

# MADISON'S LUMBER REPORTER

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## News & Updates

### Madison's Timber Preview

This week's issue of *Madison's Timber Preview* examines Brookfield Properties, a subsidiary of Brookfield Asset Management, which recently made serious moves in acquiring distressed properties globally, and has partnered with Export Development Canada to provide bridge loans to Canadian businesses.

Contact us any time for a subscription.

### Catalyst Reopens Pulp Mill

Catalyst Paper said Monday it will restart one line of pulp production at its Crofton pulp mill on Vancouver Island, which was indefinitely curtailed in February, putting 104 employees back on the job for the mill restart in early October.

However chief executive Richard Garneau cautioned that chip supply is limited and fibre availability is expected to remain challenging. Restart on the one line will add 210,000 tonnes of pulp capacity on an annualized basis.

Catalyst makes specialty printing papers, newsprint and pulp.

### US Senator Baucus and Trade Representative Kirk

In a move that seems to signal an intention to put Canada/US softwood lumber trade issues at the top of the agenda when US Congress reconvenes after Labour Day, Montana Senator and Chair of Senate Finance Committee Max Baucus and US Trade Representative Ron Kirk made some very strong statements when visiting mills in Montana Wednesday.

Both men reiterated their commitment to ensuring Canada remains in strict compliance with the 2006 Softwood Lumber Agreement, with Kirk going so far as to promise he will, "hold Canada's feet to the fire" when enforcing the Softwood Lumber Agreement (SLA).

*Madison's* contact Zoltan van Heyningen, media representative for the Coalition for Fair Lumber Imports, for details. [READ MORE](#)

### Economists Predict US Home Building Recovery

Scotiabank commodities specialist Patricia Mohr released a report Thursday pointing to a recovery in commodity prices. Commodity prices slipped in July after two months of gains but are expected to rebound as some G7 countries join China in the economic recovery, Scotiabank said in its monthly commodities report.

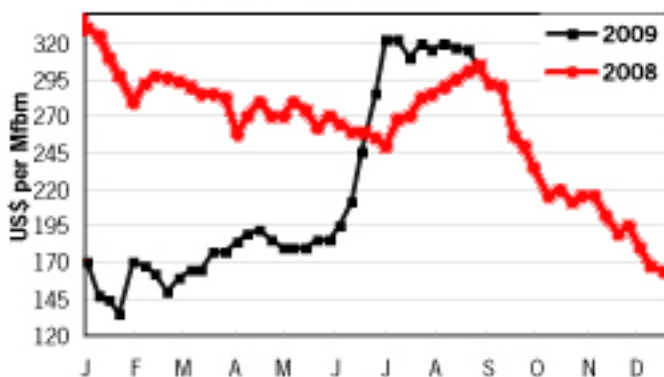
US forest economist Henry Spelter, in his monthly report, indicated that US housing declines are now behind us. [READ MORE](#)

### British Columbia's New Forestry Critic

Newly appointed NDP Forestry Critic Norm Macdonald, who will be sharing the portfolio with newly elected MLA Bill Routley, spoke to *Madison's* this week about the NDP's future plans in tackling the BC government's handling of forestry issues.

Both men are from small Vancouver Island towns, and recognize the importance of forestry to BC's rural communities and to the retail sector. [READ MORE](#)

WSPF KD #2&Btr 2x10



ESPF KD #2&Btr 2x4



## Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	<b>188</b>	200	-12	200	-12	282	-94
WSPF KD R/L 2x6	<b>184</b>	195	-11	198	-14	304	-120
WSPF KD R/L 2x8	<b>215</b>	225	-10	220	-5	298	-83
WSPF KD R/L 2x10	<b>305</b>	315	-10	315	-10	305	0
WSPF KD PET 2x4 Stud	<b>200</b>	208	-8	198	+2	220	-20
Douglas Fir Green R/L 2x4	<b>148</b>	155	-7	150	-2	187	-39
Douglas Fir Green R/L 2x10	<b>250</b>	253	-3	250	0	250	0
ESPF KD 2x4 8ft Stud	<b>280</b>	285	-5	282	-2	295	-15
OSB Ontario 7/16" (CDN\$)	<b>200</b>	200	0	220	-20	220	-20

## Weekly News

### Softwood Lumber Trade

**CONTINUED** Baucus and Kirk toured the F.H. Stoltze Land and Lumber Company in Columbia Falls, talking with workers during their lunch break. Baucus said he brought Kirk to Montana because he needed to understand the realities of the recession's effects on lumber mills.

At the lumber mill, Kirk and Baucus took turns assuring workers that Canadian compliance would secure jobs in Montana and that the workers had not been forgotten in Washington, DC. The agreement could mean the difference between open and closed mills, Kirk said.

"To be honest, they haven't been living up to it the way they should," Baucus said about Canada's "history of finding clever ways to get around the terms of the agreement."

Kirk added that imposing the extra 10 per cent tariff on Canada's Option B

provinces earlier this year is "only the beginning" of ensuring vigilant enforcement of the softwood lumber agreement.

"I just want you to know we got your back," Kirk told the mill employees.

Madison's contacted the US Coalition for Fair Lumber Imports media representative Zoltan van Heyningen Thursday to find out if there are any hearings or arbitration scheduled.

"There are no hearings pending," said van Heyningen, adding that if there were, he would know.

When asked about the Coalition's next step in terms of its list of complaints about the BC stumpage system, van Heyningen said that the Coalition is "still looking into BC stumpage."

With most of Washington, DC, away for summer holidays, van Heyningen expects movement on this issue sometime after Congress reconvenes following Labour Day.

### Analyst Predictions

**CONTINUED** The forest product index slid 0.3 per cent, although Ms. Mohr said the sub-index appears to be in the process of bottoming.

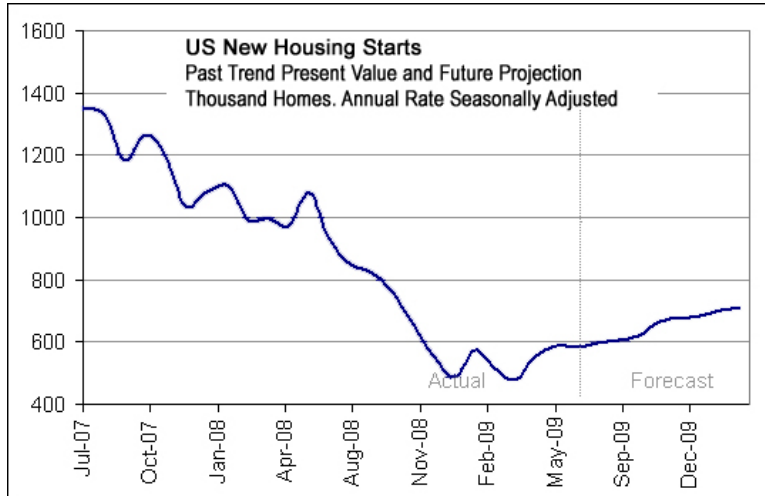
Mohr's bullish take on the forest sector, which has been flat-lined by the collapse of the US housing market, indicates that the industry may be on the road to recovery.

Mohr said modest signs of recovery have surfaced since April, when US housing bottomed at 479,000 starts on an annual basis. By July they had climbed to 584,000. Mohr is forecasting 780,000 starts in 2010.

"That's still not very high but it will be an improvement on 2009, when starts are probably going to average at most 580,000," she said.

In his own report, US forest economist Henry Spelter forecast 652,000 housing starts in 2010.

He cited the huge overhang of unsold and vacant homes in the US for his more conservative estimate.



SOURCE: Forecast.org

### Calendar

October 2009

#### 6th Timberland Investment World Summit

October 26 to 28 – New York, NY  
<http://www.timberlandworldsummit.com>

November 2009

#### 2009 NAWLA Traders Market

November 5 to 7 – Chicago, IL  
<http://www.lumber.org/meetings/tradersmarket>

# New Forestry Critic

## British Columbia

Norm Macdonald, MLA for Columbia-Revelstoke since 2005, has taken over as the NDP's Forestry Critic from Bob Simpson,

by Kéta Kosman

who is now opposition critic for Aboriginal Relations

and Reconciliation. Macdonald shares the Forestry portfolio with Bill Routley, who was elected for the first time this year as Cowichan Valley MLA. Bill Routley has a long history in the BC wood products industry, having started on the mill floor, then moving on to union leadership. He also served on the local school board in the 1980's. Together Macdonald and Routley toured the province this summer to speak to workers, executives and contractors in the forestry industry, and to rural communities.

Macdonald took time out from a busy first week of this Legislative Session to talk to *Madison's*.

"You have to listen to people on the ground, people with experience you have to respect," Macdonald explained about the purpose of the recent tour of BC.

Originally an educator, Macdonald was elected mayor of Golden in 1996. Then, after becoming an MLA, Macdonald was formerly critic of Municipals Affairs, Tourism and Education. Having been born and raised in a small BC town, Macdonald is sensitive to how much "lumber is critical to small communities, also to the retail sector." He maintains that the province is ignoring the "problems of the forest industry at their peril", making a point to mention attitudes in the city of Vancouver. A quick glance through BC's latest financial information shows the great hole left by lack of activity in the forest products sector.

Macdonald explained that current NDP strategy involves not only a partnership between himself and Bill Routley as forest critic, but also the party's Rural Caucus. With Macdonald serving as chair, the Rural Caucus has an agenda of "keeping in touch with rural communities," and bringing "issues of rural BC into the Legislature." Former NDP Forest Critic Bob Simpson is also a "big part of the rural caucus," and the team will be working closely together to bring the concerns of BC's resource communities forward in the Legislature.

Still getting his feet wet with the central stream of forestry issues in BC, Macdonald explained that "forestry is complex, but politics is more suited to simplistic solutions." The NDP team has been focussed on gathering information, and speaking to those involved in all aspects of the industry in order to properly advance solutions.

After the extensive tour of the BC interior and the coast and meetings with forestry executives in Vancouver, Macdonald found that "while there is a range of views, there is consistency in what concerns people." At the top of the list of concerns, which Macdonald found was volunteered without prompting, was raw log exports. Citing the town of Mackenzie as an example, with seven mills almost entirely shut, Macdonald said there is "a strong desire to have the rich resource used by the communities."

The second most pressing issue brought forward by BC's forest industry was "displaced workers and the level of support" offered by the provincial government. Macdonald's team will be "calling for the Province to at least match Federal funds for education and transition [bridging retirement]." The Federal government provided \$129 million in a Job Opportunity Fund but there has been no similar aid from the Province, according to Macdonald.

The next most important issue mentioned to Macdonald's was forest health. Most pressing in the Prince George and Kamloops areas, Macdonald said that all levels of the industry, from lumber executives to workers to local governments are concerned about the health of the forests. Specifically, the extent of the beetle kill, how to replant after salvage harvests, and making sure these things actually get done is high on peoples' minds, according to Macdonald.

Rounding out the list of major concerns to the forest industry is the issue of fuel management, specifically in terms of "interface fires, and jobs for forest workers clearing fuel from the ground," said Macdonald.

When asked, "What is the plan?" Macdonald told *Madison's* that the long-term plan is to "get the forest industry back on its feet." He said that almost everyone he spoke to expressed a "strong sense of being ignored, that there is [feeling of] lack of leadership, that there is no plan," from the BC government. Macdonald was careful to say that his team does not "underestimate the market challenges" faced by the lumber industry.

The NDP's ideas that were "floated during the election" have been tested on people, and "discussions continue" said Macdonald. He said that the team has "not yet formulated" a concrete plan going forward because it wants to be careful to avoid "any unintended consequences." Macdonald said that the "budget will be interesting, what the direction will be for forestry," and that we have to wait and see what will come out.

In terms of the Throne Speech and discussions in the Legislature so far, Macdonald said that there has been tabled some lien protection for contractors. When asked if this would affect clients of Forest & Marine Financial Corporation, which Wednesday was halted trading on the Toronto Stock Exchange due to a takeover by creditor Asset Engineering last week, Macdonald said this is precisely the scenario that the lien protection legislation is "intended to help." Without this new lien protection, clients of Forest & Marine would be required to find other sources of financing or risk having their equipment repossessed by Asset Engineering.

Otherwise most of the attention at the beginning of this year's Legislative Session was focussed on the HST. Macdonald will wait for the budget to be tabled in autumn before releasing a finalized action plan, and in the meantime will continue speaking to all aspects of the industry as mentioned above, as well as First Nations, in order to present working solutions to the BC government.



Raw Logs on BC Coast Ready for Export