


# MADISON'S LUMBER REPORTER

  
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## News & Updates

### Madison's Lumber RETROspective

Madison's was at the 67th Annual Truck Loggers Association Convention and Trade Show in Victoria, BC so was unable to compile this week's issue of the amusing and informative RETROspective. The popular feature will return next week.

### US Housing Starts

New home construction in the US fell far more than expected in December, at 557,000 units, while the number of building permits issued in the month beat projections by rising to the highest level in 15 months. Single family starts off by 6.9 per cent compared to November while the volatile multi family sector rose 12.2 per cent over the previous month. Regionally, starts rose 3.3 per cent in the South but fell 0.9 per cent in the West, 18.5 per cent Midwest and 19 per cent in the Northeast.

Building permits rose 10.9 per cent to 653,000 units, sharply exceeding expectations for 590,000. Single family authorizations rose 8.3 per cent to 508,000. Permits were up 15.8 per cent over December 2008. Regionally, permits rose 27.9 per cent in the Northeast, 18 per cent West, 10.5 per cent Midwest and 4.6 per cent in the South. [READ MORE](#)

### Japan Housing Starts

Housing starts in Japan declined 19.1 per cent in November from a year earlier but rose by 1.6 per cent compared to the previous month. Annualized housing starts recorded 0.798 million units in November compared to October's 0.762 million units. Construction spending fell by 11.6 per cent in November compared to one year ago. [READ MORE](#)

### Log and Lumber Exports to Japan

Japan's Forest Agency told a gathering of the wood industry in that country that due to depressed housing starts, demand of domestic logs and lumber for the first half of 2010 will be lower than the same period one year ago, according to the Japan Lumber Reports.

Imported logs and lumber are expected increase in 2Q 2010 due to such low demand in 2Q 2009. [READ MORE](#)

### BC Truck Loggers Convention

The 67th annual BC Truck Loggers Association Convention and Trade Show was held in Victoria, BC this week. Attendance was somewhat more sparse than in previous years, but attendees made up for the lack of numbers in enthusiasm, and the panel discussions were no less informative than usual. The theme for the event was "The New Faces of Forestry". A luncheon with BC Premier Gordon Campbell kicked off the festivities. As the show was in BC's capital, members of the provincial legislature were scattered about the room, sitting at tables with attendees. The Premier took a moment before his speech to introduce each MLA individually. [READ MORE](#)

#### U.S. HOUSING STARTS

	Dec-09	Nov-09		Dec-09	Nov-09
<b>Starts</b>			<b>Permits</b>		
Actual	26,000	42,800	Actual	47,300	40,700
SAAR*	557,000	580,000	SAAR*	653,000	589,000
1 Unit	456,000	490,000	1 Unit	508,000	469,000
2-4 Units	(s)	(s)	2-4 Units	18,000	25,000
5+ Units	92,000	80,000	5+ Units	127,000	95,000
<b>Starts by Region</b>			<b>Permits by Region</b>		
Northeast	51,000	53,000	Northeast	87,000	68,000
Midwest	88,000	108,000	Midwest	116,000	105,000
South	310,000	300,000	South	319,000	305,000
West	108,000	109,000	West	131,000	111,000

\*Seasonally adjusted annual rate

Source: U.S. Census Bureau

#### JAPANESE HOUSING STARTS

Month	TOTAL	Non-Wood	Wood	%Wood
Nov-09	68,198	27,416	40,782	60
Oct-09	67,120	28,175	38,945	58
Sep-09	61,181	24,771	36,410	60
Aug-09	59,749	24,992	34,757	58
Jul-09	65,974	28,243	37,731	57
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

Source: Japan Wood-Products Information and Research Center

Prices are in U.S. dollars per 1,000 fbm.

## Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	250	235	+15	232	+18	140	+110
WSPF KD R/L 2x6	245	232	+14	228	+18	130	+116
WSPF KD R/L 2x8	250	240	+10	235	+15	130	+120
WSPF KD R/L 2x10	330	320	+10	312	+18	145	+185
WSPF KD PET 2x4 Stud	250	238	+12	230	+20	170	+80
Douglas Fir Green R/L 2x4	235	220	+15	195	+40	155	+80
Douglas Fir Green R/L 2x10	245	245	0	260	-15	230	+15
ESPF KD 2x4 8ft Stud	320	310	+10	295	+25	230	+90
OSB Ontario 7/16" (CDN\$)	200	200	0	200	0	220	-20

Celebrating our 60th year, a Diamond Anniversary . . .  
**Madison's Lumber RETROspective**  
 see additional pages in your weekly Madison's Reporter!

## Weekly News

### US Economy

CONTINUED Meanwhile, Home builders, mired in their deepest slump since the Great Depression, are likely to see a rebound in sales in 2010 as stabilizing home prices and record-high affordability conditions draw buyers into the market, the chief economist of the National Association of Home Builders said this week.

David Crowe predicts that housing starts will rise more than 25 per cent in 2010, to 700,000. For all of 2009, an estimated 554,000 homes were started, down 39 per cent from 2008's total of 906,000 and the lowest since 1945, the Commerce Department estimated Wednesday. Starts of single-family homes dropped 29 per cent to 444,000 in 2009, the lowest on record, dating to 1959.

Low interest rates will continue to help the housing industry: Even though they are expected to rise this year the 30-year mortgage – now just above 5 per cent – will stay below 6 per cent through the year, predicted Frank Nothaft, chief economist for mortgage agency Freddie Mac.

But Crowe and other economists speaking at the International Builders show, being held this week in Las Vegas, cautioned that there are plenty of reasons to be cautious about the home-building outlook for 2010.

Any optimism on home building should be tempered on a number of counts, said Ed Sullivan, chief economist for the Portland Cement Association, whose members provide concrete used in residential and commercial projects.

Single-family starts could rise 20 per cent in 2010, but that is “from a desperately low level and pathetically mild in absolute numbers,” he said.

In other news, the US Labor Department reported a rise in producer prices of 0.2 per cent in December.

The rise followed a 1.8 per cent gain in November and a 0.3 per cent rise in October. For the 2009 year, prices grew 4.4 per cent.

In a separate report, the number of US workers filing new applications for unemployment insurance rose in the week ended January 16, according to the Labor Department.

Initial claims for state unemployment benefits grew 36,000 to a seasonally adjusted 482,000 - the third consecutive weekly rise.

### Japan Housing

CONTINUED Japan's Ministry of Agriculture, Forestry and Fisheries will submit a bill to promote using local wood for public buildings in order to generate demand for wood, according to the Japan Lumber Reports.

Rather than requiring the use of wood, the bill imposes restrictions on the use of other building materials like concrete and steel. The Minister said that it is time to shift from concrete to natural wood as a building material which is good for human health and gives much warmth and comfort, according to the Reports.

Both the supply and demand sides are bound by law to use local wood for public buildings of a certain height and square footage.

### Japan Timber Imports 2009

CONTINUED The Agency forecast that total yearly import of Russian logs will be 670 million cubic meters while import of lumber will be 681 million cubic meters. This is the first time in history that lumber import volumes exceeded that of log imports, said the Agency.

North American log and lumber demand is expected to remain unchanged over 2009. Log demand will be 1,230 million cubic meters for the first half of 2010. European lumber supply, mainly consisting of lamina, is expected to be 970 million cubic meters for the first half of 2010.

Both forecasts are lower than the same time in 2009.

### Calendar

March 2010

#### Wood Tech Show 2010

March 9 to 10 – Portland, OR

<http://www.woodwideweb.com/>

April 2010

#### Association of BC Forest

#### Professionals: ExpoFor 2010

April 8 to 9 – Kelowna, BC

<http://www.expofor.ca/>

#### Dubai International Wood & Wood Products Show

April 13 to 15 – Dubai, UAE

<http://www.dubaiwoodshow.com/>

# TLA 67th AGM

## Convention and Trade Show

CONTINUED “For the last 20 years, BC’s forest industry has shown volatile trending in the wrong direction,” said Campbell. “This province has been export-

by Keta Kosman and

ing \$10 billion annually in wood products. But what will the world be like in another 20 years? [ . . . ] The BC government will build a framework to assure we allow opportunities for workers and for investors, and that we solve old challenges. [ . . . ] We must recognize that we are in a global competition, that we must not just sustain the current market but must drive efficiency.”

Premiere Campbell went on to say, “BC has the third largest new energy sector globally. Biomass fuel will be as important in 50 years as pulp and paper was for the past 50 years. [ . . . ] We will ensure a long term industry that people want to invest in. [ . . . ] If the US promoted wood use domestically it would not have to spend so much time putting up barriers to free and open trade [with Canada]. China, as a customer of wood products, can offset trade imbalances that are going on with the US. The honest fact is that China doesn’t need BC for building with wood, but if we help, if we nurture a market there, exports will grow.”

Campbell ended by announcing a government funded technology engineered wood product centre in Prince George, BC coming soon.

After lunch the trade show floor opened with exhibitors made up mostly of equipment suppliers for logging operations. At 6:00pm attendees were hustled out to a pub crawl sponsored by Brandt Tractor, which got quite rowdy and boisterous. Did *Madison’s* say attendees showed enthusiasm for the event? As the evening progressed that enthusiasm was heavily fuelled by free-flowing drinks and plates of appetizers. *Madison’s* had difficulty splitting off from the event at a reasonable hour. Frequent references to an early breakfast panel which included BC Minister of Forests and Range Pat Bell fell on deaf ears.

Just after 7:00 the next morning *Madison’s* mustered enough cognitive ability to make it to the breakfast. Soon the room was filled with similarly groggy attendees still reeling from the previous evening’s refreshments.

A stirring video created by the Pacific Forest Foundation, encouraging young people to seek employment in the forest titled “This is my Office”, was screened at the breakfast meeting. Streaming of this video will be available through the *Madison’s* website soon, once technical details are worked out with the Pacific Logging Congress.

BC’s Minister of Forests and Range, and Integrated Land Management, Pat Bell, took BC Premiere Gordon Campbell’s speech of the previous day one step further. “We are starting to see early trends in recovery both for company share prices and in lumber commodity prices. The entire supply chain has dried up of inventory, and there is no log inventory at the mills. Everyone has been managing at the lowest inventory levels, so only a small uptick in demand will drive up lumber prices.”

Bell took a moment to discuss lumber demand in China and expectations for that demand to increase in the near future. The Minister invited industry members to join him on his annual trade junket to that country over the Remembrance Day week in November, saying, “Until you go there you can’t understand the size of the country.” The ability of the Chinese government to respond to changes in market conditions is critical, Bell explained. The Minister was careful to point out that, “BC lumber producers ready to jump back into the US lumber market will scare Chinese customers away. They want assurance of a long term relationship. [ . . . ] BC sold more wood into China in the first week of 2010 than it did for the entire month of January 2009. [ . . . ] Make no mistake, we are not discounting the US; we are building a second marketplace.”

There need be no further proof of the Minister’s claim of China, and indeed Japan, requiring a stable source of supply than the shocking decrease of Russian log imports into that region over 2009. Uncertainty caused by Russia’s announcement, and then delay, of an 80 per cent tax on raw log exports sent Chinese and Japanese customers fleeing to other countries to source logs. Refer to Page 6 of this week’s *Madison’s* for 2009 log and lumber import levels into Japan for more information.

Bell mentioned the importance of biomass fuel, “In 2009, 3 million cubic meters of former waste was consumed as bioenergy in BC.” As with Premiere Gordon Campbell’s speech, there were obligatory references to the Olympics and to the new HST tax, which will take effect in BC this spring.

Bell summed up by confirming his Ministry’s four objectives: full utilization of fibre, including bioenergy; modified silviculture practices, specifically in terms of the Commercial Forest Reserve; China as an important customer for BC wood products, and; larger wood-framed buildings domestically.

At that point the panel welcomed questions from the floor. When asked why forest products’ trade into India was not being similarly promoted as trade to China, the Minister explained, “There are some arbitrary health and safety standards that

are currently keeping Canadian wood out of India. We are working on this but the government model in India, of democracy, is not as responsive as China so we expect growth of wood exports to that country to be a ten year effort.” Bell again invited industry to attend his annual trade junket to China, saying the cost per participant was about \$4000 to \$6000 for the week.

There was some discussion about log exports, a thorny issue particularly on the coast and particularly with those involved on the harvesting end of the lumber value chain. Bell summed up the issue, “The BC public wants to know that a log exported is truly surplus to lumber production industry needs. If log exports enhance a harvest stand, where the company would keep higher value logs for domestic production and export lower value logs for immediate revenue” then his Ministry supports log exports.

Another important question from the floor, regarding a proposed tenure reform system based on nurturing international investment and how that factors into an industry meant to serve the people of BC, was tackled by each panel member.

Russ Taylor of Wood Markets International said, “In terms of new investment, the focus should be on engineered wood, LVL and such value-added items, and companies should also focus on second growth logging.”

Avrim Lazar of the Forest Products Association of Canada replied, “Foreign investment in the Canadian lumber industry only makes sense if there is a diversified use of the chip stream; this is the soundest long term financial model for Canadian forest products.”

Moderator Peter Lister of FPInnovations added, “It is hard for small Canadian operators to compete in this arena, it seems to be a niche market involving value-added products and a heavy emphasis on customer service.” Lister went on to say, “Secondary manufacturers in Canada have trouble getting the items they need out of the primary mills to serve specific customer requests.”

This same complaint has been heard out of Japan, and China, for the past year and half. Canadian lumber producers need to stop expecting a return of overproduction of the mighty 2x4 and move into providing for customer needs, even something so simple as metric sizes. The days of a supply-side spruce market are over, where mills were so flush with orders they could refuse small adjustments needed by customers.

As Pat Bell said several times, and Gordon Campbell as well, productivity and competitiveness on a global scale is the name of the game. Canada is in a good position to maintain its status as one of the top forest product suppliers, but is facing tough competition from every single other region and must continue to move forward and adapt.