

MADISON'S LUMBER REPORTER

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News & Updates

US New, Pending Home Sales

Contracts to purchase previously owned homes increased solidly to a near two-year high in March, suggesting the spring selling season got off to a firmer start and offering hopes of a pickup in housing.

The National Association of Realtors said on Thursday its Pending Home Sales Index, based on contracts signed in March, jumped 4.1 per cent to 101.4, the highest level since April 2010. [READ MORE](#)

CMHC Oversight

The federal government is putting Canada's housing agency under tighter scrutiny amid concerns over a red-hot housing market and rising consumer debt. Finance Minister Jim Flaherty announced Thursday that responsibility for Canada Mortgage and Housing Corp will be handed over to the country's banking regulator, the Office of the Superintendent of Financial Institutions. [READ MORE](#)

Resolute Attempt at Fibrek Takeover

AbitibiBowater, doing business as Resolute Forest Products, has yet to secure a majority of Fibrek's shares. Resolute Forest Products currently holds about 48.8 per cent of Fibrek's shares. [READ MORE](#)

Worker Safety at Lumber Production Facilities

The devastating fire this week at Lakeland Mills in Prince George, British Columbia, has been shrouded in a lot of talk about extra-dry pine beetle sawdust and if that contributed to the force of the initial explosion. Of special concern is the eerie similarity to another sawmill accident, at Babine Forest Products in Burns Lake, BC, in January.

While there may be a connection, it is far too early to tell, and there are other circumstances and information that bear close attention.

Fine particle sawdust is a reality in modern sawmills. It is difficult to understand to what degree the dryness of log would impact the combustibility of the sawdust. We already know those extremely fine particles are very combustible, it doesn't seem a priority to determine immediately how much a difference that actually makes.

More to the issue, to be frank, is maintenance and safety practices at sawmills.

To that point, the BC Minister of Labour, WorkSafeBC, the United Steelworkers, and employer representatives gathered in Vancouver, BC, for a lengthy meeting Wednesday morning to talk about the recent fires and safety issues.

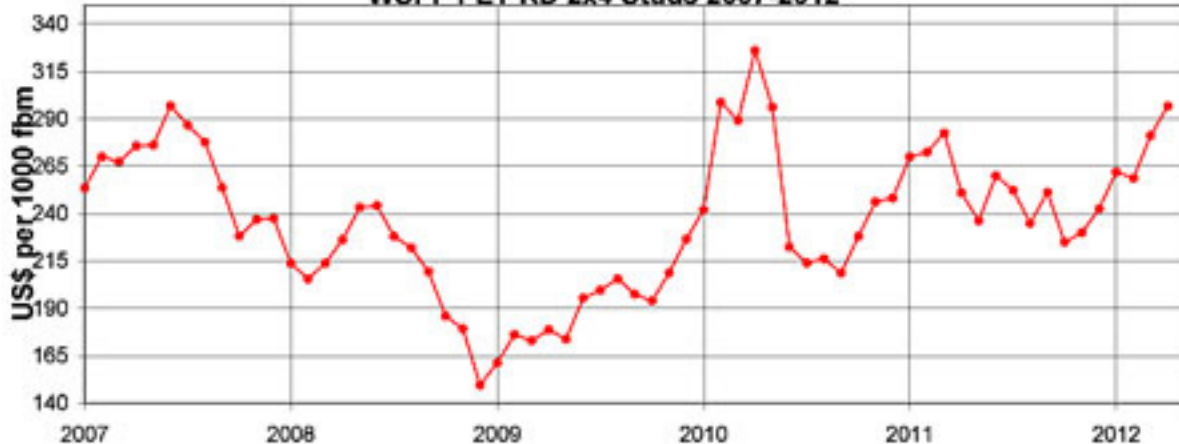
Steelworkers Wood Council Chair Bob Matters explained to *Madison's* in a telephone interview that there are common threads between the Babine Forest Products' sawmill fire and explosion at Burns Lake, BC, and that at Lakeland.

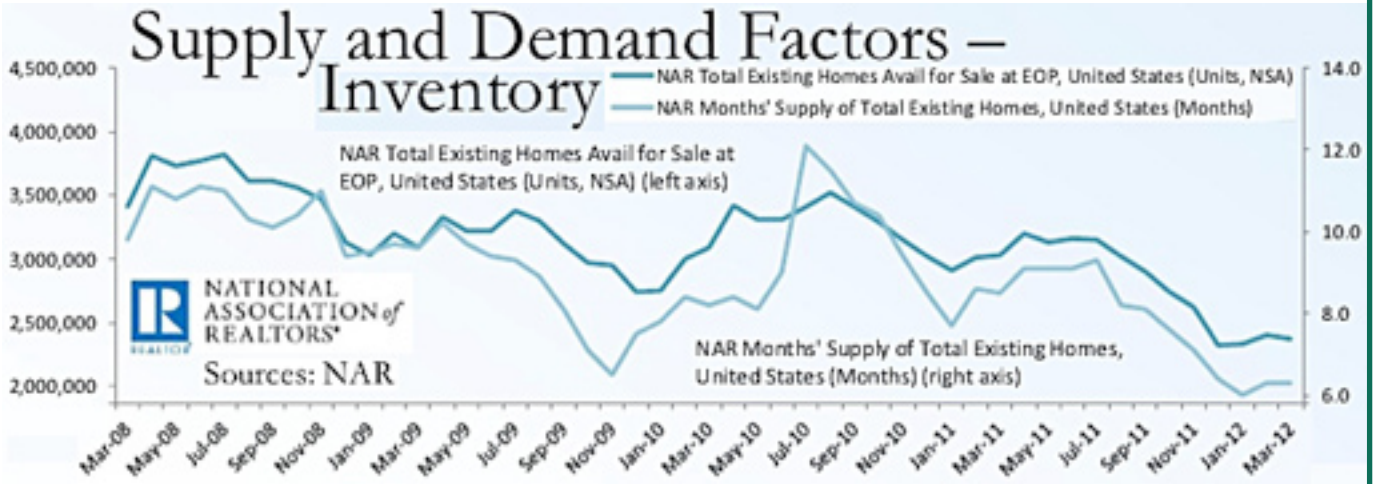
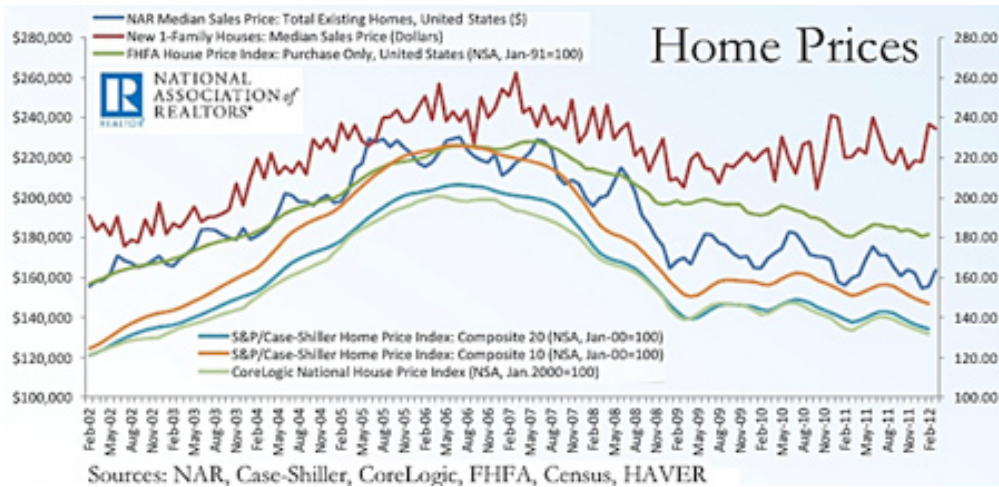
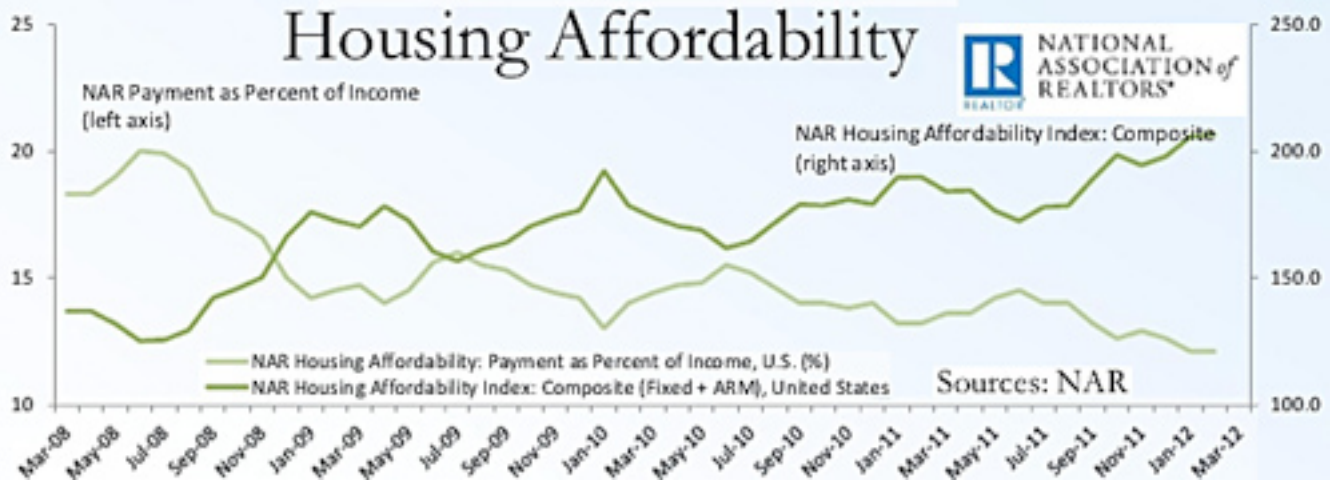
"The common thread is sawdust, but there has to be an ignition source.

"Following the Burns Lake fire many BC mills had already started conducting 'enhanced cleanup processes' [on the weekends when the mill is not running full-on], paying extra attention to cleaning up the dust. Lakeland was one of the better performers."

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WSPF PET KD 2x4 Studs 2007-2012





Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	290	280	+10	280	+10	235	+55
WSPF KD R/L 2x6	290	288	+2	288	+2	235	+55
WSPF KD R/L 2x8	276	272	+4	272	+4	245	+31
WSPF KD R/L 2x10	320	318	+2	314	+6	290	+30
WSPF KD PET 2x4 Stud	335	287	+48	285	+50	245	+90
WSPF KD PET 2x6 Stud	295	300	-5	245	+50	260	+35
Douglas Fir Green R/L 2x4	240	238	+2	252	-12	250	-10
Douglas Fir Green R/L 2x10	290	285	+5	290	0	285	+5
ESPF KD 2x4 8ft Stud	395	350	+45	355	+40	310	+85
OSB Ontario 7/16" (CDN\$)	215	215	0	220	-5	195	+20
CSplywood Toronto 3/8" (CDN\$)	353	350	+3	350	+3	312	+41

Weekly News

US Real Estate

CONTINUED The US Commerce Department said Tuesday that sales of new homes dropped 7.1 per cent in March to a seasonally adjusted annual rate of 328,000 units. That followed a 7.3 per cent increase in sales in February. This figure had a huge upward revision from an initial estimate that February sales had fallen 1.6 per cent.

The median sales price was US\$234,500 in March, down 1 per cent from the February price.

Sales of new homes stand at just about half the roughly 700,000-a-year pace that analysts consider evidence of a healthy market.

The supply of unsold new homes fell to just 144,000 in March — the fewest on records dating to 1963. The supply has

been falling over the past two years.

The new home sales declines in March were led by a 27 per cent drop in the West. Sales in the Midwest fell 20 per cent. New-home sales rose 7.7 per cent in the Northeast and 3.1 per cent in the South.

Canadian Mortgage and Housing Corp

CONTINUED Flaherty said OSFI would now be responsible for reviewing and monitoring CMHC's commercial activities.

The government has tightened mortgage-lending rules three times in the past four years as the Canadian housing market heated up.

CMHC's function is to insure consumer mortgages and guarantee mortgage-

backed securities issued by banks.

The Crown corporation currently has a C\$600-billion loan limit, which the government increased three years ago from C\$450 billion. The federal government guarantees the full value of mortgages insured by CMHC and 90 per cent of loans insured by private firms.

Bank of Canada governor Mark Carney said the average home price in Canada is about 4.75 times people's income, while the historic average is closer to 3.5 times. Household debt to disposable income, meanwhile, is running at about 152.9 per cent.

Resolute, Fibrek

CONTINUED Fibrek criticized its rival's lack of success in convincing those other than large shareholders to tender their shares.

"After extending its bid for the eighth time now, Abitibi has once again made little to no progress convincing Fibrek minority shareholders...to tender to their inferior bid," said a Fibrek press release.

Japan 2011 Wood Imports

The value of all wood imports into Japan in 2011 rose by 9 per cent compared to the previous year, to 990.7 billion Yen, but remained below the 1 trillion yen level in 2008, according to the *Japan Lumber Reports*.

Appreciation of the Yen and emergency rebuilding following the North East Japan Earthquake in March last year were cited as reasons for the increase.

Imports from China accounted for 15 per cent of the total, at 149.5 billion Yen.

Canada and the US accounted for 66 per cent of all log imports, at 3,049,000 cubic metres, says the *Reports*.

Japan Wood Products Imports - 2011

	QUANTITY (cubic metres)	VALUE (Yen)	CHANGE over 2010
ALL COUNTRIES			
Lumber	6,844,000	217,000,000	+7%
Logs	4,640,000	88,500,000	-2%
TOTAL	—	990,700,000	+9%
CANADA			
Lumber	2,338,517	65,088,038	
Logs	1,373,520	24,163,671	
UNITED STATES			
Lumber	447,233	17,274,428	
Logs	1,675,783	34,592,875	
RUSSIA			
Lumber	872,827	30,611,554	
Logs	341,639	6,125,502	
CHINA			
Lumber	222,603	22,404,690	
Logs	2,478	157,290	

SOURCES:
Japan Lumber Reports
Japan Lumber Journal

Sawmill Accidents

Recent Fires

CONTINUED Matters explained that safety regulations relating to sawdust “have been based on respiratory levels, not in terms of combustibility.”

“WorkSafeBC will issue an order requiring Risk Assessment at all sawmills regarding sawdust. The BC Ministry of Labour and WorkSafeBC are taking this matter very seriously, which is all we can hope for for now.”

Industry is also taking this development very seriously. On Wednesday, Council of Forest Industries CEO John Allan, who was also present at the Wednesday morning meeting, told the Vancouver Sun, “A sawmill in Fort St. James, BC, has closed temporarily to clean up sawdust.”

Madison's caught up with Conifex CEO Ken Shields for a phone interview.

“Conifex’s local management and crew in MacKenzie, BC, decided to take one day in downtime, to spend one day to tackle the dust accumulation. It was simply in view of prudent operation at the mill.

“Sawmills are multi-level operations, so on the lower level the dust accumulation was dealt with in addition to regular cleanup around the machines.”

“It just so happened,” continued Shields. “That there was a power outage at the Fort St. James, BC, mill last week when a power line went down so the crew decided to use that time for cleanup. The Conifex Fort St. James mill did not close this week, that mill was already in good shape.

“Conifex is exploring all options with respect to risk minimization, there has so far been no material change to operation and protocol.”

These recent occurrences are so new and so severe that they have taken everyone by surprise. There has never been a study done in Canada on the dangers of combustibility of wood dust at sawmills. At least as far as *Madison's* could find after an extensive search.

Madison's got to wondering, though, if there could be any insight gleaned from reports on the differences between a forest fire in beetle-killed timber stands and that in green timber, which could shed light on the fire danger of dry timber when it is processed at the mill.

Staff at Natural Resources Canada’s Forest Service at the Pacific Resource Centre in Victoria, BC, explained to *Madison's* that, while it may seem like there is a correlation, in fact a standing tree trunk, however dry, and a build-up of sawdust in a mill are “completely different animals.”

Monica Turner, Ecology Professor in the Department of Zoology at the University of Wisconsin, has done a lot of research work on

the effects of mountain pine beetle infestations on a forest, including fire behaviour.

“There are different properties about the fuels [with a dry tree trunk in the forest compared to fine sawdust in a mill],” said Turner to *Madison's* in a phone interview. “A forest fire event in a beetle-kill stand is not sawdust-related. So the knowledge we have gathered can’t be transferred to a lumber production facility application.”

Turner had not heard of the recent explosions in BC and expressed her shock and sympathy to all concerned.

Before signing off from Edmonton, Shields made reference to the importance of safety issues.

This reflects *Madison's* own sentiment: there is a greater issue of safety to be addressed here.

BC Minister of Labour, Margaret MacDiarmid, reached *Madison's* by phone after the end of the work day Thursday.

“Just as the Order from WorkSafeBC today is extraordinary, so are the sawmill explosions. WorkSafeBC has sent the Risk Assessment Order to all sawmills in BC. Regardless of mountain pine beetle milling or not.

“The mills are ordered to do a top to bottom inspection for combustible material, meaning sawdust, and also for ignition standards. They are ordered to be within Occupational Safety and Health Standards, to be in compliance. Some mills had already taken this step. As a result, all sawmills in BC will undergo thorough cleaning and maintenance.”

When asked about the regulations for airborne particles being mainly focussed on safe respiratory levels, MacDiarmid said, “There is in place the ‘*National Fire Protection Association Standards for Combustible Dust*’. However, in terms of our regulations it has not yet been determined what the safe levels are.

“There may yet be other causes for these accidents, and if there are they will be addressed. If there will need to be further Orders, or Regulations, or changes to policy, then once we have the facts we will take those necessary steps.”

The immediate parallel being drawn in many circles about additional danger of extra-dry pine beetle sawdust compared to that coming off green timber may, in the end, turn out to be relevant. However there are other factors of equal, or perhaps more, importance which should also be examined.

It is not just BC that has experienced a greater number of larger sawmill fires this year. There have also been two big mill fires in Ontario, and six in the US. Two of those have been cedar mills. Cedar Creek Mill and Tree Farm in North Dumfries, ON, burned so totally that fire officials believe they will never find out what caused

the blaze. Of the two sawmill fires in Maine this year, one was at a cedar shake and shingle mill.

Only at one mill could the source be definitively determined; in Beardstown, IL, on April 8 a sawmill fire was caused by “steam pipe maintenance using an acetylene torch.” All the other facilities must wait for investigations to complete before knowing what started each respective fire.

While it is true that colossal explosions have happened only in BC, the fact of the large fires elsewhere can not be ignored. If there are maintenance and safety procedures that are not being followed, or if vigilance of these is being relaxed, then this issue reaches far beyond British Columbian, or even Canadian, borders.

The North American forest products industry appears poised on a path of steady recovery. But industry players will not believe that recovery has occurred until they can see it in hindsight. At this moment the industry is in a delicate stage: demand is increasing, causing a ramp up in production. The possibility exists that the scope of recovery for this year may be short lived. It is possible that there will be only a several weeks-long window of increased lumber shipments before business settles back down in mid-summer.

Lumber producers are naturally reluctant to invest in costly upgrades and maintenance as a long-term commitment if they will just have to put their mill back into warm storage come winter.

Are we in a situation where companies are taking shortcuts? Are there scenarios of long-unused lines getting fired back up, long-idled workers being called back in? Or skeleton crews being asked to work 10-hour days, four days a week, to cover a one-time big order?

Crusty old machines which haven’t been in full operation for four years could easily cause a spark in a mill choked with sawdust from ramping up to full-time after an extended idle period.

In many areas, experienced millwrights and other operators of sophisticated sawmill equipment have long ago moved to other regions and sectors. Are companies now scrambling to find knowledgeable workers with a deep understanding of the intricacies of running a sawmill and the danger that presents?

It seems that an examination of all current safety policies and safety practices is in order. One that goes beyond the sawdust issue alone.

There were no serious injuries or fatalities at any of the other sawmill fires mentioned above, except at Babine and Lakeland. The sawdust combustibility issue is real and must be addressed, but overall safety and maintenance is also a concern. In other jurisdictions across North America as well as in British Columbia.