

# MADISON'S LUMBER REPORTER

Publisher  
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Editor  
Kéta Kosman  
Market Analyst  
Earl Heath

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www.madisonsreport.com  
madrep@shawcable.com  
604 984-6838  
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## News & Updates

### Madison's Investment Rx

This month's issue of *Madison's Investment Rx* went out to subscribers at the end of last week. North American solid wood producer capacity, inventories, and order files are examined. As well, timber costs in various regions globally are looked at. *Madison's* analysis that this mild winter season will bring severe storms in spring has already been borne out this week, earlier even than *Madison's* expected.

Contact us any time for a subscription.

### RockTenn Closes Matane

Packaging and paper company RockTenn, out of Norcross, GA, said it will close its containerboard mill at Matane, QC to cut costs. The mill, which RockTenn acquired in May 2011 as part of the Smurfit Stone takeover, had 176,000 tons per year of recycled corrugated medium production capacity, the company said.

RockTenn ceased production at the mill in late January. The company expects annual savings of about US\$16 million from the closure, and plans to take about US\$29 million in pretax charges, US\$23 million in the current quarter.

### US Storms, Canada Wildfire Warnings

A tornado was spawned Wednesday morning by a strong line of storms that rumbled across portions of Kentucky. The US Weather Service issued a series of tornado warnings across portions of central Kentucky.

Another pre-dawn twister flattened entire blocks of homes in a small Illinois town Wednesday as violent storms ravaged the Midwest and South, killing 13 people in three states.

[READ MORE](#)

### Containerboard Prices, Forecast

February containerboard prices were flat compared to January, said Mark Wilde of Deutsche Bank in a report Wednesday. Estimated linerboard prices were at US\$640 per ton. Wilde's market research team says producers have done a remarkable job of keeping prices relatively stable in the face of sluggish domestic demand and seasonal weakness, weak export demand, and a rapid decline in old corrugated container prices during 4Q 2011.

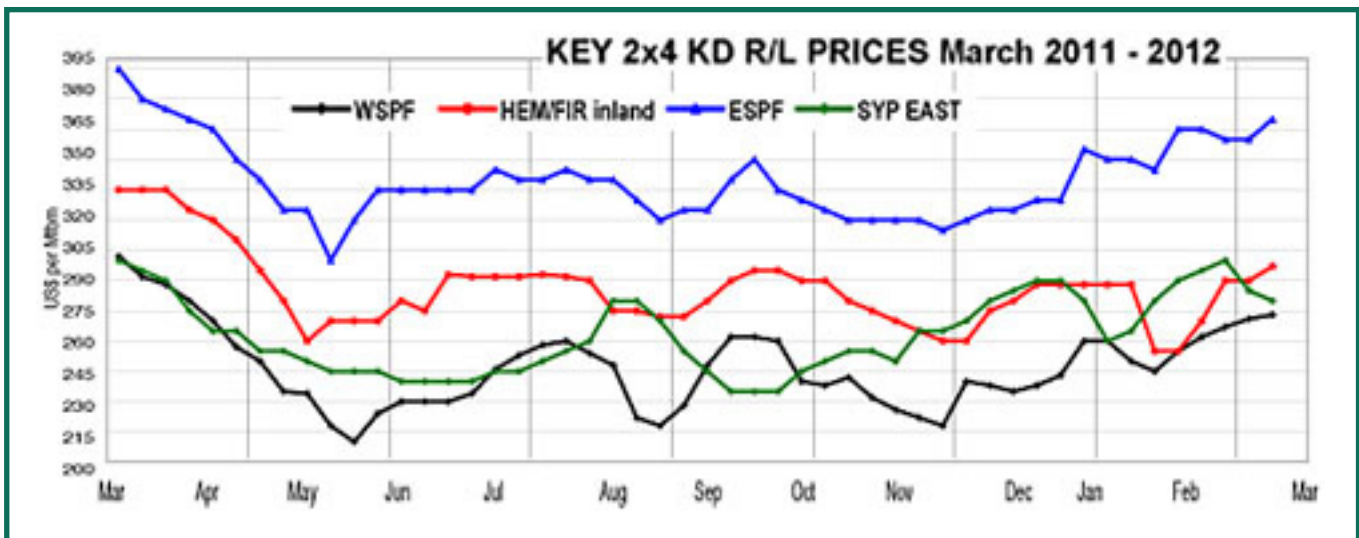
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### Forester's Conference

The Association of British Columbia Forest Professional's 64th Forestry Conference and Annual General Meeting was held in Victoria, BC, with approximately 300 delegates attending at the Fairmont Empress Hotel, on February 22-24, 2012.

A jam-packed list of speakers discussed topics such as: developments in forestry education programs across the province; new definitions of forest professionals; safety in the forest; the new economics of forestry; forest inventory, NSR, and non-statutory expectations on forest professionals; sustainability; and First Nations in forestry. There were also some exciting presentations on the latest developments in LiDAR and LandSat which *Madison's* will cover in a separate edition.

Speakers also included representatives from corporate citizens, including; Interfor, Tolko, Western Forest Products, Island Timberlands, and TimberWest. [READ MORE](#)

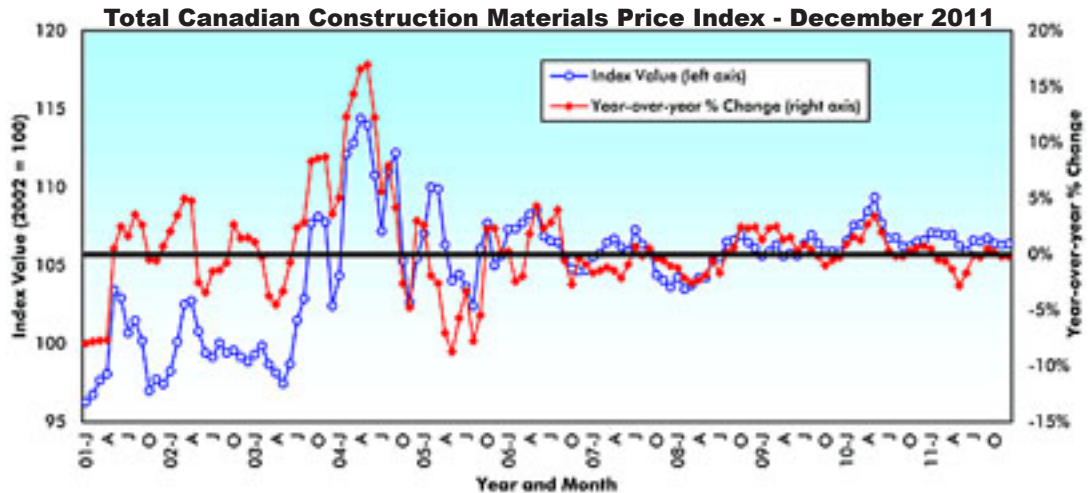


### Canada Construction Costs - December 2011

CanaData compiles separate material cost indices for residential, non-residential building and engineering construction by applying weights to the components most commonly used in each.

As of December 2011, CanaData's total construction material cost index was up 3.1 per cent versus December 2010. By way of comparison, the year-over-year increase in Canada's Consumer Price Index (CPI) in the same month was lower at 2.3 per cent. The year-over-year increase in the total construction cost index was down 0.2 per cent for residential, up 3.1 per cent for non-residential building and up 5.8 per cent for engineering.

During the past six months, the total index has declined 0.9 per cent. The 0.5 per cent increase in residential has been the exception. The residential increase was mainly on account of lumber prices of 1.8 per cent in the last six months, although there was a drop of 0.8 per cent year over year).



SOURCE:  
Reed Construction Data  
- CanaData

### Canadian Residential Construction Materials Price Index - December 2011



## Scoreboard

	October - December 2011		October - December 2010		SALES 2010-11 (%)
	Sales (\$,million)	Earnings (\$,million)	Sales (\$,million)	Earnings (\$,million)	
Ainsworth	69.5	1.7	55.0	2.8	+20.9%
Canfor	576.2	(44.1)	629.1	32.9	-8.5%
Cascades	913.0	5.0	783.0	(12.0)	+14.3%
Catalyst	319.8	(708.0)	333.6	9.6	-4.2%
Conifex	34.0	(7.5)	16.0	(3.9)	+53%
Eacom (to March 31, 2011)	0.8	(0.06)	(to Dec. 31, 2010) 0.7	(0.1)	+12.5%
Interfor	190.0	(6.5)	176.3	0.8	+7.3%
Norbord (US \$)	229.0	(9.0)	240.0	(9.0)	-4.6%
Resolute FP (formerly AbitibiBowater)	1,100.0	(6.0)	1,300.0	4,200	-15.4%
Taiga	203.1	(1.7)	198.4	(1.2)	+2.4%
Tembec	401.0	(16.0)	422.0	(11.0)	-5.0%
Western Forest Products	220.7	5.3	172.6	20.1	+21.8%
West Fraser	650.0	(22.0)	719.0	57.8	-9.6%

## Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	273	271	+2	262	+11	306	-33
WSPF KD R/L 2x6	279	273	+6	262	+17	274	+5
WSPF KD R/L 2x8	260	256	+4	254	+6	280	-20
WSPF KD R/L 2x10	314	312	+2	308	+6	326	-5
WSPF KD PET 2x4 Stud	280	260	+20	255	+25	285	-70
WSPF KD PET 2x6 Stud	245	265	-20	265	-20	315	-30
Douglas Fir Green R/L 2x4	245	238	+7	235	+10	275	+10
Douglas Fir Green R/L 2x10	300	300	0	330	-30	290	+10
ESPF KD 2x4 8ft Stud	350	330	+20	330	+20	340	+10
OSB Ontario 7/16" (CDN\$)	215	205	+10	194	+21	205	+10
CSplywood Toronto 3/8" (CDN\$)	340	329	+11	310	+30	310	+30

## Weekly News

### US Weather, Canada Fires

CONTINUED Late Wednesday, Illinois state officials revised the death toll from a severe storm in southern Illinois, saying six people have been confirmed dead.

The tornado destroyed the Harrisburg Water Department building in the Feazel Street area, several businesses, a shopping centre, and many homes and an apartment complex.

Wednesday's storms spawned at least 16 tornados reported Wednesday from Nebraska and Kansas across southern Missouri to Illinois and Kentucky. The dead included one killed in the Missouri town of Buffalo and two dead in the state's Cassville and Puxico areas. A Harveyville, KS, man suffered fatal injuries after his home collapsed on him, and three more people were killed in eastern Tennessee.

The National Weather Service listed Wednesday's twister as an EF4, the second-highest rating given to twisters based on damage. Scientists said it was 200 yards wide with winds up to 170 mph.

Residents in many states across the Midwest and South were urged Thursday to seek shelter as a new string of tornadoes reportedly hit the ground.

An Oklahoma meteorologist had warned that by Friday, both regions would again be "right in the bull's eye." But the National Weather Service's Jayson Wilson in Paducah, KY, softened that dire outlook Thursday night, saying the likelihood of southern Illinois seeing another supercell – the kind that spawns a twister – Friday "is looking less and less."

Meanwhile, the province of Alberta Thursday declared an early start to the

wild fire season because forest conditions are drier than usual after a mild winter. The early declaration gives the province a head start for the year after last year's destructive season.

Wildfires last year, including the fires that ravaged the Town of Slave Lake, burned a total of 950,000 hectares – 12 times more than the average from 2006 to 2010.

Elsewhere, the second wildfire in under a week broke out in a western North Carolina national forest Friday, but firefighters say both blazes are under control.

The US Forest Service says a 50-acre wildfire was discovered Wednesday in the Nantahala National Forest, four days after a much larger blaze began elsewhere in the region.

The earlier fire burned more than 725 acres.

A controlled burn Friday sent plumes of smoke wafting across the Garden State Parkway in New Jersey.

Steve Maurer, a warden with the Forest Fire Service, said nearly 15,000 acres had been treated since October.

New Jersey's prime forest-fire season starts in late March or early April. In 2007, a forest fire burned nearly 17,000 acres of the Pinelands, one of the largest fires in recent history.

### Packaging Material Prices

CONTINUED Given relatively stable prices, Deutsche Bank analysts are recalibrating their 2012 and 2013 container-board price estimates. They've boosted their 2012 linerboard & corrugating medium estimates by US\$21 per ton, to US\$629 and US\$599, respectively. They are also boosting their 2013 estimates by

US\$10 per ton, to US\$650 and US\$620, respectively. However, they note that with energy costs rising rapidly, a good deal of upside is apt to be eaten-up by increased costs.

Chip Dillon at Vertical Partners released a report saying his team learned Wednesday evening that the price of recyclable old corrugated containers (OCC) in the Southeast US increased for March by nearly double the US\$13 per ton average increase seen from February to March over the prior 10 years. At US\$135 per ton, Southeast OCC is 42 per cent above the 10-year March average and 7 per cent above the 5-year March average, said Dillon.

Pulp, paper, and recovered paper price tracker FOEX reported Tuesday that US January box shipments rose 2.3 per cent compared to one year earlier, while exports dropped by 4 per cent resulting in a 0.5 per cent decline in US capacity.

### Centurion Announces . . .

Centurion Lumber Manufacturing (1983) Ltd. is pleased to announce that Brian Crossley has joined their staff in Chemainus, BC.

Brian will be responsible for the development of export and import business for lumber, panel and veneer products. Brian can be contacted at 250-246-4791.

## Calendar

March 2012

**2012 Western Wood Products Association Annual Meeting**  
 March 11 and 12 – Portland, OR  
<http://www2.wwpa.org/>

# The Art of Forestry

## ABCFP's AGM

CONTINUED A forester's professional scope of practice in the new reality of harvesting and processing timber in this emerging world economy was a subject much discussed at the ABCFP conference.

Rick Monchak of Interfor gave a presentation titled, *"The Art of Forestry: Things I Didn't Learn at School"*. Monchak broke

by Kéta Kosman

down this art into four categories; the art of growing trees, the art of staying connected, the art of making decisions, and the art of building relationships. The first of these, as an example, has gone from three regulatory requirements in a culture of growing, expanding business, to 19 individual government requirements. A forester must now consider pressures from the Forest Act to stocking standards to professional reliance, from the RESULTS database to forest safety to invasive species, and everything in between.

In the meantime, however, "Nothing has changed in the basics of how trees grow," said Monchak. It is the current business reality that makes things more difficult.

Bob Craven, also of Interfor, and John Dunford, from Tolko, talked about the unwritten rules of non-statutory expectations and how they become part of the professional's decision framework.

Craven examined, *"Maintaining The Right to Practice"* from the forest professional's point of view.

"Non-Statutory Expectation is defined as a reflection of both social values, or public expectations, and professional values, or personal and peer expectations, not found in legislation," said Craven.

In terms of managing the publicly owned forest base, government legislation is meant to lead forester's decisions. Craven's presentation screamed, "It's supposed to be so simple under FRPA!" but then asked, what if the government only "sort of" speaks to an issue? Using the Northern Goshawk as an example, Craven explained how the forestry legislation can be read in different ways. The most obvious understanding of the Species at Risk Act is that it is 'an offense to molest or destroy the nest of a bird ..... when the nest is occupied by a bird or its nest'. While FPPPR states that licensees must write results/strategies around breeding habitat and THLB impacts.

Craven underlined the fact that, when considering protection of the public interest and practicing good stewardship, a forester would have to avoid up to 70 per cent of 9,800 hectares surrounding that nest site as breeding and hunting habitat. He then pointed to work the ABCFP have been doing on this important subject since 2009,

and that there is a series of five papers being published on the Association's website explaining member findings.

Dunford, on the other hand, talked about, *"Maintaining The Social License to Operate"* from the perspective of the BC forest industry. Apart from the standard statutory obligations, a forester will do well to keep other interests in mind when thinking about accountability, such as: societal expectations, and how they impact stakeholder rights and sustainability; global customer demands, especially in the scope of reputational concerns and a sustainable supply chain; and, shareholder needs in view of capital investment certainty. On an encouraging note, Dunford demonstrated that as of year-end 2011, 151 million hectares of Canadian forests are third-party certified, compared to 49 million hectares in the US and 30 million hectares in Russia. Provincially, BC has the largest area of independent forest certification with 54 million hectares, and Quebec is second with 32 million hectares.

Another informative session was the panel discussion on *"Big Industry's New Forestry"*. The participants were Ric Slaco, VP and Chief Forester of Interfor, Kerry McGourlick, Chief Forester of Western Forest Products, Bill Waugh, Director of Planning and Forestry at Island Timberlands. Discussion revolved around the balance that industrial Chief Foresters must strike between stewardship and the product market decisions of the company, and what innovative approaches companies have been taking to keep afloat in the tides of recession, especially in the face of mill closures and alternative wood product markets.

Slaco's presentation was titled, *"The Art of Finding New Opportunities and Pursuing New Products"*, in which he explained that the art of forestry grows uniquely in each individual professional as experience is gained and challenged attendees to critically look at how they cultivate and maintain their own personal 'Art of Forestry'. As a leading global supplier with one of the most diversified lines of lumber products in the world, Interfor directly employs 1,400 people, said Slaco, 65 of which are forest professionals in BC. Slaco's presentation ended with the declaration of "Help Wanted: managers of renewable resources".

McGourlick then explained that, while at present WFP is the largest coastal licensee and lumber producer, the company is still a small fish in a global pond. It is very interesting to note that in 2010, WFP sold 26 per cent of its product to each of Canada, China, and Japan, while customers in the US only bought only 14 per cent.

Island Timberlands was relatively successful during the recent economic melt-

down, said Waugh, because the company has; flexibility to operate on an amazing land base, well defined safety and EMS systems, integrated and stable planning platforms, an engaged and motivated workforce, and good planning, good execution and good luck.

As with anything, there must be a dissenting opinion. In the case of the ABCFP conference, that dissent came in the form of Bruce Fraser, Honourary Association Member and Ben Parfitt of the Canadian Centre for Policy Alternatives. Given the topic, *"Transition Between Two Economies,"* these speakers examined two economies; one fading and one emerging. The fading economy of exploitation is slowing and heading towards environmental collapse, while the emerging sustainable economy is taking over. The participants talked about the threats, imperatives and initiatives that can help make the leap.

Fraser explained further, "The economy that we must develop underneath this dominant one is the self-sufficient and locally focussed economy that is based on the internal market place of our small province and its nearest neighbours. The hallmark will be maintenance of ecosystem integrity. The derived outcomes will be regional self-sufficiency in food supply, water and soil resources, materials, energy supply, and gainful employment."

Five threats to this potential economy are; climate and financial volatility, social inequity, energy limits, and chemical pollution. And five enabling forestry initiatives to pursue are; shared jurisdiction over Crown land, forest stewardship to communities, community owned conversion facilities, regional marketing and transport networks, and the ultimate integration of agriculture and forestry.

In his turn, Parfitt maintained that "we are still mired in the old economy, especially when one considers our provincial government's fixation on rushing British Columbia's finite fossil fuel resources for export to Asian markets."

"The need to change how we manage our publicly owned natural assets is obvious when you look at the stresses and strains that our northern forests, water resources and water-derived hydroelectricity sources are under as natural gas developments in the northeast of the province accelerate," continued Parfitt. "The most necessary changes lie in ratcheting down how much we extract and paying a lot more attention to our critically important water resources, which are the foundation of a healthy environment and economy."

Parfitt then spent the rest of his time discussing the BC government's latest moves in the oil and gas sector, a topic best left for a different forum.