

MADISON'S LUMBER REPORTER

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News & Updates

Kimberly-Clark to cut 1,600 job

Irving, TX based consumer-products company Kimberly-Clark Corp. said Thursday it plans to cut 1,600 jobs, or 3 per cent of its global work force, as it slims down in the tough economy.

Company spokesman Dave Dickson said between 100 and 200 positions will be cut in North America, in addition to 600 employees who already took a buyout. He said it was too soon to say whether any of those cuts would come from Kimberly-Clark's Canadian operations, which include plants in Huntsville, ON, and Saint-Hyacinthe, QC.

The company said it expects the cuts to save about US\$150-million a year. In the second half of the year, the company expects the restructuring will translate into savings of 10 cents per share.

Quebec Forest Fires

Tinder dry conditions and lightning strikes in Northern Quebec are keeping fire-fighting crews busy. Lightning sparked 30 new fires on Thursday, for a total of 51; three of which are out of control.

By Friday, firefighters struggled to contain more than 60 forest fires burning across northern Quebec. In the past week, the province's forest fire protection agency has dealt with more than 100 forest fires across Quebec, most of them sparked by lightning.

Thursday's rain did little to slow the spread of 15 new fires, also caused by lightning, that burned overnight across the Abitibi, Saguenay and North Shore regions. [READ MORE](#)

British Columbia Labour Issues

Canfor Corp's proposal to the United Steelworkers union calls for a lengthy six-year agreement, and seeks a simplified collective agreement that covers all of Canfor's operations, according to the Prince George Citizen. In the company proposal provided earlier to workers in Prince George, Canfor says the \$50-million cost reduction, possibly involving a 20 per cent labour cost cut, will enable it to reduce cash losses and survive.

"This will also position us for a market recovery and attract investment critical for long-term sustainability," said the company in the two-page document obtained by The Citizen.

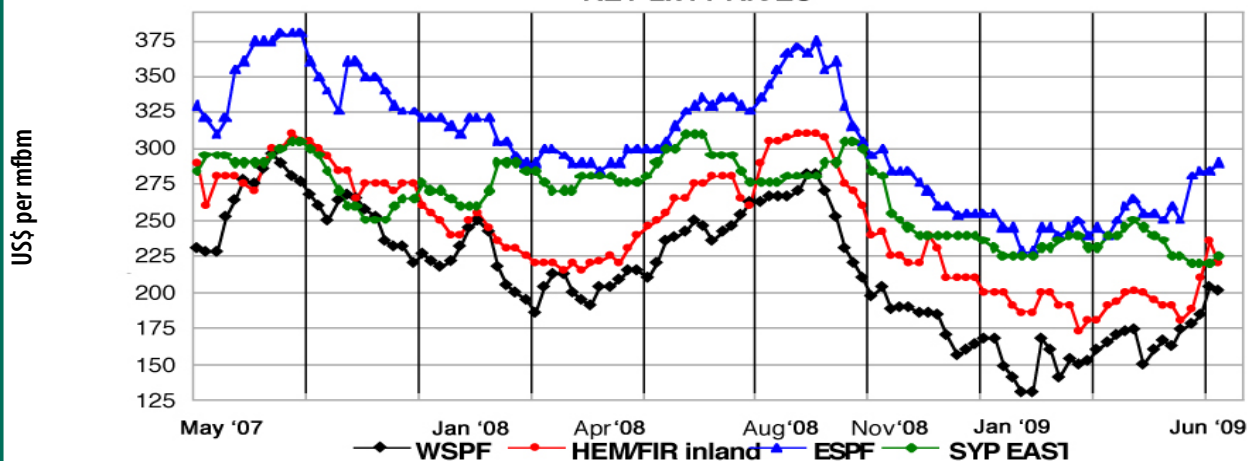
The company proposal gives the first inside glimpse of the negotiation battle that may unfold between the BC sawmilling sector and the United Steelworkers, the largest forestry union in the province. The union has already indicated it's looking for wage increases and a shorter contract. [READ MORE](#)

US Trade Balance

New figures released this week from several US government departments show the balance of imports and exports in the US is shifting.

Canadian imports of wood, pulp and paper products into the US have been falling steadily since 2005. Meanwhile recent Canadian trade figures show that Canadian exports of wood products to emerging markets have been steadily rising. [READ MORE](#)

KEY 2x4 PRICES



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	201	203	-2	174	+27	246	-45
WSPF KD R/L 2x6	206	206	0	160	+46	236	-30
WSPF KD R/L 2x8	220	206	+14	166	+54	240	-20
WSPF KD R/L 2x10	285	246	+39	185	+100	255	+30
WSPF KD PET 2x4 Stud	210	195	+15	180	+30	245	-35
Douglas Fir Green R/L 2x4	190	175	+15	138	+52	218	-28
Douglas Fir Green R/L 2x10	240	230	+10	177	+63	200	+40
ESPF KD 2x4 8ft Stud	280	270	+10	240	+40	310	-30
OSB Ontario 7/16" (CDN\$)	205	185	+20	195	+10	210	-5

Weekly News

Forest Fires in Eastern Canada

CONTINUED The two biggest fires are near Val-d'Or in the Abitibi region and the Manic V hydroelectric complex on the North-shore. They alone cover an area estimated at 10,000 hectares.

The province has brought in more than 40 firefighters from Saskatchewan, Nova Scotia and New Brunswick, and another 60 arrived from Maine, Vermont and New Hampshire to help.

Meanwhile, forest fire conditions in the North Bay region of Ontario are getting worse after several warm, windy days with little rain. With Ontario firefighters, including 14 from the area, already sent west to help battle blazes in British Columbia and Alberta, a crew from Sudbury is there on red alert.

BC Labour Troubles

CONTINUED The proposed Canfor reduction is in the same range as a recent

rollback taken by workers at a shuttered sawmill in Mackenzie represented by the Pulp, Paper and Woodworkers union.

United Steelworkers local 1-424 president Frank Everitt observed that Canfor is counting on the workers becoming their banker.

"I imagine we'll spend a fair amount of time talking back and forth before reaching an agreement," said Everitt to The Citizen.

Bob Matters, United Steelworkers Wood Council Chair, told *Madison's* on Friday that the union has met with all four major employers' groups and will re-search their proposals to seek a "progressive agreement".

Matters described all four industry presentations as "ugly".

In contrast to Canfor's six-year contract offer, Matters explained the union is looking for a shorter, likely two-year, agreement. He also said that there is still speculation within the union as to whether the new contract will be tied to lumber prices.

Matters said the union is working hard to "pick a winner, quickly."

Grant Forest Products Restructures

Grant Forest Products, a closely held Canadian maker of oriented strand board with plants in Ontario, Alberta and South Carolina, has been placed under bankruptcy protection. The Earlton, Ont.-based company has \$600 million in secured debt.

Despite the move, officials with Grant Forest Products insist that things will continue to be "business as usual," with plants continuing to operate and no layoffs for staff.

At peak periods, the company employed nearly 600 people in Ontario alone, and 715 across Canada. However, that number has dipped to 200 in Northern Ontario in recent years as the strong downturn in the global economy and the United States' housing market has affected operations.

These issues have also affected the company's bottom line, with the closure of the company's Timmins mill in 2006 and industry price changes leading to a drop in sales from \$506 million in 2004 to \$184 million in 2008.

The company's Englehart OSB mill has operated on a reduced number of shifts through the winter, but an upswing in orders leads Bob Fleet, vice-president of woodlands operations, to speculate that full production could resume by from July through to September and possibly beyond.

Out of the 66 OSB mills in North America, Grant Forest Products' Englehart facility is just one of 10 which continues to operate, and is one of the largest on the continent.

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Recent US Economic Indicators

Trade Volume

Since 3Q 2008, the world has been waiting anxiously for signs of good news out of the US economy. Toward the end of 1Q 2009 there was a perception by analysts that, while improvement was still a way off, at least the rate of economic decline in America was slowing. The latest US government reports, released this week, indicate cautious optimism is justified, but how long it will take for the US economy to recover completely is still not known.

The US economy shrank at a 5.5 per cent pace in 1Q 2009, the US Bureau of Economic Analysis said Thursday in a report offering a glimmer of hope for recovery from prolonged recession. It still showed a dramatic decline on the heels of a 6.3 per cent slide in 4Q 2008 – the worst slump in decades – and 0.5 percent in 3Q 2008.

Both exports and imports fell, but the decrease in imports provided a boost to GDP of 2.39 percentage points. Real exports decreased 30.6 per cent in 1Q 2009, the steepest drop in foreign sales in 40 years, compared with a decrease of 23.6 per cent in 4Q 2008. Real imports decreased 36.4 per cent, the steepest since the summer of 1947, compared with a decrease of 17.5 per cent in 4Q 2008.

Real US federal government consumption expenditures and gross investment decreased 4.5 per cent in 1Q 2009, in contrast to an increase of 7.0 per cent in the 4Q 2008.

Separately, the Labor Department said the number of workers filing new claims for jobless benefits unexpectedly rose last week by 15,000 to a seasonally adjusted 627,000 – a measure of the strain still faced by hard-pressed consumers. Consumer spending, which fuels two-thirds of US economic activity, decreased by 1.4 per cent. Weak job markets and falling home prices are expected to dampen spending for some time.

“The economy will contract less in 2Q 2009 – somewhere between 2.0 and 3.0 per cent annualized – be flat in the third quarter, and then start to expand at the end of the year,” said Paul Ferley at RBC Capital Markets adding that the revisions “do not alter the near-term expectations for improving growth going forward.”

Overall business investment plunged at a record 37.3 per cent rate during the 1Q 2009, while spending on homebuilding in the US fell 38.8 per cent for its biggest

quarterly tumble since early 1980. Nonetheless, corporate profits grew at a 1.4 per cent rate during 1Q 2009, after falling 10.7 percent in the final three months of 2008.

“The recession is losing steam,” Ken Goldstein, an economist at the Conference Board, said in a statement. “If these trends continue, expect a slow recovery beginning before the end of the year. However, employment will take longer to turn around.”

US existing home sales rose 2.4 per cent in May, to a seasonally adjusted annual pace of 4.77 million homes and apartments, marking the first back-to-back monthly increase since 2005, the National Association of Realtors said Tuesday in a sign the troubled sector was steadying. Foreclosure-driven declines in property values are helping to reduce the glut of unsold houses.

“Sales are stable but exceedingly low,” said Celia Chen at Moody’s Economy.com. “The NAR’s inventory numbers likely understate the magnitude of the inventory overhang since many foreclosed units are not listed.”

Sales of distressed properties declined to 33 per cent of all sales in May from 45 per cent in April. NAR officials said this distorts the median price. The national median existing home price for all housing types was US\$173,000 in May, down 16.8 percent from a year earlier, but up from US\$166,600 a month earlier.

Meanwhile, the seasonally adjusted annual rate of new-home sales was down 0.6 per cent from April and fell 32.8 per cent from May 2008, amid a glutted housing inventory. From April to May, new-home sales actually increased in all regions of the US except the South, where they fell by 8.5 per cent, the Census Bureau reported. But because the volume of new-home sales in May was much greater than in other parts of the country, that region’s sales decline dragged the national total into negative territory. Compared with a year ago, May new-home sales were down by double-digit percentages in every region of the US. The median sale price for a new home in May was \$221,600, down 3.4 per cent from a year ago.

“Housing is really what led the US into this downturn, and I think, at the very least, we have

to see a stabilization in the housing sector before we can count on a recovery for the broader economy,” said Douglas Porter, deputy chief economist of BMO Capital Markets.

“The crisis cannot end fully until home prices in the US are at least stabilizing,” says Alan Greenspan, who continues to dissect housing data with as much interest as he did when he was Federal Reserve Chair. “The lower house prices go, the less those loans and investments are worth and the weaker the foundations of the financial system are.” Greenspan went on to point out that although the number of home sales are up, the prices of those sales are not.

Commodity prices have seen significant rallies of late, with oil prices rebounding to double their historic lows of 2008 and copper also rising almost double. While housing starts appear to be coming back, a full strengthening of the US economy may take some time yet.

In terms of the lumber industry, there was limited logging in BC through the past winter as companies tried to reduce working capital requirements. As a result lumber companies did not build a log inventory. Currently, with logging restrictions in place due to forest fire hazards through many areas of the province, and the threat of a potential labour dispute brewing, there will likely be little opportunity to resume logging on a large scale until September. Given an average of two months from bush to finished lumber, most BC companies likely won’t be able to start building lumber supply until November. In the ideal scenario this timing would coincide with the projected resurgence in US home building.

