

MADISON'S LUMBER REPORTER

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News & Updates

Prince George Inland Container Port Choked

In the central interior of British Columbia, shipping is the problem that has everyone in a panic. The docks are choked in the Prince George inland container port facility. Some makers have received notice that no more shipments will be booked into the PG yard until enough containers have left to create more space. Conditions reminded one trader of the old days, when "some loads are again going break bulk to fit in ships without containers," he noted. That's something we haven't seen in a long time.

Japan Lumber and Panel Update

Japan's wood products wholesalers experienced aggressive purchases of imported plywood in March, but buyers are now cautious of chasing high priced plywood, according to the *Japan Lumber Reports*.

Undamaged plywood manufacturers on the west coast are returning to full production levels and the distribution system is normalizing. [READ MORE](#)

Paper Workers Strike in Finland

Members of the Proliitto union at Stora Enso and Metsäliitto have become the latest Finnish paper industry workers to go on strike in the ongoing dispute over pay. Some 1,500 staff across the two companies went on strike April 26, after a planned two-week walk out was moved forward one day by the union in order to pressure government mediated bargaining.

All Stora Enso and Metsäliitto workplaces including Metsä-Botnia, M-real and Metsä Tissue are affected by the strike, which started at 6am and will go on for two weeks plus a day.

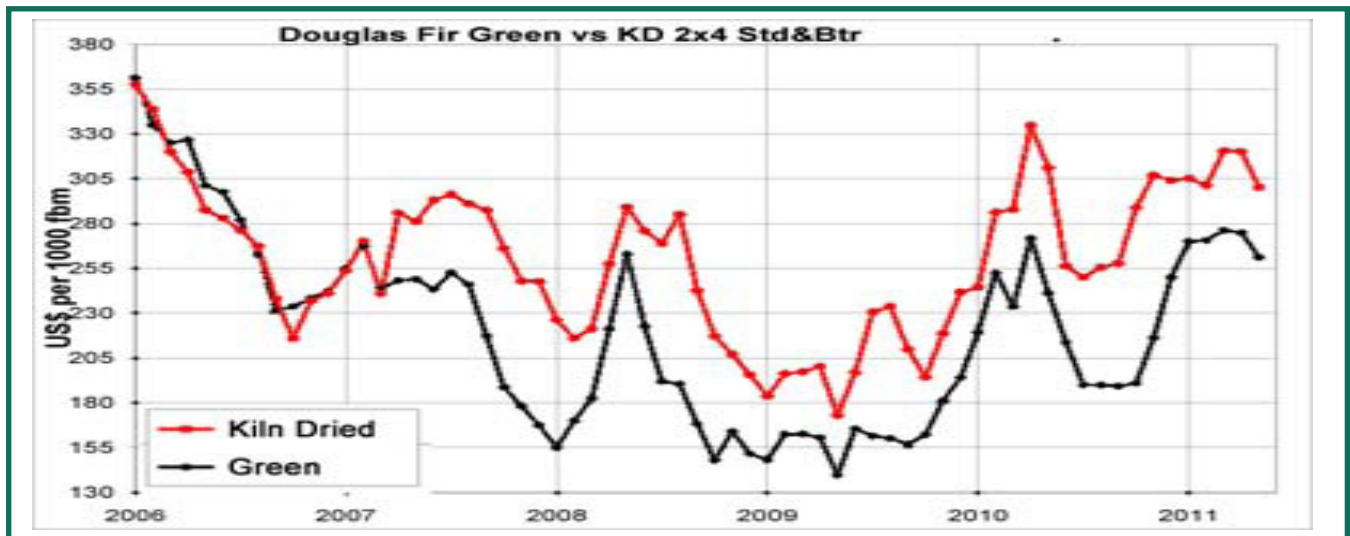
Earlier this month, some 1,000 white-collar workers at UPM-Kymmene went on strike for two weeks, costing the company around 1 million euros (US\$1.45 million). [READ MORE](#)

US Storms Continue

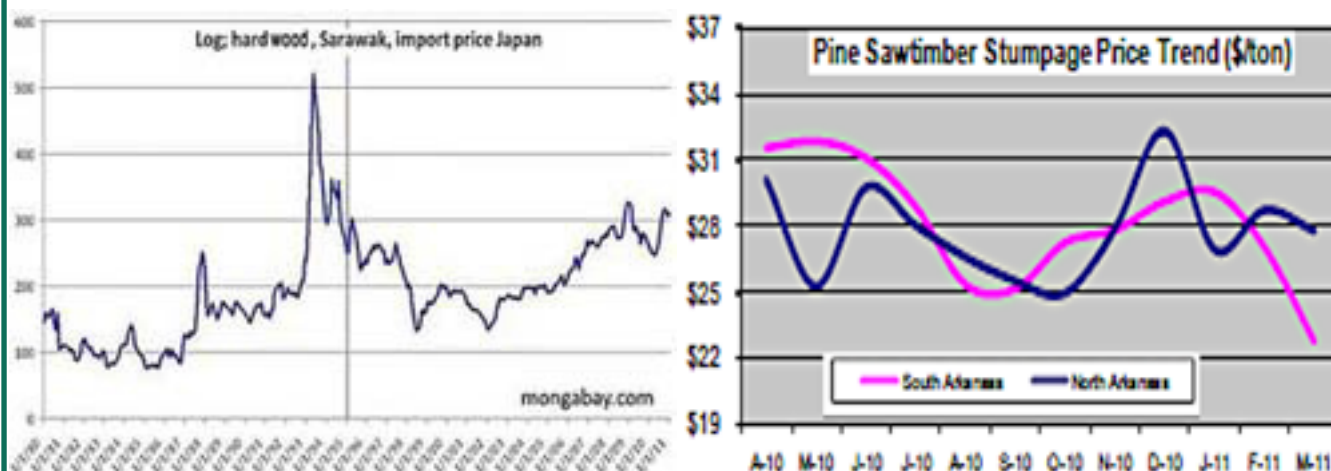
Hundreds of tornadoes ravaged the south coast of the United States this week, with more storms expected on the weekend. 330 people died and 5,484 were injured in a path of damage that covered more than 2,500 miles. The total number of tornadoes to hit this month alone was 267, though the actual number is said to have been much more, close to 500. [READ MORE](#)

BC Forest Practice

The long-dreaded US claim against British Columbia's beetle-kill harvest pricing practices has been tabled at international court, documents have been filed and the arbitration schedule is set. Most sources figure it's all over but the crying. Pressure exerted over the past several years by some of BC's lumber producers on the industry in general and forest stewards in particular to not speak publicly about forest practices for fear of "giving ammunition to the US" no longer carries any power. Voices from across the province have been popping up in the mainstream press on a regular basis lately, bringing forward claims of poor stewardship and unfulfilled obligations, which themselves have elicited responses from government, agencies and organizations. [CONTINUED PAGE 6](#)



Log Prices Sampler, 1Q 2011



MONTANA SAWLOG AND LOG PRICE

SPECIES	EASTERN MONTANA		WESTERN MONTANA	
	Average Price Per MBF	Demand Next 60 Days	Average Price Per MBF	Demand Next 60 Days
Ponderosa pine				
Yellow	\$250	F	\$261	G
Bull	\$225	F	\$239	G
Lodgepole pine	\$272	G	\$303	G
Douglas-fir	\$279	G	\$289	G
Western larch	~~~~~	~~~~~	\$289	G
Engelman spruce	\$272	G	\$297	G
Subalpine fir	\$235	G	\$245	F
Grand fir	~~~~~	~~~~~	\$248	P
Western redcedar	~~~~~	~~~~~	\$225	P
Hemlock	~~~~~	~~~~~	\$270	P
White pine	~~~~~	~~~~~	\$275	G
Cottonwood	~~~~~	~~~~~	N/A	N/A

BC Forest Practice CONTINUED FROM PAGE 2

Stewardship and Obligation

Madison's has garnered a landslide of accusations and criticisms of late, with almost every source insisting that comments be kept off the record. Thankfully, the fear of losing jobs and losing business, and the anxiety of repercussions from speaking up are evaporating. In this two-part examination, *Madison's* will first bring forth various opinions of what is going on in BC's forests right now. Then next week will delve into new models of community involvement in forest practices.

In 2010 BC's forest sector accounted for 18.7 per cent of the province's goods-producing industry GDP, 30 per cent of goods exports, and 26 per cent of total manufacturing shipments, according to the BC Ministry of Forests, Mines and Lands Service Plan released February 2011. The volume gain from silviculture investments is forecast at 7.3 million cubic metres. That report also states that BC's total timber harvest volume was 45.3 million cubic metres, while the Ministry forecast \$419 million in revenue from Crown forests in the 2010/11 fiscal year. That compares to approximately 78 million cubic metres from Crown lands in 2004/05 according to the First Nations Forestry Council, and \$1.28 billion actual and estimated revenue from Crown forests in 2004/05, according to the BC Ministry of Forests 2004/05 Service Plan.

"The underlying issue today is of tenure," explained Anthony Britneff, recently retired from a 39-year career with the BC Forest Service, to *Madison's* in a phone interview Wednesday. "Tenure holdings have been strengthened to the forest products companies as the government has increasingly taken a direction toward privatization over the past 25 years. The previous emphasis on the public interest and multiple forest values is much weaker now.

"There was an approximately 90 per cent funding cut for silviculture reforestation in 2002. Some of that was increased in 2005 but it's still a fraction of what it used to be. The concern is that silviculture funding is less than half of the previous decade, but there are more trees dying," said Britneff.

This amounts to an approximately 60 per cent drop in harvest and a 67 per cent drop in revenue from 2005/05 to 2010/11. A combination of the deep and protracted downturn in US home building since 2006 and the increased harvest of salvage-grade beetle-kill timber is generally credited for this discrepancy in ratios.

CONTINUED PAGE 8

Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	235	250	-15	280	-45	318	-63
WSPF KD R/L 2x6	235	235	0	260	-25	320	-85
WSPF KD R/L 2x8	245	250	-5	270	-25	308	-63
WSPF KD R/L 2x10	290	295	-5	315	-25	356	-66
WSPF KD PET 2x4 Stud	245	250	-5	280	-35	335	-90
Douglas Fir Green R/L 2x4	250	260	-5	270	-20	290	-40
Douglas Fir Green R/L 2x10	285	285	-10	290	-5	282	+3
ESPF KD 2x4 8ft Stud	310	320	-10	335	-25	410	-100
OSB Ontario 7/16" (CDN\$)	195	195	0	205	-10	405	-210

Weekly News

Wood Supply, Japan

CONTINUED The Lumber Price Market Investigation Committee of the Tokyo Lumber Wholesalers' Association held its monthly meeting in Shin-kiba on April 4, according to the *Japan Lumber Journal*.

Participants pointed out a slowdown in cargo movement for lumber items.

Prices of North American logs, shipped in April, are increasing both in America and Canada. As the freight is also growing, the importing cost for those logs is soaring.

Traders noted that in the future, purchasing prices are most likely to rise, as the yen is weakening.

Total plywood production of the six manufacturers on the Pacific coast of the Tohoku region is 60,000 cubic meters per month, approximately 30 per cent of all the production in Japan, says the *Journal*.

Ainsworth Engineered will increase production of JAS OSB at facilities in 100 Mile House, BC, and Grand Prairie, AB, according to *Japan Lumber Reports*.

Finland Paper Strike

CONTINUED National Conciliator Esa Lonka on Tuesday met union representatives and management but was unable to propose mediation. No further talks have been announced.

Stora Enso has been targetted for the next wave of full strikes, after the company allegedly attempted to force overtime on employees during a lawful overtime ban at the beginning of April.

Storm Damage, US

CONTINUED Based on a preliminary storm survey by the weather service, the strongest tornado was an EF5 in Monroe County, MS., which had estimated peak wind speeds of 205 mph.

The fast-moving funnel clouds destroyed homes and property across six states over two days.

Damage surveys of the hardest-hit areas of central Alabama were still being conducted Friday. As many as a million homes and businesses there were without power, and 2,000 National Guard troops had been activated to help in Alabama. The governors of Mississippi and Georgia also issued emergency declarations for parts of their states.

An Alabama nuclear power plant that lost power Wednesday evening as a result of the severe storms remained safely shut down on Thursday, the *Tennessee Valley Authority* said.

Alabama officials estimate that up to 25 per cent of the poultry houses in the state were destroyed or damaged by Wednesday's devastating tornadoes, likely killing millions of birds.

State government officials in Alabama, the number-three chicken-producing state behind Arkansas and Georgia, said Thursday that preliminary reports indicate about 200 poultry houses were destroyed and another 180 were damaged by the fierce storms.

Prince Alberta Pulp Mill

Indonesia's Paper Excellence has finalized its purchase of the Prince Albert pulp mill in Saskatchewan.

The mill has been closed for 5 years. Paper Excellence plans to invest \$200 million into the mill, to convert the facility to a dissolving pulp mill which will be used for the production of a variety of products, including rayon.

"Saskatchewan has been a great place to operate with our mill in Meadow Lake," Paper Excellence's Canadian Vice-President of Operations Ed Roste said in a company press release.

The government of Saskatchewan is providing a letter of commitment for the \$500,000 per year that it is allocating towards training of new mill operators in new mill processes during the mill's first two years of operation under its new owners.

Paper Excellence expects to create at least 200 direct jobs at the mill. The new owners are planning to accelerate the re-starting of the mill, and are hoping they will be able to restart forest operations this autumn, in time for a spring 2012 restart.

Senior Chinese Housing Official Tour BC

Senior Chinese housing and urban-rural development officials, including high-ranking Chinese vice-minister of Housing and Urban-Rural Development Qiu Bao Xing, met with their Canadian counterparts in Vancouver this week to discuss how BC wood-frame construction can help solve China's housing and building needs, Jobs, Tourism and Innovation Minister Pat Bell announced.

A joint working committee has been created where BC will get an opportunity to share expertise in wood-frame building design, advanced wood technologies and wood's environmental benefits.

The vice-minister's stop-off in Vancouver included a visit to BC's first six-storey wood frame condo under development in Richmond. The province recently changed its building code to allow construction to six storeys.

China has called for a major housing build in the next five years of 36 million affordable units, 10 million each in 2011 and 2012.

Combined with China's annual building rate of 10 million housing units, it has British Columbia eyeing the 86 million units that could be built in the next five years.

CONTINUED “Right now we are seeing a return to pre-1978 timber-centric practices. Other values like water, soil, air, recreation, visuals, grass lands or cattle lands, etc. have been put at a very low priority. The current legislation emphasizes timber extraction at the expense of everything else.

“In 2001/02, the BC government told the forest industry to take responsibility for inventory and forest health under Defined Forest Area Management (DFAM), which the companies didn’t want to pay for. So DFAM failed.” said Britneff.

Throwing their hats into the ring of this increasingly hotly-debated subject are Suzanne Simard, professor of forest sciences at UBC, and Kathy Lewis, professor of ecosystem science and management at UNBC. Their joint piece, published April 8 in the Vancouver Sun states in part, “Signs that we are losing our grip on stewardship are evident in declining forest health and in expanding understocked forests – also known as NSR (Not Satisfactorily Restocked) – over an increasingly clear-cut and fragmented landscape. Public consultation over land-use planning has taken a back seat to efficiency of resource extraction from our forests. [. . .] With the enactment of the Forest and Range Practices Act came ‘results-based forest management’ and ‘professional reliance’. [. . .] Disturbingly, scientists and foresters are observing that young simplified plantations of single-species have declining health due to insect, disease and abiotic damage, and this is projected to worsen with climate change. The area of NSR has increased dramatically in the past decade due to inadequate reforestation of harvested, burned and beetlekilled land. [. . .] There is no meaningful assessment of the cumulative effects of multiple land-use tenures that overlap with forestry, such as for energy or water resources. Forestry is still largely practised on a block-by-block basis. [. . .] There is a troubling lack of legislative process, policy or research in place to enable forest stewardship and protect environmental values.”

Madison’s has heard NSR repeatedly in the past couple of years as a serious and growing problem. A proper forest inventory seems to be falling into bureaucratic no-man’s land.

“One way harvesting companies can get around reforestation obligations is by using a small scale salvage program, which amounts to several hundreds of thousands of hectares over the past decade for which no records are kept of these operations,” detailed Britneff. “The issue to a forestry professional is that previously this land would be re-planted because it had been

logged, but at this point we can only estimate that between 300,000 and 500,000 hectares are NSR because there are not enough trees left on the landscape for the forest to regrow.

“Mid-term tree survival rate of many plantations is not good, especially in the southern interior, and there is not sufficient monitoring going on to ensure forest health. The government is fobbing off the public interest on forest companies, who – like the government – do not want to pay for forest stewardship.”

April 26 a piece on this subject by Sharon Glover, CEO of Association of BC Forest Professionals, appeared in the Vancouver Sun. Taking time out of her busy schedule Thursday, Glover explained a few of these critical issues to *Madison’s*.

“There are ways of measuring forest health, there is compliance and enforcement on the part of government. In well over 90 per cent of the cases we [the ABCFP] look into, there is nothing wrong in the forest. Upon investigation there are high levels of compliance,” said Glover. “When looking at the numbers, claims of poor forest health and poor practices are not supported.”

Madison’s asked about the high success rating; if in over 90 per cent of the cases examined everything was in compliance, but isn’t there a much decreased number of assessments being made in total, due to significant funding cuts to BC’s forest sector?

“There are certainly issues in the forest and things we would like to see improved,” answered Glover. “We would like to see more work done with forest inventory. Our last report was in 2006 and needs to be updated. We have asked the government for better data.

“Tenure changes last year are another issue,” continued Glover. “Currently there is area-based tenure, with a single company working a cut block that can design which trees to take and a silviculture prescription. There is also volume-based tenure where a particular cut will include a wide area which a number of companies have permission to harvest. In this instance nothing in the legislation forces different tenure holders to work together, and our forest professionals have noted problems, particularly in the interior.

“NSR is linked with inventory. Proper forest inventory is critical in making a judgement on what needs to be restocked,” Glover explained.

Madison’s then asked about the recent elimination of the log scale, with data only being collected by the cruise.

“If there is no scale, there is no data,” said Glover. “The cruise-based policy was a decision of the government. There are, however, other ways of collecting inven-

tory, professionals can focus on other estimations.

“The government sets the laws which govern forestry. Our members have a responsibility to uphold forest laws, but it is actually the tenure holders who must comply. Under the Forests and Range Practices Act (FRPA), tenure holders do not have to take a forester’s recommendations. There is currently no check by government on a tenure holders obligation to uphold FRPA.

“Foresters provide three options to the tenure holders, of which some are better than others. Tenure holders may choose poorer options, in terms of soil, wildlife, biodiversity, water, as opposed to simply the timber harvest. In these cases there is no check by the government into forest health. If one of our members believe poor stewardship is happening, their choice is to speak up or walk away.

“Proper forest stewardship has long term benefits. If the government wants the land to look different then it needs to tell the tenure holders to invest in their financial responsibility,” concluded Glover.

The real question remaining is if the BC government is at least complying with insight provided by its own forest professionals. The March 2009 Forest and Range Evaluation Program (FREP) contained a list of recommendations for the Forest Stewardship Plan Stocking Standards. These recommendations included; an immediate need to review the Timber Supply Review, the need for short and long term research on the impacts of forest health agents affecting immature pine, a need for extensive and long-term monitoring of free growing stands throughout BC; and a list on which general improvements to stocking standards should be based.

Madison’s reached out to a staff member at FREP Thursday. In reference to research, the Ministry has a number of species and site preparation trials in clearcut situations that were established approximately 20 to 25 years ago. There are other trials in a variety of Silvicultural systems projects where staff is looking at pine growing under pine stands and in clearcuts in the Chilcotin. Silvicultural Systems projects are studying pine when growing in a mix of other species, and other research is addressing pine performance in the presence of aspen. There are also trials that are concerned with the effects of roots disease on pine.

Regarding monitoring, the Ministry is conducting stand development monitoring – close to 500 cutblock assessments so far – and has reported out in a number of documents. The Ministry is also addressing the relevance of current stocking standards given forest health impacts and climate change. Ongoing monitoring is occurring.