

MADISON'S LUMBER REPORTER

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News & Updates

Japan Housing Starts

New home building in Japan fell in June, with the third straight monthly decrease of over 30 per cent compared to one year ago. This is the lowest June figure since statistics started in 1965, according to Japan's Ministry of Land, Infrastructure, Transport and Tourism. The total was the fifth consecutive month of new home starts below 60,000 units. The number of building permits in June declined by 13.5 per cent, but the decline margin is getting smaller month on month.

Wood framed construction fell by 16 per cent over June 2008. However, the share of total wooden home building rose to 45 per cent, from 36 per cent one year ago.

The floor surface area also decreased, by 28 per cent from June 2008.

Japan continues to look for economic recovery, with unemployment still high and financial institutions reluctant to lend money.

US Home Building and Home Sales

Ground-breaking for new US single family homes rose for a fifth straight month in July and producer prices tumbled, keeping hopes for an economic recovery alive. Single family home starts, which make up 75 per cent of construction, rose 1.7 per cent. Total home construction in the US decreased 1 per cent in July because multifamily home starts fell sharply in the Northeast.

Building permits fell 1.8 per cent in July to a 560,000 annual pace, from 570,000 in June. However, single-family home permits rose 5.8 per cent.

"We've formed a bottom but probably only have limited upside, with unemployment too high to boost demand" much higher than current levels, Mark Vitner, a senior economist at Wells Fargo Securities LLC in Charlotte, NC.

Confidence among builders rose to its highest level in the past year this month, although it is still weak, a National Association of Home Builders/Wells Fargo index showed Tuesday.

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Wildfire Season

California Gov. Arnold Schwarzenegger declared a state of emergency Friday in Yuba County, in Northern California, after a wildfire burned nearly 4,000 acres, or six square miles. The fire was 90 per cent contained early Friday. A fire in the Santa Cruz Mountains that charred more than 7,500 acres, or about 11.9 square miles, is also 90 per cent contained.

Meanwhile, a wildfire that damaged buildings near Athens and sent people fleeing for safety abated on Friday as weaker winds helped Greek firefighters tackle the blaze, officials said.

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BC Labour Issues

Talks broke off this week between the CONIFER employer group and the United Steelworkers Union. Both sides say they are looking forward to getting back to the bargaining table.

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Canada/US Trade Entanglements

A major meeting on Customs and Border issues in Seattle Monday lacked any Canadian presence due to an unfortunate bureaucratic oversight.

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U.S. HOUSING STARTS

	Jul-09	Jun-09		Jul-09	Jun-09
Starts			Permits		
Actual	55,600	59,100	Actual	54,300	59,500
SAAR*	581,000	587,000	SAAR*	560,000	570,000
1 Unit	490,000	482,000	1 Unit	458,000	433,000
2-4 Units	(s)	(s)	2-4 Units	18,000	23,000
5+ Units	80,000	96,000	5+ Units	84,000	114,000
Starts by Region			Permits by Region		
Northeast	67,000	57,000	Northeast	55,000	58,000
Midwest	114,000	101,000	Midwest	105,000	92,000
South	276,000	280,000	South	277,000	305,000
West	124,000	126,000	West	123,000	115,000

Seasonally adjusted annual rate

Source: U.S. Census Bureau

JAPANESE HOUSING STARTS

Month	TOTAL	Non-Wood	Wood	%Wood
Jun-09	68,268	28,195	40,073	59
May-09	62,805	29,523	33,282	53
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

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	200	205	-5	174	+26	282	-82
WSPF KD R/L 2x6	195	201	-6	185	+10	304	-109
WSPF KD R/L 2x8	225	228	-3	215	+10	298	-73
WSPF KD R/L 2x10	315	317	-2	320	-5	300	+15
WSPF KD PET 2x4 Stud	208	210	-2	195	+13	228	-20
Douglas Fir Green R/L 2x4	155	170	-15	150	+5	195	-40
Douglas Fir Green R/L 2x10	253	260	-7	230	+23	245	+8
ESPF KD 2x4 8ft Stud	285	285	0	277	+8	295	-10
OSB Ontario 7/16" (CDN\$)	200	220	-20	220	-20	220	-20

Weekly News

US Real Estate

CONTINUED The US National Association of Realtors reported Friday that existing home sales in July rose 7.2 per cent compared to June, to 5.24 million units, ahead of expectations for 5.00 million. The sales rate set a four-month rally for the first time in five years. Total sales up 5 per cent over July 2008. Single family sales rose 6.5 per cent compared to June, and up 5 per cent compared to one year ago.

NAR noted that the last time sales rose for four consecutive months was in June 2004, and the last time sales were higher than a year earlier was November 2005.

'The housing market has decisively turned for the better,' Lawrence Yun, NAR chief economist, said in the statement.

'A combination of first-time buyers taking advantage of the housing stimulus tax credit and greatly improved affordability conditions are contributing to higher sales,' he said.

The median sales price was US\$178,400, down 15 per cent from US\$210,100 in the same month last year. Despite the rise in sales, inventories remained flat at 9.4 months supply.

Copper futures rallied Friday with equity markets after US existing home sales came in stronger than expected, traders said. Copper prices are a leading indicator of future US home building.

Wildfires

CONTINUED More than 300 firefighters with 50 fire trucks, four aircraft and five helicopters were battling the flames in an industrial area near Magoula, 20 km (12 miles) northwest of Athens.

Gale-force winds fanned more than 100 fires across Greece in less than 24

hours, the fire brigade said. Another fire that damaged homes in central Greece, near the town of Astakos, was under control, officials said.

Meanwhile, Yukon fire officials said Monday they hope this year's busy wild-fire season will start to wind down, now that rain is in the forecast for much of this week.

A total 118 fires have burned 283,826 hectares of Yukon forest so far this season. By comparison, 67 wildfires burning more than 18,000 hectares of forest were reported by the end of last summer.

Rainfall and cooler temperatures across the territory brought the fire danger rating to low across the territory on Monday. The lone exception is in the Watson Lake area, where it is moderate.

After the first quiet forest fire week in almost two months, evacuation orders were once again issued in BC on Thursday. The Kelly Creek fire, in the southern Interior west of the village of Clinton nearly 400 kilometres northeast of Vancouver, has been burning since August 1, but almost doubled in size on Thursday.

The BC Forest Service says the Kelly Creek fire has been fuelled by gusty winds and is uncontained, despite the efforts of 49 firefighters and seven helicopters.

Stora Enso Closing Mills in Finland

Stora Enso Oyj said Wednesday it will lay off up to 1,100 workers, cut production and close mills in Finland as the Nordic paper maker continues to struggle with dwindling revenue.

Stora Enso said it will close a pulp mill by the end of the year and a sawmill in 2010. Also, cutbacks and reorganization at other mills will be made to save costs, it added.

Earlier this year, Stora forecast a weak third quarter and warned of layoffs, plant closures and production cuts.

Stora Enso is one of the world's largest forest product companies making magazine paper, newsprint, fine paper, pulp and packaging boards. The group has 29,000 employees.

The Finnish Paper Workers' Union threatened strikes following the Stora Enso announcement.

In the summer of 2005 Finnish pulp and paper producers experienced significant labour disruptions as 24,000 workers went on strike for weeks. It took the global pulp market several months to recover from the supply interruption.

Chinese Lumber Imports 2008

Chinese lumber imports rose by 8.7 per cent, or 0.56 million cubic meters, to 7 million cubic meters in 2008, according to the Japan Lumber Journal.

While volumes remain relatively small, the growth rate is remarkable, with North America jumping to the top of the pack, said the Journal.

The average unit price of imported lumber was stable.

Canadian lumber imports into China jumped by 460,000 cubic meters, or 68 per cent, in 2008 compared to 2007.

US lumber imports fell by 30,000 cubic meters, or 3 per cent, for the same time period.

Only Russian and Thai imports rose, with the latter focussed on tropical broad-leaf species. Imports from all other countries fell in 2008.

The increase in Russian lumber imports were by 380,000 cubic meters, or 24 per cent, in 2008 compared to 2007, according to the Journal.

Labour Contract Talks in BC

“Time Out”

A slight hiccup occurred in the difficult bargaining process between the Wood Council of United Steelworkers Union, representing almost 10,000 forestry workers in the BC Interior, and the CONIFER employer group, representing smaller, independent lumber producers. The two sides are far apart on the critical issues of contract duration and wages. The Union has already stated it wants wage increases while the employers are looking for significant concessions. In addition the employers are asking for a long term contract while the Union prefers something much shorter. Bargaining had been scheduled in Prince George from August 18 to 20 but broke off abruptly quite early Wednesday morning. According to the Steelworkers, the employer group tabled the issue of vacation pay but was dissatisfied with the Union's response and walked out saying, “when your committee is prepared to address what is important to us (industry) in a substantive manner, we are prepared to resume the process.”

Madison's contacted both the Steelworkers' and CONIFER representatives on Thursday. Michael Bryce, Executive Director of CONIFER told *Madison's* that talks have not broken off, rather the two sides are in a “time out”. He said there is a “need for the Union to put attention on things important to industry in a substantive manner.” Bryce explained that the employer group had taken a “good faith step” the previous week by agreeing to Union proposals regarding seniority and job retention and “expected a similar response.” Bryce maintains that the Union brought its most important agenda item forward last week and the employer group approached the subject seriously, but when CONIFER brought up its own most important agenda item the Union did not respond in kind.

Bob Matters, Chair of the Wood Council of the Steelworkers explained to *Madison's* that the Union has been “asking for the proper tools so they can do costing but have not been provided with the data” by CONIFER. Matters stated that CONIFER “did provide limited costing data on some items.”

Bryce maintains that the Union was “given comprehensive information on the collective agreement but wanted more that had no bearing” to the negotiations. However Bryce said that the employer group will be “giving it anyway.”

Matters confirmed that the Union is waiting for more hard information, going on to say that that they made the first request “months ago.”

In response to CONIFER's statement that the Union is “failing to take the talks seriously,” Matters asks, “How can we be serious if we don't have the tools” to find cost cutting measures in the previous contract.

Matters explained that the negotiations came across a “road block,” that the two sides had “agreed to an industry proposal on how to bargain. The industry yesterday changed that agreement.”

Getting real information out of both sides is difficult. They have each been clear in saying they will “not negotiate through the media.”

Bryce took some extra time to say to *Madison's* that the employer group is “working on issues of sacred importance to their membership, indeed the Steelworkers' membership, and is very sensitive to that.”

Both sides expect talks to resume, however neither side will currently take responsibility for making the call to reschedule. Matters said the Union is “waiting to hear” from the employer group, and “taking it day by day,” while Bryce said there is “no scheduled time to resume talks,” no firm plan, but that CONIFER would “prefer to continue.”

As US home sales continue to show strong signs of recovery, with home building in the US sure to follow suit within a matter of months, it doesn't seem likely that the Union will agree to deep wage concessions and a lengthy collective agreement. *Madison's* will call both sides again early next week to see what progress has been made.

US Border Discussions

Seattle

Continuing their valiant fight to get the US Commerce Department to clarify recent changes to US Customs documents

by Kéta Kosman

for Canadian softwood lumber imports from Option B provinces (Quebec, Ontario, Manitoba and Saskatchewan), Jones & Jones Customs Brokers and Trade Consultants out of Blaine, WA, were invited to a special meeting in Seattle, WA, Monday to discuss border and trade issues.

Michael Jones, President of Jones & Jones, reported that the meeting topics were “General Border Issues”, specifically to do with the “Free Flow of Commerce”. In attendance were representa-

tives from Washington Congressional Representative Rick Larson's office, Senator Patti Murray's office and Senator Maria Cantwell's office. Washington State Representative Kelli Linville, Whatcom County Executive Pete Kremen, Security Assistant Secretary for International Affairs & Special Representative for Border Affairs Alan Bersin, District Director of Customs from Seattle, and Blaine's Port Director and Assistant Port Director were also present. Various Washington State municipal officials attended, including the mayors of Blaine and Bellingham, Blaine's Chief of Police, Blaine's Tourism Board, representatives from the area First Nations, the IMTC (International Mobility Trade Corridor), legislative aids, and one furniture importer/manufacture with offices in Bellingham and Vancouver.

While Counsel General of Canada Peter Lloyd, working out of the Canadian Counsel's Seattle office, was invited, there was no representative at all from Canada's Federal Government present at the meeting.

Senator Cantwell's office responded to a request for clarification as to why there was no Canadian presence by saying, “We were told by the Department of Homeland Security that he [Peter Lloyd] had been invited. I really don't know why he wasn't there. I am very sorry that there was no Canadian representation at the meeting.” Laura Dalby, spokesperson for the Media Relations Division of Canada's Department of International Trade confirmed twice to *Madison's* that “Canadian Consul General in Seattle did not receive an invitation or attend the meeting in question on Monday, August 17, 2009.”

Given the gravity of the meeting and its relevance to Canadian lumber exporters, it is indeed unfortunate that there was no Canadian representative present.

In terms of progress Michael Jones brought up the issues of “Poorly Drafted Legislation” – which segued into the examples of the Softwood Lumber Act of 2008 and the Lacey Act” to the table. Specifically he talked about “mandates brought about by the Lacey Act, in particular, that resulted in an undue hardship on the [lumber] Trade, which includes exporters, importers, Customs Brokers and CBP.”

From all accounts, various US federal and Washington State departments plan to work together to expedite the flow of commerce and trade across the Canada/US border. The lack of Canadian presence at the meeting, thus missing such a great opportunity to keep an open dialogue and untangle the confusing new US Customs documents regarding Canadian lumber imports, is a significant disappointment.