

MADISON'S LUMBER REPORTER

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News & Updates

Madison's Timber Preview

Attendance at the US National Association of Home Builders' annual International Builders' Show, held at the Las Vegas Convention Center last week, was down significantly from 2009 and 2008. The presence, however, of private equity funds willing to bankroll building projects at high interest rates increased over previous years. It seems US builders, even those with contracts from qualified buyers, are having trouble securing funds from traditional sources like banks and thrifts.

More on this, and the latest US home building and home financing statistics, are featured in this week's *Madison's Timber Preview*. Contact us any time for a subscription.

Mackenzie Pulp Mill Offer

BC's Minister of Forests and Range, and Integrated Land Management, Pat Bell, told the CBC this week that one of Asia's biggest pulp companies is showing interest in a Mackenzie mothballed pulp mill.

The Indonesian firm Sinar Mas, already running a Canadian mill in Saskatchewan, is considering taking over the former Pope & Talbot mill, according to Bell. The company is currently conducting due diligence and Bell says he'll likely know more within 45 days.

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US Existing Home Sales

December sales of previously occupied homes in the US took their biggest monthly drop in more than 40 years, the National Association of Realtors said Monday. The drop came despite a move by Congress to extend the time for homebuyers to use a tax credit.

Sales in December fell 16.7 per cent to a seasonally adjusted annual rate of 5.45 million, from an unchanged pace of 6.54 million in November, the Washington-based association said.

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Softwood Lumber Exports to India

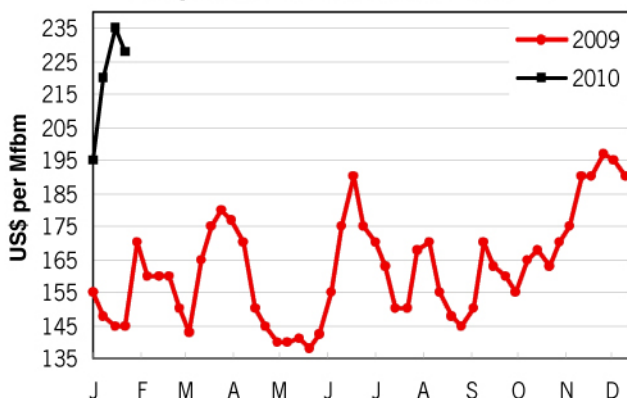
A simple clerical error with reference to phytosanitary requirements for log and lumber imports into India may be all that is keeping millions of board feet of Canadian wood out of that country annually. Last week at the Truck Loggers Association AGM an attendee asked Pat Bell, BC Minister of Forests and Range, and Integrated Land Management why there is no concerted effort being put into promoting exports of BC wood into India similar to the one for exports to China.

Pat Bell explained, "There are some arbitrary health and safety standards that are currently keeping Canadian wood out of India. We are working on this. We expect growth of wood exports to that country to be a ten year effort."

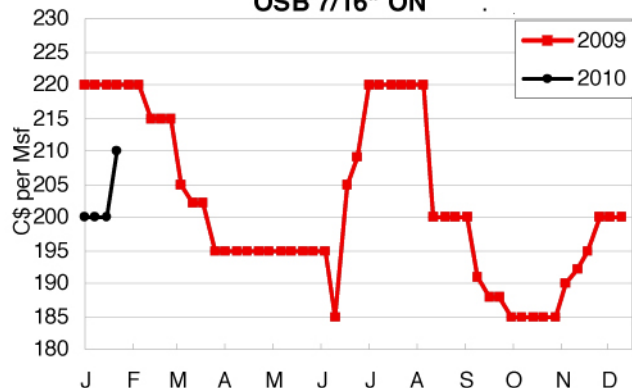
Upon hearing this statement, several parties contacted *Madison's* wondering at the seeming incongruity. The common belief among those experienced in exporting to India is that there is no such restriction, at least not any more so than exists in China.

[READ MORE](#)

Douglas Fir Green Std&Btr 2x4



OSB 7/16" ON



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	250	0	215	+35	130	+120
WSPF KD R/L 2x6	246	246	-1	210	+35	126	+119
WSPF KD R/L 2x8	250	250	0	220	+30	124	+126
WSPF KD R/L 2x10	333	330	+3	305	+28	135	+198
WSPF KD PET 2x4 Stud	255	250	+5	215	+40	155	+100
Douglas Fir Green R/L 2x4	228	235	-7	190	+38	145	+83
Douglas Fir Green R/L 2x10	255	245	+10	247	+8	220	+35
ESPF KD 2x4 8ft Stud	325	320	+5	290	+35	200	+125
OSB Ontario 7/16" (CDN\$)	210	200	+10	200	+10	220	-10

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

Weekly News

Indonesia's Sinar Mas

CONTINUED Asia Pulp & Paper, a subsidiary of Sinar Mas, is also showing interest in one of Tembec's closed Quebec pulp mills, in Saint-Gaudens, according to La Dépêche du Midi.

Sinar Mas is continually accused of poor forest management practices in Indonesia, including deforestation. The Indonesian forest products giant is perhaps best known in North America for defaulting on US\$14 billion worth of debt in 2001 – the largest default in Asian history.

Its US creditors agreed to a debt-revamp plan. APP's default was a consequence of the 1997 Asian financial meltdown. Its sales were in the Indonesian rupiah, which collapsed in the crisis, but its debt was in US dollars, making it impossible to repay debt from cash flow.

US Real Estate

CONTINUED For all of 2009 there were 5,156,000 existing-home sales, which was 4.9 per cent higher than 2008's total. That was the first annual sales gain since 2005.

In November, the planned tax credit expiration helped existing home sales gain 7.4 per cent – and that followed a 10 per cent surge the previous month.

First-time home buyers accounted for 43 per cent of sales in December, down from 51 per cent the previous month. Distressed transactions made up 32 per cent of the sales.

Sales of previously owned single-family homes, the largest segment of the housing market, tumbled 16.8 per cent last month. Sales of existing condominiums and co-ops dropped 15.4 per cent.

North Pacific in Receivership

Tigard, OR, based North Pacific Group Inc., one of the largest wholesale distributors of wood products in the US, defaulted on US\$42 million in debt late last week. Today the company set a Friday deadline to accept bids for its business units.

North Pacific has sold offices and holdings, including nine distribution centres, to Atlas Holdings. Some smaller Canadian cedar operators were using North Pacific facilities as reloads. Some truck operators, contracted to pay \$60,000 in wood products, were left holding the bag as trucks en route to customers were suddenly placed in receivership.

North Pacific Group has been a major sponsor of the annual NAWLA convention.

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BREAKING NEWS ON
 CANADA'S LARGE VOLUME MILLS,
 OPERATING STATUS UPDATED MONTHLY!

 **MADISON'S**
 MILL WATCH

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/>

Softwood Imports In India

CONTINUED *Madison's* checked the Pacific Lumber Inspection Bureau website, here, http://plib.org/index.php?option=com_content&task=view&id=33&Itemid=35 but could find no insurmountable international phytosanitary restrictions for importing North American lumber into India. According to the PLIB, India has the same conditions as other lumber importing countries. Its website states: "Effective November 1, 2004, India will also accept phytosanitary certificates covering packaging."

To confirm this *Madison's* spoke with Will Moore, PLIB District Supervisor for BC and Alberta. Moore could not immediately think of a reason why it would be difficult for customers in India to import Canadian lumber, but directed *Madison's* to the Canadian Food Inspection Agency for more information.

"Exporting to South Korea is tough," said Moore "because that government requires both treatment and phytosanitary certificates to be presented at the dock before the wood can be unloaded. But as far as I know there is no such requirement in India. It is no different than shipping to China." Moore did qualify that statement, however, by saying that none of the mills he represents ship to India.

Madison's waded through the CFIA website forestry section here <http://www.inspection.gc.ca/english/plaveg/for/fore.shtml> to discover any extenuating requirements. In researching many of the links on the site, not one reference to restrictions on lumber exports to India was found.

The BC Ministry of Forests media representative's reply to a request for more information this week did shed some light on the issue. Cheekwan Ho stated: "In June 2008, it was identified that India's plant health regulations did not list Canadian spruce or cedar species as approved. [. . .] until such time that these species are added to India's approved import list, they are in essence barred from shipment to India.

The Canadian Food Inspection Agency, the Canada Wood Group, Natural Resources Canada, and the Canadian High Commission in India have been working cooperatively to resolve this issue.

India recently published a draft notification proposing the addition of the outstanding spruce component to India's plant health regulations."

In the quest for clarification, *Madison's* spoke to Gordon Wilson at Maradadi Pacific.

"For seven years from the beginning of 2000 there were a number of Canadian companies moving wood product into India," said Wilson. "Having put significant effort into increasing a customer base in India myself, it is my experience that there are no health issues in India that don't exist in China. The difficulty was not in India, but was with regulatory agencies in Canada."

Wilson explained that the real issue in India was one of language, that Indian customers did not understand the term 'softwood', thinking it meant the wood was rotten.

"We did a lot of work in rebranding, calling it Canadian Brightwood instead, since most of the wood Indian customers are used to seeing is dark hardwoods like teak."

Madison's checked the actual wording of India's requirements, available here <http://www.plantquarantineindia.org/docfiles/Schedule-VIe.HTM>

Item 315, the requirement states: "Spruce (*Picea abies*), Wood without bark from North America must be Fumigated with Methyl bormide at 48 g. per cubic meter for 24 hrs. at 21C and above or equivalent thereof or heat treatment at 56C (core temperature) for 30 minutes or any other treatment approved by PPA. The treatment should be endorsed on Phytosanitary Certificate issued at the country of origin/ re-export."

Is it possible that this confusion could be resolved simply by heat treatment or kiln drying the lumber? Another email to the Ministry of Forests inspired this explanation: "The Ministry of Agriculture in India currently allows for the *Picea abies* species, or Norway Spruce, which is not yet a commercial species in Canada. Here, we have *Picea glauca* or *Picea engelmannii* spruce, which is not yet listed on their allowable species."

Madison's then uncovered several related documents by a variety of sources including the Canadian Wood Council, the USDA, Oregon State University and BC's own Ministry of Forests.

"Lumber and Wood Products Market in India" prepared by BC's Trade and Investment Officer in January 1999 makes no mention of phytosanitary restrictions. Find the full report here <http://www.llbc.leg.bc.ca/public/pubdocs/bcdocs/332000/indiawood.pdf> According to this report: "The main challenges to entering the Indian market are the lack of knowledge of BC softwood products and an underdeveloped local distribution system. [. . .] There was a great deal of interest shown in BC solid wood flooring which was displayed by BC-WSG at Showcase '98. [. . .] While there is little or no awareness of softwood lumber and wood products in India there is growing demand for finished wood products in the market."

"Exporting US softwoods to India: facts and findings" prepared by forestry professionals at Oregon State University in May 2007 for the US Softwood Export council states: "Key characteristics of the marketplace include a very tight and cohesive relationship among traders and the presence of a very few key players who dominate the market. This report is based on findings from such key importers of softwoods in India. [. . .] There is literally no knowledge about US softwoods. Key importers need more awareness and education about US softwood species." That report is available here <http://owic.oregonstate.edu/pubs/india.pdf>

"Road to India Wood Market Feasibility Study" prepared for the Canadian Wood Council in December 2006 and available here http://www.cwc.ca/NR/rdonlyres/2C640351-76C0-4E03-BC35-7C8DF3730698/0/RoadtoIndiaWoodMarketFeasibilityStudy_modified.pdf states: "Canadian forest products exporters continue to face several challenges in the Indian market, including the price sensitivity of the Indian market, lack of knowledge of Canadian wood, and a tariff structure designed to discriminate against the import of higher value-added wood products."

Finally, and most recently, "Wood and Wood Products in India", prepared by the USDA in December 2009 states only: "Until 2007-08, imports of softwood lumber did not exceed \$262,223. However, in 2008-09, softwood imports reached an all time high of \$1.18 million, accounting for almost 9 per cent of India's imports of US wood. The growth of softwood lumber imports is significant because it indicates potential demand for American softwoods in high end residential and commercial architectural, design and construction sectors." That report can be found here [http://www.stat-usa.gov/agworld.nsf/505c55d16b88351a852567010058449b/1cc684692c1d2285257641000e3b2d/\\$FILE/IN20090916A.PDF](http://www.stat-usa.gov/agworld.nsf/505c55d16b88351a852567010058449b/1cc684692c1d2285257641000e3b2d/$FILE/IN20090916A.PDF)

No where among these detailed studies, covering a wide scope of issues including species and domestic Indian demand, is there mention of a restriction on North American white wood spruce. Readers are invited to contact us with further relevant information. Apparently the restriction is no more than a clerical error or bureaucratic oversight. If this is the case, those in the industry who wish to expand their export business should run, not walk, to their nearest Canadian Food Inspection Agency, the Canada Wood Group, Natural Resources Canada or BC Ministry of Forests office and demand immediate action to rectify this relatively insignificant clerical issue.

- additional research provided by Rob Scagel at Pacific Phytometric Consultants