



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	368	368	0	368	0	408	-40
WSPF KD R/L 2x6	354	354	0	354	0	394	-40
WSPF KD R/L 2x8	338	338	0	338	0	374	-36
WSPF KD R/L 2x10	400	400	0	400	0	408	-8
WSPF KD PET 2x4 Stud	355	350	+5	350	+5	450	-95
WSPF KD PET 2x6 Stud	305	305	0	305	0	425	-120
Douglas Fir Green R/L 2x4	340	360	-20	360	-20	392	-52
Douglas Fir Green R/L 2x10	405	427	-22	427	-22	415	-10
ESPF KD 2x4 8ft Stud	395	400	-5	400	-5	500	-105
OSB Ontario 7/16" (CDN\$)	230	225	+5	225	+5	412	-182
CSplywood Toronto 3/8" (CDN\$)	385	370	+15	370	+15	394	-9

Weekly News

AFPA 4Q 2013

CONT'D FROM PG 2 Alberta Forest Products Association-member companies produced 3.2 billion board feet of lumber in 2013 with a value of \$1.2 billion, the agency said Friday. Part of this production came from the secondary manufacturing sector. Total production volumes increased 227 million board feet, or 7.6 per cent, from 2012, while values increased \$264 million, or 29 per cent.

For 4Q 2013, production totalled 771 million board feet with a value of \$298 million. Compared to 4Q 2012, lumber production was up 25 million board feet, or 3.4 per cent, and values increased \$56 million, or 23.3 per cent. Compared to 3Q 2013, production volume dropped by 84 million board feet, but stronger prices caused values to increase by \$8 million, or 2.7 per cent.

AFPA-member panelboard operators produced 1.1 billion square feet of 7/16 inch equivalent product in 2013, valued at \$362 million. Production increased from 2012 by 18 million square feet, or 1.6 per cent, and values were up \$21 million, or 6.3 per cent.

For 4Q 2013, panelboard production was 283 million square feet with a value of \$85 million. Compared to the 4Q 2012, production was up 5.6 million square feet, or 5.6 per cent, but values declined by \$5 million, or 5.9 per cent. In comparison to 3Q 2013, production increased by 6 million square feet or 2 per cent and values were up by \$2 million or 1.8 per cent.

PwC Forestry 4Q 2013

CONT'D FROM PG 2 In the US, improved pricing and productivity gains allowed the nine US-based for-

est and paper companies in the survey to post strong results, said PwC Monday. Net earnings of US\$2.2 billion for 4Q 2013 are up from US\$0.9 billion in 4Q 2012.

Western Canadian based companies posted net earnings of \$48.3 million, compared with net earnings of \$85.9 million in 3Q and net earnings of \$10.6 million in 4Q 2012.

Eastern Canadian based companies posted net earnings of \$7.9 million in 4Q, compared to net losses of \$561.7 million in 3Q 2013 and net losses of \$47.6 million in 4Q 2012.

US based forest and paper companies reported net earnings of US\$2.2 billion for 4Q, up from US \$1.6 billion in 3Q and US \$0.9 billion in 4Q 2012.

European based forest and paper companies reported net earnings of €243.7 million for 4Q 2013, down from €526.0 million in 3Q 2013, but an improvement from net losses of €972.3 million in 4Q 2012.

Six of the largest forest and paper companies in Japan posted net earnings of US\$321.5 million in 4Q 2013, up from US\$282.1 million in 3Q 2013.

BC Forest Practices Board Statement

A report released Tuesday on British Columbia's forest industry's harvesting of beetle-killed timber confirms that industry has been meeting government's expectations for concentrating harvesting on dead pine trees, but says the harvest of other kinds of trees is increasing more than expected in some areas of the province.

The report looks at government's records of what was harvested throughout the area affected by the mountain

pine beetle epidemic. "Over the last four years, the total amount of pine in the harvest has been steadily decreasing and was under 60 per cent of the harvest last year," said the Forest Practices Board report.

The situation in beetle-affected forests is changing quickly. The board is encouraging government to re-evaluate decisions about what should be harvested in those areas, taking into account the current dynamics of salvage harvesting, says the report.

Resolute Announces

Resolute Forest Products, also based in Montreal, QC, Thursday announced a \$105 million upgrade to its Calhoun, TN, pulp and paper mill, including the installation of a modern continuous pulp digester and other wood chip processing equipment. When completed by mid-2016, the project will contribute to significantly lower the mill's costs, increase its pulp capacity and improve the mill's versatility.

Goodfellow Reports

Delson, QC's, Goodfellow announced Tuesday its financial results for 2Q ended February 28, 2014. The Company reported a net loss of \$0.3 million, or \$0.04 per share, compared to a net loss of \$0.9 million, or \$0.11 per share, a year ago. Consolidated sales for 2Q were \$95.4 million, the same as the previous year. Sales in the US and export activities continued to be strong throughout 2Q, while sales in Canada declined.

For the six-months period the Company generated net earnings of \$0.9 million, or \$0.10 per share, compared to net loss of \$0.2 million, or a loss of \$0.02 per share, a year ago. Consolidated sales for the six months of fiscal 2014 were \$205.7 million, compared to \$207.5 million for the same period a year ago.

2006 Softwood Lumber Agreement Recent Developments

In an open letter to certain media outlets, the lobby group representing Quebec's forestry companies said Thursday the Canadian government has failed to respond to repeated requests it live up to the spirit of the 2006 Softwood Lumber Agreement by pushing the United States to agree to a bilateral review of the province's stumpage system.

The Conseil argues that, since Quebec "revised radically" its stumpage system last year, the province's system is more market-oriented than what exists in the Atlantic and yet the latter are excluded from export taxes and other restrictions but not Quebec.

A provision of the lumber agreement provides for the provinces to have their stumpage systems examined if they are shown to be "market-determined" and can satisfy the US that sawmills are not benefiting from illegal subsidies.

In response the QFIC, Foreign Affairs and International Trade Canada (FAITC) released a statement saying, "The Softwood Lumber Agreement continues to enjoy strong support from industry and all provincial governments for the stability and predictability it provides. At current market prices, all Canadian exports of softwood lumber have duty free and quota free access to the US market as a result of the agreement.

"The 2006 Softwood Lumber Agreement is set to expire in October of 2015 and the federal government wants to extend it beyond that for another five years or more," said FAITC, according to the *Globe and Mail*.

Elsewhere this week, in response to an LCIA ruling on penalties collected under an SLA ruling in January 2011, Canada's Trade Minister, Ed Fast, said in a news release Wednesday that Ottawa will now cease collecting export charges from Quebec and Ontario producers and refund any that were collected after October 2013.

The levies were applied as a result of a ruling that assistance provided to the troubled forest industry by those two provincial governments constituted subsidies and thus violated the softwood lumber agreement.

At the time, the LCIA found that Quebec and Ontario had provided new subsidies to softwood lumber producers in breach of the SLA. The LCIA tribunal determined that additional export taxes on lumber shipments from those provinc-

es to the US were necessary to compensate US industry for these violations.

The Tribunal expected these export taxes to amount to \$59 million by the then-scheduled expiration date of the SLA in October 2013. However, as of mid-2013, less than \$20 million had actually been collected, according to a release by the US Lumber Coalition Thursday.

It is puzzling to Madison's that the forest industry in Quebec would need to petition the federal government, and outrageous that there has been no response — according to the QFIC — when there is a mechanism in the SLA to address such regional issues.

According to Article XII of the Agreement, the Canadian and US governments were supposed to establish a Working Group on Regional Exemptions within three months of signing the SLA. This Working Group, one of several mentioned in the Agreement, was meant to "develop substantive criteria and procedures for establishing if and when a Region uses market-determined timber pricing and forest management systems" so its exports of Softwood Lumber Products to the United States qualify for exemption from the Export Measures.

"The Parties shall make best efforts to incorporate the results of the Working Group's work into an addendum to the SLA 2006 within 18 months after the Effective Date," states the SLA.

In its October 12, 2006 announcement of the signing of the SLA, the US Commerce Department website mentions the Committee to Oversee Future Implementation of the agreement, which includes supervising working groups that are established to address specific issues. One working group will also develop substantive criteria and procedures for establishing whether a region in Canada uses market-determined timber pricing and forest management systems, which could exempt that region's softwood lumber from the agreement's export measures. The Commerce Department will play a significant role in the Softwood Lumber Committee and the working groups, says the website.

Madison's couldn't find a single reference on all of the internet to any work or meetings at all by the Working Group on Regional Exemptions to the present.

Anecdotal evidence suggests that this Working Group was never formed.

In its own statement released Wednesday, the US Lumber Coalition said it believes that any new trade agreement with Canada governing softwood lumber trade should pro-

vide for more automatic adjustments to export measures that reflect, using objective and results-based measures, the benefits that Canadian lumber producers receive from government timber pricing systems and other subsidies. This would allow for adjustments to offset any increased benefits without resort to arbitration, while offering Canadian provinces incentives to adopt verifiable improvements in market pricing for timber, says the US Lumber Coalition.

The 2006 Softwood Lumber Agreement was initially set to expire in October 2013. Quebec has always wanted to talk about exit ramps for provinces making changes to its stumpage rates, and embarked in earnest on a market system for timber in April 2013. Now both countries have agreed to extend the current agreement until October 2015.

If Canada's foreign affairs department really wants to "extend it beyond that for another five years or more" as FAITC is quoted in the *Globe and Mail*, then it seems the full intent of the initial agreement should be put into play first.

Mechanisms which exist in the current agreement to address regional concerns, such as those brought up by Quebec, are not being used. It seems premature, at best, to talk about renewing the agreement as long as this omission exists.

Mid-Friday Tembec, out of Montreal, QC, released a statement reiterating support for the SLA. The statement reads, in part:

Recent media reports have made broad generalizations about the views of the Quebec forestry industry, we would like to correct the record.

As recently as this week, the Softwood Lumber Agreement again proved its effectiveness in supporting the interests of the Quebec and Ontario forestry industry. On March 26, 2014, a Softwood Lumber Agreement Tribunal ruled in favor of Canada, resolving an ongoing dispute with the United States over when a 2011 award issued by the same Tribunal is satisfied. This demonstrates Canada's close relationship with the United States and its ability to efficiently resolve matters related to the Softwood Lumber Agreement. The embedded process in the Softwood Lumber Agreement to resolve issues as they arise between the two countries will ensure an enduring agreement.

Tembec is pleased with the ruling and appreciates the Government of Canada defending the interests of the softwood lumber industry and for its recognition of the vital economic importance this agreement has for all regions across Canada.