

MADISON'S LUMBER REPORTER



Publisher
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Editor
Kéta Kosman

Market Analyst
Zara Heartwood



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www.madisonsreport.com
madrep@shawcable.com
604 984-6838

PO Box 2486 Vancouver, BC
V6B 3W7 Canada



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News & Updates

Madison's Timber Preview

The surprise announcement late Sunday of Rock-Tenn Co's purchase of Smurfit-Stone Container Corp sent share prices of several North American packaging manufacturers up. This week's issue of *Madison's Timber Preview* examines the sale, the combined company, and what this could mean for the containerboard industry in 2011.

Contact us any time for a subscription.

Port of Prince Rupert

The Port of Prince Rupert, in northern British Columbia, recorded its strongest cargo volumes ever in 2010, following up on a 12-year high in volumes the previous year.

According to the port, it handled 16.4 million tonnes of cargo in 2010, up 35 per cent over 2009 volumes and the first time it has surpassed 13 million tonnes since 1997. The increased cargo volumes were driven by strong growth in coal volumes through Ridley Terminals Inc. and continued growth in containers at the Fairview Container Terminal, which opened in 2007. [READ MORE](#)

Community Forestry Meeting in West Kootenays

More than 30 West Kootenay community leaders gathered in Castlegar, BC, on Wednesday for a community dialogue session seeking solutions to the forestry crisis in their region, amid deepening public concern over the state of BC forests.

The working session, titled '*BC Forests. Our Future*' was organized by the BC Government and Service Employees' Union and included local MLAs Katrine Conroy and Michelle Mungall, representation from local governments and MP's office, forest sector unions and non-profit stakeholder groups in the region. [READ MORE](#)

Quarterly Reports

Norbord Inc. has reported a net loss of \$2 million in its 4Q, with earnings of \$17 million for its entire operating year. Tembec has posted a net loss in its 1Q, ending December 25, 2010, on consolidated sales of \$422 million, compared to a net loss of \$9 million one year ago. [READ MORE](#)

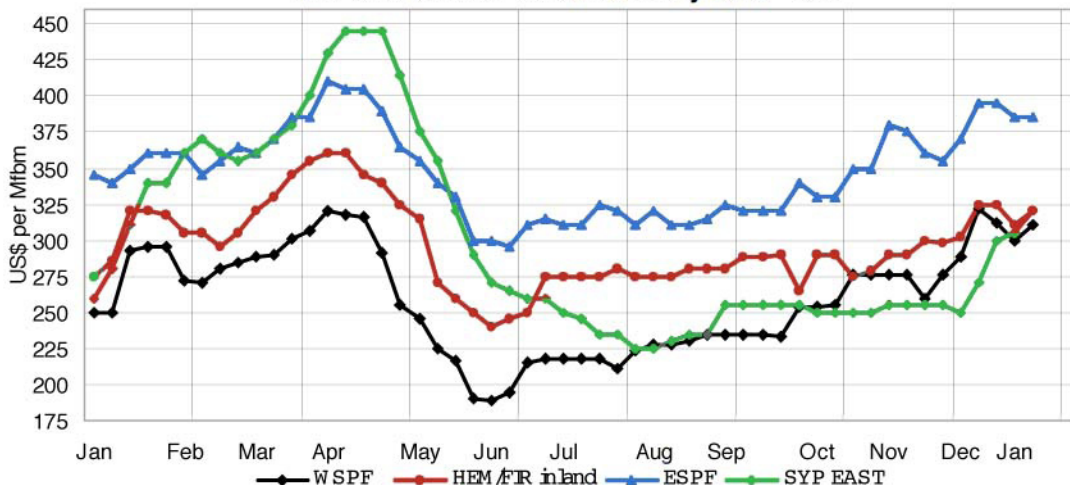
Canadian Boreal Data Inventory Model

An exciting project born out of assessing forest management activity in Alberta 15 years ago has grown into a national initiative to model forest management and conservation planning across the Canadian boreal region. The BEACON project, lead by Fiona Schmiegelow, professor in Renewable Resources at the University of Alberta, uses extensive forest resource inventory (FRI) data to connect management actions to ecological indicators.

Established in 2003, the BEACON team is housed with both the Department of Renewable Resources at the University of Alberta, and the Department of wood and forest science at Université Laval.

In a 2004 paper titled "*Divided landbase, overlapping tenures, and fire risk*", Steve Cumming and Glen Armstrong wrote, "The forest modelling program was used to investigate the effects on timber supply and delivered wood cost of alternative forest tenure policies on a forest management agreement area in northeastern Alberta." [READ MORE](#)

KEY 2x4 KD R/L PRICES January 2010 - 2011



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	310	300	+10	316	-6	250	+60
WSPF KD R/L 2x6	283	288	-5	302	-19	245	+38
WSPF KD R/L 2x8	285	286	-1	285	0	250	+35
WSPF KD R/L 2x10	345	345	0	340	+5	333	+12
WSPF KD PET 2x4 Stud	275	275	0	260	+15	255	+20
Douglas Fir Green R/L 2x4	265	265	0	270	-5	228	+37
Douglas Fir Green R/L 2x10	315	310	+5	324	-9	255	+60
ESPF KD 2x4 8ft Stud	335	335	-10	315	+10	325	0
OSB Ontario 7/16" (CDN\$)	210	210	0	195	+15	210	0

Weekly News

Prince Rupert Port

CONTINUED According to the port, Fairview handled 343,366 TEU's (20-foot equivalent units) in 2010, a 29.5 per cent increase over container traffic in 2009. Import container volumes grew 24.2 per cent, while export volumes grew 37 per cent.

The port noted that Drewry Publishing, an independent marine consulting firm, in September cited the Port of Prince Rupert as the fastest growing container port in North America and the eighth fastest in the world.

The port stated that Ridley Terminals Inc. handled a record 8.3 million tonnes of cargo in 2010, a 99.5 per cent increase over 2009 and the highest volume handled since its opening in 1984. The port said strong global demand for coal continues to drive growth. However, Prince Rupert Grain volumes decreased 15.5 per cent to 4.3 million tonnes, while log volumes grew 62 per cent over 2009.

In the cruise business, passenger traffic rose 0.4 per cent over 2009, with

Prince Rupert welcoming 55,300 guests from 25 cruise vessel visits in 2010.

BC Forest Community Leaders Meet

CONTINUED "More than 70 mills have closed and over 40,000 forest sector jobs have been lost since the BC Liberal government came to office," said BCGEU president Darryl Walker. "Over 1,000 forest ministry jobs have been eliminated. Compliance and enforcement has been dramatically scaled back, while changes to legislation allow forest companies to effectively regulate themselves.

Of the 200 Castlegar area residents polled, 96 per cent said that the forest industry was 'critically' or 'somewhat' important to them personally, and fully 50 per cent said they have suffered a recent job loss in their family. A staggering 91 per cent of respondents said that forest ministry layoffs were a bad idea. Tellingly, 79 per cent agreed that the Ministry of Forests is not currently fulfilling its public mandate to protect and enhance BC's forests.

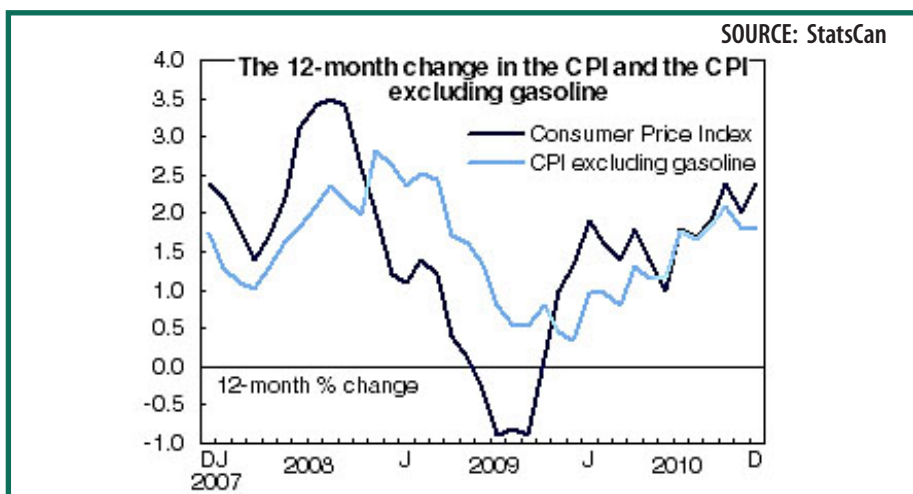
Norbord, Tembec Report

True North Hardwood Plywood Inc. has announced the winding-down of its hardwood plywood operation in Cochrane, ON. In the fourth quarter, Norbord recorded a \$6 million after-tax non-cash provision for its 50 per cent investment in this business.

Norbord's operating North American OSB mills ran at approximately 90 per cent of their capacity in 2010 compared to 80 per cent in 2009. Including the indefinitely closed mills, North American operations ran at 70 per cent of capacity in 2010, compared to 60 per cent in 2009.

Tembec anticipates better results in the coming quarters. As planned, the Dissolving and Chemical Pulp segment absorbed significant maintenance costs during the quarter. The decline in High-Yield Pulp results was anticipated as hardwood paper pulp markets are seeing more challenging conditions than those of softwood markets.

Corporate expenses included a charge of \$4 million for share-based compensation. The share appreciation is consistent with the company's view that consolidated financial performance will improve significantly in the coming quarters.



Calendar

February 2011

PaperWeek Canada 2011
February 1 to 3 – Montreal, QC
<http://www.paptac.ca/>

2011 ABCFP Forestry Conference & AGM
February 24 & 25 – Vancouver, BC
<http://www.expofor.ca/index.htm>

Canadian BEACON Project

Boreal Ecosystems Analysis for Conservation Networks

CONTINUED Under the current tenure policy (business as usual), the woodlands divisions of one large pulp company and several sawmill companies are responsible for different aspects of planning and forest management on the area.”

That initial model has grown to be driven by standardized forest inventory data assembled from government and industrial regional and local sources then standardized, and now covers all managed forest lands in the Canadian boreal. Cumming, co-leader of the BEACON project and a professor in the Forest Science Department at Laval University and continuing to build on his graduate work, spoke to *Madison's* this week about the model and its usefulness to Canada's forest industry.

“This goes beyond logging. Our model has the most detailed biophysical data available,” Cumming began. “This model draws from a huge amount of field work done in the past twenty years. Besides tree species, we simulate data like stand dynamics, landscape pattern metrics, forest fire activity, bird distribution, caribou habitat and more to link the health of the forest to wildlife population or wildfire activity. In time we will map and project forestry behaviour plus every ecological process currently being modelled at a better level than current satellite information provides. To date we have data covering most of Canada.”

Using the timber harvest, wildlife, and ecology data assembled, the team's efforts are rolled into computer program tools that combine growth and yield and spatial forest management models with ideas from economics and wildlife management. They also

evaluate tree species models, and conservation planning ideas, wildlife species protection and forest management.

In 2001, an early model was used to simulate the behaviour of the forest industry in response to the state of the forest at any point in time, forest policy considerations, and financial parameters related to the costs of harvesting, log transportation, regeneration, and access development. These were defined by the merchantable forest inventory and the degree of road development. Some modifications from the 2001 version, intended to improve the representation of forest industry behaviour, resulted in significant changes in amount and allocation of conifer harvest and in simulated harvesting costs.

Fast forward to January 2010 when Cumming and his team explain, in their new report entitled “*Canada's Forest Resource Inventories: Compiling a Tool for Boreal Ecosystems Analysis and Modelling*” how to take this modelling approach national.

“The specific concern is the provision of appropriate landcover data for various national modelling initiatives. The key is a consistent, national data set of spatial FRI data. This will allow the BEACON team and their [sic] collaborators to link species habitat, forest management, and conservation planning models across essentially all of Canada's managed forest lands. This will allow tradeoff analysis between forest resource values and e.g. songbird or woodland caribou conservation at national scales. Models based on this digital forest inventory database have spatial and thematic resolution commensurate with forest management planning and are thus of great utility for multiple objectives, including the evaluation of management scenarios at large spatial and temporal scales.”

“The overall idea of this model was to expand on regional studies and incorporate them into a nationwide tool,” explained Cumming to *Madison's*. “In the

early 1990s our work was very Alberta-centered. But over the last three years we have engineered the low-level codes to data modelling capability, spatial distribution for most of Canada's managed forests.

“Within a year or so we will have high level strategic data modelling capability, spatial distribution for most of Canada's managed forests, and will be able to pinpoint the economic and timber supply opportunities and costs of ambitious new conservation objectives in the boreal. We can then look for ways to minimize the impacts on the timber supply and delivered wood costs.

“While it is not new to link a spatial forest management plan to conservation objectives, the forest base, doing this on a very large extents scale is new, and the linking to systematic conservation planning technology areas is also new at such extents,” detailed Cumming. “These tools identify candidate protected areas, that are usually quite large so that natural processes are potentially sustainable on their own. The trick is to find solutions that work for conservation and for the forest industry.”

Cumming's experiences in Alberta are an example of why this tool is so valuable.

“The province of Alberta calculates how much white spruce harvest will be allocated to various sawmills within each forest management unit, while another operator is going after pulp logs in the same area,” Cumming explained. “Without integrating these different management activities in time and space, it becomes impossible to manage for wildlife habitat.

“Our models lower harvesting costs while creating much more options for conservation and species protection. Making selections based on looking at individual areas separately is likely generating less revenue and keeping the dollar value of that asset down. At the moment, the way Canada's forestland is managed by being divided into regions, we are not getting either the most economic benefit or more ecological benefit as opposed to looking at the country as a whole,” concluded Cumming.

Details on the project can be found here: <http://www.beaconsproject.ca/>

