

MADISON'S LUMBER REPORTER

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News & Updates

Madison's Timber Preview

The collapse of a major Australian timber owner and sawmill operator this week sent shock waves through the global solid wood industry. A huge investment in a brand-new pulp mill was blamed by some for the bankruptcy.

This week's issue of *Madison's Timber Preview* examines the collapse, and provides the latest regional information on the North American timber harvest and prices.

Contact us any time to access this vital and timely information.

Logger Fatality

The BC Coroners Service has confirmed the identity of a man who died as a result of a logging incident near Bella Coola, BC, on September 23, 2012. The man is Renel Lafleur, aged 19, from Golden, British Columbia. Lafleur was working at a logging camp located at South Bentinck Arm near Bella Coola when he was fatally injured.

Emergency personnel attended the scene and attempted resuscitation efforts. However, Lafleur succumbed to his injuries. The BC Coroners Service and WorkSafeBC continue to investigate this death.

More Sawmill Fires

In an increasingly disturbing trend, several sawmills in the US experienced fires this week.

The cause of a fire that burned a Redwood Valley lumber mill last week is still undetermined after an investigation by CalFire and the Redwood Valley-Calpella Fire Department, according to RVCFD Capt. Brendan Turner.

The fire started on the northeast corner of the mill and completely burned the building. The blaze also consumed two forklifts, causing their propane tanks to explode, along with a number of household-size propane tanks inside the building, Turner said.

"We were able to narrow down the area of origin, but we were unable to determine the cause," Turner said. A CalFire prevention officer aided RVCFD in the investigation.

Lumber, mill equipment, and the fork lifts burned in the blaze, according to Turner. The equipment lost included a planer and one used for cutting molding. The fire didn't spread beyond the one mill building, and didn't threaten neighboring homes, according to Turner.

[READ MORE](#)

Old Skeena Mill Reopens

Fourteen months after Terrace, BC's, last remaining standing sawmill was purchased by a Chinese holding company, machinery is up and running in anticipation of full out production. Skeena Sawmills was purchased from West Fraser by ROC Holdings in July 2011.

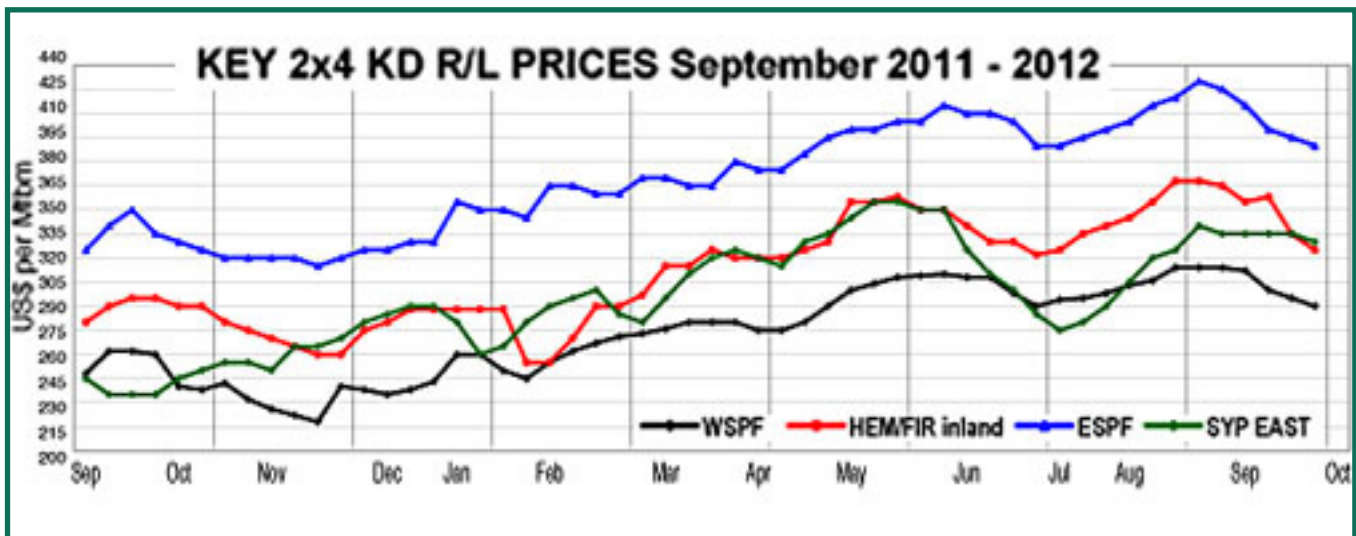
[READ MORE](#)

Russia and China Sign Timber Deal

A deal in the works since October 2011 and announced in June of this year was signed between China and Russia at the APEC Summit in September.

A combined US\$4 billion will go to advancing timber manufacturing and trade between the two countries.

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Forest Products Statistics

North America

Now that the bulk of US home building, and probably most of the home improvement and renovation projects, for 2012 are behind us, this is a good time to take a look at the latest statistics for North American forest products.

Fresh data out of Statistics Canada, released Thursday, provides the most up-to-date picture possible.

CANADA

Sawmill Production:

In July, monthly lumber production by Canada's sawmills decreased from June by 8.1 per cent, to 4,357 thousand cubic meters. Compared with the same month last year, lumber production decreased 0.1 per cent.

In July, sawmills shipped 4,711 thousand cubic meters of lumber, an increase of 2.3 per cent from June.

Lumber Export:

From January to July 2012, British Columbia's export of lumber, veneer, and plywood increased by 6.3 per cent compared to the same time period one year ago. BC's total lumber exports went from \$2,239 million to \$2,381 million.

Québec's combined exports of lumber, veneer and plywood grew by 1 per cent in January to July 2012 from one year ago. Québec exported \$416 million in lumber compared to \$412 in 2011.

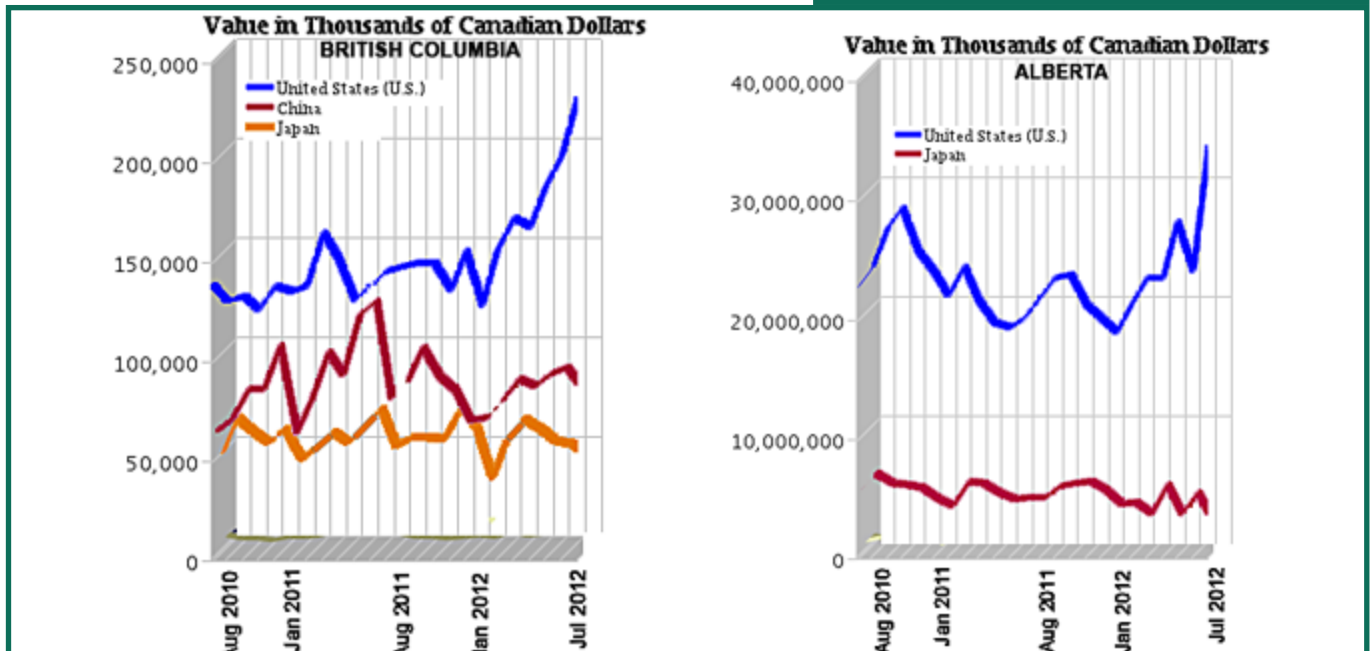
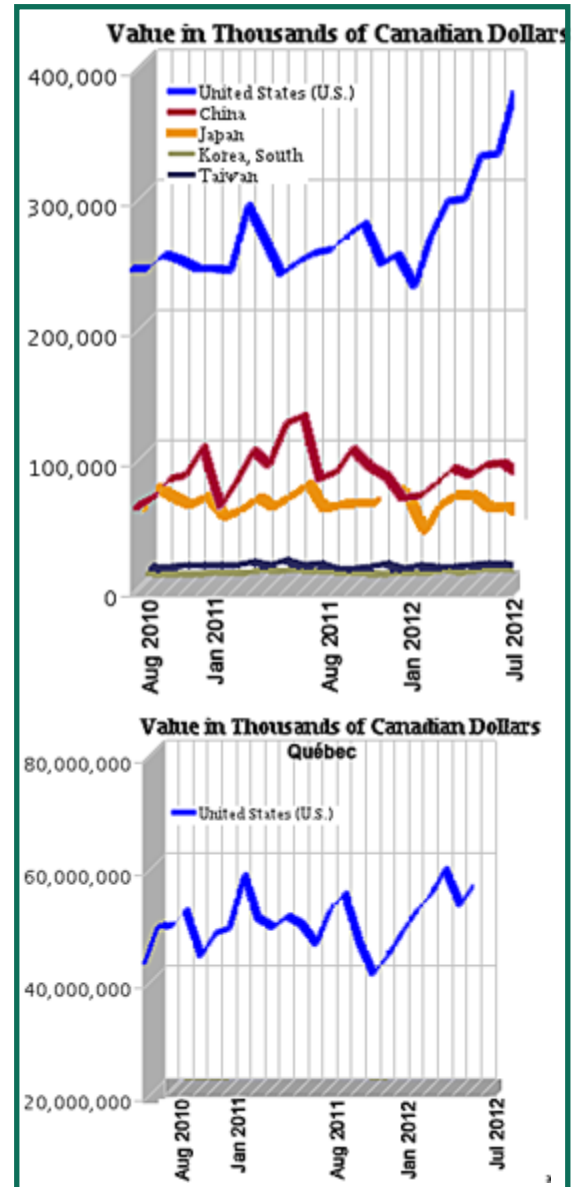
For the first seven months in 2012, Alberta's export of lumber, veneer, and plywood increased by 9.4 per cent compared to those months in 2011. Alberta's lumber exports so far in 2012 were \$213, compared to \$195 the previous year.

USA

Lumber Imports:

US lumber imports from Canada increased by 35 per cent in the first seven months of 2012, compared to one year ago, according to the US Census Bureau.

The import of Forestry Products from Canada rose from US\$6.1 million in January to July 2011 to US\$9.4 million for the same time this year. The US imported US\$59.9 in Timber & Logs from Canada so far in 2012, compared to US\$38.8 last year. Combined, the US imported US\$69.2 in the first seven months of 2012 compared to US\$44.9 in 2011.



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	290	295	-5	314	-24	240	+50
WSPF KD R/L 2x6	308	315	-7	324	-16	250	+58
WSPF KD R/L 2x8	298	300	-2	308	-10	265	+33
WSPF KD R/L 2x10	350	356	-6	360	-10	270	+80
WSPF KD PET 2x4 Stud	305	318	-13	360	-55	235	+70
WSPF KD PET 2x6 Stud	320	325	-15	365	-45	265	+55
Douglas Fir Green R/L 2x4	260	265	-5	325	-65	240	+20
Douglas Fir Green R/L 2x10	285	280	+5	310	-25	290	-5
ESPF KD 2x4 8ft Stud	370	390	-20	415	-45	305	+65
OSB Ontario 7/16" (CDN\$)	313	325	-12	338	-25	210	+103
CSplywood Toronto 3/8" (CDN\$)	390	426	-36	450	-60	328	+62

Weekly News

Sawmill Fires

CONTINUED A blaze at the Beadles Lumber site in Moultrie, GA, was reported at 6:18 am Tuesday, with firefighters at the scene until about 2 pm. The fire destroyed a wood-drying kiln but caused no bodily injuries nor spread to other property.

The fire was under control about an hour after the initial call, but Moultrie Fire Department personnel stayed on the scene to wet down the still smoldering lumber. Finding the kiln fully ablaze, the firefighters attacked it with ladder trucks before moving in on foot, fire officials said.

The fire department was called back to the scene at 9:10 pm when a passerby saw flames that had flared back up; firefighters stayed until about 10:30 pm that time.

A company representative said that the kiln, built in the 1970s, was a near total loss, but that the effect on production will be minimal if any. The other two kilns, which have excess capacity, will continue operation, and if necessary some wood will be dried at Balfour Lumber in Thomsville, GA, also owned by the company.

There had been previous fires at the kiln but none of this magnitude, the company said.

The owner of a lumber and pallet company in Clinton County, IL, believes a lightning strike may have sparked a fire at the business Wednesday.

The official cause will be decided by the Illinois State Fire Marshal who is on the scene of the blaze.

The owner of Kalmer Lumber and Pallet Company said there was a lot of lightning in the area and then a huge boom.

The fire destroyed a large production facility building and the heavy equipment stored inside, including fork lifts and tools.

Clin-Clair Fire District Chief Rick Musenbrock tells NewsChannel 5 severe weather halted efforts to put the fire out at one point, after he pulled firefighters back to insure their safety.

Musenbrock says intense lightning continued around the fire scene for nearly an hour. No injuries though were reported in the fire.

More than 40 firefighters from various departments were on the scene to assist in the mutual aid response.

No one was injured in the fire.

Several homes had to be evacuated Wednesday night when fire spread from a garage to a lumberyard in downtown Garner, IA.

According to Garner Fire Chief Terry Jass, the blaze started in the garage at about 11:23 pm Wednesday. The flames spread to nearby MaxYield Lumber.

The garage, which was also destroyed, is not owned by the lumber yard. Jass said he doesn't know who owns the garage.

"It appears to have started in the neighboring garage which was not attached to but was within four inches of the lumber yard," Jass said.

"It got into the ceiling of the lumberyard and from then on it was history."

The State Fire Marshal's Office was due on the scene Thursday afternoon to assist in finding the cause.

Approximately five nearby homes were evacuated because of concerns that the smoke from the lumberyard was toxic due to the burning shingles and fiberglass insulation.

Residents were in their homes Thursday morning, Jass said.

Heim said the building was filled with lumber, shingles and insulation.

He said management is preparing an interim operating plan.

MaxYield Lumber is a division of MaxYield Cooperative.

Terrace Sawmill Running

CONTINUED The new owners have poured about \$6 million worth of upgrades into the mill with plans to spend up to another \$15 million in long-term capital spending. The company also owns rights to local Tree Farm Licence 41.

Terrace mayor Dave Pernarowski says it's exciting to see the mill running for the first time in five years.

"They would like to add another line to their existing production line to accommodate longer logs, and maybe different types of logs coming into the mill," he said to *HQPrinceGeorge.com*.

Pernarowski says over a dozen staff have already been hired to take on the new equipment testing underway with logging companies and other spinoffs also benefitting the community.

AFPA Announces

Jason Boucher is the new Board Chair for the Alberta Forest Products Association (AFPA).

Boucher is involved with his family's sawmill business, Boucher Bros. Lumber Ltd., in Nampa, AB. The business has been an active contributor to the Peace Country for nearly 35 years.

AFPA President and CEO Brady Whittaker welcomed Boucher to the position. "Jason brings a lot of enthusiasm and expertise to our Association."

The AFPA is celebrating its 70th Anniversary this year. Under Boucher's leadership, the AFPA Board will focus on promoting the industry and driving innovation to create a prosperous future.

Boucher replaces Mike Putzke as AFPA Chair. Putzke will remain on the Executive of the Association.

Russia and China

Timber Deal

A timber agreement between Russia and China in the works since June has been signed. Plans for the fund - a venture between sovereign wealth fund China Investment Corp (CIC) and the state-backed Russian Direct Investment Fund (RDIF) - were announced in October 2011. The wealth funds of Russia and

by Kéta Kosman

China announced June 4 they would commit US\$1 billion in a joint investment fund worth as much as US\$4 billion, raising additional money from third-party international investors. The joint Russia and China Investment Fund (RCIF) is to target transactions in Russian forestry, logistics and agriculture, RCIF's Chief Executive Officer Kirill Dmitriev said in an April interview with *Reuters*.

As much as 70 per cent of the joint fund will be invested in Russia and the Commonwealth of Independent States, Dmitriev said in a statement April 29. The first investment was expected in July and was likely to be into one of Russia's largest forestry firms, which exports a substantial amount of wood to China, Dmitriev said at the time.

It will aim to allow the forestry company to make higher-margin processed wood products in Russia, which it can export. Dmitriev declined to name the company. A source close to the deal said that an initial investment could be around US\$200 million for a minority stake.

On September 7, The RDIF announced it would become a shareholder in Russia Forest Products, Russia's second-largest forestry products firm, in a deal that would enable the business to produce higher-value processed products. Russian Forest Product holds annual allowable rights to fell more than 4.5 million cubic metres of timber and has long-term leases on 6.4 million hectares of forest. It accounts for around 10 per cent of Russia's timber exports to China, the RDIF said.

The fund's first deal would create 1,000 jobs, Dmitriev added, and improve margins by getting Russia Forest Products to sell processed wood instead of raw logs.

Stanley Li, an analyst with Mirae Asset Securities, said the deal made economic sense for both sides, but noted there were likely to be limits to their co-operation, according to the *Financial Times*. "Russia will probably keep China out of really huge energy investments, like it has had from ExxonMobil or Shell, because those are more politically sensitive," Mr Li said.

"At this stage, timber is something that the countries can do without too much political resistance."

Vladimir Putin, Russia's president, has championed a pivot towards resource-hungry Asia in a tacit acknowledgment that Moscow has been slow to exploit economic opportunities on its Asian doorstep. Putin hosted the Asia-Pacific Economic Cooperation (APEC) forum, in the first week of September, at the Pacific port city of Vladivostok in an effort to "market the far-east as attractive for investment", said Kirill Dmitriev, RDIF's chief executive officer.

The CIC is facilitating the building of a veneer plant with an annual capacity of 300 million cubic metres in Khabarovsk krai, near Komosomolsk, Russia, according to the *Japan Lumber Reports*.

The RCIF concluded a blanket co-operation agreement with the coastal provincial government of Primorye for economic growth in the local forest and wood industry, transportation, and traffic infrastructure, says the *Reports*. This was all part of the APEC conference recently held in Vladivostok.

At the APEC summit, China and Russia vowed to further promote cooperation between their two parliaments and intensify bilateral economic ties. Chinese Premier Wen Jiabao called on both countries to step up joint investment, joint research and production in the hope of realizing mutual benefit.

Russian Federation Council Speaker Valentina Matviyenko said the country is ready to work with China to expand cooperation on industry, forestry, innovation and high technology, adding that she hopes China can increase investment in Russia.

RDIF is talking to Australian funds about investment in airport infrastructure and to Malaysian funds about the pulp industry. "We have good relations with each country; they are of great interest to Russia," Dmitriev said to the *Moscow Times* in early September, adding that the number of big investors wishing to invest in Russian assets climbed from 25 per cent in October 2011 to 40 per cent in April 2012.

"We are discuss-

ing several very interesting projects. We are looking at investment in airports, in Kazan, for example. This is of interest to funds from Australia, which have unique airport management experience," he said.

Russia's Far East is certainly rich in resources, including metals, minerals and timber. It is also well placed to be a transit and logistics hub for shipping Russian oil and gas onward to Asia and Asian-made goods deeper into Russia, according to *The Economist*. Yet the region is also a microcosm of Russia, plagued by the problems that impede business everywhere in the country. "In order to create a factory that's 100 square metres, you need 100 square metres of documents," an Asian diplomat laments. Cumbersome customs procedures and poor rail links explain why the export capacity of Vladivostok's port is minuscule compared with similar ports in neighbouring countries.

The biggest question is whether Russia's Asian partners care as much about their neighbour as it does about them, says *The Economist*. Natural resources and energy are of interest, but many Asian countries already have diverse supplies of these. Relations with China, for instance, have become ever less a partnership of equals, with the influence of China's government now eclipsing that of Russia's, said Bobo Lo, an expert in relations between the two countries, to *The Economist*.

With the APEC summit and related investments, Russia has proved that it can pull off big projects in its Far East. Now the region needs less visible, but equally important efforts to improve local governance and economic rules.

