


MADISON'S LUMBER REPORTER


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 Annual Subscription Prices
 E-mail/Fax: C\$364
 Discounts available for multiple
 subscriptions
 Published 50 times a year


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 In Canada, add GST or HST
 ISSN 0715-5468
 Printed in Canada © 2011

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News & Updates

Madison's Timber Preview

This week's issue of *Madison's Timber Preview* examines alarming new US tax refunds being used by companies with pulp and paper operations in the US. Upon the elimination of the previous credit being used through the 2009 Highway Bill, sometimes referred to as the black liquor tax credit, producers are now using the 2008 Food, Conservation, and Energy Act, or Farm Bill, to obtain even greater tax refunds.

Contact us any time for a subscription.

CN Centre-Beam Rail Car Quota

Lumber producers in British Columbia were surprised this week to receive faxes from Canadian National Railway declaring a 'weekly quota' on centre-beam rail cars headed to the CN Surrey Thorton yard. While mills can receive as many cars as they require, there is now a limitation on how many can be sent to that facility.

"We have a half dozen customers in BC using the Surrey facility," said Mark Hallman, CN media representative for corporate and financial issues. "We are in direct conversation with customers to discuss the movement of product to that facility."

"That's as much as we are going to say on the subject," concluded Hallman abruptly.

"I can confirm that CN sent out communication to customers in BC regarding how many centre-beam rail cars they can send to that distribution centre," explained Kelli Svendsen, CN media representative for operations in Vancouver, more helpfully. "We will be working with customers regarding their needs."

"The issue goes to capacity, the supply chain, and turn-around of trucks coming into the Surrey facility and going out again. At the moment there is a supply vs. capacity issue," detailed Svendsen further.

Russian Log and Lumber Exports, 1Q 2011

During the first few months of 2011, total softwood and hardwood log exports from Russia have been up by almost 40 per cent compared to the same period last year, as reported in the *Wood Resource Quarterly*.

[READ MORE](#)

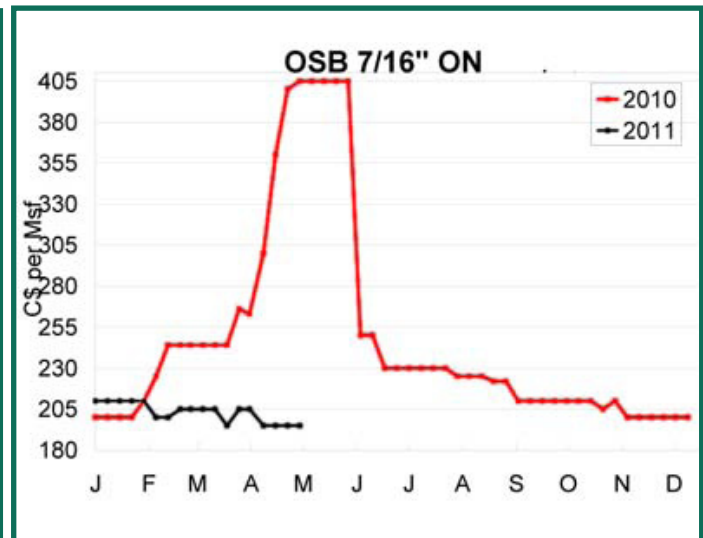
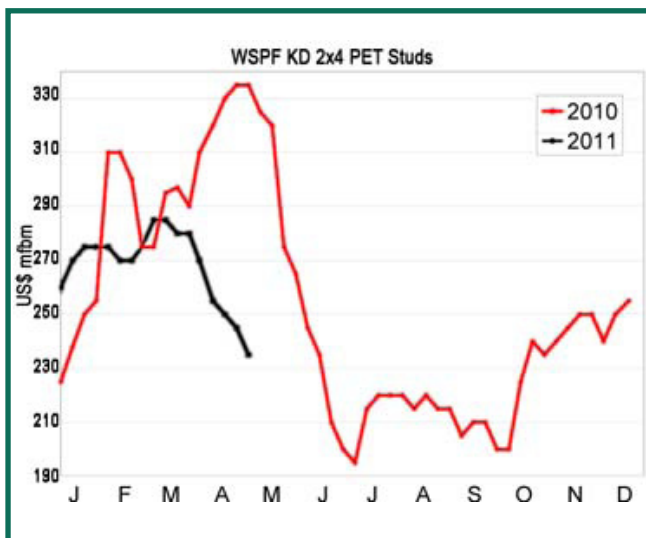
Flooding in Manitoba and Quebec

A high water advisory was issued for large parts of Manitoba Thursday. 3000 homes are under water along a 150 km stretch of the Richelieu River in Quebec stretching from Montreal's south shore to the border with New York.

[READ MORE](#)

BC Community Action for Forest Health'

Further to last week's widely re-circulated piece in your Madison's Lumber Reporter about British Columbia's current forest practices, and ominous warnings from various elements of the industry about lack of stewardship, there is a groundswell of activity looming on the public level around this important issue. Municipalities, specifically in pine-beetle affected areas of the interior, are beginning to take control of interface management for fear of massive forest fires in dried out, dead timber stands. [READ MORE](#)



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	234	235	-1	270	-36	316	-82
WSPF KD R/L 2x6	239	235	+4	250	-11	315	-76
WSPF KD R/L 2x8	250	245	+5	260	-10	311	-61
WSPF KD R/L 2x10	277	290	-13	310	-33	355	-78
WSPF KD PET 2x4 Stud	235	245	-10	270	-35	325	-90
Douglas Fir Green R/L 2x4	245	250	-5	270	-25	270	-25
Douglas Fir Green R/L 2x10	275	285	-10	295	-20	265	+10
ESPF KD 2x4 8ft Stud	310	310	0	330	-20	415	-105
OSB Ontario 7/16" (CDN\$)	195	195	0	205	-10	405	-210

Weekly News

Wood Exports, Russian

CONTINUED Stemming from Russia's announcement of a sharp increase in raw log export taxes in 2009, that country's total log exports fell from 51 million cubic metres in 2006 to about 22 million cubic metres in 2009 and 2010, according to *Wood Resource Quarterly*.

From 2008 to 2010, exports were up 18 per cent, reaching an all-time high of 17.5 million cubic metres last year. So far this year, exports have been over 50 per cent higher than the same period last year; 2011 may very well be a record-year.

China is the largest market for Russian logs, followed by Uzbekistan, Japan

and Egypt. Shipments to China tripled between 2007 and 2010; during the first quarter this year, exports were 150 per cent higher than the same quarter in 2010, says *WRQ*.

Canada Floods

CONTINUED Spilling far past its banks, the Assiniboine River in Manitoba has risen steadily to almost surround several homes, a church and commercial properties along nearby Highway 26. The municipality of St. Francois Xavier has distributed up to about 50,000 sandbags to many of approximately 100 houses along or close to the Assiniboine.

The provincial government has held the Assiniboine's flow to 18,000 cubic feet per second since Tuesday, said Steve Topping of Manitoba Water Stewardship. He added precipitation might create a higher flow - up to six inches - in the coming days on the river between Portage la Prairie and Winnipeg.

Rains have stopped in Quebec but flood waters continue to rise. After a snowier-than-usual winter, floods have covered rows of streets along the Richelieu River - up to one kilometre in some areas.

About 650 soldiers are helping protect swamped areas of the province by placing sandbags and by evacuating people.

Paper Strike, Finland

Finnish clerical workers' union Pro on Wednesday handed in another strike notice affecting the paper industry after starting a three-day strike at UPM-Kymmene mills earlier than originally planned.

Pro said it had taken the decision to

start the UPM-Kymmene stoppage early because of the employer's attempts to hire strikebreakers.

The new strike is to begin at 19 May, affecting Metsäliitto and Stora Enso facilities for three weeks.

An ongoing two-week strike at Metsäliitto and Stora Enso is to end next week. Pro started the strike two days earlier than originally planned, also amid strikebreaking claims.

Tuesday's talks to resolve the pay dispute failed, with no date for a resumption of dialogue agreed.

Softwood Lumber Research Referendum

Progress is being made on the Softwood Lumber Research, Promotion, Consumer Education and Information Order, a federal initiative out of the United States Department of Agriculture. Please refer to the October 22, 2010 issue of your *Madison's Lumber Reporter* for background information. A referendum will be held May 23 to June 10 to determine if domestic softwood lumber manufacturers and importers approve the implementation of the proposed order. To be eligible to vote, interested parties must have manufactured and/or imported 15 million board feet or more of softwood lumber during 2010 in the US.

If the Order is approved, a group will be created that would add an assessment to lumber sales and use the money for marketing and promotions similar to milk producers' "Got Milk?" campaign. An official familiar with the plan stressed to *Pro-Sales Magazine* Tuesday that the marketing money wouldn't be used for consumer advertising but rather would be directed at the builders, architects, and others who have the greatest influence on choosing construction materials.

Investment Rx - Madison's Monthly Lumber Analysis in One Tasty Bite!

Reporters subscribers enjoyed two free sample issues of our new *Investment Rx* in early February and March.

The May issue, full of timely data on log supply, lumber production, transportation constraints, log and lumber shipments, and much more, goes this week to paying *Rx* subscribers only.

Get in on this vital analysis for your lumber investments.

Call us at 604 984-6838 or email madrep@shawcable.com for your limited-time 10% discount!

Order before May 10 to receive this critical, timely information every month and pay only C\$835 for 12 issues a year. After May 10 the regular price of C\$935 + tax goes into effect.

Don't miss out on the fast-changing realities of the North American lumber and panel market!

Community Action

Groundswell Around Forestry Issues

Provincial government union members have been organizing Forestry Dialogues in areas of the province dependent on the forest industry for their livelihoods. Individuals with experience in forest land management in BC both on a corporate and a government level, biologists, and environmental activists, are working separately and in concert to, at a minimum, bring forestry issues to the forefront of political discussions and, possibly, to enact change.

by Kéta Kosman

Bill Bourgeois, PhD, RPF, spent 35 years working in the forests of BC for, among others, MacMillan Bloedel, Lignum, then Riverside after the takeover, and the Forestry Research Program. Bourgeois explained to Madison's in a phone interview Tuesday that toward the end of 2009 he became frustrated and angry with the lack of forest management and the lack of reception to his concerns.

"By the autumn of 2010 I was getting invited to discussion sessions; there was a groundswell of initiatives forming with a range of attendees," explained Bourgeois. "Environmentalists, industry contractors, professional foresters, biologists, academics, environmental lawyers, policy guys, students, were all as passionate about this issue as I was. I realized that the environmentalists and the small lumber producing industry had the same concerns, but differed on what needs to be fixed.

"We are currently operating with 120 volunteers from across this province. Our overall objective is to raise the profile of forest management before the next election, so it becomes a platform. We consider forestry in BC to be in crisis. The decision-makers - which includes industry, bureaucrats, and politicians - are using the poor economic situation to maintain a very short term forest vision. These decisions can have a drastic impact on the future of the forests. It is a big concern," said Bourgeois.

"As an example, Weyerhaeuser in the mid-1960's focussed on high-yield forestry, meaning the restocking of timber for maximizing return in eventual lumber production, and MacBlo later continued on that policy. Weyerhaeuser didn't care about the birds, the burrowing owl, they cared about maximizing lumber production revenues. BC in the past decade has tended not to do that. Even if one is managing a public asset there is still a responsibility to invest in it. One must invest for the longer term, right now there is no return so there is no investment in the forest, in our opinion," detailed Bourgeois. "There is a need to separate the management of the woods from the management of the mills. A mill manager's performance measure is

based on the cost of producing a 2x4, and as long as a woodlands manager is reporting to the mill manager a short term vision remains. They should be independent, as has become the trend in the US where timberland is privately managed."

Bob Peart is a biologist with experience in BC land use since the 1980's, having worked for the provincial government, First Nations, environmental groups, conservation agencies, as well as having been self-employed.

"I am a concerned and very active citizen," explained Peart to Madison's in a phone interview Tuesday. "Mainly I worry about land use issues, park land, and ecosystem health.

"In an effort to put forest management back on the table of public dialogue, we have formed a think-tank of sorts consisting of 45 people from across the province, loosely organized under the umbrella of Environment on the Edge. We have had three gatherings of the full group and two or three smaller discussions about strategy. To our minds the issues in forestry right now are all related to Crown land. There is an expectation that public land will be managed to provide resources and bring in revenue. But in fact the resource is being poorly managed, and there are many issues spread all across the province. If 95 per cent of BC's forest is public land, why can't that be managed; why isn't there stewardship of that so residents will have it as a resource for the future? The land is not being restocked, and the cut rate is increasing," charged Peart.

Yet another effort to bring BC's forest stewardship, or lack thereof, to the front of public debate is a series of community dialogues organized by the BC Government Employees Union. Called "BC Forests. Our Future", the dialogues have so far taken place in Castlegar, Campbell River, Kamloops and Prince George. A BCGEU spokesperson explained to Madison's in an interview Wednesday, "We want to hear from communities about how they are affected by the economic downturn, by deep cuts to the Ministry of Forests, and to the Forest Service. We want to hear how that affects them and what they would like to see going forward. We are putting together a report culminating everything we have learned, which will be available to the public once it is done [in a month or two]."

The dialogues were held by invitation, but no one was prevented from attending. There were about 40 people at each session, a handful of those being BCGEU members. In Campbell River other attendees included; First Nations, the local Chamber of Commerce, United Steelworkers members, city councillors, provincial Members of the Legislature, forestry consultants, and various environ-

mental and conservation groups. A similar mix of attendees made up the Prince George session, as well as representatives from the Central Interior Logging Association, the mayor of Prince George, University of Northern British Columbia forestry students, and a federal political candidate.

"Our members were bolstered by the support and concern of the broader community," explained the BCGEU spokesperson. "We received good public support; there is a high level of concern in the community at the lack of forest management. There is a desire to revitalize the forest industry in ways that benefit communities. Local communities are frustrated over the lack of local control in the face of government changes over the past few years.

"Our members feel stress from the impact of job losses and mill closures. There are increased workloads for the people that are left, and there is not as much administrative support as there used to be. Our members do not get as much time in the field as they did before. In general there is frustration over the continued inability to achieve value-added revenue, people don't like to see raw log going offshore. There is also concern about the lack of public oversight. In view of the cutbacks, there is not as much compliance and enforcement activity as there was in years past, and our members are concerned about professional reliance," detailed the spokesperson.

At the Dialogues a wide range of solutions were offered, the discussion demonstrated a shift in peoples' thinking. Specifically, attendees agreed that there is a "need for greater public investment", according to the BCGEU. "We noticed a difference in priorities in different communities. In the interior there is more concern about forest fires, while on the coast people expressed concern about the management of forests on private lands, which don't fall under FRPA, and the inability of municipalities to impact private land directly neighbouring them."

Bourgeois heads up the Healthy Forests-Healthy Communities initiative, a non-partisan, volunteer-supported group focussed on concerns and recommendations of experts and community members in the hopes that together, they can provide opinion on the preferred future for the province's forest resources. Partners to the Healthy Forests-Healthy Communities initiative include BC Forests Society, Canadian Institute of Forestry, Thompson Rivers University Department of Forestry, UBC Faculty of Forestry, Vancouver Island University Department of Forest Resources Technology, and more. This initiative can be found on the web here [<http://bcforestconversation.com/>]

Peart works closely with Environment on the Edge. There is a large group phone meeting planned for next week to plan public engagement activity for the summer and through autumn. Group members are also actively involved in writing background papers, which will be shared with the Healthy Forests-Healthy Communities initiative.

The BCGEU has detailed forestry dialogue resources, and video, available here [http://www.bcgeu.ca/campaigns_and_issues/forestry_cuts]