

MADISON'S LUMBER REPORTER


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News & Updates

Babine Sawmill Rebuild

The rebuild of the Babine Forest Products Sawmill just east of Burns Lake, BC, is moving forward on schedule after only a few months into construction, according to *HQPrinceGeorge* Wednesday.

Following the explosion at the former mill in 2012 that left two people dead, the new mill will be a third smaller in size, however it will still employ hundreds of local workers.

Hampton Affiliates CEO Steve Zika says they're excited to see the project moving forward so smoothly.

"It's moving along on schedule and the weather is mostly cooperating, we had a little bit of rain recently but as we planned the cement is going on throughout the site the last week or so."

Zika says crews will soon be starting work on the buildings that will house planers, saws and machinery. Hampton Affiliates is expecting to complete the build by late 2013 and start production early next year.

Canada's Trade Confidence

Export Development Canada's semi-annual trade confidence index, released June 27, rose to 72.6, up from 70.7 in last autumn's survey.

Recent indicators suggest the US economy is gaining momentum, though the first quarter was slower than initially believed. The housing sector is coming back, retail sales are strong and the economy is generating jobs at a much faster clip than a year ago.

Eight out of 10 exporters reported either higher or flat orders from US customers, up from 75 per cent last fall, according to the EDC index.

The survey also reflects less concern about both Europe and emerging markets.

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US Forest Policy Discussions

Congressional Republicans, who have long tangled with Democrats and environmentalists over how aggressively to remove trees and other vegetation from national forests, will renew their push for stepped-up thinning as a result of the deaths of 19 firefighters in Yarnell, AZ, said *TribLive* Wednesday.

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Economy, Jobless Rate, US

Americans had more to celebrate on the Fourth of July than they realized: The US economy added 195,000 jobs in June and more than 70,000 jobs than previously thought in April and May, according to the monthly employment report released Friday morning.

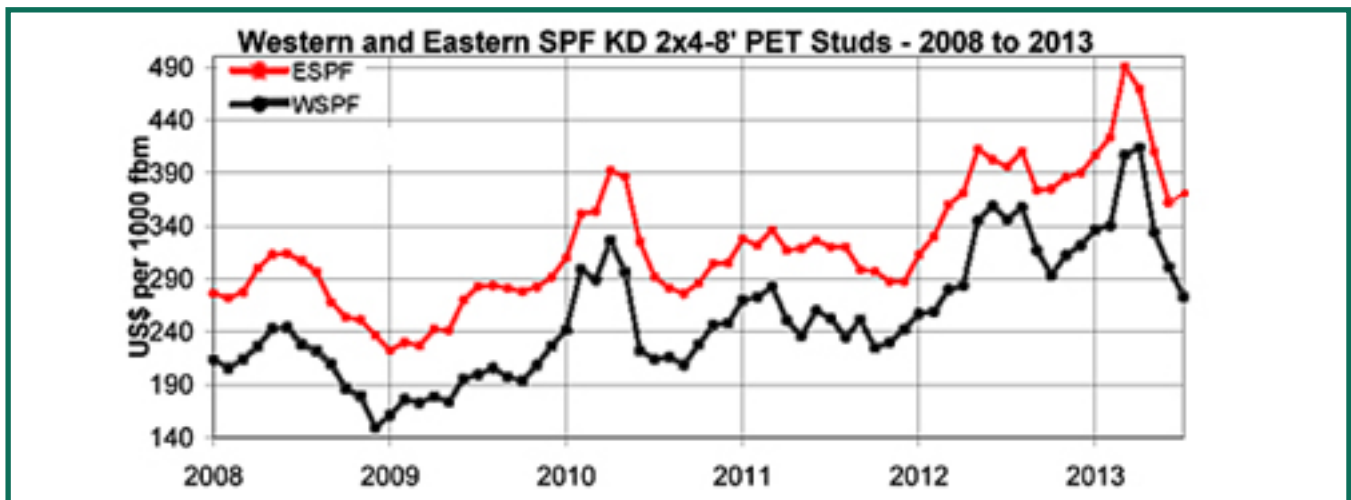
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ICPFA Sustainability Progress Report

A report released in mid-June assesses the levels of compliance with third-party forest certification in various regions globally.

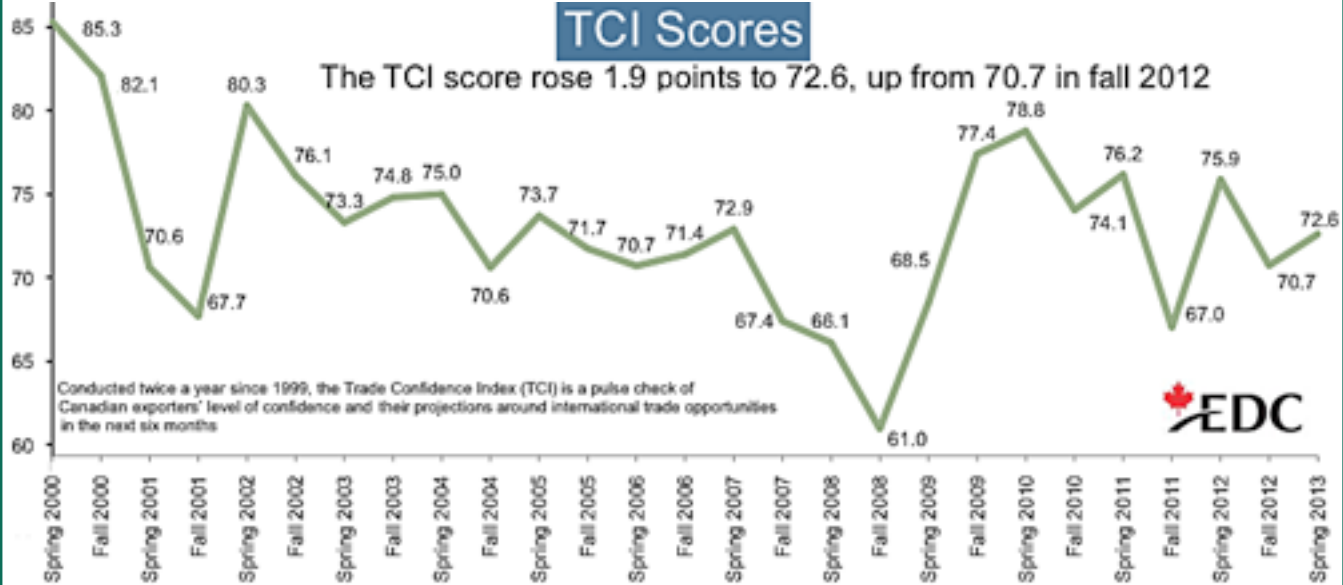
Canadian forest company practices were rated the highest in the world.

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TCI Scores

The TCI score rose 1.9 points to 72.6, up from 70.7 in fall 2012



Conducted twice a year since 1999, the Trade Confidence Index (TCI) is a pulse check of Canadian exporters' level of confidence and their projections around international trade opportunities in the next six months



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	300	294	+6	312	-12	286	+14
WSPF KD R/L 2x6	270	272	-2	304	-34	286	-16
WSPF KD R/L 2x8	280	282	-2	295	-15	308	-28
WSPF KD R/L 2x10	328	322	+6	324	+4	360	-32
WSPF KD PET 2x4 Stud	273	280	-7	318	-45	330	-57
WSPF KD PET 2x6 Stud	273	275	-2	315	-42	345	-72
Douglas Fir Green R/L 2x4	295	273	+22	295	0	250	+45
Douglas Fir Green R/L 2x10	360	340	+20	370	-10	270	+90
ESPF KD 2x4 8ft Stud	370	355	+15	410	-40	395	-25
OSB Ontario 7/16" (CDN\$)	275	275	0	317	-42	250	+25
CSplywood Toronto 3/8" (CDN\$)	338	335	+3	317	+21	413	-75

Weekly News

Canadian Export Index

CONTINUED The 72.6 reading is still below the index's recent peak of 78.8, reached in the spring of 2010. But it's roughly in line with the average seen from 2003 to 2007.

Peter Hall, EDC's chief economist, pointed out that Canadian exports have been increasing at an annual rate of 12 per cent over the past six months.

The increase from last autumn cut across virtually all regions and business sectors.

Confidence rose in five of six industries tracked in the survey, led by resources such as agriculture and forestry, which increased to 72.1 from 67.3. The extractive category, covering mining, oil and gas, fell to 69 from 73.2, according to the report.

Meanwhile, Canada's trade deficit shrank by almost 70 per cent in May from April but only because imports fell twice as fast as exports did, Statistics Canada said in a downbeat report Wednesday.

The trade deficit – the 17th in a row – dropped to \$303-million in May from an upwardly revised \$951-million in April.

Exports dropped by 1.6 per cent as shipments of metal and non-metallic mineral products dropped by 15 per cent while motor vehicles and parts fell by 3.8 per cent.

Forest Management, US

CONTINUED A meeting has been called at the House natural resources subcommittee on public lands and environmental regulation next Thursday to examine how "excessive growth" in forests may be adding to the risk of wildfire.

The hearing will focus on how "unnatural, unhealthy forests increase the risk of wildfire," according to a news release from the panel.

Environmental groups have been wary of past GOP plans to more aggressively thin forests, saying the efforts are driven by logging companies seeking to loosen protections in national forests.

Oregon Democrat Ron Wyden, chairman of the Senate Energy and Natural Resources Committee, has long criticized the White House's plan to slash funding for a program that pays to remove "hazardous fuels — brush, diseased trees and dead vegetation — before the fire season starts.

The administration's 2014 budget request to Congress seeks US\$296 million for hazardous-fuels reduction — sharply lower than the US\$502 million Congress set aside in fiscal 2012.

That's bad policy, Wyden said, especially when a long-running drought and extreme heat have heightened the fire risk in the West.

US Economy, Jobs

CONTINUED Private-sector employment expanded by 185,000 from May to June, according to the ADP employment report released earlier in the week.

While the government's employment data point to a US economy on the mend, Friday's jobs figures also show the continuation of some negative trends. While the unemployment rate stayed constant at 7.6 per cent in June, a broader measure that includes workers who are out of work, underemployed, or discouraged from finding a job bounced up to 14.3 per cent, half a percentage point higher than in May. Those working part-time but wanting full-time work increased 4 per cent to some 8.2 million.

In total, the jobs report encouraged US markets on post-Independence Day trading, with the Dow Jones Industrial Average rising more than 1 per cent in trades before the opening bell.

Calendar

September 2013

Who Will Own the Forest? 9
September 17 to 19 – Portland, OR
<http://wwotf.worldforestry.org/wwotf9/>



Forestry and Sustainability

Global Report, 2013

The International Council of Forest and Paper Associations (ICFPA) points to the Canadian forest industry's excellent environmental credentials in its *2013 Sustainability Progress* report, released June 15.

ICFPA is an organization of national and regional forest and paper industry associations, whose purpose is to serve as a forum of global dialogue, coordination, and cooperation among its member associations. It also provides member association executives opportunities to discuss issues of interest to the international forest and paper industry, such as: sustainable forestry standards; climate change; and, the environmentally preferable nature of forest products. ICFPA activities do not include business promotion.

The ICFPA has consultative status with the UN Economic and Social Council (ECOSOC) and the UN Food and Agriculture Organization (FAO) and its statements include positions on illegal logging, sustainable forestry management, forest plantations, climate change and sustainability.

The ICFPA and its members have made strong and clear commitments to sustainable development and to working with other stakeholders in ensuring that environmental, social, and economic benefits of forest resources are available to current and future generations. Since the signing of the historic CEO Leadership Statement on Sustainability in 2006, ICFPA has published a biennial report on its members' progress and performance in areas such as climate change, sustainable forest management, fighting illegal logging, and investments in workers and communities.

In addition to reporting on performance, this 4th edition of the Sustainability Progress Report describes how the forest and paper industry is supporting a green economy through five key areas: resource efficiency, bio-based products, innovative technologies, carbon sequestration, and improved well-being of communities.

The latest ICFPA global forum notes that the forest sector in Canada has more than 150 million hectares of independently certified forest, or 40 per cent of the global total; that between 2007 to 2011 Canada dramatically cut greenhouse gas emissions by 21 per cent; that energy use went down by 32 per cent between 2005 to 2011; and that in that same time period, Canada's

forest sector reduced the amount of waste sent to landfill by 30 per cent, slashed particulate matter and sodium oxide by 56 per cent and total suspended solids by 72 per cent.

The progress report also noted that the Canadian forest industry has pledged to be carbon neutral industry-wide by 2015.

"We welcome the acknowledgement that Canada's forest sector has a positive environmental record that continues to improve," says the President and CEO of the Forest Products Association of Canada (FPAC), David Lindsay. "We do not intend to rest on our laurels but under our Vision2020, we are aiming to further reduce our environmental footprint by an additional 35 per cent by the end of the decade."

The ICFPA also noted that FPAC is one of the global players that is developing strategies to help the sector transition towards the green economy with initiatives such as the Bio-Pathways Partnership Network.

Canada's vision for making innovative products from wood fibre using nano-science was acknowledged in the report as well. For example, the report noted that FPInnovations brought in the world's first state-of-the-art demonstration plant that produced nano-crystalline cellulose from wood fibre for use in everything from bone replacement to cosmetics.

"Canadian mills are continuing to look at pioneering ways to extract more value from every tree in the form of innovative bio-products," says Lindsay. "It's rewarding to see this international forum recognize our growing contribution to the green economy."

Looking at the US, American Forest & Paper Association (AF&PA) members have reduced GHG emissions intensity by 10.5 per cent since 2005. From 2000 to 2010, AF&PA members' absolute GHG emissions decreased 40 per cent – a major improvement from the previous reporting period where absolute GHG emissions dropped 26.5 per cent between 2000 and 2008. The drop was a result of a combination of lower production, increased efficiency and greater use of forest biomass.

Nearly two-thirds of the energy used at member-company pulp and paper mills is generated from carbon neutral biomass, which has captured and sequestered carbon during the timber growing cycle. In addition, industry efforts to increase society's paper recovery rate are reducing the amount of paper products being sent to landfills that contribute to GHG emissions as they decompose.

"Ours is a diverse industry that contributes to the economic development and social well-being of communities across the globe," said Donna Harman, president and CEO of the AF&PA and president of the ICFPA. "Our global industry is working every day to improve our practices to ensure that we deliver sustainably-produced, renewable, natural products to our domestic and global customers. We are proud of our accomplishments and look forward to future progress as we contribute to sustainable development through new products and services in a green economy."

AF&PA's sustainability initiative, Better Practices, Better Planet 2020, includes the goal to reduce the industry's GHG emissions intensity by at least 15 per cent by 2020.

As for Europe, the ICFPA report notes that the Confederation of European Paper Industries (CEPI) is a member of third-party forest certifiers FSC International and the PEFC Council. Most recently, CEPI tabled motions at the general assembly of FSC in Malaysia to lift the distinction made between pre- and post-consumer recycled fibre, considered to be not relevant in today's industry as all types of paper are recycled.

In 2010, the total surface of certified forests in the CEPI countries reached 86 million hectares (taking into consideration the UNECE assumptions on forest surfaces that are certified by both FSC and PEFC), an increase of 6 million hectares from the previous ICFPA Progress Report. This accounts for nearly 53 per cent of the total forest area in the CEPI member countries. Comparably, 92.2 per cent of forests managed by European pulp and paper companies are certified.

Nearly 18,000 Chain of Custody certificates were granted in CEPI member countries by both certification systems, more than a 50 per cent increase since 2010. Sales of Chain of Custody products have also increased. For instance, sales for paper, tissue and board are now 25 per cent of total sales, compared to 13 per cent in the last report.

CEPI published a report in November 2012 entitled "Resource efficiency = cascading use of raw materials." It highlights that using wood as raw material creates five times more value and seven times more jobs compared to converting it directly into energy.

The full ICFPA 2013 report can be found here : <http://www.icfpa.org/uploads/Modules/Publications/icfpa-2013-progress.pdf>