

A large stack of cut logs is the central focus, piled high and showing the circular ends of the trees. The logs are stacked in a somewhat haphazard but dense manner. In the background, there are snow-capped mountains under a cloudy sky. The foreground is dark, earthy ground with some sparse vegetation.

Local Log Markets

Past, Present, Future Trends
(from a log sellers perspective)

Nakusp Log Markets

Goals of this short talk/discussion:

- Illustrate the local log market from a log sellers perspective.
- Realization that it's a buyers market.
- Change perspectives and look at it differently
- What might work here to add value?

Current local log products

Douglas-fir

Typical Grades: 90%

- Premium Sawlog /Metric/Peeler log- 2 buyers
- Commodity sawlog - one buyer or sent mixed with premium logs.

Other: 10%

- Dry larger logs – post and beam / specialty log – some local uptake.
- Dry sawlog / small log = pulp, destination is the nearest log dump.
- Firewood
- Roundwood products
 - Fir poles – very limited
 - Piling – limited and seasonal local market
 - Boom sticks – limited

Cedar

Typical Grades :

- Poles (2-10%) – local partial processing – 2 buyers
- Sawlog (85-90%)– 5”top – up to 3 buyers, typically 2
- Post and rail (2-5%)–thin shelled cedar log - local market
- Shake wood – local market but not much in local log profile

Other:

- Larger sawlog -8” top – pole butts, pole rejects, local market

Hemlock

Typical Grades:

- Sawlog – one buyer
- Pulp – one buyer

Other:

- Peeler? Sporadic market and usually outside of economic range
- Hemlock is an enigma because the wood qualities are great! Sadly for the log seller it is often a financial liability as soon as it is cut.

Whitewood (SPF)

Typical Grades:

- Sawlogs –one buyer
- Pulp if dry– one buyer

Other:

- Peeler – Possible in peak market conditions
- Oversize – (spruce), usually not in profile

Larch

Typical Grades:

- Sawlog (80%)–one buyer – marginal
- Dry (20%)- pulp, one buyer, low price

Other:

- Oversize – small supply, very pleasing wood qualities.
- Firewood – good local demand

White Pine

Typical Grade:

- Sawlog – can be hard to sell - now a periodic demand, small market.
- Pulp - A lot of it now goes as pulp because of transport costs

Storage issues because it spoils.

Dry logs go for pulp, firewood mixed with fir/larch or as waste.

Hardwoods

Birch – small local market for lumber

Spoils easily, quality has declined due to pests and age

Some demand as firewood but most prefer fir/larch!

Cottonwood, Aspen?

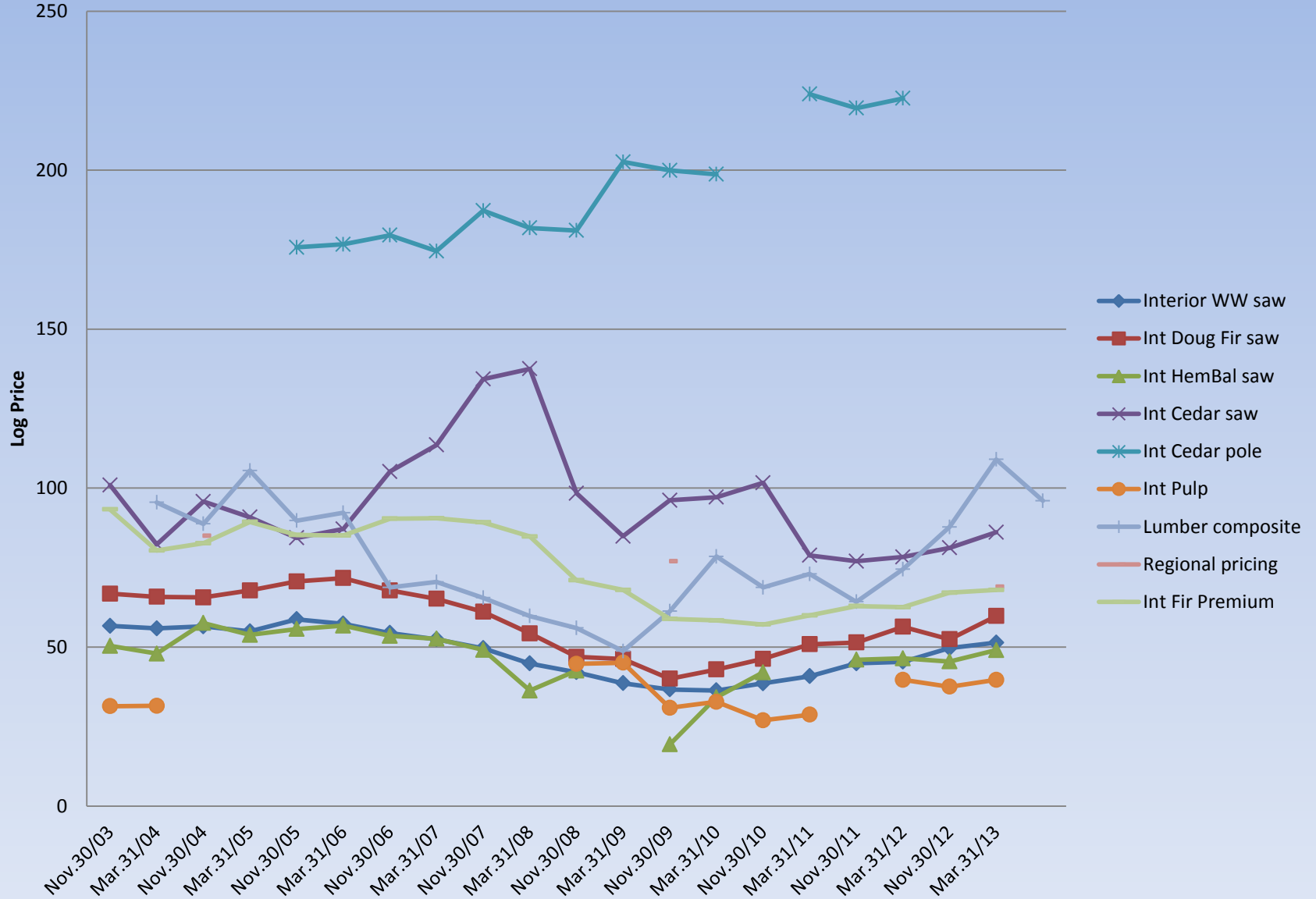
Some regional historic pricing

Log Sales Trend Data (all values in \$ per cubic metre)			
	2004	2009	Oct.2013
Peeler and Metric wood	95	60	75-77
Sawlogs	65	50-55	42-49**
Cedar sawlog	120	85	80-90
Pulp	55	45	35
Global sawlog Index: PNW/Canada		66.90	86.20
Actual log sale averages (FOB Mill)	85	77*	69

* Harvest targeted fir/cedar products

** High end only achieved with large tops, specific lengths (+waste, +pulp)

10 year price trends



Local log market realities

- All outlets for logs are needed – large and small.
- The recession fundamentally changed local markets.
- Mill closures –Meadow Creek, Slocan
- Some premium log markets disappeared.
- Mills are v. specialized and use particular species and grades.
- Mills occupy distinct niches in the market place.
- Each niche has one or maybe two buyers.
- Log prices are usually disconnected from lumber prices. They lag and miss spikes and dips.
- Mills pay what they need to pay. It's business!
- Log sellers are generally price takers.

Realities Continued

- Can't pull too many premium logs without downgrading the rest!
- Mills merchandize their wood supply much better now.
- 2008-2012 made the survivors smart and tough around value and cost control.
- A special thank you to cedar and fir! And to those that cut it!
- Freight costs and ferries limit our reach to markets.
- It's getting tougher to simultaneously hit all the windows: permitting, markets, stumpage, log dumps, loggers, trucks, workforce, weather, environmental factors.

Future trends?

- **Short and mid term**
 - Sawlogs oversupplied. Prices may react slightly to amend inventories?
 - Dormant quota will be reactivated increasing supply.
 - Undercut sales may increase supply.
- **Longer term –**
 - BC provincial supply will tighten.
 - This area will look increasingly attractive because of our “mix”
 - Increased US and world demand.
 - Marginal cost timber will become economic but will we have the skilled workforce to react?
 - We’ll learn to love hemlock, balsam and grand fir.
 - Anyone with a good log profile should (theoretically) be in good shape.
 - Will the log seller profit?

Changing our perspective!

- Negative market forces that hurt a log seller can help a potential buyer.
- Lets become buyers! Find a niche!
- We need 50 – 100 jobs minimum here!
- What kind of grades and volume are available to buy within a reasonable working circle of Nakusp?

W.A.G. Available Wood Supply

Estimate of fairly “available” volume within a five hour cycle time of Nakusp:	
Woodlot Licenses	10,000
Community Forests (Nakusp, Slocan, Kaslo)	60,000
Private (estimate of annual yield)	20,000
A portion of the TSL volume - guess	10,000?
Specialty logs – oversize, White pine, etc. from local licensees	15,000
Low grade wood – small top hemlock, balsam	10,000?
TOTAL	125,000?

Logs that may have potential for local manufacturing?

- Oversize logs, fir and spruce
- White pine
- Dry fir, larch and white pine – timbers + firewood operation
- Birch – lumber + firewood operation
- Hemlock –select grades, market development needed
- Larch
- Premium sawlogs – only as a partly manufactured product (square) to save freight costs – joint venture with existing manufacturer? Try to monetize the waste?
- Low grade wood – hemlock/balsam – simple product with low capital cost / low fibre costs on going and try to monetize the waste.