

MADISON'S LUMBER REPORTER

Publisher
KetaDesign Productions

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

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

In Canada, add 5% GST
ISSN 0715-5468
Printed in Canada © 2008

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News & Updates

P&T's MacKenzie Pulp Mill Sold

This week the BC Supreme decision to uphold the chip supply contract between Canfor's sawmill in Mackenzie and the bankrupt Pope & Talbot's closed pulp mill paved the way for the sale of the pulp mill to go through.

Edmonton based real estate company Worthington Properties made a surprise bid for the mill on Monday. The chip supply agreement with Canfor was crucial in completing the deal. Canfor closed its Mackenzie sawmill on June 10 due to a depressed lumber market. The company claimed that its consent is required for the fibre supply agreement to be assigned to a new owner but was denied in the court ruling. Canfor lawyer Shelley Fitzpatrick hinted at the possibility of an appeal over the agreement to supply 200,000 tonnes of chips to the pulp mill.

The fibre supply agreement could impact the potential purchase price by as much as \$13 million. Should receiver PricewaterhouseCoopers decide not to exercise an option not to transfer the fibre supply agreement, the sale price of the pulp mill will fall from \$20 million to \$6.5 million.

Despite the uncertainty, Worthington president Dan White is expected to arrive in Mackenzie today to meet with former managers and employees of the mill to discuss a start-up strategy.

US Housing Starts

US housing starts in July were at a seasonally adjusted annual rate of 965,000. This is 11 per cent below June starts of 1,084,000, and is 30 per cent below the previous year.

Single-family housing starts in July were at a rate of 641,000; this is 3 per cent below the June figure of 660,000. The July rate for units in buildings with five units or more was 309,000. [READ MORE](#)

Japan Housing Starts

Japanese housing starts in June decreased for the 12th consecutive month, down 16 per cent from May and down 17 per cent from one year ago. [READ MORE](#)

New US Farm Bill Lumber Import Declarations

New data entry requirements on US Customs and Duty entry forms for softwood lumber imports were meant to take effect on August 18, 2008 but implementation has been pushed back 30 days due to unclear and conflicting instructions. [READ MORE](#)

U. S. HOUSING STARTS

	Jul-08	Jun-08		Jul-08	Jun-08
Starts			Permits		
Actual	87,400	101,800	Actual	83,500	108,100
SAAR*	965,000	1,084,000	SAAR*	937,000	1,138,000
1 Unit	641,000	660,000	1 Unit	584,000	616,000
2-4 Units	(s)	(s)	2-4 Units	35,000	33,000
5+ Units	309,000	404,000	5+ Units	318,000	489,000
Starts by Region			Permits by Region		
Northeast	174,000	250,000	Northeast	108,000	295,000
Midwest	154,000	140,000	Midwest	150,000	148,000
South	447,000	487,000	South	478,000	459,000
West	190,000	207,000	West	201,000	236,000

*Seasonally adjusted annual rate

Source: U.S. Census Bureau

JAPANESE HOUSING STARTS

Month	TOTAL	Non-Wood	Wood	%Wood
Jun-08	100,929	53,328	47,601	47
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

Source: Japan Wood-Products Information and Research Center

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	282	282	0	262	+20	268	+14
WSPF KD R/L 2x6	304	300	+4	256	+48	296	+8
WSPF KD R/L 2x8	298	288	+10	266	+32	288	+10
WSPF KD R/L 2x10	300	295	+5	270	+30	356	-56
WSPF KD PET 2x4 Stud	228	220	+8	235	-7	292	-64
Douglas Fir Green R/L 2x4	195	195	0	190	+5	250	-55
Douglas Fir Green R/L 2x10	245	240	+5	200	+45	305	-60
ESPF KD 2x4 8ft Stud	295	295	0	305	-10	350	-55
OSB Ontario 7/16" (CDN\$)	220	215	+5	215	+5	190	+30

Weekly News

US Home Building

CONTINUED Building permits in July were at a seasonally adjusted annual rate of 937,000, 18 per cent below the revised June rate of 1,138,000 and 32 per cent less than one year ago.

Single-family permits in July were at a rate of 584,000; 5 per cent below the June figure of 616,000.

Permits of units in buildings with five units or more were at a rate of 318,000 in July.

Meanwhile expectations that US mortgage lending giants Fannie Mae and Freddie Mac will eventually receive a federal bail out sent company shares plummeting once more, by 25 per cent. Analysts expect the federal government to have to pump US\$20 billion into the ailing lenders.

Japan Housing

CONTINUED Floor areas were also

down, by 18 per cent to 8,265,000 square meters.

Starts for owner-occupied houses saw the 17th consecutive month of reductions, while built-for-sale home starts dropped 27 per cent from May, and a whopping 36 per cent from the previous year. Rental housing starts also fell, by 15 per cent.

Wood framed home construction was up for the third consecutive month, by 6 per cent.

Japan's revised building standards law took effect in July, bringing a temporary slow down to the construction market. Analysts expect the numbers to improve as the year progresses.

Announcement

Reid & Wright, Inc. is proud to celebrate their 60th year in business. Over the last 60 years, Reid & Wright, Inc. has become one of the leading suppliers of redwood,

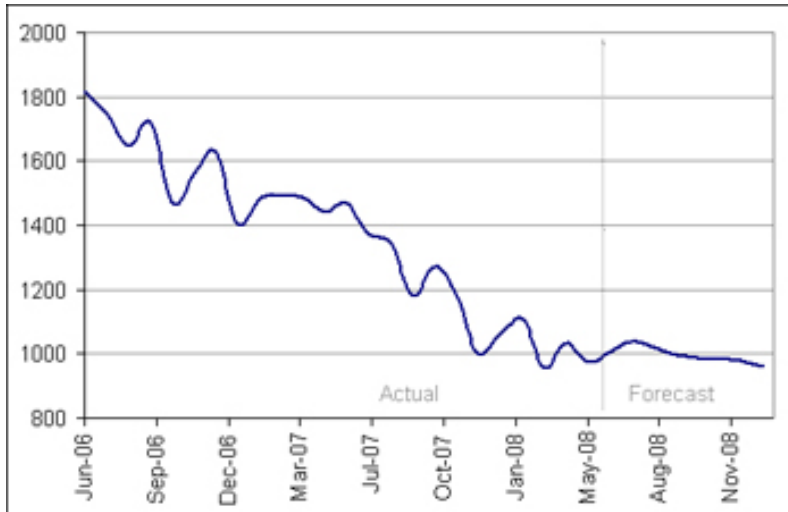
cedar composite and other lumber products in the building materials industry.

Since Reid & Wright, Inc. was established in 1948, it has always had a progressive approach to the way they do business and marketing.

As an independent, full service wholesale building products distributor, Reid and Wright, Inc. is committed to servicing the retail and industrial trades of the building materials industry. "The success of Reid & Wright during the past 60 years is attributable to the high caliber of its employees at all levels, exceptional vision and planning by the management staff, the ability to reinvent itself as circumstances dictate, and strong support from customers and vendors." said Robert B. Reid President of Reid & Wright, Inc.

Reid and Wright's corporate office is located in Bend, Oregon with distribution facility in Broomfield, CO.

Thousand Homes. Annual Rate Seasonally Adjusted.



US New Housing Starts

SOURCE: <http://www.forecasts.org/>



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US Lumber Imports

Farm Bill Amendment

Just when Canadian wood products companies thought the terror and confusion of the Softwood Lumber Agreement

by Kéta Kosman

was behind them, yet another complicated process has been implemented. During the summer of 2008 a massive Farm Bill was passed in the US House of Congress. As is commonly done with such legislation in America, a number of Bill proposals were added at the final moments (a process known as “pork barelling”) which effectively added cumbersome reporting requirements to US Customs paperwork on lumber imports.

While inclusion of an “Export Price” and an “Importer’s Declaration” is required by the Bill with regard to softwood originating from all countries, Canada was clearly the target of this legislation. Only after a demand by Canada that it not be the only country subject to the new requirements were other importing countries included.

Bearing trademark signs of influence from the very powerful lobby group, the Coalition for Fair Lumber Imports, and proudly championed by Montana Senator Max Baucus who is a vocal supporter of limiting Canadian lumber coming into America, the Softwood Lumber Act of 2008 (not to be confused with the Softwood Lumber Agreement of 2006) requires additional data reporting on US Customs documents accompanying lumber imported into the United States. Concerns by the US lumber industry that Canadian producers were under-reporting the value of lumber exported to the US when filing their Export Permits and remitting the ap-

plicable Export Surcharges prompted the action.

Unfortunately the terms of the Act, written into Law on June 18, 2008, were impossible to implement by the prohibitively early deadline of August 18, 2008. Customs brokers and exporters alike across North America scrambled to decipher to wording. Calls and emails to US Customs and Border Protection, under the Department of Homeland Security, as well as the International Trade Administration for clarification heeded little results. Although these agencies tried to be helpful, apparently they themselves did not grasp the portent of their own directives as mandated by the Department of Commerce, and how their instructions to Trade were in conflict with provisions of the 2006 Softwood Lumber Agreement.

A small broker out of Blaine, WA, Jones & Jones Customs Brokers and Trade Consultants finally managed to make some headway with relevant agencies that confusion was two-fold: first impractical language regarding the three new Customs entry requirements, “Export Price”, “Estimated Export Surcharge” and “Importer’s Declaration”; and second, the apparent dismissal of the \$500/mfbm “cap” on lumber imports dictated by the Softwood Lumber Agreement of 2006. One set of instructions even contradicted earlier instructions issued the very same day.

Michael Jones, president of Jones & Jones explained to *Madison’s* that the new Softwood Lumber Act of 2008 was simply a matter of the US government attempting to exercise closer control over the valuation data involved with these imports. The US Department of Commerce felt it needed to reconcile “huge differences in sale price vs. export price”. There was suspicion that the actual Export Surcharges being paid by Canadian exporters were much lower than they should be. As Jones

explained, the Department of Commerce is already allowed, under the terms of the SLA 2006, to ask DFAIT to confirm via audit all prices reported and surcharges remitted.

However, it seems that the US lumber industry, or more correctly the members of the Coalition for Fair Lumber Imports, did not trust the Canadian figures being declared, and demanded closer scrutiny. Unfortunately the language used with regard to how the new requirements were to be facilitated, and the system put into place to capture the data, not only lacked the required clarification in order to ensure compliance, but was also counter to the SLA of 2006, according to Jones. After much effort and communication US Customs, Jones finally managed to explain the discrepancies. The August 18 deadline has been extended 30 days to September 18 in order to give exporters and brokers a chance to update their systems.

Trade disagreements between Canada and the United States go back to before either country was founded, with lumber and wood products being among the most legendary. When home building activity in the US is high, demand for Canadian lumber rises accordingly. However the US lumber industry does not like to see wood products crossing the border freely, thus various efforts to impose quota restrictions or duties have historically been in place. Conversely US home builders, realtors and mortgage lenders campaign to have restrictions removed or reduced, but generally to little avail. When US home building activity is low, as it is now, American lumber producers work to have Canadian lumber imports restricted further. Statistically speaking, the US lumber lobby is not comfortable with Canadians having more than a 33 per cent share of their lumber market.

While it seems a bit hypocritical to at both welcome Canadian lumber when demand is high and try to restrict imports when home building decreases, and it may well be so, there really isn’t much Canadians can do about it in practical terms. As my predecessor *Madison’s* publisher of 35 years, Laurie Cater, now retired, used to say when we would get bogged down in the details of some lumber dispute or another, “It’s their industry; they can do whatever they want with it.” And so they will.

Full explanation of the new lumber duty entry form requirements are available on the US Customs website here http://www.cbp.gov/xp/cgov/newsroom/alerts/alert_softwood_lumber.xml, with explanation of the extended deadline here http://www.cbp.gov/xp/cgov/newsroom/news_releases/08192008_2.xml.

Importation of Softwood Lumber

The electronic record will consist of:

- the export price for each shipment of softwood lumber and softwood lumber products calculated as specified by the Softwood Lumber Act of 2008;
- estimated export charges, if any, applicable to each shipment of softwood lumber and softwood lumber products;
- a declaration by the importer regarding the export price and export charge, if any.

This information is required for all importations of softwood lumber and softwood lumber products described in section 804 of the Act, regardless of country of export or origin and will be reported on the CBP 7501, entry summary.

The description of the softwood lumber and softwood lumber products subject to the Declaration Program (and those which are excluded) is set out in section 804.

The term “export price” is defined in section 802(5).

The term “export charges” is defined in section 802(4).

The “importer’s declaration” is explained in section 804.