

MADISON'S LUMBER REPORTER



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KetaDesign Productions

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Annual Subscription Prices
E-mail/Fax: C\$364
Discounts available for multiple
subscriptions
Published 50 times a year



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In Canada, add 5% GST
ISSN 0715-5468

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News & Updates

Madison's Timber Preview

This week's issue of *Madison's Timber Preview* examines recent increases in newsprint prices in North America and Europe, and newspaper company share price improvements.

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US Economic Recovery

Recovery of the US economy lost momentum in the spring as growth slowed to a 2.4 per cent pace, its most sluggish showing in nearly a year and too weak to drive down unemployment. Consumers spent less, companies slowed their restocking of shelves and the nation's trade deficit dragged more on the economy in the April-to-June quarter. In a separate report, the Commerce Department said Friday that the recession was deeper than previously estimated. [READ MORE](#)

Transportation, North America

The cost of shipping consumer goods from Asia to Canada is surging, with another price increase kicking in next week, as freight forwarders face a shortage of containers this summer and autumn.

Canadian Pacific Railway Ltd. brought in \$1.2 billion in revenue in 2Q 2010, a 20 per cent increase over 2009, as most of its segments showed improvements. [READ MORE](#)

Japan SPF J-grade Lumber Prices Soar

Large component companies in Japan have had several busy months and inventories are down, at the same time Japan's currency rose to 90 yen against the US dollar, according to the *Japan Lumber Reports*. [READ MORE](#)

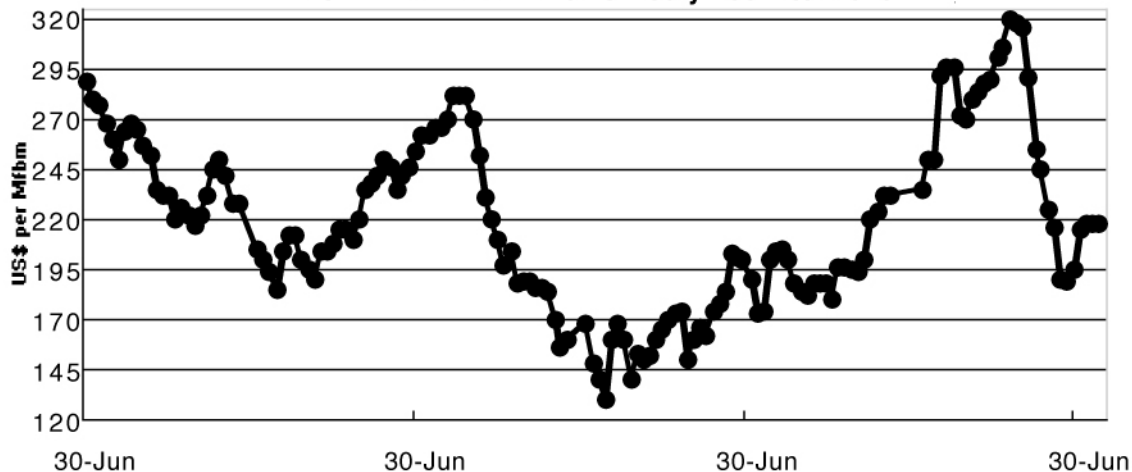
Forest Fires

As of Friday morning, there were 279 wildfires burning in British Columbia, 175 of which started over the last three days. Since April 1, crews around the province have responded to 943 wildfires, of which 469 have been human-caused and 462 lightning-caused. These fires have burned a total of 38,821 hectares.

A 2.25 square mile blaze near Tehachapi, CA, about 70 miles north of Los Angeles, on the western edge of the Mojave Desert was 25 per cent contained Thursday after burning about 30 homes and other structures in a scattered community called Old West Ranch. To the north, a fire that destroyed eight residences and a few outbuildings as it spread across about 25 square miles of the Sequoia National Forest in the Sierra Nevada was 12 per cent contained Thursday.

"Wildfires can start in an instant. As we move into the hotter, drier summer months, be prepared to leave in a moment's notice when camping, hiking or otherwise enjoying BC's backcountry," said BC Minister of Forests and Range, and Integrated Land Management, Pat Bell in a Ministry press release Friday morning. "The public needs to be extra vigilant and understand the risks when operating in or enjoying forested areas." [READ MORE](#)

WSPF KD 2x4 #2&Btr July 2007 to 2010



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	218	218	0	195	+23	200	+18
WSPF KD R/L 2x6	220	219	+1	190	+30	198	+22
WSPF KD R/L 2x8	275	270	+5	210	+65	220	+55
WSPF KD R/L 2x10	310	300	+10	225	+85	315	-5
WSPF KD PET 2x4 Stud	220	220	0	195	+25	198	+25
Douglas Fir Green R/L 2x4	175	189	-13	192	-17	150	+25
Douglas Fir Green R/L 2x10	290	300	-10	260	+30	250	+40
ESPF KD 2x4 8ft Stud	290	290	0	290	0	282	+8
OSB Ontario 7/16" (CDN\$)	230	230	0	230	0	220	+10

Weekly News

US Economy

CONTINUED

The US Commerce Department report did offer some encouraging news. Businesses invested the most in 13 years on equipment and software during the second quarter. For the first time in two years, builders boosted spending on commercial projects. And home builders spent the most in 27 years, although many expect that to fade now that government homebuying tax credits have expired.

The report also showed that the economy grew at a 3.7 per cent pace in the first three months of this year. That was much better than the 2.7 per cent pace estimated just a month ago.

Much of the expansion was driven by the government's massive \$862 billion stimulus package of tax cuts and increased spending. Also, companies helped energize growth with a burst of spending to replenish inventories that were cut down during the recession.

Demand for durable goods dropped one per cent last month to a seasonally adjusted US\$190.5 billion, the Commerce

Department said Wednesday. It was the second straight monthly decline and the largest drop since August, 2009.

Transportation

CONTINUED The market is bustling for "intermodal freight," or goods transported inside standardized metal containers that are readily transferred between ships, trains and trucks. CP reported Wednesday that it had \$336-million in intermodal freight revenue in the second quarter, up 14.5 per cent from the same period last year.

In 2Q 2010, Calgary-based CP's profit jumped 23 per cent to \$166.6-million, beating analysts' estimates. RBC Dominion Securities Inc. analyst Walter Spracklin said to the Globe and Mail the adjusted share profit of 92 cents shows CP's strength, considering that flooding forced the shutdown of the railway's main line in southern Alberta for 11 days in June.

"Our progress is on track," said CP CEO Fred Green. But he cautioned that demand for the railway's services will be volatile due to "limited visibility" on the global economy.

Grain transport was the only one of seven business segments at Canadian Pacific to show any drop in revenue, and the decline was a relatively small \$10 million.

Meanwhile, the Calgary-based railway's revenue from coal, automotive and intermodal freight all showed marked improvements.

Spruce Lumber Japan

CONTINUED 3Q 2010 negotiations on SPF lumber settled at about US\$500 mmbfm (nominal C&F) on 2x4-8ft and about US\$600 on 2x10, while stud prices are about US\$530, says the *Japan Lumber Reports*.

Busy component companies are hasty to secure future volume, especially in the face of a rising yen.

In Japan there is concern about the production of J-grade lumber in North America due to low lumber prices locally.

In a usual seasonal building cycle, Japanese demand for 2x4 lumber increases toward autumn as housing starts rise, which is making component companies very worried about the J-grade lumber supply, explains the *Reports*.

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Calendar

September 2010

AFFPA 68th AGM and Conference

September 22 to 24 – Jasper, AB
<http://www.albertaforestproducts.ca/home/default.aspx>

2010 CIF-IFC AGM and Conference

September, 26 to 29 – Jasper, AB
<http://foothillsresearchinstitute.ca/pages/home/cif2010jasper.aspx>

October 2010

2010 NHLA Annual Convention and Exhibit

October 13 to 16 – Vancouver, BC
<http://www.nhlaconvention.com/>

Wildfire Season

Unstable Weather

CONTINUED About 4,500 acres have burned since the Leona Valley, CA, wildfire fire began Thursday. More than 500 firefighters worked through the night

by Kéta Kosman

to bring the fire to about 5 per cent containment Friday morning, when many evacuees were allowed to return to their homes. Nearly 5,000 acres burned and four homes were lost Wednesday in a forest fire near Boise, ID, where lightning touched off the blaze, which went whipping through dry sage and brush that's extra-thick after this year's cool, wet spring. A 2,200 acre fire in the remote John Day River canyon in Eastern Oregon was started by lightning strikes Tuesday and is making short runs in steep rocky terrain covered with grass, sagebrush and juniper. Two structures are threatened. So far 121 people, three helicopters and five engines are fighting that fire, and there has been no containment. The Bass River blaze, near the Garden State Parkway in Pennsylvania, burned 677 acres and was 80 per cent contained by Wednesday morning.

In this, Russia's hottest summer on record, peat-bog fires are burning outside Moscow, shrouding the city in smog. On Tuesday wildfires destroyed about 20 houses in neighboring small village Vladi-

mirskaya. There were no reported deaths or injuries. Forecasters say that temperatures in Moscow will hit 40 degrees Celsius (104 degrees Fahrenheit) in the coming days and then the heat wave may subside.

A six acre woodland fire in East Sussex, UK, is being battled by 30 firefighters. Crews from Tunbridge Wells, Wadhurst, Forest Row and Heathfield have been using specialist equipment to contain the fire.

In the province of Alberta there are 49 wildfires burning, 36 of which were caused by lightening, including a 330-square kilometre blaze about 13 kilometres northeast of Suncor Energy's Fire Bag project, north of Fort McMurray.

Ontario is assisting Manitoba's forest fire fighting efforts. On July 25, two CL-415 water bombers, one Bird Dog aircraft and an Air Attack Officer were sent to The Pas, Manitoba. As well, twenty FireRangers and one Agency Representative were sent to Thompson, MB.

A wildfire has caused the closure of a main highway heading into the Yukon. Highway 37 is closed from a point 30 kilometres south of the Yukon border all the way to the border crossing. The only other route into the Yukon is via the Alaska Highway, a detour of more than 1,700 kilometres.

In British Columbia, this has been "a pretty good fire season so far. We had a lot of moisture in June especially in the south. But July was hot and dry," Minister of Forests and Range, and Integrated Land Management, Pat Bell told

Madison's Thursday afternoon. "This weekend will determine the outcome of the fire season. We have some unstable weather, some lightening strikes, and some human-caused fires. If we can get through this weekend, into mid-next week, without too much damage then this year's fire season will be not bad."

The BC Ministry of Forests has 150 staff out patrolling to make sure people abide by the total fire ban, said Bell.

Tuesday night a 53 hectare wildfire in Kamloops, BC, forced the 1 a.m. evacuation of Wilson's mobile park and kept several hundred city residents on evacuation notice through Wednesday.

Late Wednesday, air tankers were battling another wildfire estimated at 100 hectares on the southeast corner of Bonaparte Lake, about 65 km north of Kamloops. Firefighters from Kamloops Fire and Rescue, two 20 unit crews from the BC Forestry Service, five helicopters, two bush trucks, and two water tankers worked on that fire throughout the day. The Jade wildfire in Yalakom Valley jumped to 1,000 hectares Wednesday morning and remained at about 15 per cent contained by evening. An estimated 125 firefighters, eight helicopters and 10 heavy equipment units are working the fire which was ignited July 21 by a lightning strike. An aggressive fire northwest of Lillooet is still estimated at 1,000 hectares in size and is 15 per cent contained.

Lightning strikes caused an estimated 165 new wildfires in BC's Interior overnight Wednesday, prompting officials to issue two new evacuation orders and call in aerial reinforcements as hot, dry weather continued to blanket the province.

While many of the new fires burning across BC remain small, officials say nearly 20 notable fires pose a potential threat to the public.

"As of today BC has spent a total of \$31.5 million in fire-fighting expenditures, compared to \$70 million in 2009. Its costing \$1.5 million per day to fight fires," continued Bell.

Since 2004 the province has provided \$37 million to local governments to help pay for interface fire preparation.

"That funding has enabled communities to tackle the immediate surrounding area, the fire interface zone, to reduce the fuel load," Bell explained. "The Kamloops fire Wednesday was quickly brought under control because that community has done a lot of work to remove the low value residual fuel."

John Betts, Executive Director of the Western Silvicultural Contractors' Association, explained to *Madison's* in an interview in January 2010 the significant danger of that residual fuel.

"A few years after mountain pine beetles attack a tree, the red needles littering the forest floor, as well as the dead grass, can flame like crazy. At first the grass grows because when the pine needles fall off the sun shines through to the forest floor. But come winter that grass dies. A fire here is of more intensity and severity than one in a green forest," Betts cautioned. "Residual wood on the ground actually burns the soil, which may harm the site and reduce productivity in the future."

When asked about the weather forecast, Bell said, "Right now it is hotter and dryer than normal, and there is some unstable weather conditions."

Residents are advised to practice extreme fire safety methods, and to immediately report any smoke or fire they see.

