Betting on the lumber turnaround

Quebec’s Cossette Brothers are betting on a turnaround in the lumber market, having purchased a closed sawmill in Ferme-Neuve, and invested $3.5 million to get it up and operating efficiently.

By Martine Frigon

There’s really no room for being a marginal lumber producer these days, says Robert St-Martin, general manager of the newly re-opened Forex Inc sawmill in Ferme-Neuve, Quebec.

“We have to be among the best. We have to process timber as quickly as possible, with high efficiency and at the least cost.” They need to do all of this, he says, to survive in what is still a recovering lumber market.

With 40 years of experience in the forest industry, St-Martin has seen the good old days—and the bad days—in the industry. In the current business environment, he is a strong believer that efficient equipment and skilled workers, capable of multi-tasking, are the ingredients for a winning recipe for the Forex sawmill—formerly the Max Meilleur sawmill—in Ferme-Neuve, a small town about 200 kilometres northwest of Montreal.

The Max Meilleur sawmill belonged to the same family for nearly a century. Though it was founded in 1915 by Fortunat Meilleur, its sawmill technology was more of the era of Fortunat’s grandson, Léandre. A few years before it ceased operations, the Meilleur family sold 30 per cent of the business to the Upper Laurentian Forestry Co-op. But despite everyone’s best efforts, the sawmill closed in 2009, due to the industry downturn.

In its better years, the sawmill employed 150 people, with another 350 working in logging operations.

In August 2010, the Cossette Brothers of northern Quebec, owners of Forex, and who have been involved in the forest industry for more than 50 years, bought the sawmill, buildings and equipment.

Among the conditions required to reopen the mill was an agreement with the existing union, affiliated with the Communications, Energy and Paperworkers Union of Canada. In July 2011, the union and the new owner signed a five-year agreement that goes to 2015.

“We have made a commitment with the union to invest $5 million in new equipment, in order to secure a major update of the facilities,” says René Cossette, one of the owners.

From the 150 workers who used to work at the sawmill, about 50 have been recalled, and the mill now runs on one shift. “The average age of the worker is 45 and they have a huge amount of experience.” They also have skills in different areas of the mill, which is very helpful, adds Cossette.

Since the lumber market is still struggling and the sawmill has been closed for two years, the owners knew that their investment would take a while to pay off. “We knew that we had to wait a couple of years to be profitable, waiting for
the market to return, and we also knew that we had to make a significant investment in new equipment,” adds St-Martin. “Fortunately, Forex is a private company, so we have the assets to face this challenge.”

Born in Abitibi, Quebec, St-Martin has been working in the forest industry since the early 1970s, and knows the business well. Having studied accounting, he worked for the Cossette Brothers until 1989. He then moved to Domtar, in Val d’Or. In 1994, he returned to the Cossette Brothers and worked on the construction of their OSB mill in Maniwaki. After that, he moved to New Brunswick for Produits Forestier Alliance, then to Bowater Inc at Price in eastern Quebec. He then returned to work for the Cossettes at the end of 2011. “I came back home,” he says jokingly.

Processing fir, jack pine and spruce for clients located in Quebec, New Brunswick, and Ontario, the sawmill’s owners are patiently waiting for an improved economy, to expand their market. “We’d rather concentrate our efforts on a domestic market,” says St-Martin.

The upgrade by Forex started in September 2011, with the installation of a 17-inch Nicholson A5B debarker and a stationary electric Barko 275B loader. “To date, we have invested more than $3.5 million on a new debarker, a 48”x 60” rotary hog, a Prograder linear optimizer and an upgrade of the Sawquip sawline,” explains St-Martin.

In February 2012, a new Autolog Prograder linear optimizer, which operates without graders, was installed. According to St-Martin, it has met their expectations. “For example, fir is not easy to process and we are very satisfied with the performance of the Prograder.”

The new owners also bought a used USNR 500 hp rotary hog in January 2012.

At the end of the summer of 2012, they upgraded the sawline.

“We have upgraded the drive system, installing a hydrostatic system, and upgraded the electrical drive of the input module,” says Stéphanne Venne, sawmill superintendent. “We changed the pneumatic cylinders to hydraulic, and updated the presses located in the intermediate table. In addition, we modified the hydraulic drive of the edger to electric, and the press of the edger, which was pneumatic, was changed to hydraulic.”

These changes are expected to double the efficiency of the sawmill. “The objective is to move from 300 feet/minute to 600 feet/minute, with the same gap between the logs, and ensure a better grip of the log when it is passed into the cutting tools.”

They are also looking to improve the existing sorters, installed 15 years ago, and the boilers, which means another investment of at least $1.5 million, adds St-Martin.

The facility has six kilns, which were installed between 1994 and 2002. Two Cathild kilns have a capacity of 100,000 board feet each. The others, all made by MEC, have a capacity of from 115,000 board feet, to 163,840 board feet.

New Quebec forestry regulations that will come into effect in 2013 could change some of the plans of the Cossettes. “We would need 515,000 cubic metres of wood to operate on two shifts. Our CAAF (annual cut) was 323,600 cubic metres, but with the new regulations, and according to our estimates, we will lose 40 per cent,” says St-Martin. “With the 25 per cent
of all the public forest that is on the Timber Marketing Board, added with the protected areas for wildlife, perhaps we will only ultimately have 193,000 cubic metres.”

Are there a lot of options? “No, not really,” adds St-Martin. “We will try to get the most that we can from the Timber Marketing Board, and ultimately the private forest. There is no other place.”

There is competition in the surrounding region. “Resolu in Maniwaki, Crête in St-Faustin, and the Kruger sawmill located in Parent,” says St-Martin. “And when the lumber demand comes back, the competition will be fierce. The market is not there yet, so there is no impact at the moment. Essentially our problem, which is the same for all of us, are the chips.” There is a surplus and prices reflect that reality.

The Cossette team is waiting for better days and they are optimistic. “This year is a little bit better than 2011. I’d say that the price has increased between 15 and 20 per cent. Will that go on? We can only hope,” concluded St-Martin.