



# Purchase Wood Suppliers Update

To: New Brunswick Private Wood Suppliers and Forest Products Marketing Boards

From: Brent Thompson

CC: Wendell Munn, Alain Fournier, Danielle Fairweather

Date: April 29<sup>th</sup>, 2024

Re: **Update Regarding Purchase Wood Fuel Surcharge Bonus**

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This update is regarding J.D. Irving, Limited's purchase wood fuel surcharge bonus that was implemented on March 6<sup>th</sup>, 2022 in response to volatile fuel pricing. The fuel surcharge bonus is to reduce the risk associated with significant changes in fuel costs both for JDI mills and for purchase wood suppliers. The principles for the bonus include the following:

- A. JDI purchase wood pricing is based on offering competitive, all-inclusive market prices for delivered wood. The fuel surcharge bonus does not reflect the total cost of fuel required to produce and deliver wood products. It is a delivered price adjustment that estimates the increase in fuel costs per tonne over the base price assuming operations are fuel-efficient and productive.
- B. The base price for the adjustment bonus was set based on the average price of Tax-Exempt (TE) Diesel fuel at the Sussex I-24 cardlock from November 2020 to November 2021 (52 weeks). During this timeframe the average price was \$0.75/Litre, and this was set as the "base price" for our adjustment bonus calculations.
- C. Regardless of where in NB a wood supplier buys fuel, and whether the fuel is taxed or tax exempt, the increase in price at the Sussex I-24 cardlock for TE Diesel accurately reflects the relative change in fuel prices. In other words, a weekly average price of \$1.00/Litre for TE Diesel at the Sussex I-24 cardlock is a \$0.25/Litre increase over the base price and this \$0.25/litre increase is representative of fuel price changes in the province regardless of supplier and whether taxed or tax exempt.
- D. The weekly average I-24 TE Diesel fuel price is normally updated on Monday midnight and is applied to wood deliveries after that time, for the following 7 days. Each week JDI processes scale and payments for purchase wood delivered up to Thursday midnight for the past 7 days.
- E. JDI Purchase wood suppliers and forest product marketing boards paid by direct deposit **must log-on to the JDI contractor web** to see the fuel surcharge bonus applied to their scale tallies

and payments. **The earliest this may be done is Tuesday morning each week** and the finalized amount is posted once all scale tallies and payments are processed on Thursdays. This timeline may be visually explained by the 2-week example on the next page:

F. The JDI fuel surcharge bonus table is shown below for wood scaled in green metric tonnes:

Diesel TE Fuel Price (I-24 Cardlock Sussex)		Price Change vs BASE (\$/litre)	Scaled in Gmt				
FROM (\$/litre)	TO (\$/litre)		Fuel Adjustment / Gmt				
			Zone 1	Zone 2	Zone 3	Zone 4	Zone 5
0.75	0.80	0.05	\$0.27	\$0.33	\$0.39	\$0.45	\$0.51
0.81	0.85	0.10	\$0.54	\$0.66	\$0.78	\$0.90	\$1.02
0.86	0.90	0.15	\$0.81	\$0.99	\$1.17	\$1.35	\$1.53
0.91	0.95	0.20	\$1.08	\$1.32	\$1.56	\$1.80	\$2.04
0.96	1.00	0.25	\$1.35	\$1.65	\$1.95	\$2.25	\$2.55
1.01	1.05	0.30	\$1.62	\$1.98	\$2.34	\$2.70	\$3.06
1.06	1.10	0.35	\$1.89	\$2.31	\$2.73	\$3.15	\$3.57
1.11	1.15	0.40	\$2.16	\$2.64	\$3.12	\$3.60	\$4.08
1.16	1.20	0.45	\$2.43	\$2.97	\$3.51	\$4.05	\$4.59
1.21	1.25	0.50	\$2.70	\$3.30	\$3.90	\$4.50	\$5.10
1.26	1.30	0.55	\$2.97	\$3.63	\$4.29	\$4.95	\$5.61
1.31	1.35	0.60	\$3.24	\$3.96	\$4.68	\$5.40	\$6.12
1.36	1.40	0.65	\$3.51	\$4.29	\$5.07	\$5.85	\$6.63
1.41	1.45	0.70	\$3.78	\$4.62	\$5.46	\$6.30	\$7.14
1.46	1.50	0.75	\$4.05	\$4.95	\$5.85	\$6.75	\$7.65
1.51	1.55	0.80	\$4.32	\$5.28	\$6.24	\$7.20	\$8.16
1.56	1.60	0.85	\$4.59	\$5.61	\$6.63	\$7.65	\$8.67
1.61	1.65	0.90	\$4.86	\$5.94	\$7.02	\$8.10	\$9.18
1.66	1.70	0.95	\$5.13	\$6.27	\$7.41	\$8.55	\$9.69
1.71	1.75	1.00	\$5.40	\$6.60	\$7.80	\$9.00	\$10.20
1.76	1.80	1.05	\$5.67	\$6.93	\$8.19	\$9.45	\$10.71
1.81	1.85	1.10	\$5.94	\$7.26	\$8.58	\$9.90	\$11.22
1.86	1.90	1.15	\$6.21	\$7.59	\$8.97	\$10.35	\$11.73
1.91	1.95	1.20	\$6.48	\$7.92	\$9.36	\$10.80	\$12.24
1.96	2.00	1.25	\$6.75	\$8.25	\$9.75	\$11.25	\$12.75

NOTE: The above table stops showing the adjustments at \$2.00/litre (or a price change of \$1.25/litre over the base price) but in our system the adjustments continue if fuel prices rise beyond this, and using the same formulas. White Pine sawlogs at Doaktown are scaled in board feet (MFBM) so a different adjustment table is used to convert the bonus amounts to that unit of measure.

**It is important to clarify these bonuses are temporarily in place to address fuel price volatility. They may be changed or eliminated with minimal notice at JDI's discretion.**



Brent Thompson  
J.D. Irving, Limited

2-Week Timeline (example):

WEEK 1							WEEK 2						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
28-Apr-24	29-Apr-24	30-Apr-24	1-May-24	2-May-24	3-May-24	4-May-24	5-May-24	6-May-24	7-May-24	8-May-24	9-May-24	10-May-24	11-May-24
Purchase Wood Scale Process							Purchase Wood Scale Process						
Scale tallies from <b>April 28-May 4</b> are processed on <b>Saturday May 4th</b> at midnight							Scale tallies from <b>May 5-May 11</b> are processed on <b>Saturday May 11th</b> at midnight						
Purchase Wood Fuel Surcharge Bonus		FSC Bonus based on weekly avg I-24 TE Diesel price on <b>Tuesday April 23</b>					FSC Bonus based on weekly avg I-24 TE Diesel price on <b>Tuesday April 30</b>		FSC Bonus based on weekly avg I-24 TE Diesel price on <b>Tuesday May 7</b>				
Contractor Web Scale/Payment Online Reporting		Preliminary tallies for Apr 21-27		Finalized tallies for Apr 21-27 (bank deposit)			Preliminary tallies for Apr 28 - May 4		Finalized tallies for Apr 28 - May 4 (bank deposit)				