

MADISON'S LUMBER REPORTER

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News & Updates

Calling All Canadian Lumber, Panel and Pulp Producers . . .

Madison's is in the process of updating our Live Online Lumber Producer listings. Mills, reloads, transporters, wholesalers and exporters are invited to contact our office to ensure the information we have for your company is accurate.

Call 604 984-6838 or email madrep@shawcable.com to update your **free** listing.

US Housing Starts

The US Commerce Department said Wednesday that construction of new homes and apartments in the US rose 2.8 per cent in January to a seasonally adjusted annual rate of 591,000 units. Applications for building permits, considered a good barometer of future activity, fell 4.9 per cent to a rate of 621,000, but that was after two months of large increases.

In another sign of strength, Wednesday's report revised up activity in December to show builders were starting construction at an annual pace of 575,000 units during that month. The strength last month was led by a 10 per cent jump in activity in the Northeast and an 8.9 per cent increase in the West.

The strength in January pushed construction activity up by 21.1 per cent from the pace in January, 2009. Last month's building rate the fastest pace since July.

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Bioenergy Collaboration

Lignol Energy Corporation and Novozymes have announced a plan to collaborate on making biofuel from wood. Lignol plans to construct large-scale biorefineries for the production of cellulosic biofuel from wood chips and forestry residues. Novozymes supplies enzymes that convert cellulosic biomass into sugars that can then be fermented into ethanol.

Refer to the May 22, 2009 issue of your *Madison's Reporter* for technical details on the process.

The parties plan to use Lignol's fully integrated industrial-scale pilot plant in Burnaby, BC, to optimize enzyme performance across a range of cellulosic feedstocks in Lignol's unique process.

Lignol president and CEO, Ross MacLachlan said in a statement, "Our integrated plant is perfectly suited for this type of collaboration in which our industrial process is coupled with Novozymes' biological technology to make cellulosic ethanol a commercial reality."

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2009 Lumber Demand Statistics

North American log and lumber exports statistics for 2009 are out. Several sources explain that, if not for demand out of China, lumber producers in Canada and the United States would have had great difficulty in finding customers for their products.

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U.S. HOUSING STARTS

	Jan-10	Dec-09		Jan-10	Dec-09
Starts			Permits		
Actual	37,800	37,100	Actual	39,400	47,400
SAAR*	591,000	575,000	SAAR*	621,000	653,000
1 Unit	484,000	477,000	1 Unit	507,000	505,000
2-4 Units	(s)	(s)	2-4 Units	18,000	18,000
5+ Units	100,000	85,000	5+ Units	96,000	130,000
Starts by Region			Permits by Region		
Northeast	66,000	60,000	Northeast	74,000	90,000
Midwest	91,000	94,000	Midwest	91,000	114,000
South	312,000	309,000	South	316,000	320,000
West	122,000	112,000	West	140,000	129,000

*Seasonally adjusted annual rate

Source: U.S. Census Bureau

Madison's Rate Increase

Madison's Lumber Reporter has been providing vital and timely information on the North American lumber and panel markets to subscribers weekly since 1952.

Traditionally, nominal subscription rate increases have been put in place yearly or every two years. However, due to a change in ownership and recent financial difficulties faced by the industry, *Madison's* subscription rates have not changed since 2004.

Beginning in May 2010, the subscription charge for *Madison's Lumber Reporter* will be C\$364 per year.

We trust our subscribers understand this need to keep up with rising costs and the strong Canadian dollar.

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	296	296	0	250	+46	160	+136
WSPF KD R/L 2x6	298	298	0	246	+52	162	+136
WSPF KD R/L 2x8	282	280	+2	250	+32	150	+132
WSPF KD R/L 2x10	360	364	-4	330	+30	162	+198
WSPF KD PET 2x4 Stud	300	310	-10	280	+20	165	+135
Douglas Fir Green R/L 2x4	250	255	-5	228	+22	160	+90
Douglas Fir Green R/L 2x10	250	265	-15	255	-5	200	+50
ESPF KD 2x4 8ft Stud	355	355	0	325	+30	230	+125
OSB Ontario 7/16" (CDN\$)	244	244	0	210	+34	215	+29

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

Weekly News

US Real Estate

CONTINUED The Commerce Department also said single-family housing starts increased by 1.5 per cent to 484,000 units in January, while the more volatile multi-family segment rose by 9.2 per cent to 107,000.

It also revised upwards housing starts in December to 575,000.

In a separate report, the Federal Reserve said industrial production rose 0.9 per cent, with manufacturing, mining and utilities all posting gains.

"The data is very solid and very strong," said Michael Strauss, chief economist at Commonfund in Wilton, Connecticut. "The economy gets no respect but it is doing significantly better and we see that on the production side in particular."

The reports and better-than-expected earnings from Deere & Co., the world's largest maker of agricultural equipment,

gave a lift to US stocks. Deere, seen as a bellwether for the global economy, raised its outlook for fiscal 2010 machinery sales growth to a range of 6 per cent to 8 per cent from a previous estimate that sales would fall 1.0 per cent

Kathleen Madigan, at Dow Jones Newswires, published a note Thursday saying that US housing must move beyond government help.

"A significant chunk of future home buying will be satisfied by cheaper foreclosed and distressed homes, Madigan explains.

First American CoreLogic estimates this shadow inventory totals about 1.7 million. Standard & Poor's calculates that it will take 33 months to clear out these properties.

Maritime Lumber Bureau Responds

The Maritime Lumber Bureau dis-

missed Monday the US Coalition for Fair Lumber Imports' complaint that government aid to Miramichi Lumber Products violates a bilateral softwood lumber agreement.

Diana Blenkhorn, president and CEO of the Amherst, NS-based industry association, said she plans to reach out to the powerful Washington lobby group to ensure the organization understands her group's position.

Business New Brunswick Minister Victor Boudreau said his department ensured its assistance to Miramichi Lumber Products would not contravene any bilateral agreement on lumber.

"In this case ... this is an interest-bearing loan with a full guarantee in place so there's no subsidy, there's no break being given," Boudreau said.

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/>

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 **MADISON'S**
 MILL WATCH

Lumber Demand

Statistics and Figures

An article released Thursday on the Dow Jones newswire has lumber mills “screaming bloody murder”, according to a source close to *Madison’s*. The world has suddenly taken notice of the lumber business, as commodity prices enjoyed a healthy price hike and the futures market responded. A spokesperson for the US National Association of Home Builders, usually a friend to North American lumber producers, is quoted as saying that an increase in lumber prices “is the last thing we need right now.” While it is clear that the recent jump in lumber prices has been due to a shortage of supply, there has also been an increase in demand, admittedly still weak. Regardless, even a small uptick in real demand for lumber is a step in the right direction.

Lumber producers across North America are generally acknowledging that demand out of China, up sharply from 2008, is what reduced or staved off losses last year. That country is the world’s largest importer of wood pulp and logs, and was the second largest importer of softwood lumber in the world in the 2Q 2009, according to Wood Resource Quarterly. Imports of softwood logs were 51 per cent higher in the 2Q than the 1Q, and 27 per cent higher than in the 2Q 2008, a sign of improved operating rates in the sawmilling and plywood industry. The biggest increases in imports originated from Russia and New Zealand. Although Russia is still the largest supplier of logs, New Zealand has increased its market share from 10 per cent in 2Q 2009 to 23 per cent the same quarter this year, says WRQ. The average import value for softwood logs has been in decline for three consecutive quarters and was, in the 2Q 2009, down 25 per cent from its peak in the 3Q 2008. So far this year, Russian logs have cost substantially more

than have logs from New Zealand and Australia.

Put another way, during the first nine months of 2009, China imported 81 per cent more lumber than during the same period in 2008. Canadian sawmills have been the major beneficiaries of this new fast-growing market, with exports up 135 per cent for the first nine months of 2009, says WRQ.

The US Forest Service found an increase in log and lumber exports for the coastal US 2Q 2009, after a drop in the first quarter. A total of 239.5 million board feet of softwood logs and 80.2 million board feet of softwood lumber was exported from Washington, Oregon, northern California, and Alaska in April, May, and June 2009. “The volume of softwood log exports was up 65.2 per cent from the first-quarter volume of 145 million board feet, while the volume of softwood lumber exports was up 17.9 per cent from 68 million board feet,” said Debra Warren, a US Forest Service economist.

Lumber exports for the second quarter of 2009 from Oregon and Washington totalled 75.8 million board feet, up 21.9 per cent from 1Q 2009 volume of 62.2 million board feet. Broken down into regional demand, 35.3 per cent of the west coast second quarter softwood lumber exports in 2009 went to Canada, 28.8 per cent to Japan, 11.3 per cent to the Philippines, and 7.1 per cent to China. Douglas fir accounted for 48.5 per cent of 2Q 2009 softwood lumber exports, western hemlock and cedars, each were 13.1 per cent, and other softwoods made up the remaining 25.3 per cent.

According to preliminary statistics from China’s State Forestry Administration, released February 11, the value of China’s forest industry output in 2009

was up around 10 per cent from 2008. The growth in timber processing is estimated to have risen 17 per cent over 2008, the furniture industry is estimated to have grown 8 per cent in 2009.

In circumstances such as these it does not take long for analysts to start making calls, whether bullish or bearish. Myra Saefong, MarketWatch assistant global markets editor based in Tokyo, released a report February 14 cautioning, “It’s tough to say that lumber’s climb to its highest price level in more than two years is built on solid ground.” Saefong goes on to explain that there is a bigger story here that involves everything from actual and expected demand from China and Haiti, to the impact of global stimulus measures and production cutbacks in a market that has supposedly suffered along with the globe’s major economies.

Part of the reason prices reached a more than two year high recently is production across the board has been reduced by an estimated 30 per cent – and while demand is off at a much greater percentage, so are carried inventories, according to Brian Leonard, a lumber analyst at Rosenthal Collins Group in Chicago.

The main rationale, however, for lumber’s rally to multi-month highs hinges on the belief that the US construction industry “is on the upswing,” said Jim Wyckoff, a senior market analyst at TraderPlanet.com.

Speculation continues as to whether that upswing in US construction will be sustained through the 2010 building season. On the face of it, the horrible downturn of 2009 is apparently behind us. Those who projected, in 3Q 2009, that the lack of demand would continue into mid 2010 are now happily proven wrong.

Category	Output in 2009	Output in 2008	% change
Logs (million cu.m)	69	81	-14
Bamboo (billion pieces)	1.206	1.262	-4
Wood-based panel (million cu.m)	113	94	21
Wooden furniture *(million pieces)	182	178	2.6
Solid wood flooring* (million sq.m)	95	99	3.5
Wood composite flooring* (million sq.m)	272	270	0.75

(ITTO's Tropical Timber Market Report)