

MADISON'S LUMBER REPORTER

Publisher
KetaDesign Productions

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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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V6B 3W7 Canada

In Canada, add GST or HST
ISSN 0715-5468

Printed in Canada © 2012

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News & Updates

Madison's Timber Preview

Reed Construction Data this week held an **Economic Construction Forecast Webcast** titled, "A Construction Recovery at Last—but How Long and How Strong?"

The webcast featured leading construction industry chief economists from the American Institute of Architects, Reed Construction Data, and the Association of General Contractors, in an analysis of likely future activity within the various construction sectors.

Contact us any time for a subscription.

Financial Results

Lumber producer International Forest Products reported a 1Q net loss of \$6.5 million as it dealt with higher log costs. The Vancouver, BC, -based company reported late Thursday earnings that amounted to 12 cents per share, widening the year-ago loss of \$1.7 million, or four cents per share. Sales rose to \$186.7 million from \$178.6 million. Included in the company's results was \$1.8 million in unrecognized tax assets and a \$1.3 million provision for share-based compensation. The company said lumber production was up 10 per cent, to 323 mmfbm.

AbitibiBowater, doing business as Resolute Forest Products, is reporting a net income of \$23 million in its first quarter of 2012, on sales of \$1.1 billion. [READ MORE](#)

Worker Safety at Lumber Production Facilities

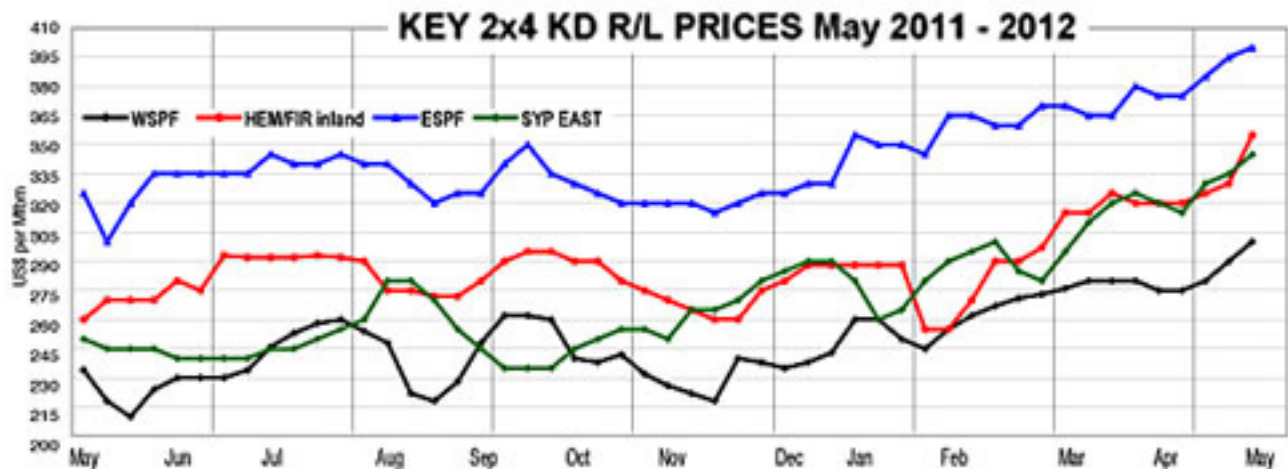
Yet two more sawmill fires have occurred, this time in the US, since last week's horrific explosion at Sinclair Group's Lakeland stud mill in Prince George, British Columbia. These in addition to two big mill fires in Ontario, and six in the US since the beginning of 2012, as mentioned in last week's issue of your *Madison's Lumber Reporter*.

On Friday night, ten fire departments battled a blaze at Post Hardwoods in Hamilton, MI, according to the *Holland Sentinel*. The fire was reported to 911 by a passer-by about 11 pm Friday. No one was injured. As employees had gone home hours before the blaze was discovered. Hamilton Fire Department Chief David Haverdink was on the scene Saturday morning, April 28, with firefighters investigating what caused the blaze in six interconnected buildings at the lumber mill. Haverdink estimated the losses at US\$3 million.

"We've got fire load all over," he said referring to the logs and wood as firefighters looked for hot spots in the crumpled buildings and charred machinery at the sawmill in Heath Township, said the *Sentinel*.

Haverdink told reporters he suspects the fire began in a debarking machine though the cause is still under investigation.

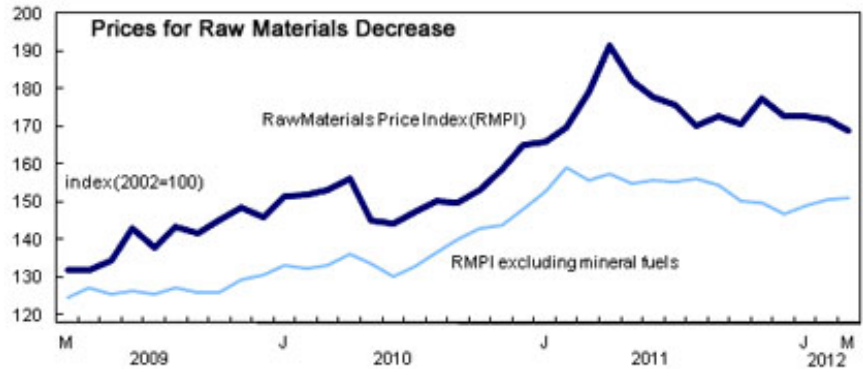
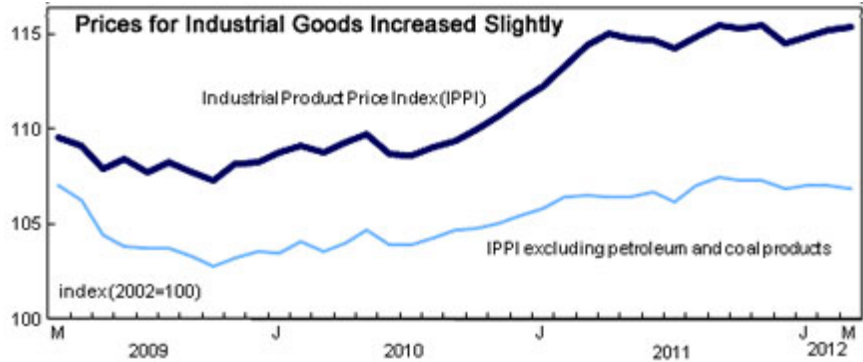
Stimson Lumber Company employees at the sawmill near Hagg Lake, OR, extinguished a small fire in the mill's powerhouse Tuesday afternoon, said the Gaston Rural Fire District to *OregonLive*. The blaze started when a spark ignited sawdust, which powers the plant's boilers, said Ken Bilderback, a Gaston fire spokesperson. Stimson employees broke open parts of the wall and put out the blaze, Bilderback said. Fire crews, using a thermal imaging camera, made sure the fire did not extend farther into the wall. Stimson employees had extinguished the hot spots, says *OregonLive*. [READ MORE](#)



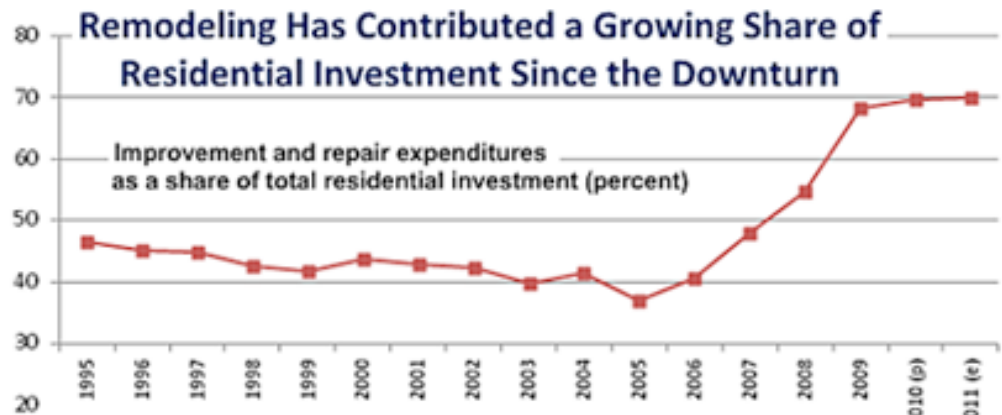
Industrial Product and Raw Materials Price Indexes
– Statistics Canada –

The Industrial Product Price Index (IPPI) edged up 0.2 per cent in March compared to February, led by higher prices for petroleum and coal products. However, the advance of IPPI was moderated by primary metal products, down 1.0 per cent. The Raw Materials Price Index (RMPI) declined 1.6 per cent, largely due to mineral fuels. Despite a third consecutive gain, the IPPI remained below its recent 2011 peak. The number of product groups that have risen since the beginning of the year declined from 10 in January to 6 in March.

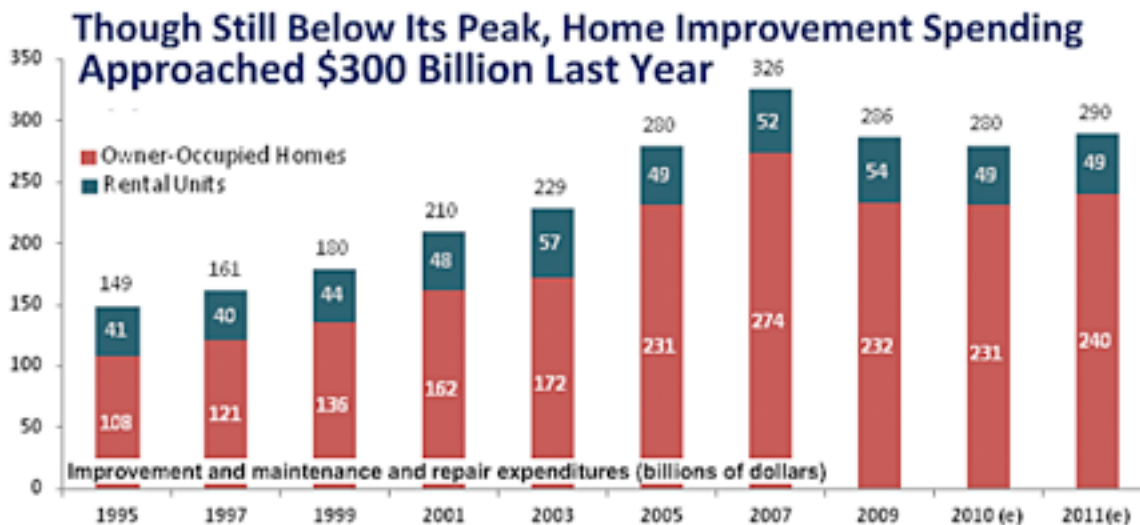
Softwood lumber, which increased by 1.3 per cent, was the leading factor in the increase in lumber and other wood product prices. The strength of building permits in the United States played a role in sustaining prices, although the demand for wood was modest.



SOURCES: American Institute of Architects; JCHS tabulations of the 1995-2009 American Housing Surveys (AHS); US Census Bureau, C-50 and C-30 series; McGraw-Hill Construction, Commercial & Industrial Alterations; Bureau of Labor Statistics, Consumer Price Index; and the JCHS Leading Indicator of Remodelling Activity



Notes: Total residential investment expenditures include the value of construction put in place for new single-family homes, multifamily homes, and improvements and repairs to owner-occupied and rental units.



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	300	290	+10	275	+25	243	+57
WSPF KD R/L 2x6	292	290	+2	283	+9	239	+53
WSPF KD R/L 2x8	290	276	+14	267	+23	250	+40
WSPF KD R/L 2x10	330	320	+10	309	+21	277	+53
WSPF KD PET 2x4 Stud	340	335	+5	285	+55	235	+105
WSPF KD PET 2x6 Stud	325	295	+30	310	+15	250	+75
Douglas Fir Green R/L 2x4	250	240	+10	242	+8	245	+5
Douglas Fir Green R/L 2x10	315	290	+25	270	+45	275	+40
ESPF KD 2x4 8ft Stud	400	395	+5	350	+50	310	+90
OSB Ontario 7/16" (CDN\$)	215	215	0	205	+10	195	+20
CSplywood Toronto 3/8" (CDN\$)	353	353	0	340	+13	295	+58

Weekly News

Year-End and Quarterly Results

CONTINUED Headquartered in Montreal, QC, Resolute's results can be compared to net income of \$30 million on sales of \$1.2 billion in 1Q 2011. Excluding \$16 million of special items described below, net income for the quarter was \$7 million. Net income excluding special items for 1Q 2011 was \$10 million.

Saint-Laurent, QC's, Stella-Jones Inc Thursday announced financial results for its 1Q ended March 31, 2012. The Company generated record 1Q sales and net income.

Sales reached \$158.8 million, an increase of \$28.3 million, or 21.7 per cent over last year's first-quarter sales of \$130.5 million.

Operating income was \$24.1 million, or 15.2 per cent of sales, compared with \$14.4 million, or 11.1 per cent of sales, last year.

Net income for the period increased 76.5 per cent to \$15 million, or \$0.94 per share, fully diluted, compared with \$8.5 million, or \$0.53 per share, fully diluted, in 1Q 2011. Cash flow from operating activities, before changes in non-cash working capital components and interest and income tax paid, rose 58.1 per cent to \$27.2 million.

West Fraser Timber, out of Vancouver, BC, is reporting a loss of \$17 million on sales of \$681 million in 1Q 2012.

Lumber operations in the quarter generated a loss of \$29 million and EBITDA of negative \$6 million. The improvement over the prior quarter was smaller than anticipated due to continued weakness in offshore prices for low-grade SPF lumber.

West Fraser's panel segment, which includes plywood, LVL and MDF, gener-

ated \$1 million of operating earnings and EBITDA of \$5 million in the quarter, a marginal increase over the prior quarter.

EACOM Timber, based in Montreal, QC, recorded a negative EBITDA of \$26,213,000 in year-end 2011 results. The net loss attributable to shareholders amounted to \$47,412,000.

The results from 2011 include an impairment charge of \$15,000,000 partially offset by a gain of \$4,339,000 on the sale of the Big River mill and an immediate \$2,940,000 recovery of income taxes as a result of the acquisition of the remaining one-third interest in the Elk Lake sawmill.

Sales in 2011, including both lumber and by-product sales, were \$279,967,000. Lumber production for the year was 523 million board feet.

Toronto, ON's, Norbord Inc has recorded break-even earnings in 1Q 2012, compared to a loss of \$9 million in 4Q 2011. In the same quarter last year, the Company recorded a loss of \$2 million or \$0.05 per share, which included a non-recurring income tax recovery of \$5 million or \$0.11 per share.

Norbord reported EBITDA of \$21 million in 1Q 2012, a \$12 million improvement from 4Q 2011 and a \$7 million improvement from the same quarter last year. North American operations generated EBITDA of \$14 million in the first quarter of 2012 versus \$2 million and \$7 million in 4Q and 1Q 2011, respectively. European operations generated EBITDA of \$11 million in 1Q 2012 and 2011 versus \$10 million in 4Q 2011.

Domtar Corp, out of Montreal, QC, is reporting net earnings of \$28 million in 1Q 2012, compared to net earnings of \$61 million in 4Q 2011.

Sales for the first quarter of 2012 amounted to \$1.4 billion.

Montreal, QC's, Tembec has posted a net loss of \$14 million in its March 2012 quarter compared to net earnings of \$6 million in the March 2011 quarter.

Consolidated sales were \$407 million, as compared to \$452 million in the comparable period of the prior year.

The Specialty Cellulose and Chemical Pulp segment generated adjusted EBITDA of \$31 million on sales of \$176 million for the quarter compared to adjusted EBITDA of \$27 million on sales of \$152 million in the prior quarter. Sales increased by \$24 million primarily as a result of higher shipments.

Tembec says a special board committee is considering the future of its lumber and high-yield pulp businesses, which continue to struggle in the face of weak market conditions.

Chief executive James Lopez said the Montreal producer has to decide whether to invest up to \$60 million in its lumber facilities or pursue alternatives. "We're not announcing we're spinning off the lumber business or selling or anything like that today, but all those things are up for review," he said Thursday during a conference call after posting disappointing quarterly results.

BC Contractor Fatality

George Park, Jr. of Kamloops, British Columbia, was crushed by an unsecured gate Thursday.

The independent contractor for Nechako Construction, a division of the BID Group, had been performing maintenance work at Canfor's Plateau mill west of Vanderhoof, BC, since November.

The accident is being investigated by officials from the BID Group, Canfor, WorkSafeBC, the RCMP, and the Coroner's office.

Sawmill Fires

Combustible Dust

CONTINUED Meanshile, WorkSafeBC this week released a preliminary report on the ongoing investigation into the cause, or causes, of the tragic explosion and fire at Hampton Forest Products' Babine sawmill in Burns Lake, BC, in January of this year. As an interim report, the new release did not provide a definitive cause for that fire, however it did shed light on circumstances and also ruled out several possible ignition sources.

Natural gas and propane were two of the potential fuel sources being investigated, as was sawdust. WorkSafeBC said possible factors in the explosion include: production level records; type of wood being milled prior to the incident; exhaust and ventilation systems and schedules for the mill; effect of cold weather in the days preceding; effect of cold on water pipes and misters; and, sawdust accumulations.

The possible ignition source also remains unclear. Investigators have ruled out arson and lightning strikes, and WorkSafeBC said it continues to examine ignition sources such as hot surfaces and electrical components.

In addition, sawdust samples have been sent to a US lab for particle size and to test the Minimum Explosive Concentration.

Roberta Ellis, Vice-President at WorkSafeBC, explained to *Madison's* in a phone interview Tuesday that this is a live investigation, an ongoing legal process. When asked about the examination of production level records, Ellis said, "It is one of the possible factors, whether production levels had an effect. Was the mill running two shifts, or three? How time-consuming were these shifts? What was the quantity of wood that was milled? WorkSafeBC will look at recent information vs. historic to see if there is any correlation.

"Same thing for the ventilation systems and schedules; we will look at administrative issues, and scheduling of mechanical, cleaning, and delivery shifts. Scheduling is significant."

Ellis could not speculate on whether a "change in scheduling could cause an accident.

"Very often in cases like this it is a combination of factors. It is very usual for the cause of an accident like this to be more than one thing."

When asked about the reference to temperature, Ellis explained, "There were some extraordinarily cold temperatures, which is not necessary that unusual in the north, but -41 degrees Celsius for several days is colder than the north of BC has seen for a couple of decades. WorkSafeBC is looking at the effect on water pipes and misters. There are some similar issues between the two mill accidents [at Burns Lake and Prince George], but also the mills were in very different environments.

At the Burns Lake plant, material had been snowed on, then water from the firehoses froze everything."

In terms of an update on the previously-issued sawdust cleanup order, Ellis said, "That was a general order, a guideline. Safety inspections will be carried out at all 341 mills in this province. WorkSafeBC has officers in the field, who will be following up on the orders. The inspections will be unplanned. Inspection reports on each facility will be filed, and will be made available for the public."

A .pdf of the WorkSafeBC interim report is available here: <http://tinyurl.com/cu6d-wds>

Unfortunately due to a standard non-disclosure agreement, Ellis was not able to tell *Madison's* the name of the US lab which is carrying out the particle size and the Minimum Explosive Concentration testing. However, a quick search on the internet yielded some very interesting information.

A minimum explosible concentration (MEC) test determines the smallest concentration of material in air that can give rise to flame propagation upon ignition when in the form of a dust cloud, according to Chilworth Global, a UK company which specializes in process safety and optimization needs and has laboratory testing facilities with dust explosion and electrostatic laboratories. The test involves dispersing powder or dust samples in a vessel and attempting to ignite the resulting dust cloud with an energetic ignition source. Trials are repeated for decreasing sample sizes until the MEC is determined.

Dusts are categorized as combustible or non-combustible by testing for what is called it's "Kst" value, says the Utility FPE Group, an energy risk engineering firm out of Fredericksburg, VA. "Kst" is known as the Deflagration Index. In short, it answers the question "How bad is it going to be if this dust explodes." A test is done on the dust to determine the Maximum Explosion Pressure and Maximum Rate of Pressure Rise values. These numbers are then used to calculate the "Kst" value. The higher the "Kst", the bigger the boom, says the Utility FPE Group website.

A company called Explosion Testing, based in the UK, explains further, that the Kst value is calculated as the equivalent pressure in a one cubic metre sphere from the cube law (Kst value = cube root of volume x explosion pressure rise).

In some reassuring news, on Wednesday the Council of Forest Industries, representing a significant proportion of BC's forest products companies, announced that the industry has formed a task force to investigate combustion risks in mills, according to a COFI press release.

The COFI task force will be comprised of wood products manufacturing company representatives and external scientists, insurance engineers and experts, and other stakeholders.

The Task Force will be mandated to:

- Quantify combustion risks related to dust from both green and dry wood;
- Identify best practices for dust mitigation from other industries that have issues related to dust in manufacturing;
- Develop an industry-wide, auditable standard that can be utilized to provide independent assurance of mill safety;
- Undertake outreach to all wood products manufacturing companies in BC to create an industry-wide approach to safety that is inclusive of both large and small operators.

This Task Force will report to a CEO Action Committee. Management and employees will work together to continue to be vigilant in identifying potential hazards and to put safety first and demonstrate the mutual importance placed on comprehensively addressing all employee safety concerns. The task force will solicit the support and collaboration of all levels of government and their agencies, and will encourage and appreciate the involvement and contributions of employee groups and union leadership toward enhancing sawmill safety, says the COFI release.

While the catastrophic explosions have occurred in BC only, the alarming rise in sawmill fires in general all across North America suggest other jurisdictions would do well to implement similar health and safety protocols.

Kst Values for Well Known Dusts		SOURCE: Utility FPE Group	
FUEL	Kst	OTHER MATERIALS	Kst
RUBBER DUST	240	BARLEY GRAIN DUST	240
CELLULOSE	229	PEAT DUST	157
PRB COAL DUST	200-225	SUGAR DUST	102
PAPER DUST	200	WHEAT DUST	89
BITUMINOUS COAL DUST	120-180	CORN DUST	75
LIGNITE DUST	151		
SAW DUST	149		
WOOD DUST	102-132		