

MADISON'S LUMBER REPORTER

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News & Updates

Madison's Investment Rx

This month's issue of *Madison's Investment Rx* looks at lumber production volumes and sales in spring and forecasts demand for the coming months.

Contact us any time to receive this valuable and timely information!

Madison's Timber Preview

This week's issue of *Madison's Timber Preview* examines the huge timberland, and related assets, sale of Brookfield Asset Management to Weyerhaeuser Corp.

Contact us any time for a subscription!

Sawmill Fire

A lumberyard fire northeast of downtown LaGrange in Oldham County, Kentucky, was contained by late Friday morning after starting in a kiln used to dry wood, a fire official said to the *Courier-Journal*.

The fire at the Northland lumberyard, near Louisville, KY, was reported when a worker at the facility noticed heavy smoke coming from a kiln. Major Keith Smith of LaGrange Fire and Rescue said that by 10:30 a.m. the fire had been contained, but was still smoldering. [READ MORE](#)

Domtar's White River Mill to Restart

Frank Dottori is getting into back the lumber business by reopening a former Domtar sawmill in White River, ON, according to an announcement June 21. Dottori, the founder of forestry giant Tembec, is part of a three-way partnership of private investors, Pic Moberg First Nation, and the Township of White River.

The mill shut down in 2007, throwing almost 250 workers off the job. [READ MORE](#)

Resolute Selects Sawmill Site

After months of suspense, Resolute Forest Products announced June 21 where they are planning to construct their new \$50-million sawmill.

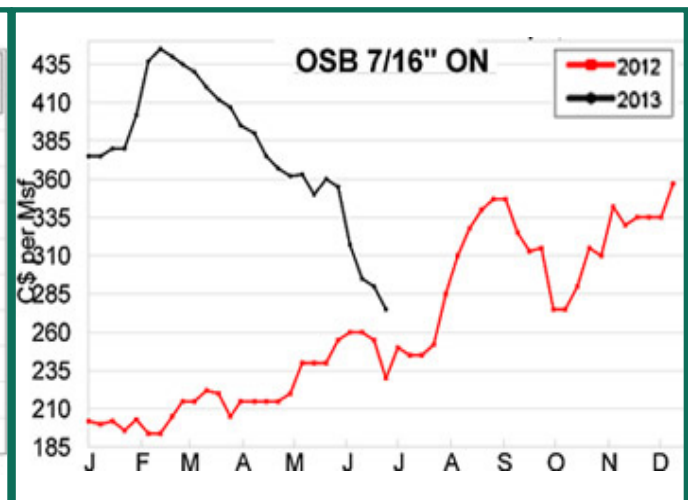
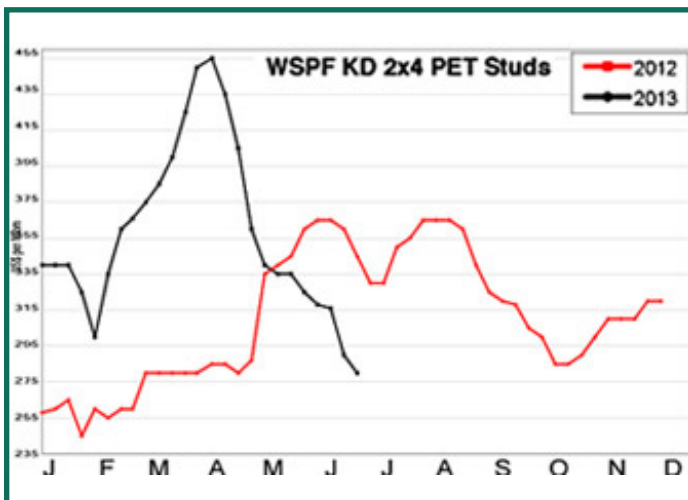
Resolute has chosen the site of the former Buchanan sawmill in Sapawe, ON, which is about 30 kilometres east of Atikokan, ON. [READ MORE](#)

BC Wilfire Response

A letter published in the *Vancouver Sun* at the beginning of last week prompted *Madison's* to get updates on the BC Ministry of Forests, Lands and Natural Resource Management's latest wildfire management strategies.

Referencing Manning Park specifically, Robert Gray, a fire ecologist based in Chilliwack, BC, said June 17 in the *Sun*, "[...] the province should proactively begin the process of reducing the wildfire hazard in the park [...] by treating fuels at the landscape scale."

Madison's has heard similar suggestions expressed by other fire experts, silviculture professionals, and certainly the municipalities most at risk due to increasing fuel loads in the wildfire interface zones around British Columbia's rural towns and cities. [READ MORE ON PAGE 6](#)



CONTINUED FROM PAGE 2 On April 7, 2011, the Ministry announced that the Province was investing another \$25 million into the Strategic Wildfire Prevention Initiative to further protect BC from the threat of wildfires. That initiative would provide 90 per cent of wildfire mitigation funding up to \$100,000 and 75 per cent of the remaining cost, up to a maximum of \$400,000 per year. The \$25 million in funding was in addition to \$37 million provided in 2004, bringing the total government funding for the Initiative from 2004 to 2013 to \$62 million.

These funds are dispersed to communities to manage and to reduce wildfire risk for a 2 km interface zone.

At the beginning of 2013 the Initiative increased the government's share of annual funding to 90 per cent with a cap of \$400,000 for municipalities and First Nations, and of \$600,000 for regional districts. The remaining 10 per cent can be an in-kind

contribution or a cash payment from the municipality, regional district, or First Nation making the application, said a Ministry press release dated December 10, 2012.

"These communities, the municipalities, regional districts, and First Nations, don't necessarily have the know-how to manage and plan for wildfire risk," said Gray to *Madison's* in a phone interview last week. "They have to hire consultants, get information from the timber companies, deal with a lot of bureaucracy and oversight, and eventually they can get bogged down with the sheer volume of work.

"The 2 km buffer around communities amounts to 1.7 million hectares, of that only 43,000 hectares, or 2 per cent, has been treated to date," continued Gray. "Out of 1.7 million hectares at immediate threat of fire danger due to the mountain pine beetle, climate change, and reduced harvest levels, the Initiative only addresses 43,000 hectares."

READ MORE ON PAGE 9

Reed Construction Data : Construction Spending and Materials Prices

Construction Spending

The US Census Bureau reported Monday that total construction spending inched up 0.4 per cent in April to US\$860.8 billion at a seasonally adjusted annual rate (SAAR) following a 0.8 per cent decline in March, according to Reed Construction Data. Year-to-date not seasonally adjusted (NSA) construction spending was up 4.5 per cent compared to the same period in 2012.

Nonresidential building construction was down for the second month in a row, falling 1.4 per cent to US\$288.3 billion (SAAR) in April after decreasing 2.1 per cent in March. Year-to-date spending was down 1.1 per cent (NSA) from the same period in 2012.

Total residential construction spending, which includes improvements, edged down 0.2 per cent in April to US\$308.3 billion (SAAR) after increasing 1.7 per cent in March. The decline in spending was due to a sharp drop in improvements, down 3.3 per cent. New residential construction spending, which excludes improvements, rose 1.5 per cent to US\$200.8 billion after advancing 2.5 per cent in March. Year-to-date NSA total residential construction spending was up 17.5 per cent and new residential construction was up 37.5 per cent from the same period in 2012.

Total public construction spending fell 1.2 per cent at a seasonally adjusted (SA) in April after tumbling 2.9 per cent in March. Year-to-date NSA public construction spending was 4.8 per cent lower than the same period in 2012.

Total private construction spending increased 1 per cent in April after virtually no change in March when it was up 0.1 per cent. Year-to-date NSA private construction spending was 8.9 per cent higher than in 2012.

Outlook for Residential Construction

The outlook for the housing market continues to be positive despite a slowdown in March and April that may have been due to the severe weather in much of the country during those months. Housing prices continue their upward movement in much of the country. On a year-over-year basis the March 10-city and 20-city S&P/Case-Shiller® Home Price Indexes were 10.3 per cent and 10.9 per cent higher, respectively. Both indexes have increased for twelve consecutive months and prices for all 20 cities rose in each of the last four months.

Also, the March Freddie Mac House Price Index was up 6.7 per cent on a year-over-year basis and the FHFA purchase-only home price index was up 7.2 per cent over that same

period. Higher home prices mean that many mortgages that were below water are now above water. With house prices rising, prospective homebuyers have an additional incentive to purchase a new or existing home. Lenders see less risk lending to homebuyers and homebuilders in a market with increasing prices.

Although the Federal Reserve has indicated that it is not likely to raise interest rates in the near term, the financial markets have not been reassured, resulting in higher interest rates. These may encourage some potential home buyers who have been sitting on the fence to make a purchase. The outlook for residential construction remains positive.

The Reed forecast is for new residential construction spending to increase 31.4 per cent this year and to increase 16.1 per cent in 2014.

Construction Materials Prices

Prices for inputs used in nonresidential construction rose in May following two months of decline, said Reed Construction Data Thursday. Meanwhile, steel and copper prices continue to fall. Residential construction input prices were flat for the second month in a row. Drops in prices for softwood lumber, plywood, and OSB, materials heavily used in residential construction and the subject to steep price increases over the past year, helped hold down residential input prices.

The outlook is for nonresidential building materials prices to rise moderately over the remainder of the year.

The US Bureau of Labor Statistics reported that the US Producer Price Index for materials and components used in construction edged down 0.1 per cent (SA) in May after no change in April. The index was 1.8 per cent higher (NSA) year-over-year and was 7.5 per cent higher than in May 2010. Meanwhile, prices for raw materials used in construction or to produce products used in construction decreased 0.3 per cent after slipping 0.1 per cent lower in April. The index was 1.7 per cent higher than in May 2012 and was 6.2 per cent higher than in May 2010.

An index that measures inputs used in nonresidential construction (excluding capital equipment) was up 0.2 per cent (NSA) in May after nudging down 0.1 per cent in April. The index was up 0.3 per cent from May 2012.

An index that measures inputs used in residential construction (excluding capital equipment) was unchanged (NSA) for the second month in a row. The index was up 1.6 per cent from May 2012 and was up 9.6 per cent from May 2010.

Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	294	295	-1	312	-18	290	+4
WSPF KD R/L 2x6	272	278	-6	304	-32	294	-22
WSPF KD R/L 2x8	282	288	-6	295	-13	312	-30
WSPF KD R/L 2x10	322	324	-2	324	-2	360	-38
WSPF KD PET 2x4 Stud	280	290	-10	325	-45	330	-50
WSPF KD PET 2x6 Stud	275	285	-10	325	-50	350	-75
Douglas Fir Green R/L 2x4	273	270	+3	305	-32	348	+25
Douglas Fir Green R/L 2x10	340	350	-10	370	-30	265	+75
ESPF KD 2x4 8ft Stud	355	370	-15	420	-65	395	-40
OSB Ontario 7/16" (CDN\$)	275	290	-15	355	-80	230	+45
CSplywood Toronto 3/8" (CDN\$)	335	335	0	343	-8	413	-78

Weekly News

Fire, Sawmill

CONTINUED The kiln that caught fire was at about 180 degrees fahrenheit and the room was stacked floor to ceiling with about three-truckloads of lumber.

"Luckily, it was a very small kiln and it was contained quickly. The fire department did a great job. Nobody was hurt and that's the real blessing," Northland owner Orn Gudmundsson said to *Wave3 News*.

About 60 firefighters responded to the fire, Smith said.

Smith said the fire began in a kiln filled with lumber but the cause has not been determined. Northland is a family-owned lumberyard and has operated a kiln to dry hardwoods since 1968. Smith called the fire a "fluke incident," said the *Courier-Journal*.

"This room is basically stacked from floor to ceiling, wall to wall with lumber, so the fire itself is very deep-seeded," Smith said.

The fire never spread beyond the kiln, Smith said.

Five fire departments from Oldham County and two from Henry County fought the fire.

White River Sawmill

CONTINUED Stakeholders involved in White River Forest Products

Limited said work on restarting the mill has already begun, according to *CBC*.

The mill has a guaranteed softwood supply of 500,000 cubic metres of spruce, pine and fir. The company is negotiating business-to-business deals to secure another 150,000 cubic metres.

Dottori said that will allow them to produce 150-million board feet of lumber annually and between 100,000 and 110,000 tonnes of chips by next year.

A single shift is expected to start in autumn and a second shift could follow in the spring of 2014. A company news release indicated that up to 180 direct and indirect jobs will be created if the mill becomes fully operational.

Dottori, who holds 49.8 per cent of the private ownership piece, expects to be a hands-on boss for the operation valued between \$20 million and \$25 million, said *Northern Ontario Business*.

The White River site has a 7.5 megawatt cogeneration facility that will use biomass produced by the mill. The company plans to reactivate the cogen plant in 2014.

Resolute Sawmill Site

CONTINUED Resolute Forest Products expects to begin production at the new dimension lumber sawmill by the end of the second quarter in 2014, said the *Thunder Bay News*. The project

will create about 90 direct jobs, with additional positions through harvesting and hauling operations.

Atikokan Mayor Dennis Brown is thanking Resolute for the positive announcement, stating that the facility will mean a great deal to both the town, and the surrounding area.

The project is part of an overall investment by Resolute that began in 2011 of nearly \$200-million into Northern Ontario, positioning the company as the largest lumber producer in Ontario.

Colorado Wildfire

A 125-square-mile fire is blazing its way throughout Colorado forests, said the *National Journal* Thursday. According to the Colorado Office of Emergency Management, the fire is zero per cent contained.

The three wildfires that make up what is being called the West Fork Complex have been burning since the beginning of the month, and officials in the area don't think it can be contained without some help from nature. One incident commander told *Associated Press* that the West Fork fire "likely will burn for months."

A separate fire in the Black Forest was just contained last week. It killed two people and destroyed 500 homes.



BC Wildfire Management

Forest Fire Prevention Initiative

CONTINUED FROM PAGE 6

In a phone interview Monday morning, Lyle Gawalko, Manager of Fire Management at the BC Wildfire Management Branch, explained to *Madison's*, "There is work being done in the interface areas, therefore on the land at large, for landscape fire management planning. We are working to identify management activities in general forests, and have already launched pilot projects in three quite different regions of the province: the Vanderhoof District of the Prince George Timber Supply Area, Merrit, and Squamish."

The pilots will develop objectives to guide land management activities such as the use of silviculture techniques -including tree planting, brushing and spacing - to reduce wildfire risks from hazardous forest

by Kéta Kosman

fuels, said a Ministry release on January 8, 2013. The pilots' results will be used to assess high wildfire threats and identify strategies to improve the fire resiliency of the land in order to further protect communities and infrastructure. The final results will be used for management projects such as the establishment of landscape level fuel breaks, fuel hazard reduction, alternative reforestation, and prescribed burns.

"There is approximately \$6 to \$8 million in funding left for the Initiative in 2013. Our department has informed the government that new funding will be needed to keep the program," Gawalko added, and indicated that the expectation is for more funding to become available.

Mike Pritchard of the Vanderhoof Forest District told *Madison's* in a phone interview Wednesday, "We are bringing the old wall maps, block maps, previously used in District offices for wildfire management, into the 21st century. We are working on a computerized product which will be live, and can transfer data electronically quickly so decisions can immediately be made in the face of a wildfire danger. We are taking the 2005 tool, converting it to a digital format, and making it mobile.

"In essence we are developing a central clearing house of information, taking data from provincial databases which are reported into by - for example - mines and other stakeholders, to get a snapshot of fire danger in April of every year."

Pritchard admitted that there is likely some "very dated forest inventory data" included in the information being gathered.

"The next step, which is being done now, is to 'ground-truth' the data; to spot check for fuel types, to check the validity, and then to extrapolate to a wider area," Pritchard detailed. "Right now we are also dealing with the question of how to manage the data. We want to make the best use of the information we have at the time of a fire, and since the new tool will be live there will be new data coming in all the time."

Pritchard said the goal was to end up with a portable product which could be loaded onto a device, for example an iPad, then taken out into the field during an actual fire.

"In doing a fire analysis, staff could take the mapping system out into the field, let's say if they are in a helicopter flying the perimeter of a fire. The tool will have GIS capability, then we could monitor if the fire escapes containment over the critical 72 hour period."

When asked about the rest of the province, Pritchard said, "Once we have the information from those three very different regions of the existing pilot projects, it is just a matter of formatting so the tool works across the province."

Lori Daniels, Forest Ecologist and Associate Professor at the UBC Department of Forest Sciences, wrote in the UBC Faculty of Forestry's *Branchlines* January issue, "Implementing these new wildfire management strategies may be challenging. It will require developing new expertise among forest and fire professionals, support and cooperation from the public and rural communities, and funding from multiple levels of government."

Daniels explained to *Madison's* Wednesday in a phone interview, "My team has been studying how historic fire regimes worked. Traditionally, foresters believed that most fires were stand-replacing fires. But field evidence does not support this - we have been collecting data on how frequent fires burned and what was the ranged of severity.

"Low- and moderate-intensity fires were common and extremely important in the past. There are 'surface' fires with lower intensity which are easier to put out. As a result, these types of fires have been effectively eliminated by fire management policy during the 20th century. Humans effectively eliminated less intense fires from the landscape beginning in the early 1900s through land-use change, and almost entirely after the 1940s with effective fire suppression. Since then, there have been almost no low- to moderate-intensity fires."

Daniels and her team conducted tree ring analysis of fire scarred trees to assess the frequency of fire scars. Fire scars pro-

vide direct evidence of past low-intensity fires that damage but don't kill trees.

"The most affected ecosystems are forests in the Ponderosa Pine, Interior Douglas fir, as well as the Montane Spruce, Interior Cedar Hemlock and even some of the drier subzones of the Englemann Spruce-Subalpine fir BEC zones," Daniels detailed. "Since our land use changed with European settlement and we have been putting out the low-severity fires, there have been fuels building up in the forest. As well, the understorey density has increased, and ladder have been created. There are literally thousand of sub-canopy trees competing for water with canopy trees. Right now the climate, the fuel loads, issues with the subcanopy, all combine to make conditions primed for fire. Conditions are prime for potentially much more severe fires in many of the drier forest types of the province than burned in the past."

"The province's new wildfire management program is progressive, the range of mechanisms for fire management are more diverse," continued Daniels. "Especially a modified fire response, letting some fires burn is a good idea. As for the management of the interface zones, this work has been downloaded to the municipalities which have experience in urban fires, fires in infrastructure, but not with forest fires. The approach in BC is to fund individual municipalities, each of which then has to find their own solutions to interface fuels and wildfire problems.

"In 2003, total costs are estimated at \$750 million to put out the fires, to rehabilitate the environmental damage, and in insurance costs. Right now the province is spending only \$1 to \$2 million per year on pro-active ecological restoration. There is a lack of political and public understanding of how big the problem is.

"A lot of forest and fire management decisions in the past were economically-driven. The forest industry has been primarily using even-aged silvicultural systems, thinking they were emulating stand-replacing fires. This has resulted in homogenized stands and landscapes around BC. Since there used to be other types of fires as well, and in the absence of the range of severities of fires, the province is losing the diversity of a multi-age forest and complex landscapes," concluded Daniels. "There was a lot of careful thought put into past management decision, but because they were driven by economics and optimizing yield, we did not realize a consequence was to alter and homogenous our forests. Going forward we need to keep our options open, hopefully applying new management to diversify the forest, and to make long term investment to maintain the forest for sustainable resource management. The cumulative effects of past management actions like fire suppression and silvicultural practices are fairly substantial. We are now aware of things about historic fires and forest dynamics that we didn't know before."