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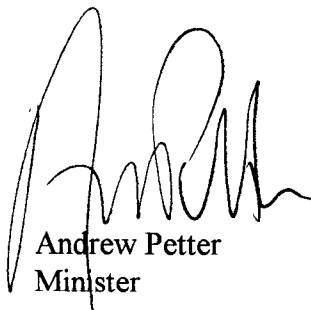
DEC - 1 1994

To: Regional Managers
All Holders of the Interior Appraisal Manual

Re: Interior Appraisal Manual Amendment No. 1

I approve this amendment to the Interior Appraisal Manual, effective December 1, 1994.
The following section is amended:

<u>Section</u>	<u>Nature of Amendment</u>
3.1	<p>This section has been revised to include a new category for small logs.</p> <p>Cutting authorities meeting this definition at the time of appraisal will have their stand selling price calculated using the AMVs listed under small log AMVs (Zones 15, 16, 17, 18 and 19) in the stumpage appraisal parameters.</p>



Andrew Petter
Minister

Attachment: (1)

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Interior Selling Prices

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Selling price estimates are based upon schedules of lumber and chip values collected and published by Valuation Branch. The values when compiled and distributed become an integral part of this manual.

3.1 Lumber Average Market Values (AMVS)

Monthly market value information from the Interior is obtained by Valuation Branch from lumber producers located in each of the recognized Average Market Value Zones. A zonal Average Market Value (AMV) for each species is compiled by dividing total sales value by total sales volume. Separate AMVs are derived for stud and for random lumber.

The total volume for each species includes all sizes and grades of rough or dressed lumber in the green or dried state, manufactured to Canadian Lumber Standard/American Lumber Standard (CLS/ALS) sizes and reported in foot-board measure (fbm). Also included are railroad ties, fingerjointed CLS/ALS lumber and machine stress rated (MSR) lumber.

Lumber manufactured in non-CLS/ALS sizes is adjusted to equivalent CLS/ALS volumes and included with the above.

The total net sales value for each species is reported in Canadian dollars, f.o.b. mill, after adjusting the selling price for all applicable freight charges, exchange adjustments, commissions, cash discounts, duty and entry charges and net railcar lease costs.

1. Small Log AMVs

Separate from stud and random length lumber AMVs is an AMV based on smaller, dimension lumber products capable of being produced from small trees.

Small log AMVs are used for all cutting authorities with an average volume per tree (conifers only) of less than 0.20 m³. Cutting authorities meeting this criteria will use lumber AMVs listed under Small Log AMV's in the Lumber AMV pages of the quarterly stumpage parameters published by Valuation Branch.

The selection of a Small Log AMV zone (Zones 15, 16, 17, 18 and 19) will only affect AMVs and will be made at the time of appraisal or reappraisal. Lumber Recovery Factors and Manufacturing costs will continue to be determined by zonation based on point of appraisal.

2. Stud Lumber AMVs

Studs are defined as all lumber which is 8 feet (approx. 2.5 metres) or shorter in length, and which has a nominal thickness and width of 2 inches x 6 inches (approx. 5 cm x 15 cm) or smaller, as produced by any lumber manufacturer. Stud AMVs are compiled for two species groups; Lodgepole Pine/Douglas-fir/Larch and Spruce/Balsam. No other species are recognized as "stud species".

3. Random Lumber AMVs

Random AMVs are compiled for all species.

4. Wherever the data are inadequate to provide a reasonable average for a species within a zone, the data are combined with other species or zones (with appropriate adjustments) before use.

3.1.1 Application of Lumber Average Market Values

Application of the Stud and Random lumber AMVs in appraisals for all cutting authorities are made according to the formula in Section 3.3.

3.1.2 Lumber Average Market Value (AMV) Zones

Refer to Section 2.5 for a list of Points of Appraisal by Lumber Average Market Value (AMV) Zones.

3.2 Chip Average Market Values

Monthly market value information is obtained and compiled by Valuation Branch.

3.3 Calculation of Species Selling Price

The total selling price in \$/m³ is determined for each species using lumber recovery factors (LRF) from the cruise compilation summary, LRF update add-ons, current applicable average market values for the species, zone, and species chip yield factors. Lumber and chip prices are each calculated to the nearest cent before being totalled.

In the case of burned timber, the appraisal chip price will be determined as the prorate of normal value for the volume undamaged or lightly burned, and zero value for the volume moderately and/or heavily damaged. The factors are determined from the following applicable formulas or tables:

1. Zonal LRF Update Add-Ons and Combined Product Recovery Factors

<u>Zone</u>	<u>Species</u>	<u>LRF Update Add-Ons</u>	<u>Combined Product Recovery Factors</u>
Northern Interior (Zone 5) & Skeena (Zone 6)	Lodgepole Pine	60	424
	Spruce	63	424
	Balsam	59	424
	Douglas Fir	24	424
	Larch	23	424
	Cedar	19	424
	Hemlock	22	424
	White pine	22	424
<u>Southern Interior</u> (Zone 7)	Lodgepole Pine	60	402
	Spruce	66	402
	Balsam	59	402
	Douglas Fir	26	402
	Larch	25	402
	Cedar	21	402
	Hemlock	23	402
	White Pine	24	402
	Yellow Pine	26	402

<u>Southern Cariboo</u> (<u>Zone 8</u>)	Lodgepole Pine	49	412
	Spruce	54	412
	Balsam	50	412
	Douglas Fir	16	412
	Larch	15	412
	Cedar	12	412
	Hemlock	13	412
	White pine	12	412
	Yellow pine	15	412

<u>Fort Nelson-Peace</u> (<u>Zone 9</u>)	Lodgepole Pine	44	412
	Spruce	45	412
	Balsam	39	412

Example: Zone 5

<u>Lodgepole Pine</u>	<u>Cruise LRF</u>		<u>Update Add-on</u>		<u>Appraisal LRF</u>
All Logs	180	+	60	=	240

2. Chip Yield Derivation

Chip Yield (BDU/m³) = (Combined Product Recovery Factor - Appraisal LRF)
* Species Chip Yield Factor

3. Chip Yield Factors

<u>Species</u>	<u>Factor (BDU/fbm)</u>
Balsam	.00072
Cedar	.00067
Fir	.00098
Hemlock	.00089
Larch	.00119
Lodgepole Pine	.00087
Spruce	.00076
White Pine	.00078
Yellow Pine	.00095

4. Determination of Stud Log Percent

The percent (%) stud log is determined as follows:

The percent stud log for each stud species (spruce, balsam, lodgepole pine, Douglas fir and larch) is determined from the cruise compilation summary. The percent stud log is defined as the net volume of 5-metre logs with top diameters under 20.0 cm expressed as a percentage of the total net cruise volume. The percent stud log is calculated and rounded to the nearest whole percentage point.

The percent (%) stud AMV is determined as follows:

$$\% \text{ stud AMV} = (5 * \% \text{ stud log}) - 225$$

If the percent stud log is less than 45, the percent stud AMV = 0;

If the percent stud log is more than 65, the percent stud AMV = 100.

5. Shipping Differential

The Shipping Differentials for the following points of appraisal are:

<u>\$0.40/m³</u>	<u>\$0.70/m³</u>	<u>\$4.03/m³</u>
Bear Lake	Adams Lake	Fort Nelson
Fort St. James	Clear Lake	
Mackenzie	Merritt	
Strathnaver	Midway	
Quesnel	Okanagan Falls	
	Princeton	
	Thrums	
	Westbank	
	Ymir	

6. Manufacturing Cost Differential

\$2.95/m³

Fort Nelson

7. Calculation of Total Species Selling Price

- a. $\text{Lumber AMV} = (\% \text{ Stud AMV}/100) * (\text{Stud AMV}/1000) + (1.0 - (\% \text{ Stud AMV}/100)) * (\text{Random AMV}/1000)$
- b. $\text{Lumber SP} = \text{Lumber AMV} * \text{Appraisal LRF}$
- c. $\text{Chip SP} = \text{Chip Value} * \text{Chip Yield}$
- d. $\text{Total Species SP} = (\text{b}) + (\text{c}) - \text{D}$

Where	SP	=	Selling Price in \$/m ³
	AMV	=	The Average Market Value for lumber of the appropriate species in the appropriate zone
	Appraisal LRF	=	The LRF for all logs from Section 3.3.1
	Chip Value	=	The Chip Average Market Value of the appropriate species for the appropriate point of appraisal
	Chip Yield	=	The Chip Yield for all logs from Section 3.3.2
	D	=	The Differentials for the appropriate points of appraisal from Section 3.3.5 and 3.3.6.

