

MADISON'S LUMBER REPORTER

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News & Updates

Madison's Timber Preview

This week's issue of *Madison's Timber Preview* examines recent movement in Weyerhaeuser and Domtar share prices, as well as perception around the industry and with analysts about where the lumber market is going through 2010.

Contact us any time for a subscription.

Madison's Live Online Lumber Producer Listings

Madison's is hard at work updating our forest company listings! All primary mills, remanufacturers, pulp and paper mills, cedar mills, wood preservers, panel mills, and wholesalers and exporters are being contacted to ensure their listing information is accurate.

Watch your fax machines, or contact us directly to check your listing!

Canadian Building Permits

Following four months of decline, the value of building permits in Canada increased 12.2 per cent in March to \$6.3 billion, according to a StatsCan release Thursday. This was 38.9 per cent higher than the level in March 2009. The increase came mainly from multi-family and industrial building permits.

[READ MORE](#)

Lodgepole Pine Standards Need Review

A press release Friday by the Western Silviculture Contractors' Association draws attention to current lodgepole pine stocking standards in British Columbia.

With at least 80 per cent of the mature lodgepole pine in BC expected to be lost to the mountain pine beetle plague over the next few years, two recent studies show that juvenile lodgepole pine plantations across the province are performing poorly and climate change is likely to make things worse.

The studies, presented at the Southern Interior Silviculture Committee spring conference in April, recommend a major review of current stocking standards for pine and the exercise of caution in the application of silviculture treatments, species selection and timber supply predictions. The two reports amount to a major shock to the assumptions that underly past and present silviculture practices and future timber supply estimates over a large part of BC, says the WSCA.

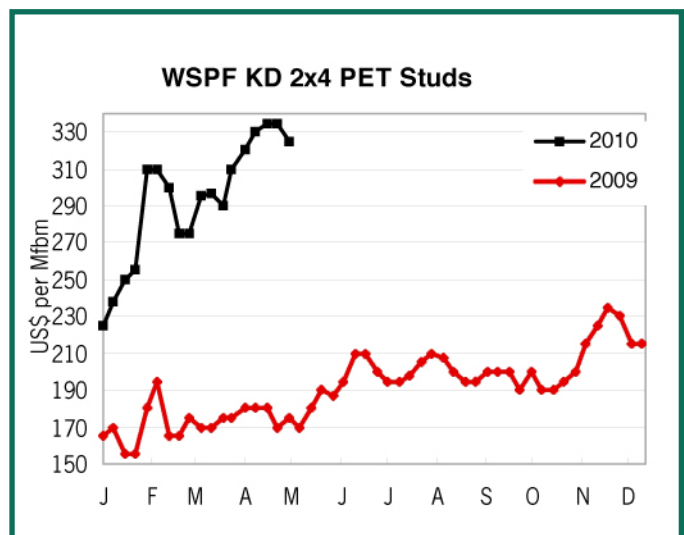
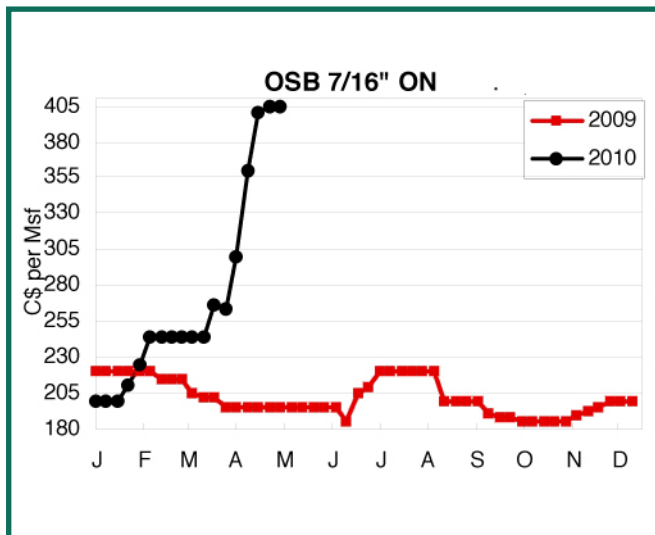
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Ontario Reforms Forest Tenure

The Province of Ontario is moving forward with its September 2009 announcement of reforming forest tenure policy. An extensive round of public consultations are complete, and the province has posted a draft policy on its website.

Next are stakeholder meetings, scheduled from May 18 to June 10 in various Ontario locations.

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Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	316	318	-2	301	+15	160	+156
WSPF KD R/L 2x6	315	320	-5	293	+22	146	+169
WSPF KD R/L 2x8	311	308	+3	285	+26	164	+147
WSPF KD R/L 2x10	355	365	-10	340	+15	180	+175
WSPF KD PET 2x4 Stud	325	335	-10	320	+5	170	+155
Douglas Fir Green R/L 2x4	270	290	-20	260	+10	140	+130
Douglas Fir Green R/L 2x10	265	282	-17	245	+20	183	+82
ESPF KD 2x4 8ft Stud	415	410	+5	375	+40	235	+180
OSB Ontario 7/16" (CDN\$)	405	405	0	300	+105	195	+210

Celebrating our 60th year, a Diamond Anniversary
Madison's Lumber RETROspective
 see additional pages in your weekly Madison's Reporter!

Weekly News

Building Permits Canada

CONTINUED In the residential sector, construction intentions increased 13.9 per cent to \$4.2 billion, thanks to a substantial gain in permits for multi-family dwellings, particularly in Ontario and British Columbia, said StatsCan.

In the non-residential sector, municipalities issued \$2.1 billion worth of permits, up 9.1 per cent from February. This increase occurred mainly as a result of higher construction intentions in the industrial and institutional components.

The Canada value of building permits for single-family dwellings remained unchanged at \$2.7 billion. Provincially, increases in eight provinces offset declines in Alberta and Ontario. Quebec and Newfoundland and Labrador posted the largest advances in single-family construction intentions.

Nationally, municipalities approved construction of 19,469 new dwelling units in March, up 21.1 per cent. The gain was largely attributable to multi-family dwellings, which rose 46 per cent to 10,038 units. This was the first time since July 2008 that the number of multiple units surpassed 10,000. The number of single-family dwellings approved increased 2.5 per cent to 9,431 units.

Pine Beetle Studies

CONTINUED A yet to be published paper from UBC has investigated the potential effects of climate change on juvenile pine plantations across BC.

It observed more than half the 15 to

30 year old trees in the extensive study were already suffering health effects due to bugs and various blights. Given what we understand about the destructive agents that affect young pines, including gall rust, snow and ice, mistletoe, needle cast, and insects; all these threats are likely to thrive and amplify as a result of climate change.

Current BC stocking guidelines examine whether stands are well stocked and healthy at 12-15 years. But no mechanism is in place to monitor their ongoing condition through to maturity the study noted; the inference being our present free-growing threshold may not be a reliable indicator of the future of a stand of pine.

The report also identified that some silviculture treatments such as spacing to too wide densities may actually contribute to the degeneration of pine plantations. The observations of the study indicate trends that could have a marked effect on future timber supply predictions as well as the general abundance and diversity of the forest estate well into the future.

The two reports seem to confirm what has been widely observed anecdotally across the province regarding pine plantations. In response to Forest Range Evaluation Program *Forest Stewardship Stocking Standards Report #19*, government's draft action plan refers to ongoing trials, working groups and monitoring.

But ultimately any new principles and practices adopted, such as possibly doubling the planting density for pine, will be based on the pending silviculture framework resulting from the government's

Growing Opportunities discussion paper.

The WSCA has been told by the BC Ministry of Forests and Range executive that strategy will be released by next month.

Madison's will provide details of the findings of the reports as soon as both become available, as well as the new government strategy.

Lignum Hires

Vancouver, BC's Lignum Forest Products is pleased to announce that Mike DeMarni is joining the company to assist in developing their western red cedar and specialty products business.

Mike has over 20 years of cedar experience in Canada and the US, including re-manufacturing and sawmill production.

Mike will be joining Lignum's existing cedar team of Bruce Tays, Chris Tays, and John Rogers.

Calendar

May 2010

23rd Annual PricewaterhouseCoopers Global Forest and Paper Industry Conference

May 11 – Vancouver, BC
http://www.pwc.com/en_GX/gx/forest-paper-packaging/events/23rd-fpp-conference/transformation-through-innovation.jhtml

June 2010

Maritime Lumber Bureau 71st AGM

June 10 – Halifax, NS
<http://www.mlb.ca>

Ontario Forestry

Tenure Reform

As announced in the September 11, 2009 issue of your *Madison's Lumber Reporter*, Ontario is moving forward with a bold for-

by Kéta Kosman

est tenure policy reform. With the intention of modernizing forest tenure and pricing, a series of stakeholder and public consultations were scheduled throughout that province in September and October. The proposed system would determine how wood supplies are licensed, allocated and priced, as well as the associated legal obligations.

Consultations are finished, and on April 30, 2010 the Ontario Ministry of Northern Development, Mines and Forestry posted details of the proposed changes on its website.

As it currently stands, large companies in the industry who operate mills enter into an agreement on pricing with the province. These companies were asked to both supply their mills and users with wood, as well as maintain the long-term sustainability of the resource. For example, AbitibiBowater was in charge of the Kenora Forest while operating the Kenora Pulp and Paper Mill. Under the new system, local forest management corporations would take over the role of looking after the forest, leaving the mill operators to focus more on running their operation.

The cornerstone of the new system is the introduction of these Local Forest Management Corporations (LFMCs) to manage Crown forests and oversee the competitive sale of Crown timber.

"The proposed new system would be flexible, transparent, and responsive to changing social, economic and environmental conditions and needs. It would also be designed to increase business opportunities for new entrepreneurs and promote market competition for allocating and pricing Crown timber," says Michael Gravelle, Minister of Northern Development, Mines and Forestry.

The framework contains a proposal for five to 15 new LFMCs that would assume responsibility for management, marketing and sale of wood from Crown forests within their defined area.

Ontario Minister of Intergovernmental Affairs and MPP for Nipissing, Monique Smith, gathered with area stakeholders Friday to release the framework. Smith said the cornerstone of the framework is the introduction of the LFMCs component. Northwatch spokesperson Brennain Lloyd says the move is a good first step.

"We support the government's proposed framework" says Jeremy Williams

of Arborvitae Environmental Services, a co-author of a recent paper on forest tenure and pricing. "The changes will encourage investment and innovation, strengthen communities, and support forest sustainability. In addition, the move to sell wood at market prices will encourage its efficient use and enable Ontario businesses to protect themselves from US trade sanctions."

Communications, Energy and Paperworkers Union national representative Marvin Pupeza, who is on the board of the local forest management corporations, is reviewing the proposal carefully. If the end result is based on the framework presented Friday, it could keep some forest operators going and even help those shut down restart, Pupeza said to TBnewswatch.

"If there's a process to make us more competitive in other jurisdictions, that's a good thing," he said. "I'm encouraged by the framework."

Jamie Lim, president of the Ontario Forest Industries Association, says now is not the time for tenure reform, calling the province's recently released proposal one more challenge the hard-hit industry must overcome to land on its feet. Among the demands the OFIA is making of the province is for Ontario to guarantee access to 26 million cubic metres of wood each year, proper economic analysis on local impact when decisions are made and an exemption for forestry under the Endangered Species Act. Calling the new framework shortsighted, Lim said the industry's current license holders may only be using 11 million cubic metres a year today, but as obstacles are lifted and the industry rights itself, the wood will be needed down the road.

However, Mathew Leitch, a professor of forestry at Lakehead University, said

the future of the forestry industry depends on the ability of smaller companies having access to timber, not just the major, traditional players, many of which were idled or severely curtailed in their forest activities after the industry collapsed in the mid-2000s.

Some Northwestern Ontario communities champing at the bit for Ontario's new wood-tenure plan hope the exercise isn't a case of hurry up and wait, according to *The Chronicle Journal* out of Thunder Bay. Before the collapse of Northwestern Ontario's forest industry called into question how Crown forests are harvested, public trees were traditionally licensed solely to big corporations, which logged them and processed them in big pulp and lumber mills. In the process, the companies profited and tens of thousands of woodlands and mill workers were paid high wages.

A new wood-supply management system is expected to cater to smaller-scale projects like a proposal at Whitesand First Nation just outside Armstrong, ON. The Whitesand proposal could create about 120 permanent and seasonal jobs through an integrated cogeneration, pellet-plant and sawmilling operation.

An informal group of researchers as well as aboriginal, municipal and business leaders including Lakehead University professor Peggy Smith and Northwestern Ontario industry veteran Mike Shusterman, said tenure reform "is the key to long-term stability in the North." according to *The Chronicle Journal*.

"The little companies may not bring hundreds of jobs with them, but unlike traditional mills that have been shuttered in the wake of a rising Canadian dollar, global competition and high energy costs in Northern Ontario, they do provide sustainable employment in an area hard-hit by the forestry collapse," opined an editorial Wednesday on TBnewswatch. "They need access to wood, and they need it locally. The province is on track by offering to put 25 per cent of crown timber up to the highest bidder. It opens the door for local companies to buy raw materials generated in Ontario. And the big players aren't using it these days anyway," the editorial said.

Sessions for the public and stakeholders will be held across the province, or input can be submitted at www.ontarioforestry.ca.

Meeting dates in Ontario are as follows: May 18 - Thunder Bay; May 20 - Dryden; May 26 - Marathon; May 28 - Toronto; June 1 - Hearst; June 3 - Timmins; June 8 - Pembroke; June 10 - North Bay.

A parallel series of sessions is planned with First Nations and Aboriginal organizations.

