

ISM Mfg Index

The June ISM Non-manufacturing index was at 52.1 per cent, down from 53.7 per cent in May.

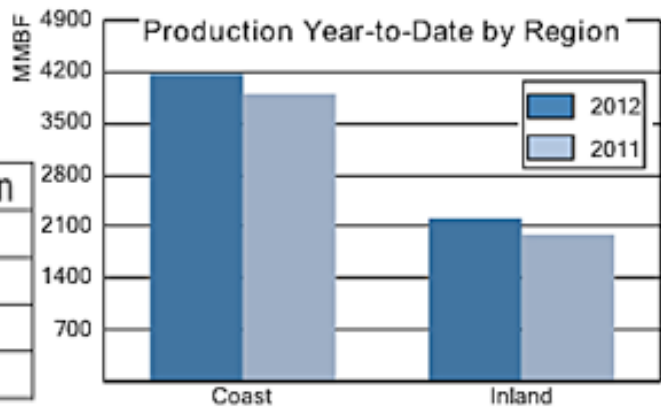
The employment index increased in June to 52.3 per cent, up from 50.8 per cent in May.

Note: Above 50 indicates expansion, below 50 contraction.



Western Wood Products Association's 2011 Annual Mill Operating Survey

U.S. West	2010	2011	Variation
	(MMBF)		(%)
Production	11,137	11,618	4.32%
Shipments	11,041	11,611	5.16%
Orders	11,126	11,631	4.54%



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Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	286	290	-4	308	-22	253	+33
WSPF KD R/L 2x6	286	294	-8	294	-8	241	+45
WSPF KD R/L 2x8	308	312	-4	324	-16	255	+53
WSPF KD R/L 2x10	360	360	0	378	-18	265	+95
WSPF KD PET 2x4 Stud	330	330	0	365	-35	260	+70
WSPF KD PET 2x6 Stud	345	350	-5	365	-20	265	+80
Douglas Fir Green R/L 2x4	250	248	+2	243	+7	265	-15
Douglas Fir Green R/L 2x10	270	265	+5	295	-25	290	-20
ESPF KD 2x4 8ft Stud	395	395	0	415	-20	325	+70
OSB Ontario 7/16" (CDN\$)	250	230	+20	260	-10	205	+45
CSplywood Toronto 3/8" (CDN\$)	413	413	0	401	+12	295	+118

Weekly News

Ontario Pulp Mill to Reopen

CONTINUED The Indian company, which already owns two dissolving pulp mills in Canada, plans to invest more than \$250 million to convert the Terrace Bay site to dissolving pulp for use in rayon fibre. The conversion process will take about two years, but at least some of the 275 mill workers should be back on the job by October.

The Terrace Bay mill has gone through a series of shutdowns in recent years, in response to the restructuring of its parent company, Buchanan Forest Products. In October of last year, it was shut down after an explosion in a blow tank killed one worker.

The mill is able to produce bleached softwood kraft as well as bleached hardwood kraft. An Ontario government announcement of the purchase notes that the re-start will support 275 mill jobs, 335 woodland jobs and an estimated 1,300 indirect jobs province-wide.

The AV Group operates AV Cell in Atholville, NB, and AV Nackawic, in Nackawic, NB.

BC Mill Cleanup Order

CONTINUED "Wood processing and paper product operations have been selected because of their high risk of combustible dust explosion due to large amounts of dust produced or handled in these facilities," says Betty Pirs, Vice-President, Prevention Services in an agency press release. "Like all WorkSafeBC inspections, orders will be issued to employers based on violations observed during the inspections."

Says the WorkSafeBC Information Bulletin:

"Facilities should carefully identify the

following in order to assess the potential for dust explosions:

- Materials that can be combustible when finely divided
- Processes which use, consume, or produce combustible dusts
- Areas where combustible dusts may build up, including hidden areas
- Means by which dust may be dispersed in the air
- Potential ignition sources."

The full bulletin can be found here: <http://tinyurl.com/88guw2u>

Williams Lake Timber

CONTINUED "I mentioned 2.8 to 3.1 million cubic metres per year as a target. I understand that there are additional opportunities involving forest inventories and incremental silviculture that could help to further increase the timber supply," said Cook. "An improved inventory is likely to identify forests that have more standing timber than originally thought.

"The additional volume could push the allowable annual cut higher than 3.1 million cubic metres per year. The city recommends the special committee pursue improved forest inventories and incremental silviculture as part of the overall mitigation strategy."

FPB Cites Vancouver Island Firms

An audit by BC's forestry watchdog has found that 23 of 24 timber-sales licence holders operating within the Campbell River, BC, area it investigated failed to comply with provincial legislation.

Auditors from the Forest Practices Board discovered instances where fish habitat was not being adequately protected because of sediment introduced into streams.

The board says some BC Timber Sales licence holders failed to maintain the natural drainage patterns of several small streams while others did not have an adequate fire suppression system on site during extreme fire hazard conditions.

The areas audited include Gold River on the west coast of Vancouver Island, Sayward on the west, and Lower Main-land areas across from Campbell River.

Board chairman Al Gorley says more than 100 compliance audits have been conducted since 1996, including more than 20 of B.C. Timber Sales operations, and typically very few problems are found.

He says this audit is an exception, although BC Timber Sales has committed to taking action to address the board's concerns.

Logger Fatality

A heavy-equipment mechanic from Canada was killed Wednesday in a timber-harvesting accident in the northern Somerset County town, near Augusta, ME, police said Thursday to the *Kennebec Journal*.

Bruno Cloutier, 46, of St. Zacharie, QC, was pinned between a timber harvester and a service truck as the harvester was being moved Wednesday.

At the time of the accident, two crew members — the harvester operator, who has not been identified, and Cloutier — were working on the Route 6 Cutoff Road for R.G. Lumber of Quebec.

The operator was backing up the large timber harvester to complete needed repairs when the accident happened.

Cloutier was pronounced dead at the scene by ambulance personnel, Gottardi said.

The incident remains under investigation by the sheriff's department, the US Occupational Safety and Health Administration and the Office State Medical Examiner.

Oregon Timber Drama

Funding Renewed, Rights Restricted

Oregon has had its federal payments for timber-dependent counties renewed, if only for another year, in the same week that timber sales on 800 acres of State land have been restricted amid a legal battle

by Kéta Kosman

with conservation groups over the threatened Marbled Murrelet. *Madison's* can just hear western US forest products companies and timberland owners screaming, "Its the Spotted Owl all over again!"

Harvests of timber in the Pacific Northwest were reduced by 80 per cent during the Northern Spotted Owl crisis. Logging in national forests containing the species was stopped by court order in 1991. In 2007, the US Fish and Wildlife Service proposed new recovery plans intended to guide all management actions on lands where Spotted Owls occur. At the same time, the population of Barred Owls, which disrupt nesting and compete with Spotted Owls for food, has been increasing. In 2010, Federal biologists were considering whether to kill Barred Owls, to see if it would help the Spotted Owls.

Forest products companies and timber growers in that region are still recovering from the economic disaster created by the Spotted Owl logging restriction. Meanwhile, populations have experienced only a tiny degree of recovery.

The new deferrals affect 10 recent and upcoming timber sales, suspending planned timber bids and halting logging, in Tillamook, Clatsop, and Elliott State forests.

"This is a new area for us," said Kevin Weeks, a spokesperson for the Oregon Department of Forestry to *Oregon Live*. "This is the first time this sort of action has been taken in response to a lawsuit."

Weeks said the state suspended sales so that officials who would normally work on timber sales could focus on preparing for a fight in US District Court in Portland, OR. He said foresters already manage state lands to protect the Marbled Murrelet by scaling down logging operations during nesting season. The lawsuit could take a year to come to trial but a judge is likely to call a hearing on the motion for the temporary injunction sometime this summer, says *Oregon Live*.

Meanwhile, the much-debated Transportation Bill finally made it through the US Congress last week. While voting to approve a compromise version, Congress also authorized the one-time distribution

of US\$346 million to 700 rural counties in 41 states. Oregon gets US\$100 million, California US\$39.3 million, Idaho US\$27.4 million, Washington US\$21.3 million and Montana gets US\$20.4 million.

Despite receiving about 30 per cent of the national total, only one more year of payments won't do much to change Oregon's budget problems. Counties in Southern Oregon have seen timber dollars dwindle over the years, forcing cutbacks in law enforcement and other county services. Until a couple of decades ago, counties could rely on a hefty share of federal timber harvest revenue. At the same time, rural Oregon prospered from

the jobs sustained in forests and mills. Curtailment of timber harvests destroyed rural prosperity and turned county governments into charity cases. They became dependents of Congress, which reluctantly doled out direct payments to compensate

for the idled forest land.

Much of the US\$100 million coming to Oregon will go toward staving off even deeper cuts during the next go-round on county budgets. At a 31 per cent reduction from funding levels in 2010, the money is the last to come from the Secure Rural Schools Act, which since 2000 has provided US\$3 billion to Oregon's rural counties to make up for their declining shares of federal logging revenues.

Jackson County could receive \$4.5 million.

Lane County Administrator Liane Richardson said to *Bloomberg*, "I can't justify recommending to the board that we restore services [like rehiring sheriff's deputies and others already laid off] when we have a very large hole again next fiscal year. The US\$3.5 million will help next year. But it doesn't solve the problem that we're in."

In Curry County, which has been hovering on the brink of bankruptcy, Commissioner Dave Itzen said he did not know what commissioners would decide to do with the \$1 million expected to be coming. He said he did not like the idea of borrowing against the actual receipt of the money sometime late this year or early next year.

Now that this battle is over, three Oregon congressmen, Republican Greg Walden and Democrats Kurt Schrader and Peter DeFazio, have proposed legislation that would allow more logging on federal lands. The goal is for more flexibility in federal forest policy. That's a difficult task, and increased logging is only a partial solution for these counties.

Walden says supporters of a bill that would increase logging on the Oregon and California Railroad Revested Lands, or O&C lands, in Western Oregon are still working to get a favourable rating for it from the Congressional Budget Office, which is needed before it can come to the House floor for a vote.

Says a *The World* editorial, "The main message to Congress needs to be: Oregon's situation is unique. The former O&C lands are not a national park or a wildlife preserve. They were established long ago as a source of timber to fuel local communities, and they need to be restored to that role."

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These federal lands in western Oregon are arguably the finest Douglas fir timberlands on the face of the earth. They, together with western Oregon's national forests, formed the economic backbone of western Oregon's timber economy for more than

40 years. Then the Spotted owl was listed as a threatened species in 1990 and the entire federal timber sale program came crashing down.

The Proposal is still in the discussion stage. It sets aside 1.47 million acres of the O&C lands to be managed by a group appointed by the governor. The revenue from that parcel is to be distributed back into the counties, boosting local economies. The proposal also gives 1.3 million acres of old growth forests to the United States Forest Service designed to be protected from logging.

Politicians like Lane County Commissioner Pete Sorenson don't think it goes far enough.

Said Sorenson to *KLCC* radio, "The bill being proposed has an explicit provision that says The National Environmental Policy Act doesn't apply to these 2.6 million acres."

Sorenson said The National Environmental Policy Act requires federal agencies to make proposals and take public comments before implementing any decisions that affect the environment. In an election year with many Oregonians out of work, politicians may find themselves walking a fine line between preserving the environment and creating jobs.

Douglas County Commissioner Doug Robertson said to *Bloomberg* he did not expect any long-term solutions to increasing federal timber revenues this year, but with wildfires burning in Colorado, Congress was likely to get serious in the next session about increasing logging on federal lands to restore beetle-killed forests and reduce fire danger.