

MADISON'S LUMBER REPORTER



Publisher

KetaDesign Productions

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Annual Subscription Prices

E-mail/Fax: C\$339

Discounts available for multiple subscriptions

Published 50 times a year



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PO Box 2486 Vancouver, BC
V6B 3W7 Canada



In Canada, add 5% GST

ISSN 0715-5468

Printed in Canada



News & Updates

Asia Pulp & Paper Deal Sunk

Pope & Talbot was dealt a heavy blow in BC Supreme Court Thursday when Justice Donald Brenner ruled that the company is not required to honour an unsigned deal for their Fort St. James mill with Asia Pulp & Paper. Receiver PricewaterhouseCoopers, appointed May 10, has six potential buyers for the mill, several offering more than the \$6 million APP deal.

The purchase of the Fort St. James mill was related to APP's intention to buy other Pope & Talbot facilities in BC, including the recently-closed Harmac pulp mill in Nanaimo and another in Mackenzie. The purchase agreements for those mills, plus another in Oregon, fell apart on April 30. The Oregon mill is slated to be auctioned next week.

COFI Brings SPF Studs to Japan

Working with builders and regulation agencies in Japan, the Council of Forest Industries has developed a system to modify specifications of traditional wood post and beam houses for use of North American sized structural stud lumber.

COFI expects this new development to dramatically increase imports of SPF studs into Japan. *READ MORE*

Canfor Fire

A devastating fire broke at Canfor's North Central Plywood mill in Prince George, BC on Monday night. All 40 workers on that shift got out safely, but the mill burned right down to the ground.

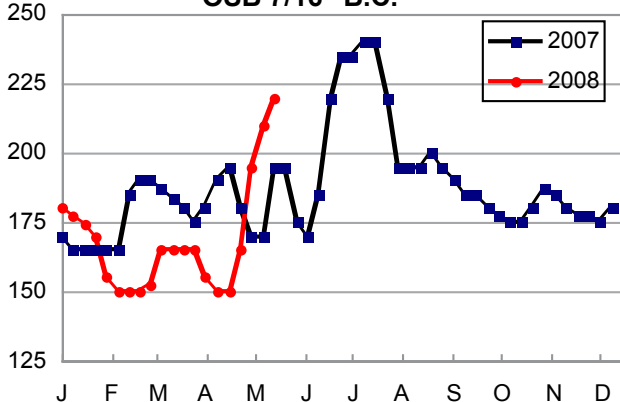
Fire fighters worked all night and into the next day to contain the blaze, which sparked a couple of other large fires. One at the CN Rail tie storage facility close by, and the other at Interior Warehousing. *READ MORE*

Canadian Forestry Issues

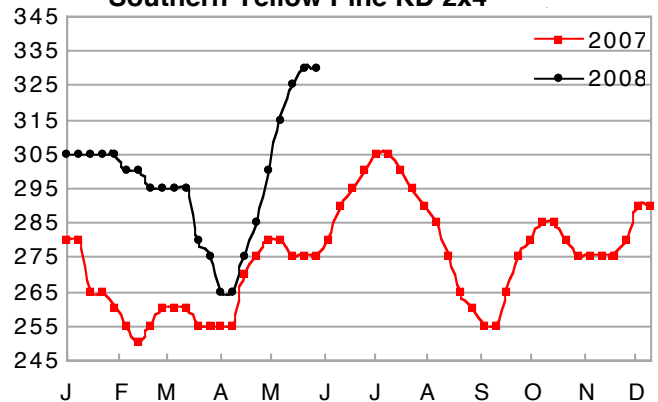
The second installment of our exclusive interview with Bob Simpson, British Columbia MLA for Cariboo North.

Between the Mountain Pine Beetle and the Softwood Lumber Agreement, British Columbian lumber companies in particular are having a hard time staying solvent. And what about the workers, the communities, the mill towns? Are the Federal and Provincial governments following through in their promises to help? *READ MORE*

OSB 7/16" B.C.



Southern Yellow Pine KD 2x4



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	250	242	+8	215	+35	264	-14
WSPF KD R/L 2x6	235	228	+7	210	+25	265	-30
WSPF KD R/L 2x8	237	222	+15	212	+25	275	-38
WSPF KD R/L 2x10	270	263	+7	270	0	320	-50
WSPF KD PET 2x4 Stud	254	253	+1	215	+39	300	-46
Douglas Fir Green R/L 2x4	240	275	-35	225	+15	246	-6
Douglas Fir Green R/L 2x10	215	232	-16	227	-11	295	-79
ESPF KD 2x4 8ft Stud	315	315	0	300	+15	350	-35
OSB Ontario 7/16" (CDN\$)	205	205	0	155	+50	185	+20

Weekly News

Studs to Japan

CONTINUED Staff at the COFI branch office in Japan have been working on this project for quite some time, going so far as to advertise and promote the use of North American stud lumber in local wood home building.

With a 600 square meter barn on a cattle farm that was built with SPF trusses as their featured project, COFI is actively marketing the new building code regulations at various seminars and trade shows throughout Japan.

Expectations are that once COFI spreads the word to Japanese architects and builders, North American stud exporters can look towards capitalizing on a whole new market.

Prince George Fire

CONTINUED Locals lined the streets all night to view the devastation, and

workers arriving for the morning shift were shocked to find the level of destruction. The company is working closely with the union to try to place the 285 staff throughout its other five plants in Prince George.

Canfor is not yet sure if it will rebuild the mill, but even if it does there will be a somewhat lengthy delay. With the company posting yearly losses in the hundreds of millions, it is not currently well positioned to invest.

The final decision as to whether to rebuild will hinge heavily on the terms of the insurance policy; it's possible that the company can only recoup the full amount of the losses if they put up another facility.

Canfor board members sat all day Thursday, focussing a lot of their attention on the question of the North Central Plywood mill.

Announcement

On Tuesday, June 3, 2008 Ritchie Bros. auctioneers, the world's largest industrial auctioneer, will return to its roots - conducting an unreserved public auction in Kelowna, B.C., where the Company was founded 50 years ago. More than 500 construction, transportation, forestry and other industrial equipment items and a scenic waterfront home site on Okanagan Lake will be sold to the highest bidders during the unreserved auction at the Eldorado Ranch. The auction is open to the public. Registration is free. To celebrate the Company's 50th anniversary, the auction will be paused at approximately 11:00 a.m. for speeches by company co-founder Dave Ritchie and CEO Peter Blake, as well as the presentation of \$5,000 to a local Kelowna charity.

WHEN Tuesday, June 3, 2008

9:00 a.m. - auction start time

WHERE The Eldorado Ranch
(6741 Highway 97 N, Kelowna, B.C. - entrance via Old Vernon Road, north of the Kelowna International Airport).
Site phone: 250-491-7515

Calendar

June 2008

MLB 63rd Annual AGM

June 4-6 - Halifax, NS

www.mlb.ca

Bioenergy Conference & Ex. 2008

June 3-5 - Prince George, BC

www.bioenergyconference.org

25th Annual Wood Transportation and Marketing Conference

June 18-21 - Whistler, BC

604 669-7996 x 101



princegeorgecitizen.com

Mountain Pine Beetle

Forestry concerns more than MPB

The city of Mackenzie in northern British Columbia is in the news with the shutdown of its single largest employer, forest products mills. In a wave, other small, forest industry dependent towns throughout BC are losing their means of survival. The reason for the closures? Market conditions; the downturn of the US housing market. The shift in value of the Canadian dollar to equal or greater than its US counterpart. With a high dollar, Canadian lumber is neither as profitable to its makers nor is it as attractive to US buyers. But when mills close for market conditions, there is still a chance that they may reopen if the market changes in the near future.

by Zara Heartwood

However, according to Bob Simpson, member of the provincial legislature for BC's Cariboo-North, the media isn't talking about the towns like Quesnel, Williams Lake, Prince George and Princeton where the mills are still running in the heart of mountain pine beetle country. "Mountain Pine Beetle areas are not in the news while they are chewing through the affected forests. The clock is ticking," says Simpson. In these areas, a whole landscape, miles and miles of standing beetle killed timber must be removed and milled before it is no longer merchantable. And that means clear cutting on a scale that most have never dreamed of. But this is no dream, it is a nightmare.

"There will be no come back for those communities," said to Simpson, "Within only the next few years, some say as soon as 2010 or 2012, those forest dependent towns in beetle country will not have enough standing forest to keep operating." The mills in those cities

will close and those closures will stick, not because of market conditions but because a mill can't run without material. "The Ministry of Forests response to the economic problems is to increase the annual allowable cut which speeds up mowing [the forests] down."

Why can't we simply replant all the trees? Seedling counts are referenced by the province and the Canadian federal government as the great hope of the future. New trees would be the answer if they will grow fast enough and if they can survive. But global warming and soil depletion are two factors that will inhibit the recovery of the naked land. "We are not just dealing with the mountain pine beetle," advised Simpson. "MPB is just the canary in the coal mine."

The lack of the natural cleansing and soil nourishing from periodic forest fires adds to the lack of cold winters as the planet gradually heats up. "These conditions set the table for pests that we've never seen in these areas before such as the spruce bud worm, pine blight, root collar weevils, rusts and mites. These used to be controlled by cold winters and periodic forest fires." Some or all of these pests will become the nemesis of the newly planted forests.

Bob Simpson noted, "The funds needed to deal with the beetle killed forests would be around \$800 Million to \$1 Billion over the next ten years. But so far the province has allocated only \$160 Million over three years

and the federal government has matched that with nothing. Not only is the province under-funding the effort, but its estimates on the number of affected hectares of forests only take into account mature trees affected by the beetle. It actually has affected all age classes. The forests are not healthy. 14 Million hectares [province estimates of affected forest] is only the tip of the iceberg."

In single resource communities that will be affected by the loss of their forests, the province has proposed job retraining for 55-plus year old workers and make-work projects. "But that plan flies in the face of reason. It assumes that this industry will rebound after the forests are cut down. Many mills are afraid to take down time now because they will lose their work force." The workers will be at the mills until the day when there are no materials to run. Then there will be no jobs

and no plan for individuals to transition.

Simpson says, "Contributing to the loss of the forests to pests is the softwood lumber agreement that was signed in 2006." In Simpson's opinion, Dick Harris was mistaken in his recent interview with *Madison's* that the decline of the US housing market was an unfortunate coincidence with the signing of the Softwood Lumber Agreement. "It's on the public record that in the fall of 2005 our industry was poorly positioned for the housing bubble to burst. I knew it and said it at the time. The feds knew early in that summer that the dump was coming."

"The softwood lumber agreement was [Prime Minister] Stephen Harper's quick political win. Industry was brow beaten into signing it. The Prime Minister knew they were saddling us with a 15 per cent tax," stated Simpson. "In the middle of the signing process, we had rulings that we would surely have won."

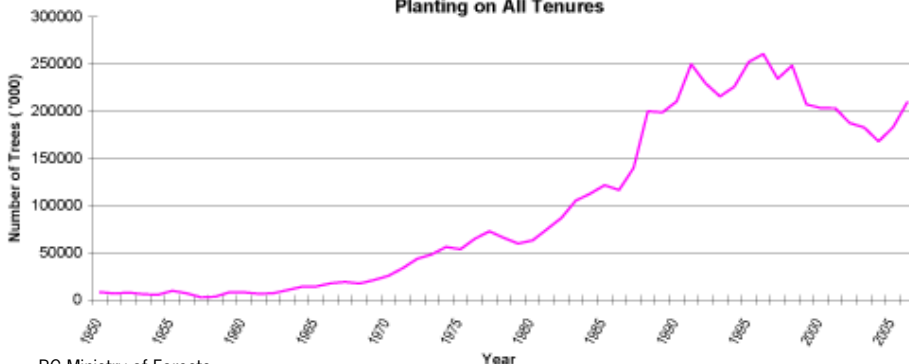
"The [Harper government] said we gained certainty from this agreement. But where is that certainty now with the new US farm bill tacking on conditions to lumber imports from Canada? That puts lumber into the [internal US] political arena. The trade deal is supposedly under NAFTA. The irony is that the US lumber lobby won this battle with the \$1Billion in duties that wasn't returned to Canada as a result of softwood negotiations," Simpson added.

By law, licensees are required to reforest the areas they harvest. On average, about 200 million seedlings are planted in B.C. each year. In 2007, about 267 million seedlings were planted; right now, it's estimated that about 207 million seedlings will be planted in 2008. The decline in the number of seedlings planted reflects the decline in harvest levels.

In 2005, the provincial government created the Forests for Tomorrow program to reforest some areas of Crown land affected by the mountain pine beetle that would remain unharvested.

To date, 169,702 hectares have been surveyed, and 10.3 million trees have been planted over 8,500 hectares. Another 60 million seedlings are expected to be planted over the next four years under the Forests for Tomorrow program.

Graph 9: Number of Trees Planted Each Year in British Columbia
Planting on All Tenures



BC Ministry of Forests

Trees planted yearly reached an all-time high in 1996 with 290 million trees. Planting will continue to decline as the backlog of not satisfactorily restocked (NSR) land is regenerated.

Less Timber Harvested in Recent Years Translates to Less Replanting