



MADISON'S TIMBER PREVIEW

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Even as quarterly earnings reports for North American's forest products companies trickle in, other financial news and developments take the forefront of attention.

This week Weyerhaeuser, out of Federal Way, WA, declared the US housing crash officially over. "We are gearing up to ensure continuing product availability for our customers as demand for housing and light commercial construction recovers," said Carlos Guilherme, Vice President of Engineered Lumber Products, in an announcement of the company hiring additional trades and production workers at its engineered lumber products plants in Natchitoches and Zwolle, LA, and Emerson, AK. In addition, Weyerhaeuser will be investing in a US\$1 million expansion at its facility in Philadelphia PA, to provide additional covered storage for lumber. Construction on the 30,000-square-foot new building should be completed in 3Q 2012, said Plant Manager Stan Webb.

Grand Rapids, Michigan-based Universal Forest Products Wednesday reported 1Q 2012 net income of US\$4.2 million, compared to a net loss of \$3.7 million for the same quarter in 2011. Net sales for 1Q rose 18 per cent to US\$457.11 million, from US\$387.23 million a year ago. Residential construction sales, which comprise 11 per cent of Universal's business, improved 8.6 per cent over the same time last year, to US\$51.9 million. Net sales increased in each of the company's five markets, with double-digit increases in four. Increased operating efficiencies and cost control initiatives were also credited for the reversal.

Universal CEO Matthew Missad said the company is optimistic that stronger demand will continue to drive sales in 2Q.

The results were announced after the close of trading. Universal's stock closed at US\$32.36, down 8 cents per share, on Wednesday, but popped up to US\$37.02, or 8.93 per cent, at the start of trading Thursday morning, landing at US\$35.14 to end the day. The stock is up 4.7 per cent so far this year.

Dallas, TX, manufacturer and distributor of structural building products for residential new construction, Builders FirstSource, Thursday announced its 1Q loss narrowed from last year, due mainly to positive revenue growth. First quarter 2012 losses were US\$19.1 million, down from US\$21.1 million in the year-earlier period. Net revenue totalled US\$219.4 million, up 34.7 per cent from US\$162.8 million last year.

Company revenue has now gone up in each of the last three quarters. Fourth quarter 2011 revenue rose 31 per cent to US\$192.7 million. That figure also rose in 3Q 2011, by 20.4 per cent for the same time the previous year.

In a less encouraging development, Lumber Products Inc, based in Tualatin, OR, a wholesale distributor of hardwood lumber and plywood products as well as door and millwork components, filed for bankruptcy protection on April 11. One of the largest firms in Oregon, Lumber Products listed its assets from US\$10 to US\$50 million in the filing, with liabilities within the same range. The company said it expects to have enough money to pay unsecured creditors, which include: Columbia Forest Products, \$1.8 million; Lemieux Doors, \$2 million; Masonite, \$1 million; and, Roseburg Forest Products, \$868,000, among others.

Meanwhile, in the panel sector, beleaguered solid wood wholesaler Sherwood Lumber, headquartered in Islandia, NY, has reached a distribution agreement with Georgia-Pacific Wood Products for the complete line of G-P engineered wood products. These products will initially be available out of Sherwood's distribution center in Palmer, MA, and soon after out of its Holtsville, NY, and Delanco, NJ, facilities.

Another troubled privately-owned solid wood seller, 84 Lumber, out of Eighty Four, PA, has secured an asset-based loan of US\$225 million from GE Capital. The loan will be used to refinance existing debt and for working capital purposes.

Elsewhere, in a note interesting only for being remarkably obvious, Capital Economics' property analyst Paul Diggle told investors to beware of linking lumber futures too closely to the US housing market. Parts of the note were reprinted in the *Financial Times* Wednesday.

Though lumber futures have fallen over the past year, "they are much higher now than at the trough in 2009", said Diggle. Indeed, the 75 per cent increase in prices over that period is greater than the 45 per cent gain in housing starts.

"The volume of lumber being transported by railroad around the US has a much closer relationship with housing starts, and it's pointing to stronger levels of homebuilding", explained Diggle. Such rail traffic up 60 per cent from the recession's trough, said the *Financial Times*.

Please refer to the April 5 issue of your *Madison's Lumber Reporter* for the latest data on ground transportation statistics in the US and Canada.

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