

MADISON'S LUMBER REPORTER



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News & Updates

Madison's Timber Preview

This week's issue takes a look at recent developments at AbitibiBowater. Two major financial organizations have made large buys into shares of the troubled paper and wood products manufacturer. Contact us any time for a subscription.

Wooden Roof Trusses into China

On Monday the BC Ministry of Forests made two announcements of more wood home building in China. Through Forestry Innovation Investment (FII), the Province has been working with the Mongolian government for the past 18 months to adapt its building code to Canadian standards and build capacity for a wood-frame housing sector. This included building two demonstration homes in Ulaanbaatar, and funding the British Columbia Institute of Technology to provide training and technical support to Mongolian officials and developers.

In a \$4 million project, the Pacific Homes division of Pacific Building Systems is supplying 48 townhomes for a new development in the Mongolian capital of Ulaanbaatar. All major structural components – including floors, walls and ceilings – of the homes will be built in Cobble Hill, and then shipped via containers to Mongolia where they will be assembled.

Meanwhile, the Shanghai government has formally approved a BC designed roofing system as part of a plan to renovate 10,000 city apartment buildings in the lead-up to the World Expo 2010 in Shanghai.

"With this approval, BC wood producers now have access to a market for as many as 10,000 new roofs over the next two years," said BC Minister of Forests and Range, Pat Bell.

In the first nine months of 2008, exports of BC wood products to China were more than for all of 2007 and were valued at more than \$166 million.

Japanese Housing Starts

December 2008 housing starts in Japan fell by 5.8 per cent, while annual starts rose 3.1 per cent over December 2007, but fell 15.3 per cent when compared to December 2006. [READ MORE](#)

US Home Values

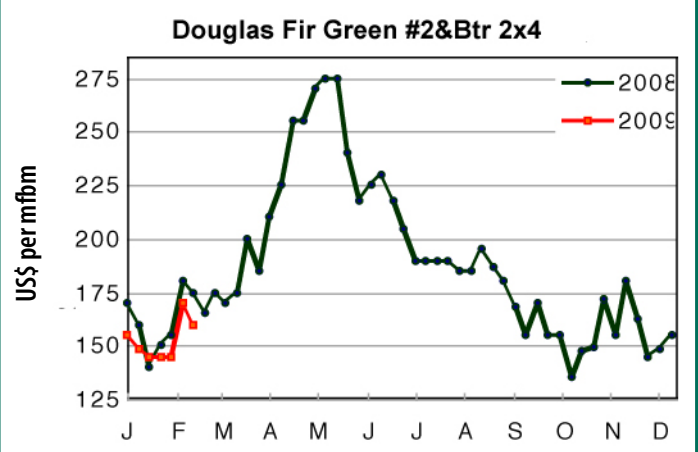
The US National Association of Realtors reported a record drop in home values around the country this week. Nationwide home prices fell 12.4 per cent during 2008. [READ MORE](#)

Canadian Exports

Figures released by Statistics Canada and Export Development Canada this week show that Canadian exports globally, and into the US specifically, fell in December 2008. Trends and indications demonstrate that while Canadian exports to the US have been falling in recent years, exports to other countries have been rising. [READ MORE](#)

JAPANESE HOUSING STARTS				
Month	TOTAL	Non-Wood	Wood	%Wood
Dec-08	82,197	39,855	42,342	52
Nov-08	84,277	42,176	42,101	50
Oct-08	92,123	48,578	43,545	47
Sep-08	97,184	51,715	45,469	47
Aug-08	96,905	50,514	46,391	48
Jul-08	97,212	51,877	45,335	47
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

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	168	160	+8	148	+20	212	-44
WSPF KD R/L 2x6	172	170	+2	136	+36	212	-40
WSPF KD R/L 2x8	155	154	+1	142	+13	220	-65
WSPF KD R/L 2x10	168	170	-2	148	+20	298	-130
WSPF KD PET 2x4 Stud	195	180	+15	170	+25	212	-17
Douglas Fir Green R/L 2x4	160	170	-10	148	+12	175	-15
Douglas Fir Green R/L 2x10	220	225	-5	185	+35	240	-20
ESPF KD 2x4 8ft Stud	230	230	0	230	0	270	-40
OSB Ontario 7/16" (CDN\$)	220	220	0	220	0	145	+75

Weekly News

Japanese Housing

CONTINUED 2008 owner's unit starts were 318,508, almost the same as 1951 levels. Overall, 2008 housing starts were the lowest since 1967 (with the exception of 2007, when building standards were changed significantly).

There was a sharp increase in Japanese real estate prices in the first half of 2008, then a sudden economic slow down in the second half of the year which accounts for the decrease in December starts.

Traditional post and beam units started were 391,221, while wood framed homes altogether accounted for 516,868. The percentage of wood framed housing starts rose steadily in Japan in 2008, to 52 per cent in December, compared to 47 percent one year ago.

Orders received by 50 major construction companies fell 27 per cent in

December from a year earlier to 894.2 billion yen (\$10 billion), marking the second straight month of falls.

US Home Prices

CONTINUED In the largest yearly decline since the NAR began tracking the numbers in 1979, the median price for a US home sold during the fourth quarter of 2008 fell to \$180,100, down from \$205,700 during the last quarter of 2007.

Foreclosures and short sales accounted for 45 per cent of all deals. That has driven sales volume up in states like Arizona, Nevada, Florida and California.

"Once again, we see a pattern of strong sales gains, particularly in lower-price homes, in areas with price declines resulting from foreclosures," said Lawrence Yun, NAR chief economist, in a statement.

Meanwhile, under a plan approved by the US Senate on Wednesday, homebuyers could get a tax credit of 10 per cent of the value of new or existing homes, up to \$15,000. The measures could help reduce the huge glut of homes that has wreaked havoc on the industry and helped drag down property values, which would be a boon to homebuilders.

Announcement

Mid Valley Lumber Specialties Ltd is please to announce that effective immediately Ken Swartz will be joining the lumber sales and marketing team.

Ken, most recently with Cedartone Specialties, brings with him over twenty five years experience in the manufacturing and marketing of quality Western Red Cedar products. Over the years Ken has earned the reputation of a hard working, honest individual, building long term working relationships with his customers.

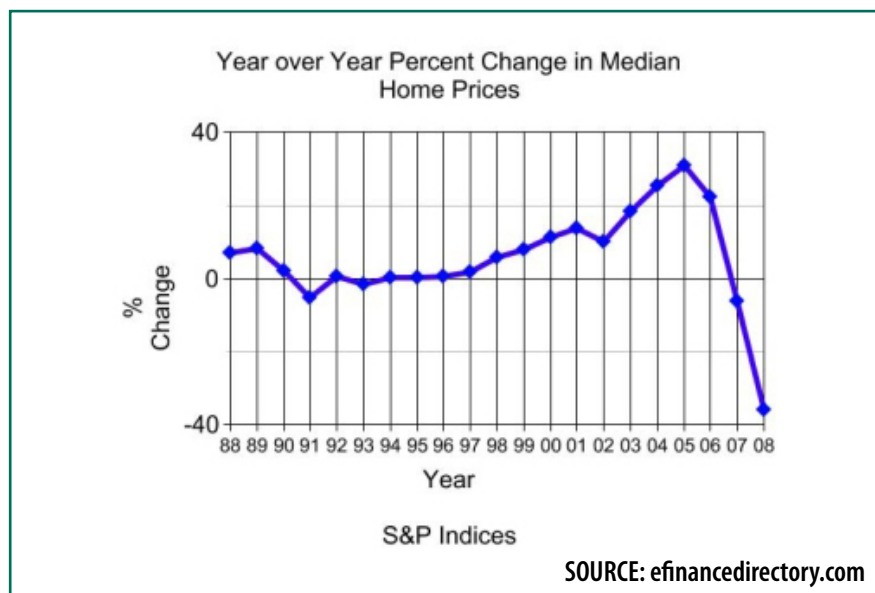
With Ken's experience and commitment to honesty, he will fit well with the Mid Valley team. Ken can be reached by e-mail at ken@midvalleylbr.com at the main office 604-856-6072 or his satellite office 604-538-3500

Announcement

Lignum Forest Products is pleased to announce that it has engaged Tays Forest Products to assist in developing its Western Red Cedar and specialty products business. Bruce Tays, the principle of Tays Forest Products has over 20 years experience in these businesses. Bruce will act as Sales Manager for the products involved.

Chris Tays will also be involved in the development of these businesses and he will be buying and selling the Cedar products!

For more information, please visit Lignum's website at www.lignum.com



Global Trade

US Exports Plummet

In what industry hopes is a temporary situation, Canadian exports internationally fell by almost 10 per cent in December, putting Canada in a trade deficit - of \$460 million - for the first time in 33 years. Trade Minister Stockwell Day said, "If the United States continues to stay in the doldrums and if China's economy continues to move downwards, that means there will be less demand for Canadian products." Total Canadian products going into the United States also declined by 10 per cent in December, and export levels of forest product specifically declined 4.6 per cent. Compared to December 2007, Canadian forest products exports fell by almost 3 per cent. Export numbers from December, 2008 reflect orders that were placed months before, noted Jayson Myers, president of Canadian Manufacturers & Exporters.

A press release from Statistics Canada states that, "Overall, exports have been trending downwards since July 2008."

According to the Canadian federal Department of Foreign Affairs and International Trade, national commercial trade in 2007:

- Canada's bilateral merchandise trade with the U.S. was \$576.4 billion;

- Canadian merchandise exports to the US were \$356.0 billion, while imports were \$220.4 billion;

- * Canada's exports to the US were equivalent to 23.2 per cent of its gross domestic product;

- The US receives roughly 74 per cent of Canadian goods and services, and;

- Over 63 per cent of Canada's imports come from the US;

- Nearly one third of Canada-US trade is now said to be "intra-firm" trade with inputs and outputs crossing the border multiple times during production cycles between multi-national tentacles of the same companies'

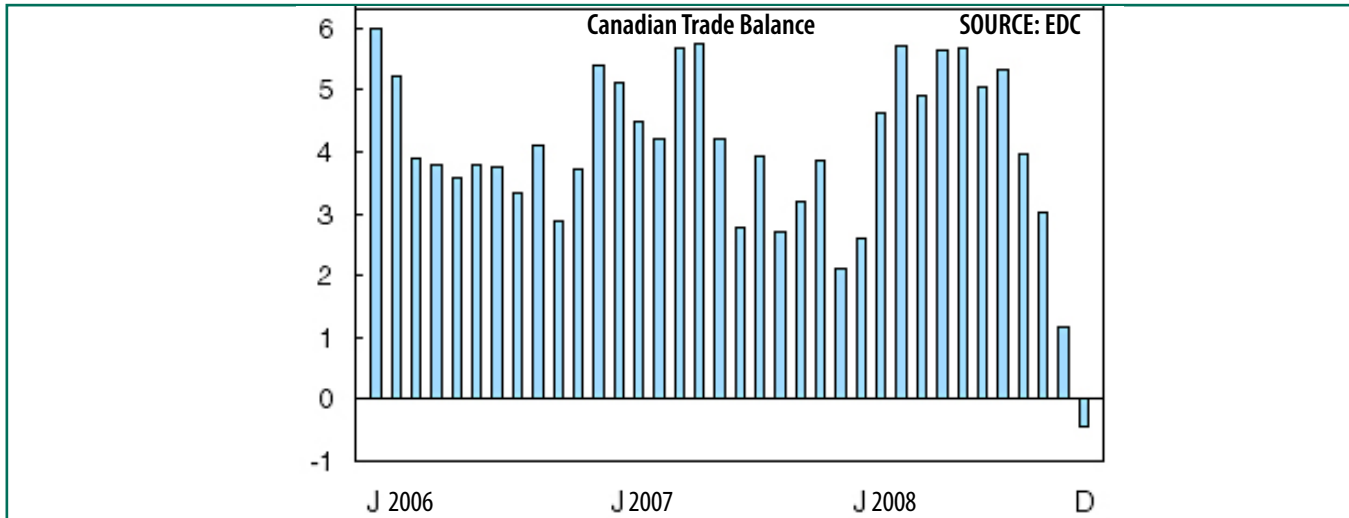
- The US is the largest foreign investor in Canada and the most popular destination for Canadian investment abroad. In 2007, the stock of American direct investment in Canada surpassed \$288.6 billion, while Canadian direct investment holdings in the US reached \$226.1 billion.

In contrast to the sharp drop in export shipments to the US, two regions internationally showed even more marked increases in receiving Canadian exports. Canadian exports to the UK rose by almost 81 per cent from November 2008 to December 2008, and over 26 per cent compared to one year ago. Canadian exports to other European countries fell by

1.3 per cent from November 2008 to December 2008, but rose by 24.5 per cent from December 2007 to December 2008.

The trend of Canadian exporters finding other markets and other customers seems to be growing, despite incessant rounds of objections from traditional players in the lumber industry that these markets are "too small" or that it is more costly or complicated to ship overseas. Transporters of all kinds are also hurting, as are the ports. If there was ever a time to find new partnerships, to negotiate new deals and to strike out in new directions, this is it.

In a January 7, 2009 report full of gloomy expectations for this year, Peter Hall, Vice-President and Chief Economist of Export Development Canada states, "Markets that provided the most lucrative opportunities in recent years - Canada's traditional markets - now face the weakest near-term prospects. [...] Although they will share the pain of the global slowdown, emerging markets will still post growth far in excess of our own, and of Canada's traditional customers." Interpretation: get out there and find new customers, if only to fill the gap until American demand starts to increase again. After all, Canadian exports into the US fell from almost 87 per cent in 2000 to just over 75 per cent in 2008. Considering that experts and analysts agree this trend will continue into the near-, and possibly medium-term, future, it seems only reasonable to go looking elsewhere for customers.



	5/9	6/10	7/11	8/12	9/11	10/10	11/13	12/11	1/13	2/11
Actual	5.5B	5.1B	5.5B	5.8B	4.9B	5.8B	4.5B	3.8B	1.3B	-0.5B
Forecast	4.5B	5.7B	5.2B	5.7B	5.6B	4.7B	5.1B	3.2B	3.3B	0.8B
Previous	4.8B	5.7B	5.1B	5.5B	5.6B	4.2B	5.6B	4.5B	2.3B	1.2B
Revised From	4.9B	5.5B	N/A	N/A	5.8B	N/A	5.8B	N/A	3.8B	1.3B

2008 2009