not expect to increase operations until then.
  - A jobs survey completed in February 2021 reported that there were 285 people employed in harvesting of timber in Algonquin Park and over 4,000 people employed in the mills receiving wood from the Algonquin Park Forest and by tree nurseries that provide seedlings for renewal.
  - This represents a loss of jobs in the forest, likely a result of mechanization. We continue to see this trend as skilled woods workers retire and are replaced by machinery. Cut to length processing and mechanical forwarding are examples.

## PUBLIC APPOINTMENTS – BOARD of DIRECTORS

	<u>DATE OF FIRST APPOINTMENT</u>	<u>CURRENT TERM'S EXPIRATION</u>
<b>CHAIR: Gordon Clark</b> Coldwater, ON	June 30, 2016	March 30, 2026
<b>VICE CHAIR: Sarah Bros</b> North Bay, ON	February 1, 2013	May 31, 2025
<b>Robert Craftchick</b> Whitney, ON	February 17, 2022	February 16, 2025
<b>Leo Hall</b> Renfrew, ON	March 10, 2022	March 9, 2025
<b>Robert Howe</b> Barry's Bay, ON	October 25, 2019	November 2, 2025
<b>Damion Ketchum</b> Toronto, ON	August 4, 2016	November 2, 2025
<b>Tim Withey</b> Huntsville, ON	June 15, 2023	June 14, 2025
<b>Brian Sarginson</b> Callander, ON	November 9, 2023	November 8, 2026
<b>Eleanor Reed</b> Kirkfield, ON	August 29, 2024	August 28, 2027

**OFFICERS:**

**Tracey Bradley**  
General Manager

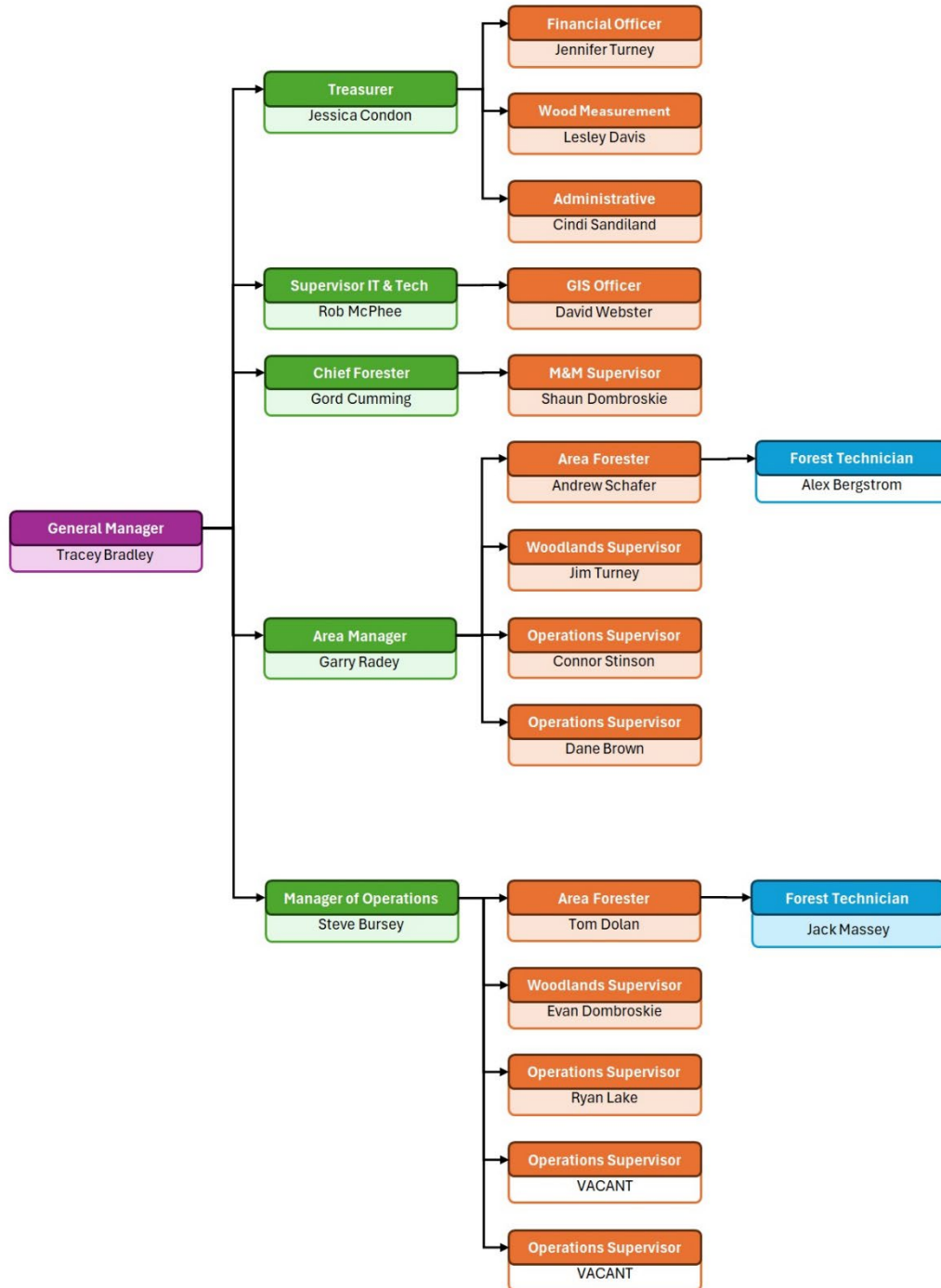
**Jessica Condon**  
Secretary-Treasurer

The total remuneration paid to Directors for this fiscal period was \$45,746.

**2023-2024 BOARD MEETINGS:**

- May 12-13, 2023 – Peterborough, ON
- June 27, 2023 – Video conference
- September 7-8, 2023 – Algonquin Park, ON
- October 27-28, 2023 – Huntsville, ON
- November 14, 2023 – Video conference
- December 1-2, 2023 – Pembroke, ON
- February 2-3, 2024 – Peterborough, ON
- February 20, 2024 – Video conference
- March 26, 2024 – Video conference

# ORGANIZATION CHART (Full-Time, Regular Staff as of March 31, 2024)



# Algonquin Forestry Authority

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This publication is available in French upon request.  
Sur demande, vous pouvez obtenir la version française de ce rapport annuel.