

MADISON'S LUMBER REPORTER



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News & Updates

US Housing

In an unexpected turn of good news, US housing starts for April were up by a seasonally adjusted average of 8.2 per cent from March (but 30.6 per cent lower than the same time last year). Building permits also showed a healthy jump, of 4.9 per cent from March (a drop of 34.3 per cent from one year ago).

Single family home starts fared the worst, with a decline of 1.7 per cent from March, while new buildings with five or more units shot up 36 per cent. *READ MORE*

Canadian Housing

Fast on the heels of last week's announcement that Canadian housing starts in April - down 16.3 per cent from the previous month - cooled slightly from the healthy levels set in February and March, the Canada Mortgage and Housing Corporation has announced that home building for the rest of 2008 is expected to slow.

While new home construction will remain high by historical standards, factors such as high unemployment levels in central Canada and pent-up demand from the 1990's becoming fulfilled will exert downward pressure on housing starts through 2009. *READ MORE*

US Softwood Control Bill

A surprise move in the US House of Congress Wednesday attached a piece of restrictive legislation on softwood lumber to an unrelated agricultural bill. US President George W. Bush had initially indicated he would impose a veto.

However, on Thursday the bill passed through the Senate with well over the 65 per cent majority needed to effectively remove the possibility of an executive veto. Experts now predict that there is little to no chance of Presidential involvement. *READ MORE*

Pine Beetle Efforts

Madison's Canadian Lumber Reporter was granted some time early in the week for an interview with Dick Harris, Member of Parliament (Conservative) for the Cariboo-Chilcotin Region.

Coming from the heart of beetle kill country, and the centre of sawmill and pulp mill closures in British Columbia, Mr. Harris had a lot to say about what our federal government is doing to help communities hit hardest by the beetle. Known informally in the House of Commons as "Mr. Pine Beetle", Dick Harris has promised to keep hammering at our elected officials regarding the infestation. *READ MORE*

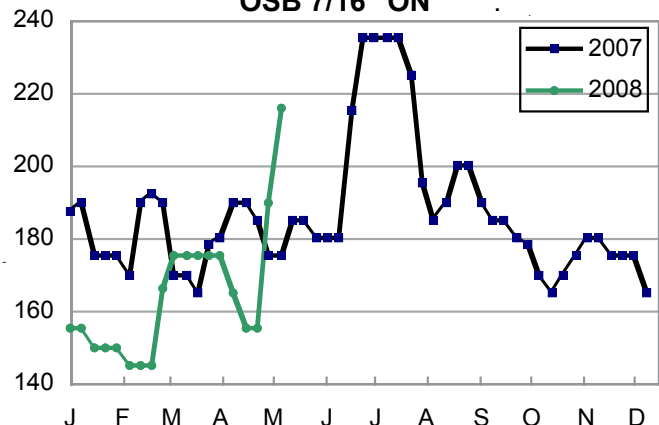
U. S. HOUSING STARTS

	Apr-08	Mar-08		Apr-08	Mar-08
Starts			Permits		
Actual	92,400	79,400	Actual	89,000	77,400
SAAR*	1,032,000	954,000	SAAR*	978,000	932,000
1 Unit	692,000	704,000	1 Unit	646,000	621,000
2-4 Units	(s)	(s)	2-4 Units	38,000	37,000
5+ Units	326,000	232,000	5+ Units	294,000	274,000
Starts by Region			Permits by Region		
Northeast	89,000	102,000	Northeast	109,000	111,000
Midwest	158,000	127,000	Midwest	160,000	126,000
South	516,000	498,000	South	493,000	502,000
West	269,000	227,000	West	216,000	193,000

*Seasonally adjusted annual rate

Source: U.S. Census Bureau

OSB 7/16" ON



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	238	235	+3	215	+23	228	+10
WSPF KD R/L 2x6	232	220	+12	204	+28	230	+2
WSPF KD R/L 2x8	215	210	+5	208	+7	250	-35
WSPF KD R/L 2x10	272	280	-8	280	-8	298	-26
WSPF KD PET 2x4 Stud	244	235	+9	225	+19	255	-11
Douglas Fir Green R/L 2x4	275	270	+5	225	+50	250	+25
Douglas Fir Green R/L 2x10	235	240	-5	180	+55	270	-35
ESPF KD 2x4 8ft Stud	320	310	+10	300	+20	315	+5
OSB Ontario 7/16" (CDN\$)	216	190	+26	155	+61	175	+41

Weekly News

US Housing Surprise

CONTINUED Relief was felt through economic sectors as the value of the US dollar strengthened and futures soared. Analysts account for the positive effects by pointing to the perception that interest rates have bottomed out, adding support to the dollar.

The good news was not shared equally across the country however, as starts in the Northeast were down 12.7 per cent from March. The Midwest saw the greatest gain, of 24.4 per cent, with the West following close behind at a rise of 18.5 per cent. The South had a modest increase only, of 3.6 per cent.

Large inventories of unsold homes continue to hammer the real estate market with a lopsided balance of supply and demand. The US Congress has been working hard on proposals to guarantee distressed mortgage loans, thereby preventing yet more Americans from losing their homes. Leaders of the US Senate Banking Committee reached a deal late Thursday night on a housing rescue plan, providing a US\$300 billion fund to back those that will need to renegotiate their mortgages.

Canadian Housing Forecast

CONTINUED Gathering data from the Multiple Listing Service (national realtors database), the CMHC predicts that existing home sales in 2008 are expected to fall by 8.5 per cent. While levelling off, the downward trend will continue in 2009 with a decrease in home sales of 2.3 per cent.

While April housing starts in British Columbia were up 17.1 per cent from March, the CMHC predicts that trend to slow as well, with expectations of almost 5,000 fewer homes to be built in 2008 and

over 6,000 fewer units built in 2009.

Meanwhile, data gathered from the MLS shows that the average price of a home in British Columbia will increase by 9.3 per cent in 2008 and 3.3 per cent in 2009. A cooling real estate market will bring a more balanced condition of supply and demand to the region.

Factors such as low unemployment, strong income growth and high levels of consumer confidence are cited as reasons why the home building drop will be lower in British Columbia than other provinces.

Softwood Lumber Imports

The controversial addendum to the farm bill was strongly supported by Montana Senator Max Baucus, a long time proponent of restricting Canadian lumber imports into the United States. Meanwhile US trade representative Susan Schwab, one of the signators of the 2006 Softwood Lumber Agreement, expressed opposition to the amendment of the farm bill.

The terms of the bill will require Canadian importers to prove the current 15 per cent tax on lumber has been paid, and goes so far as to allow intrusive and detailed examinations of related paperwork. Canadian exporters estimate the extra work and delays could cost them up to \$20 per load of lumber crossing the border, adding yet another burden during these times of instability in the marketplace.

The timing of this surprise addendum to a completely unrelated bill raises the concern of heightened US protectionist policies, particularly given the likelihood of a Democratic successor to the White House in the upcoming Presidential election.

Announcement

Louisiana-Pacific Corporation announces that beginning June 2, 2008 Silvaris Corporation will be the exclusive sales organization for LP's North American offgrade OSB products.

Philip Shoultz, VP of OSB Sales and Marketing, says "Offgrade OSB makes a very small percentage of LP production, and the market for these products has traditionally been fragmented and opaque."

Silvaris will offer these products through their web-based marketplace, providing customers a practical enhancement over the traditional bid/ask process for offgrade OSB and providing market transparency based on published transactional data.

Silvaris (dba LowGradeLumber, Inc.) is a technology-powered company specializing in the trade of wholesale quantities of panel and dimension lumber products.

Calendar

May 2008

World Bioenergy Conference and Ex.
May 27-29 - Jonkoping, Sweden
www.bioenergy.se

June 2008

MLB 63rd Annual AGM
June 4-6 - Halifax, NS
www.mlb.ca

Bioenergy Conference & Ex. 2008
June 3-5 - Prince George, BC
www.bioenergyconference.org

Mountain Pine Beetle

MPB remedies funded says Dick Harris, MP

Conservative member of the Canadian Federal Parliament (MP) for the Cariboo Chilcotin Region, Mr. Dick Harris' riding encompasses the cities of Prince George, Quesnel, Wells / Barkerville, Williams Lake and Vanderhoof, BC.

by Zara Heartwood

Madison's: What is the status of the Canadian government's program to stop the mountain pine beetle?

Mr. Harris: We are into a number of phases of the mitigation program. Out of the \$300 Million allocated for this, \$100 Million has gone to the province of BC as of December 2005. In the 2006-07 federal budget, another \$200 Million was allocated for the following three fiscal years.

\$102 Million was allocated to projects such as:

- economic diversity
- to control the spread of the mountain pine beetle in pockets
- wildfire protection
- research into bio fuels
- value added products from the beetle killed wood and finding markets for these new products

The money was released directly into the affected communities for job training. Another \$102 Million was given and \$198 Million as allocated for disbursement through March 2009.

Madison's: What products have developed as a result of the mountain pine beetle infestation?

Mr. Harris: We are providing funding to Universities for research to find new products. The concrete – wood fiber combination being worked on at the University of Northern British Columbia is one I haven't checked on this since last fall. But there are several products that look good in the laboratory. Finding market uses for them is the next challenge.

Madison's: How does the government anticipate controlling the spread of the mountain pine beetle?

Mr. Harris: There is a major pocket in northeastern BC that has moved through a pass into Whitecourt, Alberta. To control this, we are pursuing a cut and burn exercise. The key is to first identify affected trees. This project is in cooperation with the Provinces of BC and Alberta. Financial allocations on this one project are \$52.2 Million from the province of Alberta and \$29 Million from the province of BC.

Madison's: How does the current situation look on the MPB?

Mr. Harris: We were helped out by a major freeze this winter. It's possible that we had a 90 per cent kill as a result.

Madison's: On another topic, what is the status of the Softwood Lumber Agreement?

Mr. Harris: It was what we needed at the time. We didn't need to continue the litigation [with the US]. The costs and uncertainty had to end. We have a saying "you don't get what you deserve, you get what you negotiate." In this case we got about \$5 Billion back to Canada from the duties that had been collected.

It was just an awful coincidence that, after signing, we saw the US housing market go into the sewer and that drove lumber prices down. The mechanism to start the 15 per cent happened pretty quickly. It's still a much better situation than without [the softwood lumber agreement].

The Americans would have put a duty on it any time they wanted. At least now the duty is staying in Canada.

The softwood lumber agreement:

- stopped lawyers from getting rich
- gave us certain so that mills can plan for what they need to do
- when the market comes back, folks will think it's a good thing.

Madison's Canadian Lumber Reporter thanks Dick Harris, Member of Parliament, for taking the time to talk with us on these important issues.

Dick Harris' riding includes Tweedsmuir Provincial Park where the mountain pine beetle (first detected in the 1980s) made news in 1994 with a major infection. The bloom in the 2.4 million-acre park, the largest in the province was assessed by BC Parks and Ministry of Forests. MPB management actions at

that time included the use of prescribed fire and fall and burn treatments. Other outbreaks outside of protected areas were also discovered around Quesnel, Williams Lake and Princeton, BC. Despite these management tactics, beetle populations have expanded by three or four times each year, now in the 14th year of expansion.

As of 2006, the mountain pine beetle had devoured 9.2 million hectares of BC forest, making it one of the largest insect infestations in recorded history. In Prince George alone, more than 50,000 dead pine trees have been removed from city-owned land and school grounds – not including the trees removed from private property.

Forestry experts and entomologists agree that you can't "stop" a beetle expansion such as we now see across British Columbia. Only nature

can do this through two consecutive very cold winters. With global warming, cold winters have been too few and far between to kill the beetle. Large scale government funding has been allocated at the provincial and federal levels to study how to deal with the beetle. Meanwhile, the epidemic has spread throughout the central interior of BC, to neighboring Alberta and into the state of Montana.

In his capacity of MP for five consecutive terms (the past 15 years), Dick Harris has served in several Parliamentary positions, currently serving on the Standing Committee on Natural Resources. While a member of the Official Opposition, Dick was the leading spokesperson for the Official Opposition on the pine beetle issue. He continues that role as a member of the Conservative Government of Canada. His experience, influence and determination allowed him to secure a \$1 billion commitment to mitigate the pine beetle infestation.

Across Canada, UNBC is an environmental leader. According to the most recent data from Statistics Canada, the proportion of students in environmental programs at UNBC is about 20-times the national average.



Mountain Pine Beetle Infested Tree Trunk