

MADISON'S LUMBER REPORTER



Publisher
KetaDesign Productions

Editor
Kéta Kosman

Market Analyst
Zara Heartwood



Annual Subscription Prices
E-mail/Fax: C\$339
Discounts available for multiple
subscriptions
Published 50 times a year



www.madisonsreport.com
madrep@shawcable.com
604 984-6838
PO Box 2486 Vancouver, BC
V6B 3W7 Canada



In Canada, add 6% GST
ISSN 0715-5468
Printed in Canada



MADISON'S Lumber Reporter

Volume 58, No. 16

The source for Canadian and U.S. lumber and panel prices

April 17, 2008

Welcome to your newly designed Madison's Canadian Lumber Reporter! We have worked hard to bring you a few small changes, mostly cosmetic, while keeping the content of this newsletter familiar. You will now be able to easily find Zara Heartwood's market comments directly opposite her price lists for each commodity. In moving some items to different pages, we trust that the new order will be an easy adjustment to our subscribers.

Our goal is to maintain the Reporter in the spirit of outgoing publisher Laurie Carter (and Peter Madison before him), and of outgoing editor L. Ward Johnson (and John Freisen before him). We are shifting our focus slightly, away from an editorial emphasis toward more breaking news and coverage of issues vital to the forest products industry.

In these challenging times of upheaval we intend to bring you information and access to resources of a positive nature, to provide our subscribers with the knowledge and tools to overcome current difficulties and move forward into a prosperous future. As always, we welcome all feedback and comments from our valued readers!

US Housing Starts

Building activity in the United States continues to sag at record low levels. Housing starts statistics released April 16 by the US Census Bureau show building permit applications to be down almost 41 per cent from one year ago, while building starts are down 36 per cent from March 2007.

Given that more bad news resulting from the fallout of zero interest mortgages, and asset backed commercial paper investments, (lumped together as a "credit crunch" by the mainstream press) is unfolding on a weekly basis, it seems unreasonable to expect the US housing market to experience a significant turnaround in 2009 as some analysts are predicting. *READ MORE*

Bio Fuels

In a time when lumber products are fetching record low prices, new opportunities are arising for the industry to capitalize on what was formerly considered 'wood waste'. Until recently too expensive to remove from the bush, forest residue is being heavily researched as a source of bio fuel.

More traditional suppliers of bio energy like corn or grains may very soon price themselves out of the market (rice and wheat prices have doubled in the past year alone) while becoming politically unpopular as sources in the face of food rioting in several poor countries. *READ MORE*

JAPANESE HOUSING STARTS

Month	TOTAL	Non-Wood	Wood	%Wood
Jan-08	86,971	45,305	41,666	48
Dec-07	87,214	39,351	47,863	55
Nov-07	84,252	36,566	47,686	57
Oct-07	76,920	30,990	45,930	60
Sep-07	63,018	25,101	37,917	60
Aug-07	63,076	30,175	32,901	52
Jul-07	81,714	44,105	37,609	46
Jun-07	121,149	72,823	48,326	40
May-07	97,076	52,939	44,137	45
Apr-07	107,255	61,880	45,375	42
Mar-07	99,488	58,879	40,609	41
Feb-07	87,369	50,966	36,403	42

Source: Japan Wood-Products Information and Research Center

U.S. HOUSING STARTS

	Mar-08	Feb-08		Mar-08	Feb-08
Starts			Permits		
Actual	77,500	76,400	Actual	77,100	73,400
SAAR*	947,000	1,075,000	SAAR*	927,000	984,000
1 Unit	680,000	721,000	1 Unit	606,000	646,000
2-4 Units	(s)	(s)	2-4 Units	35,000	40,000
5+ Units	247,000	328,000	5+ Units	286,000	298,000
Starts by Region			Permits by Region		
Northeast	97,000	106,000	Northeast	108,000	104,000
Midwest	121,000	154,000	Midwest	126,000	141,000
South	499,000	571,000	South	504,000	499,000
West	230,000	244,000	West	192,000	240,000

*Seasonally adjusted annual rate

Source: U.S. Census Bureau

Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	215	215	0	190	+25	235	-20
WSPF KD R/L 2x6	204	210	-6	187	+17	247	-43
WSPF KD R/L 2x8	208	212	-4	208	0	263	-55
WSPF KD R/L 2x10	280	270	+10	285	-5	307	-27
WSPF KD PET 2x4 Stud	225	235	-10	210	+15	275	-50
Douglas Fir Green R/L 2x4	250	225	+25	175	+75	240	+10
Douglas Fir Green R/L 2x10	205	180	-25	200	+5	270	-65
ESPF KD 2x4 8ft Stud	300	305	-5	275	+25	335	-35
OSB Ontario 7/16" (CDN\$)	155	165	-10	175	-20	190	-35

Weekly News

US Housing Starts

CONTINUED Signs of alarm emerged among several American economic indicators including the stock exchange, which experienced a slight rebound due to expectations of yet another cut to interest rates. The suggestion of a lending rate cut had the reverse effect on the US dollar however; which lost ground against the Euro. Consensus among financial analysts in the US now seems to lean towards agreement that a recession is indeed upon them.

The basic reasons for lagging US home building continue to be record numbers of unsold homes, particularly in critical markets such as Phoenix, AZ and Florida; another two years of foreclosure announcements as the last of the five-year zero interest mortgages come due at

their new rate. The resulting plummeting house prices make the business of new home building unprofitable.

As it seems there is still more bad news to come from economic quarters in the US, it is unreasonable to expect the housing market there to improve before 2011. Given the large volume of wood products shipped south- particularly by British Columbia - in 2007, it will be some time before demand for lumber increases.

Pulp Prices Climb

European Northern Bleached Softwood Kraft prices rose once more this week by US\$7, continuing their almost two year steady climb. With prices US\$20 above this time last year, pulp was one of the few shining lights of positive change in a troubled forest products industry.

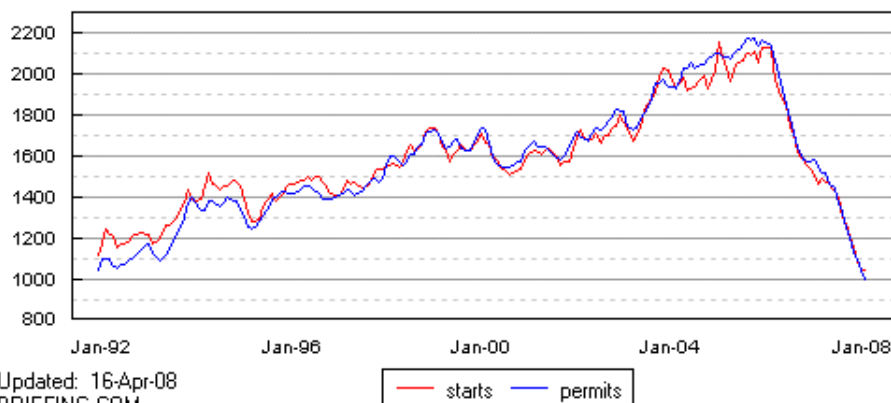
The main reason for the sustained high

price level was a drop in supply; with massive mill curtailments across North America, pulp chips were becoming difficult to source. Pulp and paper mills scrambled for fibre supply in an effort to maintain production levels, driving the price further upward. Meanwhile US demand for paper dropped in the face of more announcements of an economic slowdown. The strong European economy kept that market's demand for paper stable.

Indonesia continued to promote its burgeoning pulp export industry with an announcement that International Paper would invest more than US\$4 billion in a pulp factory expected to produce 1.5 million tons of pulp per year. This in addition to 84 integrated pulp and paper mills producing 6.5 million tonnes annually currently operating in Indonesia.

Housing Starts and Permits

Three-month moving averages (Thousands)



Updated: 16-Apr-08
BRIEFING.COM

Announcements

BCWLA Lumberman of the Year Roast

June 12 - Richmond, BC

www.bcwla.ca

Calendar

April 2008

BC Sawfilers 58th Annual AGM

April 24-26 - Prince George, BC

www.bcsawfilers.com

The Technibois Show

April 30-May 2 - Quebec City, QC

www.technibois.com

May 2008

QFIC AGM

April 7-9 - Quebec City, QC

www.cifq.qc.ca

Bio Fuels

No More 'Wood Waste'

CONTINUED The cost barrier of breaking down cellulose into usable fuel is fast disappearing as energy providers and agriculture producers race to research new, inexpensive methods. Meanwhile oil prices rise to unprecedented levels with no signs of slowing. Alternatives of all kinds are beginning to look more attractive. For example, BP is investing US\$500 million over the next ten years in the Universities of Illinois and Berkeley for bio fuel research. An international research group is

by Kéta Kosman

prices rise to unprecedented levels with no signs

mand of 20 per cent by 2020. It's obvious that there is a place for North America to capture some of this huge potential market. There is some action on the Canadian front, with CanBio sending 45 participants to the World Bioenergy Conference and Exhibition in Sweden (May 27 - 29 2008). Soon the prohibitive expense of salvage 'wood waste' from the forest floor (of which, ironically, fuel costs is a major factor) will no longer exist. Companies will be able to remove the fuel source and turn it into a tidy profit.

For now the process of research and education must continue. Forest products companies across this continent are realizing that - if they are to survive and profit into the future - flexible thinking is the best bet.

It's a wise move to invest in a pellet plant when preliminary figures show that European consumption spiked up 55 per cent from 2004 to 2006, with all signs pointing only to increased demand. The main pellet producing countries there are Austria, Denmark and Germany. At the moment production amounts of 3.5

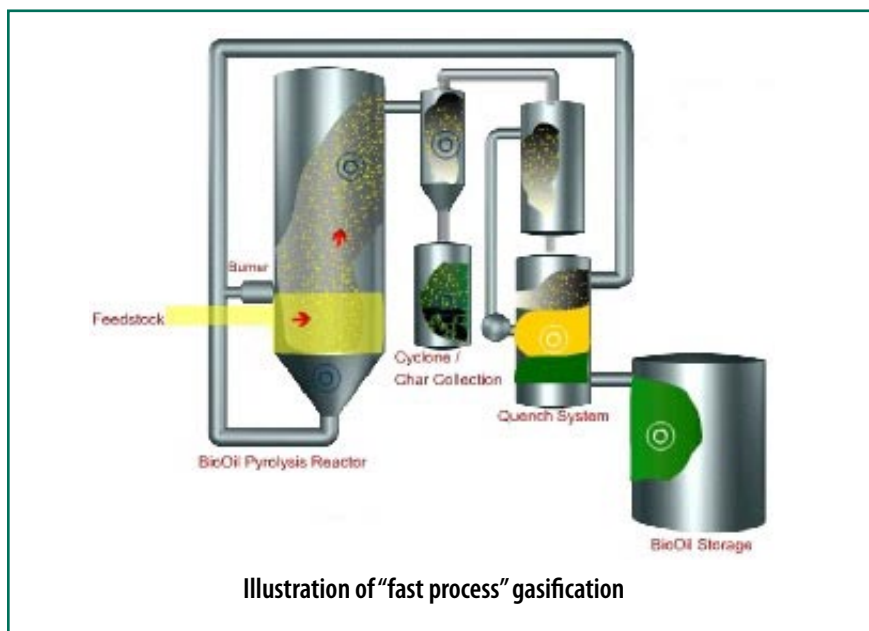


Illustration of "fast process" gasification

dedicated to making pyrolysis (the chemical decomposition of organic material to make an oil substitute for petroleum) cost effectively (www.pyne.co.uk)

Another process being researched is gasification, which produces synthetic gas (syngas) to be burned directly in internal combustion engines. While extremely efficient, at the moment the production costs are still prohibitive to its being used on a large scale. It's only a matter of time, however, before the balance of expense vs. revenue makes the idea more appealing! By then, North American forest products companies would do well to have worked out a method of harvesting the rich resource of biomass currently clogging the forest floor.

European producers are making staunch efforts to increase production to meet their own expected increase in de-

Wood Pellets

European Demand Up

North America needs to catch up with the rest of the world in valuing its forest residue. Europe is ahead of North America in using this clean-burning energy source, having already converted its burners and boilers. It is now crying out for pellets to such a degree that a mill with enormous capacity is being constructed in Florida. Expected to have a 560,000 ton annual production capacity, Green Circle Bio Energy is close to completion of its 225 acre facility. While British Columbia sits on its hands and tries to figure out how to mill beetle kill wood into dimension lumber or panel, other regions have already found ways to make a good profit from salvaged wood.



Pellet Mill

million tons per year roughly match consumption, but not for long. Some analysts are predicting that by 2010 Europe will consume 13 million tonnes per year. Expectations of a need to import the product are so powerful that there are several active campaigns to increase global production, particularly from North America.

Meanwhile the Wood Pellets Association of Canada is predicting that pellet consumption in the United States will rise to almost 3 million tonnes in 2010 (from less than 1.5 million tonnes in 2006). Canada produced approximately 1.5 million tons of pellets in 2006, the largest bulk of which were sold into the European market. But it doesn't stop there with Asia fast on the heels of Europe as a major pellet importer. China in particular is proving itself to be in need to massive energy sources.

This can only be good news to Canada wood products companies, particularly in British Columbia. With the mountain pine beetle only half way through its destruction of the Lodgepole Pine forests, BC has a natural, long term source of wood pellets just waiting to be harvested.