



MEMORANDUM

File: 280-30
195-30/IAPP

MAR 20 1997

To: All Regional Managers

From: The Honourable David Zirnelt
Minister of Forests

RE: *Interior Appraisal Manual*

I hereby approve Amendment No. 2 to the *Interior Appraisal Manual*, and attach a copy of it for your use.

This amendment will come into force on April 1, 1997.

The amendment is to keep timber pricing policy on timber licences in concert with the *Forest Act* and to correct a technical inequity that was affecting certain licences. The following sections are amended:

Section	Nature of Amendment
3.1	Adjust AMVs for licences which require utilization of small logs.
6.7.2	Adjust date to April 1, 1997, to match Table 6-2. Replace Table 6-2 with 1997 version.

David Zirnelt
Minister

Attachment: (1)

cc: Bill Howard, Director
Revenue Branch

All Subscribers, *Interior Appraisal Manual*



FOR FURTHER INFORMATION CONTACT:

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MANUAL TITLE

Interior Appraisal Manual

REVISION No.

2

ISSUE DATE

April 1, 1997

MANUAL CO-ORDINATOR

Judy Laton
Revenue Branch

AUTHORIZATION (Name, Title)

W. Howard
Director, Revenue Branch

Please make the following changes to your copy of the above Ministry manual. Please insert the following specified pages and **file this notice** immediately after the Amendments Tab.

ACTION (Remove/Insert)	(VOL.) CHAPTER-SECTION-SUBJECT	PAGE(S)	COMMENTS
	TABLE OF CONTENTS		
REMOVE	Table of Contents	iii-iv	
INSERT	Table of Contents	iii-iv	
REMOVE	Chapter 3	1-4	
INSERT	Chapter 3	1-4	
REMOVE	Chapter 6	13-14	
INSERT	Chapter 6	13-14	
INSERT	Parameter Page		At the end of parameters under the Parameters Tab

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Interior Selling Prices

3

Selling price estimates are based on schedules of lumber and chip values collected and published by Revenue Branch. When the values are compiled and distributed they become an integral part of this manual.

3.1 Lumber Average Market Values (AMVs)

Monthly market value information for the Interior is obtained by Revenue Branch from lumber producers located in each of the recognized Average Market Value Zones. An Average Market Value (AMV) for each species is compiled by dividing total sales value by total sales volume for each zone. When there is inadequate data to provide a reasonable average for a species in one zone, the data is adjusted and combined with other species in other zones. Separate AMVs are derived for small log, stud, and random lumber.

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

The total net sales value for each species is reported in Canadian dollars, f.o.b. mill, after all applicable freight charges, actual sales expenses incurred, cash discounts, duty and entry charges and leased rail car costs have been deducted from the selling price..

1. Small Log AMVs

Small log AMVs are based on dimension lumber products capable of being produced from small trees.

Small log AMVs are used for cutting authorities with an average volume per tree (conifers only) of less than 0.20 m³ where the governing licence document does not require this restriction. Cutting authorities meeting this criteria will use lumber AMVs listed under 'AMVs for Small Logs' which is included in the quarterly stumpage parameters published by Revenue 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. AMVs for Licences which Require Utilization of Small Logs

AMVs for licences which require utilization of small logs are based on dimension lumber products capable of being produced from trees smaller than normal utilization requirements. These AMVs are created by removing the effect of the LRF add-on (Section 3.1 (1.)) from "Small Log AMVs."

These AMVs are used for all cutting authorities where the governing licence document restricts harvesting to stands of timber having a net average cruise volume per tree of

less than 0.20 m³/tree. Other similarly restricted licences may also use these AMVs at the Regional Manager's discretion. Cutting authorities meeting this criteria will use lumber AMVs listed under "AMVs for Licences which Require Utilization of Small Logs" which is included in the quarterly stumpage parameters published by Revenue Branch.

The selection of AMV Zone 25 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.

3. Stud Lumber AMVs

Studs are defined as all lumber which is less than 10 feet (approx. 3.25 m) in length, and which has a nominal thickness and width of 2 inches x 6 inches (approximately 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".

4. Random Lumber AMVs

Random AMVs are compiled for all species.

3.1.1 Application of Lumber Average Market Values

Application of the Small Log, 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 AMV zones.

3.2 Chip Average Market Values

Monthly market value information is obtained and compiled by Revenue 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.

Burned Timber

In the case of burned timber, the burn percent is used to reduce the selling price of the stand by assigning a zero value to the estimated chip recovery of the burned wood. This is to compensate for an increased manufacturing cost, lower lumber and chip recovery, and lower lumber and chip average market values associated with processing burned timber.

$$\text{Burn Percent} = \frac{\text{BT m}^3}{\text{Total m}^3} * 100$$

where

BT m³ = volume of light, moderate and heavily fire-damaged timber
Total m³ = total volume *inclusive* of burned wood

The only other adjustment to the appraisal is for heavily fire damaged timber and is covered under Section 4.4.4 (Tree to Truck Additive for Damaged Timber).

6.7.2 Miscellaneous Stumpage Rates for Timber Licences

The stumpage rates in Table 6-2 apply only to timber licence cutting authorities that are not appraised and have a cutting authority term that began before May 1, 1995.

For each species of timber in column 1 of Table 6-2, the stumpage rate immediately opposite that species in columns 2, 3 and 4 respectively, apply to sawlogs scaled in the indicated forest regions on and after April 1, 1997.

Table 6-2 Miscellaneous Stumpage Rates for Timber Licences

Column 1 Species of timber	<i>Forest Region</i>		
	Column 2 Vancouver except the Mid-Coast and Queen Charlotte forest districts (that part west of the Cascades Mountains) \$/cubic metre	Column 3 Prince Rupert and the Mid-Coast and Queen Charlotte forest districts (that part west of the Cascades Mountains) \$/cubic metre	Column 4 All forest regions and those parts of regions east of the Cascade Mountains \$/cubic metre
Fir	44.00	35.10	31.50
Spruce	53.00	44.00	30.80
Balsam	24.70	21.70	27.10
Cedar	22.50	18.70	34.90
Hemlock	24.00	20.00	29.10
Cypress	39.80	32.50	30.80
White pine	24.10	21.70	37.00
Yellow pine	24.10	21.70	28.90
Larch	24.10	21.70	31.50
Lodgepole pine	13.00	11.00	28.40
Other conifers	24.10	21.70	30.80
All non-conifers	1.00	1.00	0.50
All species Grades 3, 4, 5, and 6	N/A	N/A	0.25
All species Firmwood reject	Nil	Nil	Nil
All species Grade Y	0.25	0.25	N/A

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AVERAGE MARKET VALUES FOR LICENCES WHICH REQUIRE UTILIZATION OF SMALL LOGS
EFFECTIVE APRIL 1, 1997
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1996
AVERAGE LUMBER MARKET VALUES (\$/MBM)

AMV ZONE	BALSAM		CEDAR	FIR / LARCH		HEMLOCK	LODGEPOLE PINE		WHITE PINE	YELLOW PINE	SPRUCE	
	Stud	Random		Stud	Random		Stud	Random			Stud	Random
25	264	264	405	319	319	360	274	274	439		260	260

For Appraisals Effective April 1, 1997
Zone 25: Interior

Verified by:



