

MADISON'S LUMBER REPORTER

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News & Updates

Softwood Pulp

European northern bleached softwood kraft pulp prices slid yet again this week, as expected by most. Down US\$4.46 to US\$89.40 per ton, pulp is still up from the beginning of 2008 by US\$19.24.

After staying firm for most of the spring, US pulp prices fell again slightly, by US\$5.56 to US\$886.76 per ton, which is also still up from the beginning of the year by US\$22.05. [SOURCE: www.foex.fi] [READ MORE](#)

US Mortgage Issues

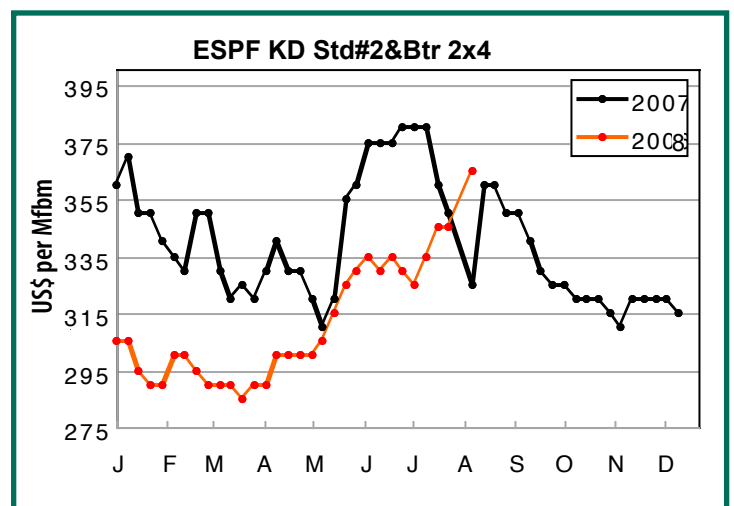
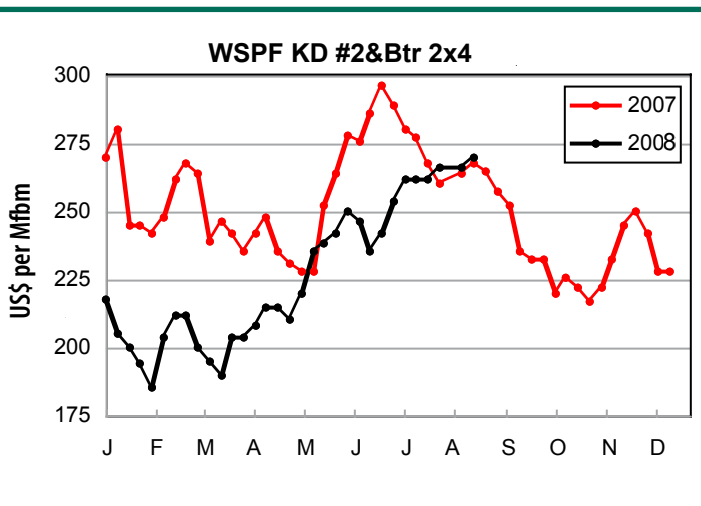
Economic reports out of the United States, particularly regarding 2Q 2008, continue to shock and alarm analysts. For the 26th straight month, in May, newly delinquent homeowners who put down less than 20 per cent outnumbered those who caught up on overdue payments.

The arc of the crisis in subprime loans suggests that the problems in the broader market may not peak for another year or two, according to analysts. "Subprime was the tip of the iceberg," said Thomas H. Atteberry, president of First Pacific Advisors, a investment firm in Los Angeles that trades mortgage securities. "Prime will be far bigger in its impact." Defaults are likely to accelerate because many homeowners' monthly payments are rising rapidly [READ MORE](#)

TimberWest Land Sale

Moving forward with its intention of several years to sell off a portion of its privately owned timberlands for real estate, TimberWest Forest Corp. recently got approval for the rezoning of 166 hectares near the Campbell River airport for industrial purposes. "These lands have the benefits of being next to an expanding airport, having utilities in place, and being located in a very cost-competitive location like Campbell River, which itself is part of one of the most attractive destinations in the world – Vancouver Island." said John Hendry, Vice President, TimberWest Real Estate.

By offering a swap of 480 hectares of what was determined to be superior quality land to be included in the Agricultural Land Reserve, TimberWest has successfully pulled 166 hectares out of the ALR with the intention of selling it in parcels. [READ MORE](#)



Prices are in U.S. dollars per 1,000 fbm.

Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	270	266	+4	254	+16	250	+20
WSPF KD R/L 2x6	274	270	+4	244	+30	253	+21
WSPF KD R/L 2x8	284	280	+4	240	+44	280	+4
WSPF KD R/L 2x10	290	285	+5	250	+40	340	-50
WSPF KD PET 2x4 Stud	220	218	0	230	-10	275	-55
Douglas Fir Green R/L 2x4	185	185	0	205	-20	245	-60
Douglas Fir Green R/L 2x10	230	230	0	205	+25	270	-40
ESPF KD 2x4 8ft Stud	300	305	0	315	-15	335	-35
OSB Ontario 7/16" (CDN\$)	210	205	+5	205	+5	195	+15

Weekly News

NBSK Pulp

CONTINUED Paper demand is still low but production amounts have been greatly reduced, serving to help keep paper prices stable. Despite analyst predictions earlier this year, current wisdom suggests that softwood pulp prices may firm towards September due to greatly increased demand across Asia (except Japan), particularly in China.

Gloomy economic conditions in the US and Europe point to a softening newsprint market there into 3Q 2008.

The hardwood pulp market has buoyed in recent weeks, with European bleached hardwood kraft pulp up EUR5.48 to EUR539.36 per ton (a rise of EUR9.81 from the beginning of 2008). The US price

would have risen as well, except that the Euro weakened against the US dollar by 1 per cent, causing US BHKP to remain unchanged at US\$840 per ton (up US\$61.99 from the beginning of 2008) [SOURCE: www.foex.fi].

Announcement

Fred Spoke has been appointed by the Canada Wood Group Board of Directors to assume the role of Managing Director – China based at the Shanghai Dream Home Canada facility. His first week will be spent in Vancouver meeting key contacts and undertaking orientation activities. He assumed his permanent position in China in early July.

Fred has an extensive background

in China including serving as Minister Counselor (Commercial) at the Canadian Embassy in Beijing. Fred was also the Executive Director of the Canada China Business Council based in Toronto and served on CCBC's Board in Shanghai. He has also filled other overseas roles at the Department of Foreign Affairs and International Trade. In the private sector he has guided international clients in the development of their China strategies and was the General Manager for Victorinox China Ltd. (Swiss Army brand). Fred speaks mandarin Chinese and holds an MBA degree. In his new position, Fred will be responsible for managing the Canada Wood presence in China and coordinating the activities and efforts of the various partners of Canada Wood.



US Produced Baled Fluff Pulp



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US Credit Crisis

Mortgages

Tax rebate cheques sent out earlier in the year in an effort to bolster spending have mostly been distributed. While the cheques did temporarily increase spending, they failed to generate activity that is likely to carry on even after the cash has cycled through the economy.

As the impact of the rebate cheques continues to wear off in the coming weeks, households will be left confronting the same set of troubles that have been dragging on the economy for many months: a deteriorating job market, rising prices for food and gas and plummeting housing values.

What will sting borrowers more than rising interest rates is having to pay interest and principal every month after spending several years paying only interest or sometimes even less than that. Some borrowers could see their payments jump 50 per cent or more, and they may not be able to sell their properties for as much as they owe.

The wave of foreclosures is still rising in states like California, where many homeowners turned to creative mortgages during the boom. From April to June, mortgage companies filed 121,000 notices of default in California, up nearly 7 per cent from the first quar-

ter and more than twice as many as in the second quarter of 2007, according to DataQuick, a real estate data firm based in La Jolla, Calif.

Home foreclosure filings rose 14 per cent in the second quarter, the eighth consecutive quarterly climb, up 121 per cent from the same period a year-earlier.

“Although much of the fallout from foreclosures is being driven by rampant activity in a few states, such as Nevada, California, Florida, Ohio, Arizona and Michigan, most areas of the country are seeing at least some increase in foreclosure activity,” James J. Saccacio, chief executive of RealtyTrac, said in a statement.

Timberland Sales

Vancouver Island

Newly appointed British Columbia Forest Minister Pat Bell toured the Campbell River area to review logging practices on Crown land and privately owned timberlands.

In conjunction with the tour the Minister met with the local Forestry Round Table to discuss public outcry over the province’s decision to allow private lands to be taken out of tree farm licences - something which the Association of Vancouver Island Coastal Communities has asked Premier Gordon Campbell to review.

Bell said he intends to try to make sure the voices of local communities are heard when forestry decisions are made, but he does not think the TFL decisions are likely to be changed.

Port Alberni Mayor Ken McRae said communities were left out of the decisions to withdraw private lands from TFLs.

Meanwhile Western Forest Products is moving forward with development plans of its own timberlands being sold as real estate.

The company is pushing ahead with building roads meant for a housing subdivision, even though the Capital Regional District insists it doesn’t have the right to do so. However, Western Forest Products replied that it does not need a development permit for road building as the land is still private managed forest land and comes under provincial regulations, not CRD rules.

That does not mean the roads are being built for forestry purposes.

“If the subdivision application is not approved, then we will likely use these roads for part of our future logging operations, but there’s no question that the preparation work underway now is absolutely for subdivision purposes” said the company’s chief operating officer, Duncan Kerr.

The relationship between the CRD and Western has been strained since the regional district rezoned forestry land in the southwest corner of Vancouver Island to 120-hectare-minimum lot sizes. That move restricts the number of houses that can be built.

