


MADISON'S LUMBER REPORTER


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US Economic Indicators

Despite sizable growth of new markets and new products in wood products globally, the US housing market still rules as the main customer for Canadian lumber and panel. This week several economic indicators came out of the US, which tell a good story of what can be expected in the near future and into 2010.

Sales of existing homes rose 3 per cent to a 4.68 million annual rate in April. March resales were revised to 4.55 million, from 4.57 million first reported.

New-home sales climbed a second time in three months during April, an encouraging sign for the housing market, but another big tumble in the median price suggested a recovery hasn't begun. [READ MORE](#)

Chinese Demand for Canadian Lumber

Recent figures show that Canadian softwood lumber shipments into China, which have been growing steadily since 2005, had a sharp increase in 2007 according to the Japan Lumber Report.

While still not strong enough to fill the large hole left by the lagging US housing market, indications are that demand for wood products in China will soon surpass that of Japan, moving China up to the world's second largest lumber customer, according to the Report. [READ MORE](#)

Lumber Imports to Dubai Jump 63 per cent in 2008

North American lumber producers lost a huge chunk of their customer base when the US housing market suffered terrible declines in the second half of 2006. Some predicted a recovery of US home building by early 2009, but now must acknowledge US lumber demand may not increase until 1Q 2010.

Traditionally, North American lumber exports were weighted heavily towards Japan, but with that country suffering its own temporarily lull in home building, exports have dropped dramatically.

Demand for wood products, meanwhile, has been steadily rising in China. Madison's has detailed recent export figures to China on a couple of occasions. Another region showing steady, sharp increases in lumber imports is Dubai. This, the most populous city of the United Arab Emirates serves as an import hub for the Gulf States. [READ MORE](#)

Western Spruce-Pine-Fir KD #2&Btr 2x4 2006-2009



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	174	162	+12	150	+24	250	-76
WSPF KD R/L 2x6	160	145	+15	140	+20	235	-75
WSPF KD R/L 2x8	166	166	0	165	+1	237	-71
WSPF KD R/L 2x10	185	180	+5	185	0	270	-85
WSPF KD PET 2x4 Stud	180	170	+10	180	0	254	-74
Douglas Fir Green R/L 2x4	138	141	-3	145	-7	240	-102
Douglas Fir Green R/L 2x10	177	175	+2	200	-23	216	-39
ESPF KD 2x4 8ft Stud	240	250	-10	240	0	315	-75
OSB Ontario 7/16" (CDN\$)	195	195	0	195	0	205	-10

Weekly News

US Economy

CONTINUED The April sales of existing homes were slightly above expectations of a 4.67 million sales rate. But about 45 per cent of the sales were foreclosures and short sales.

The large number of these distressed property sales has driven prices lower, year over year. The median price for an existing home in April was down 15.4 per cent from April 2008.

Sales of new single-family homes increased by 0.3 per cent compared to the prior month, the Commerce Department said Thursday. Year over year, new-home sales were 34 per cent lower than the level in April 2008. For a new home, the median price dropped in April by 15 per cent compared to one year ago.

Also forcing prices lower are a glut of unsold houses on the market. At the end of April, there were an estimated 297,000 homes for sale. The ratio of houses for sale to houses sold in April remained high, at 10.1. It was 10.6 in March.

Chinese Lumber Market

CONTINUED The volume of softwood lumber shipments into China swelled more than ten times in 2008 when compared to 2005, according to the Japan Lumber Report. Annual shipments rose from about 80 million cubic meters in 2007 to 600 million cubic meters in 2008.

Canadian lumber exports to both Japan and the US are falling, while China has been steadily taking 100-200 containers a month. Demand is mostly for utility and economy grades, which do not compete with the US and Japanese markets.

The threat of a large Russian export tax on raw logs is credited with the rise in demand for Canadian lumber. With current low lumber prices for western KD items, expectations are that Canadian lumber will successfully substitute Russian products, according to the Report.

SFK Pulp Loses Abitibi-Bowater Fibre Contract

Québec Superior Court has confirmed the unilateral termination of SFK

Pulp's fibre and bark supply agreements by Abitibi-Consolidated Company of Canada on April 24, 2009.

SFK Pulp, created in 2002, had a contract with Abitibi to fulfill substantially all of SFK Pulp's fibre and bark requirements at the Saint-Félicien mill for a period of 20 years.

Under the fibre supply agreement, Abitibi was required to supply certain wood fibre volumes to SFK Pulp based on the price of NBSK pulp. At the time of termination of the agreement, based on the formula, SFK Pulp was benefiting from a discount of 20\$ per tonne on the price of NBSK pulp.

"During ongoing negotiations between the parties, Abitibi offered a minimum of 500,000 metric tonnes/year of wood chips and an adequate volume of bark to SFK Pulp. We are also firming up our business opportunities with other wood chip suppliers that are not already under contract with Abitibi," reports Pierre Gabriel Côté, president and CEO of SFK Pulp.

Canfor Closures

Canfor Corp. announced Thursday it is idling another sawmill indefinitely in northern BC, one of three closures it announced in the province. Rustad Bros. sawmill in Prince George becomes the fourth Canfor sawmill in northern BC to be shut down indefinitely.

The shutdowns are expected to be completed by June or July and will bring Canfor's lumber production down to about 2.5 billion board feet a year, 50 per cent of the company's total rated capacity of 4.9 billion board feet.

Thursday's closures also include shut downs at Vavenby and Radium in the Southern Interior. A total of 570 jobs will be lost by the three closures.

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New Customers for Wood Products

Dubai, United Arab Emirates

A few weeks ago *Madison's* started receiving phone inquiries about exporting lumber to Dubai. Curiosity could not be contained and *Madison's* had to ask the fourth consecutive caller, "What is going on in Dubai suddenly?" If the queries had been for all various Middle Eastern countries it might not be so puzzling, but all to exactly the same place was intriguing.

It turns out that there was a major trade show for wood products in Dubai held at the end of April 2009. The Dubai International Wood and Wood Machinery Show was first staged in 2006, and has been held annually since. Serving as a hub for middle eastern wood buyers, the show promotes itself as, "Woodshow is the region's most prominent tradeshow to showcase the entire spectrum of wood & wood technologies encouraging the world's pioneers in this field to present their latest offerings at the event. [. . .] This event offers an opportunity for multi-national companies and agents to showcase wood products and related machinery to potential and prospective target audiences."

Imports of 'wood and articles of wood' increased in Dubai by almost 10 per cent from 1999 to 2000, and by over 46 per cent from 2003 to 2004. In 1999 Dubai imported 756 million AE dollars of 'wood and articles of wood', while in 2004 the value of such imports rose to 1,529 million AE dollars. Similarly, imports of 'pulp of wood' rose from 917 million AE dollars in 1999 to 1,422 million AE dollars in 2004.

In 2008, wood imports to the United Arab Emirates (UAE) registered a dramatic 63 per cent increase from 2006, according to trade industry estimates. In 2007, wood imports to the UAE topped 8.5 billion AE dollars, from 5.2 billion AE dollars in 2005, according to statistics from the Dubai Ports, Customs and Free Zone Corporation. Overall, the market registered 25-30 per cent growth annually, with certain segments registering higher growth rates.

According to the US Census Bureau, US hardwood product exports to the Middle East and North African region reached US\$52.2 million (191.6 million AE dollars) during the first ten months of 2007, a rise of 32 per cent from the same period in 2006.

In 2007, European woodworking exports from Germany and Spain to the Middle East region were valued at 165 million

Euros (894.3 million AE dollars) as the Gulf states imported more woodworking machinery, tools for the woodworking, clipboard and veneers.


As if this rate of increase wasn't impressive enough, the total value of Bahrain's wood imports and exports into the UAE topped US\$652.4 million in 2008, according to data released by the Bahrain Foreign Trade System. The UAE is among the top four importers of softwood lumber in the Gulf States, who, along with Qatar, Kuwait and Saudi Arabia have collectively imported a total of 2.8 million cubic metres of the product, equivalent to US\$576.6 million in 2007.

Based on the phenomenal success of the 2009 Woodshow, expectations are that the import of wood products into Dubai will be booming. The European Federation of Woodworking Machinery Manufacturers has already pledged its support for the next three editions of the show. The event hosted 180 exhibitors from over 26 countries in 2009.

The only exhibition of its kind in the Middle East, Woodshow concluded with

over US\$79 million in closed deals among the global companies that participated, according to organizers of the event. Global organizations in attendance included the American Hardwood Export Council, Italian Trade Commission, Quebec Wood Export Bureau, Lithuanian Development Agency, Taiwan Woodworking Machinery Association, French Timber, and the Malaysian Timber Council.










From the interest in exporting wood products to Dubai generated in British Columbia since the April 2009 Woodshow alone, it is obvious that this region can not be ignored as a potential customer. Recent statistics show that exports of Canadian wood products to China have been steadily growing in the past few years while those to the US have been declining. While lumber producers in Canada are waiting around for the all important US housing market to recover, there are new markets and new customers emerging that did not exist a decade ago. Considering the enquiries are coming apparently out of the blue, ignoring this important new customer base would be foolish and misguided.



WOODSHOW

Dubai International Wood & Wood Machinery Show












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Paints, Adhesives & Glues	Semi Finished & Finished Wood Products	

21st - 23rd April 2009

Dubai Airport Expo

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