



## New players make the forest industry a more interesting game

A sure sign that the Canadian forest industry is leveling off and turning the corner is the start of deal making--particularly the dealmaking between promising up and comers and older companies with a little rust around the edges who are looking to unload underperforming assets.

That's not to say that these assets aren't profitable. There is a wide gap between a multinational's view of "underperforming" and the generally more optimistic view of independents who are on the rise, and looking to add to their assets--if the price is right, that is.

My sense is that the Canadian forest industry is about to get a lot more interesting.

Looking for proof of this? There's the recent smattering of deals in Saskatchewan against the backdrop of the new Niska North value-adding sawmill in Chapleau, Ontario, major leaps forward into the Chinese market in some areas of the country, and what seems like fewer announcements about curtailments and closures generally.

Forestry giant Weyerhaeuser has completed the sale of its Carrot River sawmill and Hudson Bay plywood mill to an independent, C & C Wood Products, of Quesnel, B.C. It's a good deal for both parties, in my opinion, and an even better deal for these two Saskatchewan communities.

This deal comes as no real surprise, as it has been in the works for some time and the two companies have some history. C & C Wood Products purchased Weyerhaeuser's mothballed sawmill in Grande Cache, Alberta, now operating under the name of Foothills Forest Products.

C & C Wood Products is a company worth watching because they are way ahead of the curve compared to others in the forest industry, with their focus on value-added wood products such as paneling and wood pellets. I had the privilege of meeting one of the company owners, Joe Cerasa, before he passed away, and he left no doubt that the company was well schooled in value adding equipment, products and markets. There's only one word to describe this company--solid.

The wood allocation deal looks outstanding as well, with softwood species in the Pasquia-Porcupine Forest Management Area assigned to C & C and the hardwood species allocated to Weyerhaeuser for use at its oriented strandboard plant, also located in Hudson Bay. Unfortunately, like so many other OSB plants, this operation is now in curtailment mode.

Probably the most interesting of the two deals in Saskatchewan is the purchase of the mothballed, massively upgraded sawmill in Big River, Saskatchewan by EACOM Timber Corporation from forestry giant Domtar.

I had never heard of EACOM so I Googled it and found the comment, "formerly called Inflazyme Pharmaceuticals." The company's previous incarnation was in the field of respiratory disease research, which raised the obvious question--what business does a pharmaceutical R & D company have investing in a sawmill?

I've tried to stay on top of all the recent 'transformative technologies' related to wood products and hadn't heard anything



about wood fibre offering relief for sufferers of asthma, although I wouldn't put it past some of Canada's top wood scientists to somehow find a way.

Then I noticed the name of the CEO at EACOM--Rick Doman, former CEO of Doman Industries and Western Forest Products.

The sale of the Big River sawmill to EACOM did not come with an attached timber supply, and media reports indicate that opening the sawmill is contingent on EACOM securing a timber supply on terms acceptable to the company.

This had me scratching my head a bit, wondering why someone with considerable industry experience would purchase a sawmill without a secure timber supply. Then I read further. It turns out that EACOM expects a timber supply agreement on terms acceptable to the company, otherwise it would consider moving the sawmill elsewhere. Ouch!

While this situation could result in bad news for residents of Big River, this is not the 'old' Saskatchewan, where the government at times seemed prepared to mortgage the farm to save jobs. This is the province of the Saskatchewan Party and a province that has actually beat Alberta recently on a fairly regular basis on economic performance. Those in charge seem to understand what an economic powerhouse Saskatchewan can be with responsible development of all its forestry, oil and gas, mining and agriculture assets, if only they'd be a little more trusting of big business. But the question is how far the politicians are willing to go in terms of negotiating a wood supply agreement to keep EACOM in Big River? It seems the Saskatchewan Party is prepared to let the sawmill walk.

Saskatchewan's Energy and Resources Minister, Bill Boyd, says EACOM was excluded from a recent reallocation of the Prince Albert Forest Management Area (FMA) attached mainly to the mothballed pulp mill in Prince Albert and the idled Big River Sawmill because EACOM's proposal was more than the FMA could handle, its lack of provisions of cooperation with First Nations, and EACOM's lack of a track record as a start-up company.

Interesting that while the province has reallocated 1.065 million cubic metres of the FMA, it still holds 200,000 cubic metres in its back pocket. Maybe there is hope for Big River after all, although it's been reported that the company needs 800,000 cubic metres to reopen the mill. Stay tuned!