

# Truck Loggers 2014

## AGM

It was a rollicking time last week in downtown Vancouver, BC, for the 71st Annual Truck Logger's Association convention and trade show. The TLA's theme this year was "The Business of Logging - A New Era".

So it is not just for coastal operators but in the interior as well. A boisterous crowd pressed themselves into overbooked venues for the many workshops and speeches. The ebullient mood of attendees, mostly from coastal logging, trucking, and sawmilling operators, was dramatically tempered by insightful presentations and candid comments by various industry professionals.

Fast on the heels of the recent BC government announcement of a new kind of forest license, for the Westbank First Nation, the first day of the conference was devoted to workshops explaining the details and logistics for First Nations, and municipalities and community forests, interested in applying for these new 15 or 20 year renewable woodlot licenses.

There were four extremely information sessions held; starting with a general overview then drilling down to details specific for logging contractors and timber harvesters. Speakers included: Angeline Nyce of Nyce Law Corp, representatives from the Ministry of Forests, WorkSafe BC and the BC Forest Safety Council, as well as RPFs from a few log contracting and consulting services.

The prescription on the ground is very similar to current BC models, and fully incorporates globally recognized stewardship standards and chain of custody requirements. Existing operators in BC should have no problem being in compliance, and there are staff at various Ministry of Forests departments available to help with navigating the new paperwork.

The second day started off strong, with the first session devoted to wood product, pulp and paper, and log market information and forecasts.

Stepping in for Daryl Swetlishoff of Raymond James was ERA's David Elstone, to speak on the global outlook for lumber and panels.

"We estimate 4 to 5 billion board feet of solid wood capacity coming back online across North America," said Elstone. "BC production will probably approach 12 billion board feet this year before dropping in 2015 and 2016. The looming Canfor and West Fraser sawmill closures, recently announced, account for about 5 per cent of total BC production.

"In the BC interior, lumber production will be 8.5 to 10 billion board feet."

Next up was Michel Valois, of Valois Vision Marketing, to talk about the pulp market.

"There were 116 paper machine closures in North America and Europe from 2010 to 2014," began Valois in a very sobering presentation. "In copy paper and newsprint alone, 7.6 million metric tonnes have closed. These changes are both cyclical and secular; peoples' habits are changing. There will be another 4 to 500,000 tonnes drop in North American and European production just this year.

"China's pulp imports in 1990 were 400,000 tonnes, in 2013 it was 17 million tonnes. Of that total, 1.8 million tonnes was dissolving pulp. Brazil is becoming the fibre basket for incremental demand of pulp and eucalyptus fibres."

Al Deggan, Director of Marketing and Distribution at Island Timberlands explained some of the challenges and opportunities for log markets on the BC coast.

"Foreign exchange rates, local costs, and demand from Japan will continue to keep the spread between export and domestic log prices," said Deggan. "Wood

manufacturers in Japan are heavily subsidized; their allowable cut can increase from 25 per cent to 50 per cent locally. Meanwhile China is getting close to becoming customer of 50 per cent of global softwood log exports."

Deggan said that this is a "nice stable level at this point."

"The BC coast accounts for 2 per cent of global lumber production and 10 per cent of global softwood log exports."

Following these presentations was held a Q&A with the audience.

To the question, 'What would you ask the BC government to do?' Deggan answered, "I would ask for similar incentive as the 2010 federal Green Transformation Funding.

"The BC government is looking at lot at social values," Deggan detailed. "The government should look first at economic values then look at ways to improve social values through that."

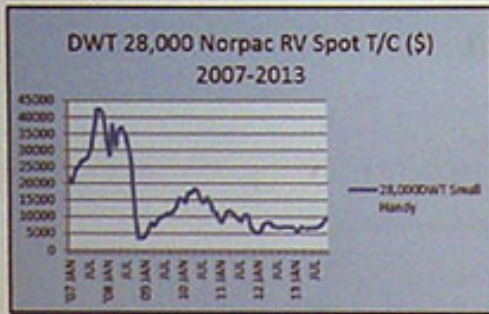
The next session, titled "Survivors of the Logging Sector" had five veteran logging contractors talking about their business experiences over the decades and thoughts for the future.

There were several references to Bill 28, or 'take back' as part of the government's 2003 forest revitalization plan, Bill 13 (which was described as having 'no teeth'), and the lack of diversity of tenure in BC. Other hot topics were: the ability to get financing especially now that Forest and Marine is gone; planning for retirement; and problems sourcing skilled trades and labour.

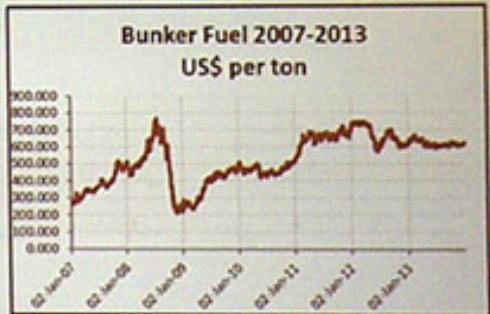
by Kéta Kosman

### Transportation, Shipping Costs

#### Norpac History



#### Bunker Fuel



More than 75% of BC Log exports have gone to Asia in the past few years

- Current Day Charter rate – 10 year avg. \$15,000 - current rate below cost
- Fuel price high but stable
- Daily rate/Fuel roughly 50%/50%
- Current approx. cost 32DWT vessel \$1.2 million USD. 34km<sup>3</sup>= \$35/m<sup>3</sup>
- Influence cost by vessel size and one port calls

SOURCE: Island Timberlands