

MADISON'S LUMBER REPORTER

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News & Updates

Madison's Investment Rx

This month's issue of *Madison's Investment Rx* analyses the recent jump in solid wood prices, and looks at the latest figures of Canadian softwood lumber exports to the US, China, and Japan.

Contact us any time to receive this vital and informative tool regularly.

BC Flood Watch

The BC River Forecast Centre predicts the lower Fraser River will peak on Thursday evening or early Friday morning, and levels are expected to remain high through to Monday. But forecasters say it's difficult to predict how much impact potential rainfall or snowmelt will have over the weekend, and warn that Sunday could see levels surge even higher.

Residents were also warned that the river banks are unstable and should be avoided for personal safety. [READ MORE](#)

US Housing Starts, Home Sales

The US Commerce Department said Tuesday that groundbreaking on new homes in May dropped 4.8 per cent to a seasonally adjusted annual rate of 708,000 units. April's starts were revised up to 744,000 units, from 717,000. [READ MORE](#)

Bowater Mersey Closes

Despite provincial and municipal government efforts, and concessions granted by the union and by Nova Scotia Power, Resolute Forest Products indefinitely idled operations at the Bowater Mersey newsprint mill in Brooklyn, NS, on June 17.

The company is currently assessing the feasibility of selling all of its assets in Nova Scotia, including its private timberlands, the paper mill, sawmill and Brooklyn Power. Resolute is currently the largest private landowner in Nova Scotia. [READ MORE](#)

Sawmill Fires

Firefighters in Hamilton, ON, were on the scene of a fire at a sawmill Wednesday, responding after flames broke out a Millgrove Wood Products. There are no reports of injuries. The building appeared to be vacant when the fire started. [READ MORE](#)

British Columbia Timber Supply Review Committee

The Special Committee of the Legislative Assembly of British Columbia to examine the Mid-Term Timber Supply crisis in the wake of the mountain pine beetle infestation has begun travelling around the province. Interested participants have the opportunity to either present a 15 minute brief to the committee when it arrives in select towns, or to submit video or written suggestions through the website. The schedule of public hearings can be found on the official committee website here: <http://www.leg.bc.ca/timbercommittee/public-hearings.asp>. Information on how to send submissions is available here: <https://www.leg.bc.ca/timbercommittee/written-submission.asp>.

Already voices are cropping up to register either dismay or approval of the hearing process. [READ MORE](#)



CONTINUED Early Thursday, the Pulp, Paper and Woodworkers of Canada (PPWC) union came out against the proposal to open up protected areas to logging.

"If every tree is protected, there are no jobs. But if everything is logged there are no jobs either," said Arnold Bercov, Forest Resource Officer for the PPWC to *The Tyee*. "All I'm saying is we have to find that balance."

For six years, some of it as co-chair, Bercov was on the board of the Forest Stewardship Council of Canada. Through that experience he saw the value of hearing and respecting the perspectives of environmentalists, First Nations, the industry and others. A better managed forest would lead to more jobs, he said.

"We want to create employment, not at any cost, but I think you'd create more employment if you did things right," he said. "To me it's about jobs. We want to create as many jobs as we can out of every tree that's cut here."

It's entirely possible to protect the forest, look after the needs of wildlife and still have enough timber supply to provide jobs, he said. "Balance always works best."

Timber Supply Committee members have already been briefed on the main issues stemming from the aftermath of the pine beetle. Please refer to the June 08 issue of your *Madison's Lumber Reporter* for links to documents and reports on the affected BC Timber Supply Areas. Last week *Madison's* was notified by a couple of sources that there was a problem with one of the models, specifically in the Prince George TSA report. It turns out to have been an input error which was discovered by vigilant Ministry staff checking through the data. The error has since been reported, recorded, corrected, and all the other TSA models were checked and then double-checked by independent analysts.

"The mitigation forecast for the mid-term timber supply in

the Prince George TSA was off by a little bit in the initial report," explained former BC Chief Forester Larry Pederson to *Madison's* in a phone interview Wednesday. "It had been reported as 9 million cubic metres but is actually something closer to 7.8 million cubic metres. The document has been updated and reissued."

Looking into the situation gave *Madison's* the opportunity to talk to some of the main players on the Timber Supply Committee.

"Yes it's a punishing schedule," said Bill Routley, BC NDP MLA for the Cowichan Valley and critic for Forests and Range and Integrated Land Management, when *Madison's* asked how it was going holding two hearings each day. "We brought up the issue of the schedule, and also our concern about the Terms of Reference. We consider the TOR for the Timber Supply Committee not broad enough, they don't deal with the matter properly."

The Committee ToR can be found here: <http://www.leg.bc.ca/cmt/39thparl/session-4/timber/5-39-4-39-2.htm>.

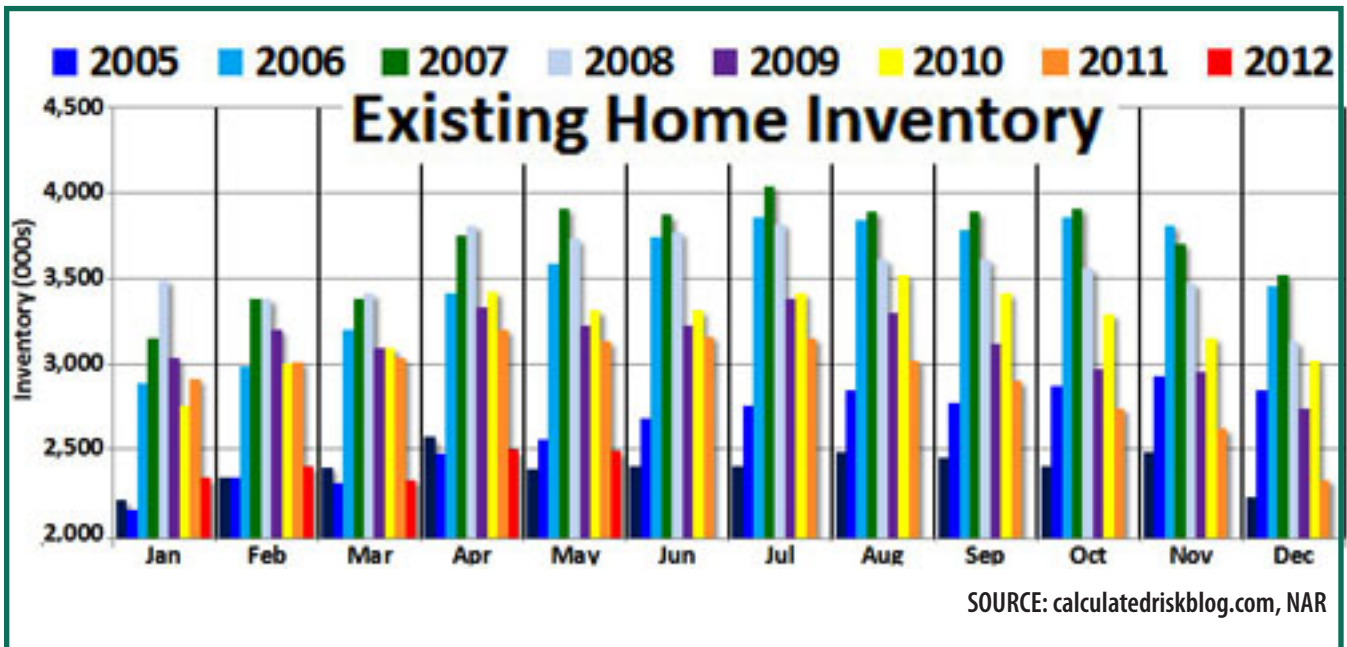
"The hearings are taking place over such a compressed period," continued Routley. "As the official opposition, we are participating because it is an important issue for the communities and stakeholders to have input."

"The committee is looking at new developments, this is true. There does need to be an update to the land use plans as they are now, taking into account the dead pine issues and the effects of that on the business of producing lumber," said Routley.

"BC has had years of peace in the woods due to very complicated land use plans that had huge input by multiple stakeholders, that were crafted over the course of many years. Now those interested are being asked to look at it all over a short time frame. We would like to see more opportunity for professional alliances, researchers, forest scientists and others, to make presentations."

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"Speakers can bring up anything they want in their allotted 15 minutes," explained Routley. "So far there has been a broad and very ranging variety of speakers."



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	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	298	308	-10	309	-11	234	+64
WSPF KD R/L 2x6	290	298	-8	299	-9	234	+56
WSPF KD R/L 2x8	314	324	-10	310	+4	252	+62
WSPF KD R/L 2x10	368	378	-10	371	-3	262	+106
WSPF KD PET 2x4 Stud	345	360	-15	365	-20	250	+95
WSPF KD PET 2x6 Stud	355	360	-5	345	+10	275	+80
Douglas Fir Green R/L 2x4	238	238	0	250	-12	262	-24
Douglas Fir Green R/L 2x10	268	280	-12	300	-32	275	-7
ESPF KD 2x4 8ft Stud	410	415	-5	410	0	325	+85
OSB Ontario 7/16" (CDN\$)	255	260	-5	240	+15	205	+50
CSplywood Toronto 3/8" (CDN\$)	410	410	0	368	+42	295	+115

Weekly News

Flooding, BC

CONTINUED Thursday, the River Forecast Centre maintained flood warnings for the upper and lower Fraser River. The Shuswap River near Enderby, Shuswap Lake, South Thompson River and Quesnel River are also on flood watch.

In the Interior, Prince George remains under a state of local emergency with 17 homes evacuated.

Shuswap Lake is expected to rise another 10 to 50 centimetres in the coming days, depending on rainfall, while the South Thompson is expected to continue rising and potentially reach flows not recorded since 1948.

Heavy rainfall and a large snowpack are to blame for this year's flood-prone freshet.

Daily dike patrols are in now in effect in almost all the affected municipalities.

Several other Metro Vancouver regional parks have also closed due to flooding.

Housing, US

CONTINUED New permits for building homes jumped 7.9 per cent to a 780,000-unit pace, the highest since September 2008. Groundbreaking for single-family homes increased 3.2 per cent.

Sales of existing homes fell 1.5 per cent in May, the National Association of Realtors said Thursday. Sales for the month yielded a seasonally adjusted annual rate of 4.55 million, down from an unrevised pace of 4.62 million in April.

Compared to May 2011, sales were up 9.6 per cent, the 11th straight month of year-on-year gains.

The NAR's data also showed inventories declined 0.4 per cent to 2.49 million, or roughly a 20 per cent decline from May 2011. At the current sales pace, there are 6.6 months of supply. Historically, six months of inventory are considered normal.

Resolute Closes Mill

CONTINUED This indefinite idling will reduce capacity by approximately 250,000 metric tons of newsprint. Approximately 320 employees at the Mersey paper mill, associated woodlands, Oakhill sawmill and Brooklyn Power Corporation will be affected by this action.

The Government of Nova Scotia has formed a Bowater Response Team to help support workers, families and small businesses owners on the province's south shore in the wake of the decision.

It's estimated that about 2,200 jobs are at stake with Bowater's closure, said Don Downe, Mayor of the District of Lunenburg.

He said there were 165 workers at the paper mill, 125 at the sawmill and 30 at the power plant. As well, 277 truckers and 250 contracting companies relied on Bowater, as did other sawmills with anywhere from 105 to 476 employees.

"[Sawmills are] looking at shutting down if they cannot find the market for the chips they have now," he said to the *Chronicle Herald*.

Mill Fires

CONTINUED The building did not have a nearby municipal fire hydrant so fire crews had to dispatch water tanker trucks to the scene. The building was destroyed but crews were able to protect an exposed building to the west as well as the lumber storage yard.

Fire crews were expected to remain on scene till at least Thursday afternoon. Heavy equipment will be brought in to assist with the removal of the remains of the structure to ensure that all hot spots have been extinguished.

The cause of the fire has not been determined.

Meanwhile, in Ironton, OH, Friday, Ironton Fire Capt. Craig Thomas said a fire in a silo containing 600 tons of sawdust at Muth Lumber was almost extinguished, according to the *Irontown Tribune*.

The blaze ignited Thursday afternoon. Thomas said there has been no determination yet as to what caused the sawdust to go up in smoke.

"It could be spontaneous combustion," Thomas said. "We got a Bobcat from the city and we're taking out bucket loads (of sawdust) and dropping it off to the side and keeping water on it. We thought we had it out last night and left about 10 o'clock but it flared up again."

Thomas said putting out a fire in a silo full of sawdust is not an easy as it might sound. Sawdust, when sprayed with water, tends to cling to the side of the silo.

Firefighters remained on the scene Friday morning.

Sawmill Worker Injured

Greg Smith, an owner at Gilbert Smith Forest Products in Barriere, BC, credited workers for quickly reacting to help a colleague who was hit by a collapsing lumber pile Tuesday.

The company and WorksafeBC continue to investigate the industrial accident that send a man to hospital with broken bones in the mid-afternoon. He remains at Royal Inland Hospital in stable condition, according to the *Canadian Press*.

Smith said a lumber pile at the cedar mill fell on the worker.

"The crew attended to the scene very quickly and removed the lumber off him very fast," said Smith. "It was an outstanding job by the crew."

Smith declined to provide details about how the accident occurred, saying it remains under investigation.

BC Mid-Term Timber Supply Special Committee

CONTINUED When asked about the suggestions of removing currently protected areas and what impact that might have on BC's shining scope of third-party certified forests, Routley said, "We are interested in hearing from the groups that certify, right now we are unsure if they are in favour [of those suggestions]".

Madison's asked how stringent the TOR are, if presenters are required to stick to those topics only.

"Speakers can bring up anything they want in their allotted 15 minutes," explained Routley. "So far there has been a broad and

by Keta Kosman

very ranging variety of speakers, for example this morning there was a First Nations group which did not talk about anything that is in the TOR. All briefs that are provided to the Committee are available on the website, so people can see for themselves what the discussions are."

The transcripts are also posted on the Hansard Blues, here: <http://www.leg.bc.ca/cmt/39thparl/session-4/timber/5-39-4-39-7.htm>.

In terms of the problem with the model, Routley said, "Apart from that one small error which has since been fixed, we see a huge question about the numbers coming out of the Ministry. There has been a huge discrepancy between the Ministry numbers and what we've seen out of independent analysis, by Hampton Affiliates for one example."

Later on Wednesday *Madison's* caught up with Chair of the Committee, John Rustad, Liberal MLA for Nechako Lakes and Parliamentary Secretary for Silviculture to the Minister of Forests and Range.

"There is a significant need for timeliness," said Rustad in reference to the busy Committee hearings schedule. "Forest companies in Burns Lake, Prince George, and other areas are looking to make investments. They need answers for the mid-term before they can make decisions about whether to invest \$60 to \$80 million in their mills, whether to upgrade. They need to know details about the fibre supply. It is important for the Committee to bring certainty, to look at the mid-term, to find all options to expand the mandate."

"The Opposition would like a longer timeline, and to address broader issues, such as diversification. A lot of this work has already been done by the Beetle Action Coalitions, part of what the Opposition suggested are already in the strategies proposed by the BACs. The goal of this Committee is not to repeat work already done."

When asked about potential impacts to BC's third party certification, Rustad said,

"In terms of the protected areas, it is definitely important to maintain certification status. Our options include area based management, harvesting lower-volume stands, removing constraints, intensive silviculture and fertilization activity, and managing the timber flow."

"Right now the Committee is hearing input from all interested parties, then we will compile everything, and make a deliberation to recommend. At that stage we will definitely weigh the input of third party certifiers. The Committee will then submit its report to the Legislature."

It was Albert Nussbaum, Director of the Forest Analysis and Inventory Branch of the Ministry of Forests who reported the modelling error immediately after staff identified the problem and made the correction.

As always when he and *Madison's* get talking, ideas start flying.

"This Committee's work could be viewed as potentially reconstituting the province's timber management framework," said Nussbaum. "Even within the ToR of the committee, what is at play is quite daunting."

The crux of Nussbaum's thinking focusses on the harvest of what are currently considered marginal stands; those with less than 140 cubic metres per hectare. To date these low volume stands were considered un-harvestable in areas such as the Lakes TSA as licensees have generally not operated in stands with these low volumes. Outside of constrained stands, there are a lot of areas where, for example, the initial stands had 200 cubic metres per hectare but the pine beetle has taken out half. With 100 cubic metres per hectare left rotting away, these stands are classified by the forest companies as unharvestable during the mid-term.

"If licensees can find ways of utilizing these low volume stands, mid-term timber supply can be significantly improved," detailed Nussbaum.

Of course there are economic challenges and obligations, of putting in roads and replanting for example.

All it might take however is an operation that combines bio-mass salvage with sawlog harvest. These areas are already in the timber harvesting land base. To access them requires a change, indeed a fundamental change, to the business model, but would not involve any changes to legislation or existing cutting rights or management policy.

Madison's was so gratified to hear an expert in the field purport that message as well. Please refer to your *Reporter* issues of May 22 and September 13, 2009,

October 22, 2010, and June 17 and November 10, 2011, for a sampling of the latest developments in biomass fuel technology, including nanotechnology of wood cellulose, which *Madison's* has been covering.

Some timber harvest regions in BC have already moved in this direction. The Williams Lake TSA, for example, specifically Cariboo-Chilcotin, has demonstrated success in harvesting stands with only at 80 cubic metres per hectare of sawlog. Geographically there is not a lot of difficult terrain to deal with, and the trees remaining post-beetle infestation are slow growing so the fibre is quite dense. In the Williams Lake TSA timber supply report, the mid-term looks more robust be-

"If licensees can find ways of utilizing these low volume stands, mid-term timber supply can be significantly improved," detailed Nussbaum.

cause low volume stands have already been incorporated into the calculation. Proportionally, the Williams Lake TSA looks good. The forest companies are already incorporating the lower-volume stands, which makes for a better mid-term timber supply, which in turn means the long term recovery will happen more quickly.

"For example, the Lakes TSA has a mid-term timber supply of 500,000 cubic metres per year. If the constraints are removed, it goes up to 600,000," explained Nussbaum. "It requires significant changes to the management framework protecting non-timber values for this 100,000 cubic metres per year of additional fibre, when there is conceivably 300,000 to 500,000 cubic metres per year available in low volume stands".

It comes down to the method of harvest. The Ministry currently does not include stands that are 100 cubic metres per hectare because the industry has not harvested these areas to-date. Until the full impact of the mountain pine beetle was felt, in that context, harvesting those stands was not really viable, it had never really been done. Because it never needed to even be considered.

Of course it is not just a matter of snapping fingers and making a shift in business practice. However, when the choice is between a bleak future of only a few additional years of harvest should the protected areas be opened up, and a thriving forest products industry long into the future under a different business model, considering such a shift is not altogether that bad.

"The mid-term fibre solution likely requires addressing a little bit of everything," concluded Nussbaum. "Replanting, harvesting a little in areas previously help to protect non-timber values, going into lower-volume stands in partnership with energy companies, intensive fertilization, or any combination of these."

Madison's will examine the opportunities for silviculture and fertilization available under the Enhanced Forestry Program in an upcoming issue.