

MADISON'S LUMBER REPORTER



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News & Updates

US Housing Market Woes Continue

1.5 million home foreclosures were started in 2007 and an estimated 2.5 million more are expected to take place this year. Home foreclosure filings jumped 53 percent in June from a year earlier.

Chair of the Federal Reserve Ben S. Bernanke publicly indicated on Tuesday that he believes the problems plaguing American housing and financial markets will persist into next year, and went on to outline a series of steps the Fed is considering in the coming months. Plans to extend low-interest lending programs to Wall Street's largest investment banks, and recommendations that Congress grant the Fed broader authority to monitor and supervise the financial markets to assure greater stability in the future were the main points of Bernanke's statement.

The New York Stock Exchange reacted violently to a perceived financial weakness of major American mortgage providers Fanny Mae and Freddie Mac, sending share prices for both companies down sharply.

Housing Starts

Canada's annual rate of housing starts fell in June to 217,800. The seasonally adjusted annual rate of urban starts moved down by 5.0% in June compared to May.

Japan's housing starts fell 6.5% in May from a year earlier to 90,804 units in the 11th straight month of declines. Housing starts fell 8.7% in April and dropped 15.6% in March. *READ MORE*

California Wildfires

A raging fire threatening a northern California town, where more than 10,000 people remain out of their homes.

The blaze near Paradise, about 86 miles north of Sacramento, is one of 300 wildfires still burning across the state. *READ MORE*

British Columbia's New Forests Minister

With a background in timber harvesting and originally from Prince George, BC, the MLA for Prince George North is fully aware of the challenging state of today's lumber market.

As the new Minister of Forests and Range, Pat Bell has wasted no time getting to work, and already has plans for policy changes as well as some major initiatives. The basis for his plans is the understanding that there is a lot of value in the woods that is not presently being utilized. *READ MORE*

Actual and Seasonally Adjusted Annual Rates

	May 2008		June 2008	
	Actual	SAAR	Actual	SAAR
Canada, all areas	21,302	227,700	21,302	217,800
urban ctrs with >10,000	18,371	199,200	18,320	189,300
singles, urban centres	7,963	80,900	7,878	74,600
multiples, urban centres	10,408	118,300	10,442	114,700
rural areas	2,931	28,500	3,053	28,500
Atlantic urban centres	996	9,700	1,092	8,500
Quebec urban centres	4,459	45,600	3,706	40,300
Ontario urban centres	6,311	70,300	8,233	77,900
Prairie urban centres	3,518	38,900	2,659	31,200
B.C. urban centres	3,087	34,700	2,630	31,400

Source: Canada Mortgage and Housing Corporation

JAPANESE HOUSING STARTS

Month	TOTAL	Non-Wood	Wood	%Wood
May-08	90,804	48,075	42,729	47
Apr-08	97,930	54,656	43,274	44
Mar-08	83,991	44,428	39,563	47
Feb-08	82,962	46,110	36,852	44
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

Source: Japan Wood-Products Information and Research Center

Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	262	254	+8	246	+16	280	-18
WSPF KD R/L 2x6	248	244	+4	232	+16	280	-32
WSPF KD R/L 2x8	248	240	+8	236	+12	305	-57
WSPF KD R/L 2x10	267	250	+17	265	+2	365	-98
WSPF KD PET 2x4 Stud	235	230	+5	245	-10	300	-65
Douglas Fir Green R/L 2x4	190	205	-15	218	-28	275	-85
Douglas Fir Green R/L 2x10	205	205	0	200	+5	285	-80
ESPF KD 2x4 8ft Stud	300	315	-15	315	-15	375	-75
OSB Ontario 7/16" (CDN\$)	215	210	+5	225	-10	235	-20

Weekly News

Housing Starts

CONTINUED In Canada Both urban multiples and singles decreased, with a decline of 3.0% for multiples to 114,700 units, and a 7.8% drop for singles to 74,600 units.

For the first half of 2008, actual starts in rural and urban areas combined were up an estimated 1.5% compared to the same period last year.

In Japan Starts for individual homes in May fell 5.7% to 27,194 units, while those for rental housing slipped 8.6% to 37,733 units.

Starts for multiunit dwellings, meanwhile, fell 3.1% to 25,157 units, including condominiums.

Forest Fires

CONTINUED In the Butte County area surrounding Paradise, fires have destroyed 50 homes and blackened 48,000 acres (19,000 hectares). About 20,000 firefighters were battling blazes in California that have so far burned 753,000 acres (30,500 hectares) - more than 1,000 square miles.

In central California, firefighters appeared to have gained the upper hand on two large blazes burning for more than two weeks in the scenic Big Sur and Santa Barbara areas.

Meanwhile a wildfire near Spokane, WA forced 200 people out of their homes and destroyed 13 houses.

The fire started late Thursday and spread to 1,200 acres before officials declared mandatory evacuations in the heavily wooded part of Spokane Valley, an urban outgrowth of Spokane. No injuries have been reported.

Softwood Pulp

As predicted here last week, European NBSK pulp prices continued to slide,

down another US\$2.52 to US\$901.18/ton. The price is still up US\$30.02 from the beginning of 2008. Part of the reason for the drop was attributed to a 0.5 per cent depreciation of the Euro in comparison to the US dollar. (SOURCE: www.foex.fi).

Significant pulp mill closures in North America, not to mention the indefinite idling of three Pope & Talbot plants, reduced pulp inventories there, causing US NBSK pulp prices to rise dramatically. After several weeks of no changes, US pulp rose US\$5.21 this week to US\$885.21/ton, which is US\$20.50 higher than at the beginning of this year.

As more signs of weakening began to show for both the US and European economies, advertising eroded further bringing demand for paper down once again.

Interfor Queensboro Sawmill Closure

First curtailed over a year ago, International Forest Products announced this week the dismantling of their New Westminster sawmill, and sale of the land. 95 of the 110 mill workers had already accepted the voluntary severance package offered by the company.

The mill equipment will either be re-deployed to other Interfor mills or sold. Cushman & Wakefield LePage has been retained to market the site, with a goal of completing the sale prior to the end of the year.

The sale is expected to generate proceeds which will more than offset the provision of \$21 million after-tax or \$0.44 per share taken in the 2nd Quarter.

Announcement: New US Farm Bill Requires Additional SLA Reporting

Jones & Jones Customs Brokers and

Trade Consultants released a Trade Notice providing information on the Farm Bill's mandate to U.S. CBP to collect additional SLA data on the CBPF-7501 Consumption Entry.

The two new data elements involving specific dollar amounts will be accomplished by keying these numbers into the created CBPF-7501 fields. The "Importer's Declaration" will either require a statement on the proforma invoice or "Blanket" affidavits from the "Importer of Record", and will involve a "check box" field on the CBPF-7501 enabling the broker's submissions to CBP to remain fully electronic.

The release reads, in part, "We're advised that per MFBM pricing and threshold percentages used to compute each shipment's Estimated Surcharge will be published on a U.S. DOC web-site." Jones and Jones anticipates the effective date of the new requirements to take effect August 18, 2008.

The Blaine, WA company can be contacted through their website: www.joneschb.com.

Calendar

August 2008

Forest BioEnergy International Conference and Exhibition

August 28-30 - Finland

BioForest

<http://bioforest.finbioenergy.fi/default.asp>

September 2008

Who Will Own the Forest?

September 8-10 - Portland, OR

World Forestry Center

<http://wfi.worldforestrycenter.org/wwotf4/agenda.html>

New BC Minister of Forests

Pat Bell Interview

Liberal MLA for Prince George North Pat Bell has had his sights on the Forests and Range portfolio since first getting into politics.

by Kéta Kosman

Madison's caught up with him while

he was on the road from a meeting with the ILA (Interior Lumbermen's Association) in Vernon, heading to Kelowna for another information session.

Feeling bright and chipper in his new post, Bell immediately launched into a commentary of how he sees this as an "exciting time for new opportunity". While the industry will continue to incorporate dimension lumber, panel and pulp products, there is a whole new world out there to explore. Most notably bio-fuels (from the bio-refining of wood residue) and pellets.

As a former log harvester and native of Prince George, Bell is exploding with ideas to help keep the industry current and profitable into the future. He intends to encourage better utilizing of timber resources, plus foster research and technology. In particular there will be an impetus to creating products, including pellets, from the beetle-kill wood. One of his prime objectives is to promote more efficient harvesting. At the moment the beetle-kill harvest is saddled with low sawlog volumes (Bell estimates 20 per cent). He plans to "create economic opportunities to get those areas harvested."

Pat Bell also has plans for changes to silviculture practices. The figures show that fewer trees harvested in recent years equals fewer trees planted. If that policy continues through the end of this year, there will be significantly less trees put into the ground. He will focus on "how we grow fibre", to get more value than simply from wood products. He remembers a time when even pulp was considered residue; clearly those days are long over.

While actual silviculture practices will remain the same, there will be implementation of planning regimes to lower costs. With an eye to the future, Bell thinks of the "incremental value"; where and when to plant, and the process of tending. The current ministry "Free to Grow" campaign will continue. Bell wants to introduce a life-cycle management regime. He believes that society is "willing to pay", thus will introduce a Cap & Trade initiative. For example, to other industries like auto



Kiln Dried Lumber Ready for Shipment

manufacturing that do not currently have opportunities to offset carbon.

In that regard, Pat Bell believes there are "long term opportunities and solutions" available from related industries. Currently there are strong fundamentals in place that he intends to build upon. In addition there will be partnerships between the federal, provincial, and municipal governments and industry, agencies, universities etc. There will be a focus on "growth and yield" opportunities. Some changes will happen quickly, for example to BCTS (BC Timber Sales), and regarding pulp mills. Former Forest Minister Rich Coleman started a task force on pulp, that should be ready to table a few solutions soon.

Bell's basic principle is that "when industry gets challenged, people get innovative" and his ministry will support the industry as a whole. Current government policy of no direct subsidies will continue.

While he plans to use the same principles to the coast forest products industry, Pat Bell realizes that there will have to be some different applications. For example, he plans to encourage "quality (high end) products" for specialty species such as Douglas Fir, rather than a focus on quantity. He maintains that there are lessons to be learned around stand utilization and farm licenses, and that there will be no financial penalty for mixed-species logging. Second growth logging will also rigorously studied. Replanting of Cedar will need to be carefully examined; with climate change upon us old models will no longer hold.

Bell is aware of the terms of the current Softwood Lumber Agreement, and intends to "not mess with what works", particularly with regard to value-added products and remanufacturing.

When asked about the government funding slated to help communities impacted by the Mountain Pine Beetle devastation (very little of which has actually been distributed to date), he said that a lot of work has been done by both levels of government for the Community Development Funds in receiving applications from various towns, industry and associations. While there are not likely to be any news before *Madison's* press time, Bell assures that there will start to be "announcements of a dispersal of funds" very soon.

On a final note, the imminent danger of a massive forest fire this year had to be mentioned, especially considering the fires raging across northern California right now. Mr. Bell explained that that emergency response personnel across the province are in close communication with each other, and that his office receives daily updates of the BC fire situation. There is good technology for recognizing lightning strikes and a system of fast response already in place. However, the greatest danger comes, he said, from human-made fires. New BC Forest Minister Pat Bell reminds us all not to leave any fire unattended, even for 30 seconds. Let's not forget what happened in Kelowna in 2003, a fire of epic proportions that was started by the discarded cigarette of a volunteer fire fighter.