

# MADISON'S LUMBER REPORTER

**Publisher**  
KetaDesign Productions  
**Editor**  
Kéta Kosman  
**Market Analyst**  
Earl Heath

Annual Subscription Prices  
E-mail/Fax: C\$364  
Discounts available for multiple  
subscriptions  
Published 50 times a year

www.madisonsreport.com  
madrep@shawcable.com  
604 984-6838  
PO Box 2486 Vancouver, BC  
V6B 3W7 Canada

In Canada, add GST or HST  
ISSN 0715-5468  
Printed in Canada © 2012

All material contained within is the property  
of KetaDesign Productions Inc. Reproduction  
or retransmission is expressly forbidden.



## News & Updates

### Madison's Timber Preview

Last week Forest Economic Advisors held a webinar titled, "Exploring the Risks That Could Derail the Long-Awaited Housing Recovery". The data and forecasts provided in this webinar are examined.

Contact us anytime to receive this vital and timely information.

### US New and Existing Home Sales

The National Association of Realtors said Wednesday sales of previously occupied homes rose to 4.47 million in July, a 2.3 per cent increase from the previous month.

It was the first increase in three months.

The Commerce Department said Thursday new single-family home sales increased by 3.6 per cent last month from June to a seasonally adjusted annual rate of 372,000. The rate matched May's level, which was the best since April 2010.

Sales were up 25.3 per cent compared to the same month a year ago.

June's sales rate was revised up to 359,000 from a previously reported 350,000.

July's new-home sales were mixed in four US regions. Sales grew 76.5 per cent in the Northeast and 7.7 per cent in the Midwest, but fell 1.6 per cent in the South and 0.9 per cent in the West.

[READ MORE](#)

### Canada, US Survey of Manufacturing

Canadian manufacturing sales fell 0.4 per cent to \$48.9 billion in June, reflecting a 10.6 per cent drop in sales of petroleum and coal products, said Statistics Canada August 16. Excluding petroleum and coal products, sales rose 1.1 per cent. In June, 12 of 21 industries reported sales increases, representing approximately 60% of Canadian manufacturing.

Manufacturing sales have declined in four of the past six months.

Sales of non-durable goods fell 2.7 per cent while durable goods sales increased 1.6 per cent. Constant dollar sales increased 0.1 per cent.

US financial information firm Markit said Friday its US "flash" manufacturing Purchasing Managers Index edged up to 51.9 in August from 51.4 in July.

The August reading marked the first monthly increase in five months. But it was the third weakest result since the manufacturing sector stopped shrinking in October, 2009.

A reading above 50 indicates expansion.

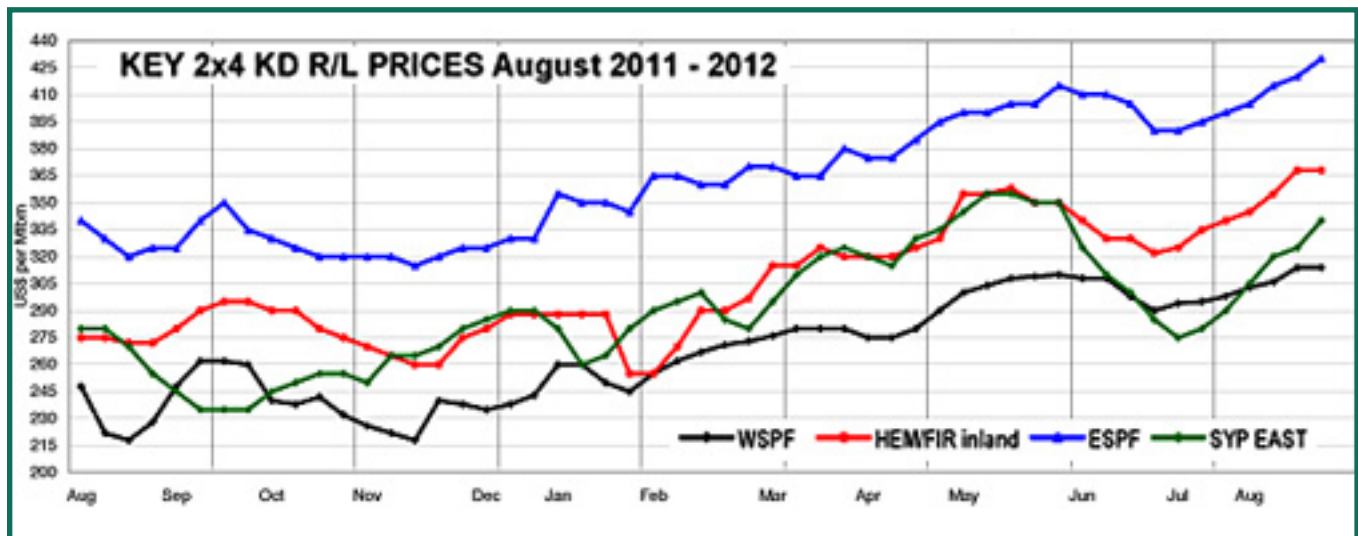
While increased marketing and lower prices helped overall new orders rise to 52.6 from 51.0, new export orders fell outright for a third consecutive month.

[READ MORE](#)

### British Columbia Timber Supply Issues

There were over 700 submissions made to British Columbia's Special Committee on Timber Supply hearings throughout the province this summer. All manner of interested parties from community groups, First Nations, municipalities, environmentalists, stakeholders, and industry presented their ideas on what are the most important problems and what can be done about it.

[READ MORE](#)



### Production Figures and Values – (2011 and 2012)

Lumber Year/Quarter	2011		2012	
	Production (mmfbm)	\$C Value (000,000s)	Production (mmfbm)	\$C Value (000,000s)
1 <sup>st</sup> Quarter	656.8	\$192.2	704.9	\$187.9
2 <sup>nd</sup> Quarter	730.3	\$168.6	766.7	\$228.6
3 <sup>rd</sup> Quarter	720.4	\$172.9		
4 <sup>th</sup> Quarter	678.9	\$168.7		
<b>Yearly Totals</b>	<b>2,786.4</b>	<b>\$702.4</b>	<b>1,471.6</b>	<b>\$416.5</b>

Panelboard Year/Quarter	2011		2012	
	Production (mm sq ft)	\$C Value (000,000s)	Production (mm sq ft)	\$C Value (000,000s)
1 <sup>st</sup> Quarter	285.1	\$69.5	287.7	\$74.1
2 <sup>nd</sup> Quarter	302.5	\$68.6	288.6	\$84.5
3 <sup>rd</sup> Quarter	273.0	\$67.5		
4 <sup>th</sup> Quarter	257.3	\$62.5		
<b>Yearly Totals</b>	<b>1,117.9</b>	<b>\$268.1</b>	<b>576.3</b>	<b>\$158.6</b>

#### CUMULATIVE TOTALS - ALL AFPA SECTORS

Q2-2012 \$581,900,000      Q2-2011 \$550,800,000      Q1-2012 \$544,600,000

Full year 2011 \$2,159,300,000

SOURCE: Alberta Forest Products Association

### Scoreboard

	April - June 2012		April - June 2011		SALES 2011-12 (%)
	Sales (\$,million)	Earnings (\$,million)	Sales (\$,million)	Earnings (\$,million)	
Ainsworth	90.5	(11.3)	80.5	(12.9)	+12.4%
Canfor	700.9	26.0	619.1	4.5	+82.7%
Cascades	944.0	7.0	991.0	(9.0)	+177.0%
Catalyst	312.8	7.0	297.8	(30.6)	+122.8%
Conifex	55.8	(1.6)	26.9	(4.1)	+61.0%
Domtar	1,368.0	59.0	1,403.0	54.0	+8.5%
Eacom	65.3	(0.7)	71.2	(13.7)	+94.9%
Interfor	225.4	0.3	187.9	(5.3)	+105.6%
Norbord (US \$)	272.0	(6.0)	241.0	1.0	-116.6%
Resolute FP	1,168.0	(36.0)	1,200.0	52.0	-169.2%
Taiga FP (1Q 2013- June 30)	309.5	5.9	263.6	3.6	+39.0%
Tembec (3Q 2012- June 23)	415.0	(5.0)	448.0	17.0	-129.4%
Western Forest Products	253.1	12.3	218.7	11.4	+7.4%
West Fraser	774.0	24.0	720.0	22.0	+8.4%



World Forest Institute

## WHO WILL OWN THE FOREST?

SEPTEMBER 18-20, 2012 : PORTLAND, OREGON

JOIN US FOR  
NORTH AMERICA'S BEST  
ATTENDED ANNUAL EVENT  
ON FORESTLAND INVESTING

[wwof.worldforestry.org](http://wwof.worldforestry.org)

## Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	314	314	0	298	+16	225	+89
WSPF KD R/L 2x6	324	318	+6	294	+30	250	+74
WSPF KD R/L 2x8	308	312	-4	308	0	280	+28
WSPF KD R/L 2x10	360	365	-5	360	0	280	+80
WSPF KD PET 2x4 Stud	360	375	-15	355	+5	250	+110
WSPF KD PET 2x6 Stud	360	375	-15	355	+5	250	+110
Douglas Fir Green R/L 2x4	325	318	+7	280	+45	240	+85
Douglas Fir Green R/L 2x10	310	310	0	300	+10	280	+30
ESPF KD 2x4 8ft Stud	415	415	0	395	+20	310	+105
OSB Ontario 7/16" (CDN\$)	338	328	+10	252	+86	205	+133
CSplywood Toronto 3/8" (CDN\$)	450	450	0	421	+29	325	+125

## Weekly News

### US Home Sales, Housing Prices

CONTINUED Nationwide, the median price for a home resale in the US was US\$187,300 in July, said the National Association of Realtors, 9.4 per cent higher than in the same month a year earlier.

The Commerce Department's estimates for new home sales are prone to substantial revisions, and June's sales pace was revised up to 359,000 units from the previously reported 350,000 units.

Last month, the median price of a new home fell 2.5 per cent in July from a year earlier to US\$224,200.

The inventory of new homes on the market fell 0.7 per cent to a record low 142,000 in July. At July's sales pace it would take 4.6 months to clear the houses from the market, down from 4.8 months in June.

New home sales last month were boosted by a 76.5 per cent increase in the Northeast, though the Commerce Department said that number could be revised substantially.

Elsewhere, the Mortgage Bankers Association said its seasonally adjusted index of mortgage application activity, which includes both refinancing and home purchase demand, fell 7.4 per cent in the week ended August 17.

Fixed 30-year mortgage rates jumped 10 basis points to average 3.86 per cent. Even with the increase, rates are still at relatively cheap levels after falling to record lows in recent months.

### Canada Manufacturing Survey, US Durable Goods Orders

CONTINUED June manufacturing inventories in Canada fell 1.7 per cent to \$64.8 billion, the first decrease in three months.

Lower inventory levels of petroleum and coal products as well as aerospace product and parts were responsible for the overall decline, said StatsCan.

The inventory-to-sales ratio decreased to 1.32 in June from 1.34 in May. The inventory-to-sales ratio is a measure of the time, in months, that would be required to exhaust inventories if sales were to remain at their current level.

Unfilled orders rose 2.2 per cent in June to \$64.3 billion, reflecting an increase in aerospace product and parts. Excluding this industry, unfilled orders decreased 1.8 per cent as producers of machinery and computer and electronic products reported fewer unfilled orders.

The US Commerce Department said Friday that orders for durable goods rose a seasonally adjusted 4.2 per cent in July. But excluding aircraft and other transportation goods, orders dropped 0.4 per cent.

Aircraft orders soared 54 per cent. Boeing, one of the biggest global aircraft manufacturers, received 260 orders last month, according to economists at IHS Global Insight, up from 21 in June.

Durable goods are items meant to last at least three years. Orders for so-called core capital goods, a key measure of business investment plans, fell 3.4 per cent. That's the biggest drop since November and the fourth decline in five months.

### Port Hawkesbury Paper Financing

Last week the creditors of the NewPage Port Hawkesbury paper mill in Nova Scotia voted in favour of the sale arrangement of the mill to Pacific West Commercial out of Vancouver, BC.

With that approval, there were just two official decisions left before the sale of the mill will be finalized.

The Nova Scotia Utility and Review Board announced Monday that they have approved the lower power rate for the mill.

That leaves just the decision of the Canada Revenue Agency who must approve the advanced tax rule.

Meanwhile, the Province of Nova Scotia has announced a \$124.5 million financial package for the mill, that will be renamed "Port Hawkesbury Paper".

Port Hawkesbury Mayor Billy Joe MacLean said Pacific West has been given everything it has asked for, including union concessions that will see a reduced workforce with no pay increases over 10 years and reduced electrical rates.

MacLean said that while keeping the Point Tupper mill in operation is good for the region's economy, the municipal taxpayers should not have to suffer.

### Sawmill Workers Critically Injured

Two workers were critically injured at Rex Lumber Company in Graceville, FL, early Thursday, when a cylinder with multiple knife blades rolled up on them as they worked on the log de-barking machine.

A few weeks ago, a huge fire damaged one of the kilns at the same mill.

The blades impaled one of the men and pinned him to the machine.

The other man was struck by the blades and a hook but then thrown clear. He received injuries to his pelvis and liver.

Both were taken by medical helicopters to hospitals. Surgical teams at the medical facilities had been alerted and were waiting when they arrived.

Jackson County Fire Marshal Chuck Sawyer said the machine was powered off, but the cylinder rotated when the mechanics removed a knife they were going to replace, apparently due to the tension release.

# BC Mid-Term Timber Supply Difficulties

CONTINUED It is a lot of information to wade through, and the consensus among those watching the proceedings is that no one envies the members of the Committee. Charged with making recommendations to Cabinet, the Committee delivered its report last week.

Please refer to the August 17 issue of your *Madison's Lumber Reporter* for an overview.

A few presenters, however, really stood out by providing both clear examples of issues in the forest and viable solutions. One such presenter was MaryAnne Arcand of the Central Interior Logging Association (CILA). Formerly of the BC Forest Safety Council, Arcand has 10 solid years experience in British Columbia's forestry sector.

A very important point that Arcand made during her presentation was about the seeming disconnect between the Forest Service's claim of a drop in timber supply in the wake of the mountain pine beetle infestation, and projects being carried forward by other ministries. Experiences reported by CILA members include: a contractor asked to log a right-of-way for a natural gas pipeline reported "no stumpage, no stickers, no nothing" and being told "just take what you can get for it", then sold the logs on the open market; significant volumes of timber will need to be removed for the Site C dam, and for new project right-of-ways, pipeline right of ways, road right of ways, which may or may not be going through the BC Timber Sales (BCTS) system or other forms of tenure; and, a Chinese company that shipped raw log cants out of the Burns Lake and Vanderhoof areas this winter.

This last point drew a lot of interest both by the Committee and by recently-retired BC Chief Forester Jim Snetsinger, who was present. It turns out that this export occurred before the end of the year, and changes to the rules have already been made to close that loophole.

Otherwise, Arcand spoke about the cumbersome system currently in place to value logs, which does not differentiate between a merchantable sawlog and fibre left behind in the slash pile. There is a disincentive in the system to prepare and grind wood at the cut block or roadside if the timber is valued in cubic metres rather than as fibre for bioenergy or other end uses (megawatts, gigajoules, cunits, BTUs).

*Madison's* reached out to Arcand by telephone this week.

"There are other agencies and resources in BC using timber that doesn't get counted," explained Arcand. "The proposed Natural Resources Road Act could be used as a model for changing the BC timber valuing model, in that the same resource is being used by multiple industries for different purposes. One set of regulations, permits and values will cover all users. A good adage to use is, 'A tree is a tree', whether is it going to 2x4's, plywood, laminated products, or bioenergy.

"How can we on the one hand be saying, 'Where are we going to get wood?' and on the other hand clearing timber for mega-projects outside the forest inventory and BCTS? There is so much wood that doesn't get counted, but it's still wood.

"The Site C dam project alone is forecast to clear 1.8 million cubic metres [of timber], some of which may be under a timber license and some may not. It may not be part of the inventory because the area is being harvested for power generation. Either way it's not part of the inventory because the area is a power plant. There is viable fibre that is being thrown away. Sometimes

it goes to the mills but sometimes it is chipped and buried into the soil.

"There's a 464 km long, 100 metre wide natural gas pipeline right-of-way between Kitimat and Summit Lake which needs to be cleared. Why isn't that in the timber inventory? For a logger, the activity is the same whether the timber is for saw logs or other end uses."

This issue of various government departments not talking to each other has been brought up before by others. Repeatedly.

"There are many different silos," continued Arcand. "Timber removal for a mine, a well, a powerline right-of-way isn't counted in the forest inventory because it isn't a Tree Farm License (TFL) or it's under a different license from a different ministry."

Another very important point Arcand made during her presentation was the focus of BC's timber pricing system on sawlogs, and on Spruce-Pine-Fir (SPF) logs at that.

"Pellet producers can't afford to pay for their feedstock by the cubic metre," detailed Arcand. "The government talks about moving toward full utilization. Then let's have a scaled pricing system. There is a lot of wood, especially in the pine beetle affected areas, that is not going to make it into the sawlog grade. Players are

in these protectionist little boxes, there's a mentality of 'do what you want in terms of new technology and new products but don't touch my tenure'."

On that note, *Madison's* has noticed zero to little movement with the much-vaunted Innovative Timber Salvage Licenses (ITSL) of three years ago. A huge part of the problem there is that they are five year renewable licenses. No big international energy company is going to invest in a major project on the promise that access to fibre will be renewed. As everyone knows, all that needs to happen is a change of government and these understandings are out the window.

The other major problem with the ITSLs, and with BC's biomass fuel policy, is the requirement to go through BC Hy-

dro. That is another subject for another issue.

"Also, what about the hardwoods?" pointed out Arcand. "What about the aspen, the tamarack, the larch? They're milling aspen in Alberta, why can't we?"

*Madison's* can't help but agree with this. A quick glance through *Madison's Live Online Lumber Direc-*

*tory* shows many mills east of Saskatchewan running those species, and other hardwoods. There are simply too many to mention.

"There needs to be investment in the hardwood inventory," continued Arcand. "We don't even know what the non-SPF timber supply is. Up in Burns Lake, there isn't even an inventory for Aspen. Why are we so locked in the SPF mentality? On the coast the companies talk about milling the hemlock and balsam (HemBal), why aren't we looking at other species here [on the mainland]?"

"We don't want short term gain for long term pain. It's not just about harvesting for lumber anymore, we need to come up with a different model. What I hope comes from the Committee's Report is a willingness to look at change. Let's not keep doing things the way we're doing them.

"The various BC governments of the past many decades didn't necessarily manage the forests as well as they could have, and resulting in the situation we face now," concluded Arcand in a statement that echoes the opinions of the Forest Practices Board, the Association of Professional Foresters, the Western Silviculture Contractors Association, the BC Auditor General, and many others.

"The proposed Natural Resources Road Act could be used as a model for changing the BC timber valuing model, in that the same resource is being used by multiple industries for different purposes."