

MADISON'S LUMBER REPORTER

Publisher
KetaDesign Productions
Editor
Kéta Kosman
Market Analyst
Zara Heartwood

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

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

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

All material contained within is the property
of KetaDesign Productions Inc. Reproduction
or retransmission is expressly forbidden.



News & Updates

Japanese Housing Starts

April housing starts in Japan were down 32 per cent from April 2008 to 779,000 seasonally adjusted units, the lowest April starts since 1965. Starts for March 2009 had been down 21 per cent to 888,000, prompting analysts to raise expectations for April.

As previous months in 2009, wood framed units fared slightly better, up 6.6 per cent from March but down 23 per cent from April 2008. April construction orders from Japan's 50 leading domestic constructors sank by 26 per cent, compared to a 38 per cent decline reported in March.

Forest Fires in Western Canada

The stubborn blaze west of Lillooet, BC continues to burn. 230 firefighters and 13 helicopters were battling the fire at Tyaughton Lake, that had grown to 65 square kilometres Thursday. Winds of 20 to 30 km/h on Monday have been blowing the forest fire east, said fire information officer Mary Ann Leach. About 10 to 15 per cent of the fire's perimeter is contained. That means 85 to 95 per cent of the fire's perimeter is still growing.

The fire is believed to have been human-caused on May 29.

A lightning-caused fire covering 150 square kilometres is also burning west of Fort Nelson, BC. A small fire burning eight kilometres from Kelowna city limits has been surrounded by fire retardant and is not threatening the city, fire information officer Elise Riedlinger said. [READ MORE](#)

Mill Closures and Curtailments

Tembec today Thursday that its pulp mill located in Skookumchuck, BC will take at least two weeks of market related downtime beginning the week of June 29. Tembec attributed this action to a range of considerations including the ongoing challenging market conditions for pulp and pulp consuming products, the rapid and significant strengthening of the Canadian dollar and the lack of economically viable fibre.

The Company also indicated that the black liquor tax credit available to US chemical pulp producers has added to these other issues and was a determining factor in this decision.

Domtar Corp., which has mills in both Canada and the US, announced the reopening a pulp mill in Baileyville, ME which has been closed since March 5 due to weak global pulp demand. The company's Dryden, ON mill, shut at the same time, remains closed. [READ MORE](#)

Canadian Trade Figures for April

Renewed confirmation of *Madison's* opinion that the future of Canadian export growth is in emerging markets arrived this week in the form of April export figures released by Statistics Canada.

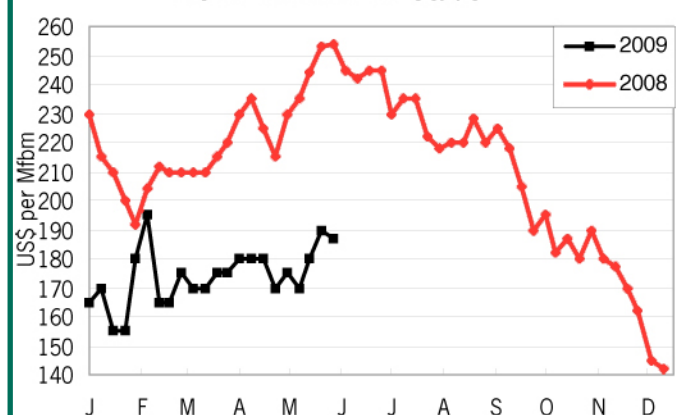
While Canadian exports to the US fell by almost 5 per cent since April 2008, Canada is exporting some 42 per cent more than expected to an average emerging or developing economy. [READ MORE](#)

JAPANESE HOUSING STARTS

Month	TOTAL	Non-Wood	Wood	%Wood
Apr-09	66,198	32,826	33,372	50
Mar-09	66,628	35,324	31,304	47
Feb-09	62,303	35,687	26,616	43
Jan-09	70,688	37,494	33,194	47
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

Source: Japan Wood-Products Information and Research Center

WSPF KD 2x4 PET Studs



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	184	178	+6	166	+18	235	-51
WSPF KD R/L 2x6	178	168	+10	156	+22	221	-43
WSPF KD R/L 2x8	190	172	+18	164	+26	233	-43
WSPF KD R/L 2x10	212	195	+17	180	+32	260	-48
WSPF KD PET 2x4 Stud	187	190	-3	175	+12	242	-55
Douglas Fir Green R/L 2x4	155	142	+13	140	+15	225	-70
Douglas Fir Green R/L 2x10	200	192	+8	177	+23	195	+5
ESPF KD 2x4 8ft Stud	270	260	+10	240	+30	315	-45
OSB Ontario 7/16" (CDN\$)	195	195	0	195	0	210	-15

Weekly News

Beetle Kill Burning

CONTINUED Since the 1980s, the mountain pine beetle has been infesting trees in the Bridge River Valley, the site of the Lillooet forest fire, said fire information officer Mary Ann Leach.

"When a tree dies, it drops its needles to the ground. That's fuel. When it dies and falls over, that's fuel on the ground," she said. "It adds to the fuel that the fire eats up as it goes through."

Leach said the debris causes the fire to burn hotter and requires firefighters to cut through downed trees with chainsaws.

In northern BC, fire crews are still struggling to contain a 160 square kilometre fire burning 50 kilometres south of the Yukon border, along the Alaska Highway. The pine beetle is not present in the area, said fire information officer Jillian Chimko.

The fire, which began June 1 and remains out of control, has forced intermittent closures of the Alaska Highway.

On Friday, the Ontario Ministry of Natural Resources announced it will be deploying 74 personnel to British Columbia to assist with the fire situation. Of the 74 personnel, 20 FireRangers from various districts and three related personnel will be departing from the East Fire Region.

The governments of Canada and Alberta announced last week that they are contributing \$15 million each to provide both economic aid to municipalities hard hit by tough times in the forest industry and reduce their susceptibility to forest fires.

Over two years, the projects are expected to create 3,000 seasonal or 1,149 full-time one-year jobs performing FireSmart work for recently unemployed forestry workers.

Closures and Curtailments

CONTINUED Tembec announced Friday a series of market related temporary shutdowns affecting all its sawmills in Northern Ontario.

These idlings will affect employees at all levels at the sawmills, as well as the forestry operations supporting these facilities. Approximately 500 employees will be impacted by these combined temporary shutdowns.

The affected Northern Ontario sawmills have a total annual capacity of 550 million board feet and the B.C. mills a combined annual capacity of 450 million board feet.

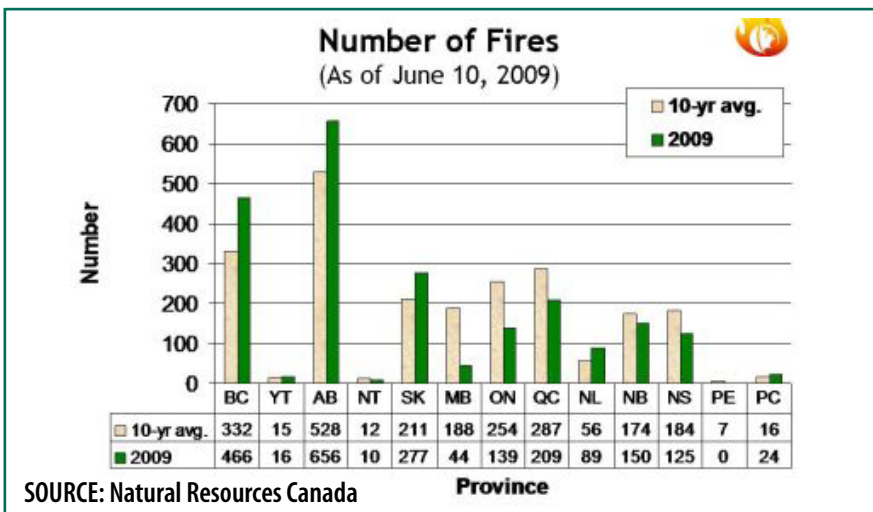
The Company also confirmed that employees at its sawmills in Elko and Canal Flats, BC were advised that those sites would be idled effective June 15 for a minimum of three weeks for similar reasons.

Howe Sound Pulp and Paper announced Friday that due to continued poor newsprint demand and unsustainably low pricing levels, it will indefinitely curtail one-third of its newsprint production. Unsustainable low pricing in certain regions of the US are a direct result of the Black Liquor tax rebate.

The company operates a Kraft pulp and newsprint mill at Port Mellon, BC with an annual production capacity of 400,000 tonnes of pulp and 230,000 tonnes of newsprint.

AbitibiBowater announced Friday 2 weeks of downtime for its mill in Iroquois Falls, Ontario. From July 13 until July 27, both PaperMachine #1 and #8 will be down. This downtime is due to market conditions.

Last week Ainsworth Lumber told more than 200 workers at its Savona plant in British Columbia that it was idling the operation due to slowing demand and a rising Canadian dollar. Another 100 workers received their layoff notices at Ainsworth's Lillooet veneer plant, where the downtime may be much longer.



Canadian Trade

Export Updates: April 2009

A new report by Statistics Canada showed that Canada's trade surplus with the United States shrank to \$2.8 billion in April 2009 from

by Kéta Kosman

\$3.5 billion one month earlier. In

April 2009, Canada's monthly international trade deficit excluding the United States was \$179 million, its third deficit in five months, after posting a surplus of \$1 billion in March, StatsCan said. Exports to the European Union fell 16.6 per cent and led the decrease in exports to countries other than the United States.

The value of exports tumbled 5 per cent to \$31 billion in April, down 24 per cent from the same time one year ago. The drop was mostly due to a 3 per cent reduction in export prices. However, demand was also soft, with the volume of goods down 2 per cent in April.

Exports have fallen 31 per cent, or \$13.6 billion, since July 2008, when the

economy began contracting, with more than 80 per cent of the decline occurring from November 2008 to January 2009. Imports have dropped 22 per cent, or \$8.5 billion, since July 2008, with almost 70 per cent of the decrease occurring in December 2008 and January 2009.

Plunging sales to the US have accounted for 88 per cent of the drop in exports, StatsCan said. In April 2009, sales to the United States made up 72.3 per cent of Canada's total exports, down from 77 per cent in July 2008.

The rising Canadian dollar didn't take much of a toll on trade in April 2009, since it was only 3 per cent higher than a month earlier, and currency appreciations take time to influence trade flows. However the the Canadian dollar appreciated 6 per cent in May. Peter Hall, chief economist at Export Development Canada, has modelled the result, and found that a Canadian dollar sustained at today's levels would shave two percentage points off growth in 2010 - basically all the growth that forecasters are predicting.

Meanwhile, the rate of contraction of global economic activity should moderate from the second quarter 2009 onward. The IMF projects that world output will decline by 1.3 per cent in 2009 as a whole and recover only gradually in 2010, growing by 1.9 per cent, according to a new report by the Department Foreign Affairs and International Trade (DFAIT).

The US economy slowed for the fourth straight year in 2008, as real GDP in that economy managed to expand by 1.1 per cent, compared to increases of 2.0 per cent and 2.8 per cent in the two preceding years. Growth in the euro area slowed to 0.9 per cent in 2008, down two thirds from the 2.7 per cent rate registered in 2007. European economic activity suffered a sharp contraction in the fourth quarter of 2008, declining by 6 per cent. Growth in Japan fell 0.6 per cent for the year, while the UK economy managed to expand by 0.7 per cent in 2008. As for emerging markets, growth fell from 13 per cent in 2007 to 9 per cent in 2008 in China, from 8 per cent to 5.6 per cent in Russia, and from 5.7 percent to 5.1 percent in Brazil.

In US dollar terms Canadian merchandise exports grew at roughly half the pace of world trade—by 8 per cent. In Canadian dollar terms, the value of Canada's exports of goods and services advanced by 5.2 per cent in 2008, with goods exports expanding by 5.8 per cent and services exports up by 1.1 per cent. In volume terms world merchandise trade expanded by only 2 per cent in 2008, down from 6 per cent in 2007, and well below the 5.7 per cent annual average rate registered over 1998-2008.

Looking forward, econometric modelling of Canadian merchandise exports to the emerging world shows that Canada is exporting some 42 per cent more than expected to an average emerging or developing economy, after taking into account trade-influencing factors such as GDP and distance from Canada. Exports are particularly high to East Asia (China, Malaysia, Indonesia), but are lower than predicted to some major destinations such as Brazil and India, according to a special report by DFAIT. Canada's global competitiveness benchmark outside of the US is noted for strength in agri-food, metals and minerals, wood and paper, and aerospace sectors, according to the report.

