

# MADISON'S LUMBER REPORTER

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## News & Updates

### Madison's Lumber RETROspective

Due to a technical difficulty, *Madison's Lumber RETROspective* will not be available this week.

The popular feature will return next week.

### Madison's Timber Preview

This week's issue of *Madison's Timber Preview* examines the economics of biomass fuels, with the latest figures for global wood chip supply, and biofuel production and consumption in the US and in Europe.

Contact us any time for a subscription.

### Steelworkers, Canfor Sign Tentative Deal

The United Steelworkers Union, representing approximately 11,000 forestry workers on the coast and in the interior of British Columbia, signed a tentative agreement with Canfor Corp. on February 20, 2010.

In reporting progress with Canfor earlier this week, the bargaining committee had said collective agreement language was needed on both permanent and partial closures to "prevent employers from simply running their workers out of seniority and then announcing a permanent closure of their operation to avoid the payment of severance."

Bob Matters, spokesperson for the USW, told *Madison's* Friday, "We accomplished employment security, we have unprecedented seniority retention. Employees will not run out of protection in the case of permanent mill closures." [READ MORE](#)

### Pulp Producers Integrate Biofuels

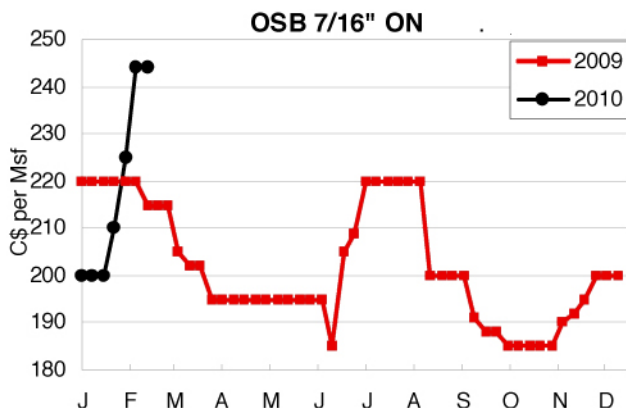
Castlegar's Celgar pulp mill, the first to be funded under Ottawa's \$1 billion Green Transformation Program, is expected to generate 48 megawatts of power when a new green energy project comes online in September. Celgar intends to use 13 megawatts for the mill's energy needs and sell the rest, 35 megawatts, to BC Hydro.

"That's enough energy to power 21,636 households a year," Susan Danard, manager of media relations at Hydro, told the Vancouver Sun.

This will bring a new source of revenue to the mill by adding a valuable bioenergy component to the pulp-making process, which uses steam generated by burning black liquor, a biofuel that is a byproduct of the pulp-making process. [READ MORE](#)

### US Home Building and New Home Sales

Thankfully many Canadian lumber producers realized in early 2009 that waiting "for US housing to come back" was not a viable business model, and reacted by branching out into remanufacturing, value-added products, and seeking new regions globally for lumber exports. The latest US home sales figures are abysmal, proving that reliance on that one market would be disastrous in the short term. However, buried in the volume of doom and gloom information about the US housing market, are inklings of a recovery into the near future. [READ MORE](#)



### 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	272	296	-24	250	+22	140	+132
WSPF KD R/L 2x6	280	298	-18	245	+35	135	+145
WSPF KD R/L 2x8	262	282	-20	250	+12	132	+130
WSPF KD R/L 2x10	345	360	-15	333	+12	150	+195
WSPF KD PET 2x4 Stud	275	300	-25	255	+20	165	+110
Douglas Fir Green R/L 2x4	240	250	-10	228	+12	190	+50
Douglas Fir Green R/L 2x10	240	250	-10	255	-15	220	+20
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

### Collective Agreement

CONTINUED When asked what the Union had to give up in return for this security Matters said, "We didn't 'give up' anything, we have worked out an investment model with Canfor in which members defer vacation pay, one stat holiday and one floating holiday per year in a trigger plan that is linked to company profitability."

Matters explained that union members will never lose these benefits, there will be a deferral until Canfor starts showing a profit.

Dave Lefebvre, Public Affairs and Community Relations for Canfor, explained to *Madison's* also on Friday that the Canfor executive board is feeling "pretty positive" about this tentative agreement.

"Canfor approached the negotiations with a mindset of focussing on finding solutions. When Canfor came to negotiate,

work got done very quickly."

Lefebvre said that Canfor initially gave their proposal to the Steelworkers in June 2009 but had to wait their turn for negotiations to come around. That proposal was the starting point for the recent talks.

"We are happy with the agreement, talks were very proactive with both sides focussed on finding solutions," said Lefebvre.

Matters said that it is now up to the union membership to ratify the agreement, with a vote being held at the end of next week. The Steelworkers are urging members to vote in agreement.

The Steelworkers will next begin negotiations in the southern interior, with the IFLRA, on March 8.

### Collaboration on Future Biorefinery Concept

CONTINUED Metso, Stora Enso and Domtar have established a multi-year project to develop a future

pulp mill biorefinery based on new pulping technology. The target is to develop a new concept with better energy efficiency and cost effectiveness of the process, lower initial capital investment costs, and reduced fibre usage while maintaining or even improving fibre properties from a paper and board quality point of view.

The three companies see promising opportunities for a breakthrough in sustainable chemical pulping technology, compared to current practices.

The project is in line with strategic targets set by Finnish, Swedish and North American forest clusters for their research and development work: to renew the industry, to efficiently utilize raw materials, to protect the environment, and to improve cost efficiency.

### 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/>

### Madison's Tree of Products

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# US Home Sales

## Record Lows

The US Commerce Department reported Wednesday that new home sales in January dropped 11.2 per cent, from a December rate of 348,000, to a seasonally adjusted annual pace of 309,000 units, the lowest level on records going back nearly a half century. Compared with one year ago, new home sales were off by 6.1 per cent. The report is a leading indicator of US economic health as it also reflects the stability of other crucial aspects of the economy, like construction and furniture and appliance sales.

by Kéta Kosman

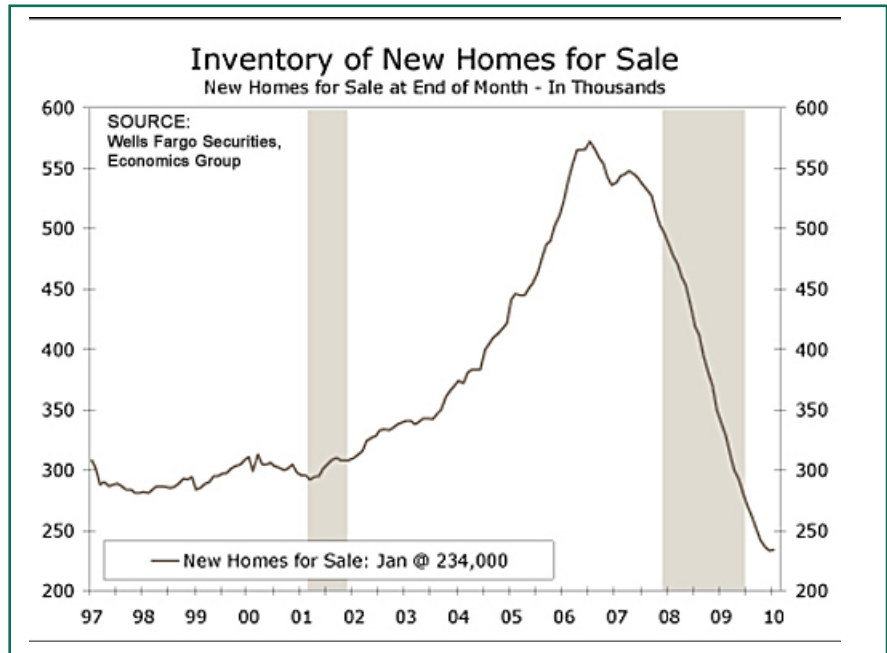
Wednesday's figures follow data from the Case-Shiller home price index showing that home prices in the 20 largest US cities fell by 0.2 per cent from November and were off by 3.1 per cent from January 2009. The annual price decline has eased each month this year. The median price of a new home also declined in January, falling to \$203,500 from \$215,600 in December.

January is typically a slow month in home sales as winter weather grips much of the country. Noting bad weather especially in the northeast, the Mortgage Bankers Association said last week that mortgage applications declined by a seasonally adjusted rate of 8.5 per cent. US mortgage rates rose for the first time in three weeks, leaping above 5 per cent, a key level that could suppress demand for home loans, a Freddie Mac survey showed on Thursday. Rising mortgage rates do not bode well for the housing market, which remains highly vulnerable to setbacks and heavily reliant on government intervention.

The biggest problem facing builders is a glut of cheaper product sitting empty. At the current slow rate of sales, it would take 9.1 months to deplete the national inventory of houses, up from 8 months in December. It is also taking builders longer than ever to sell what they build because buyers are looking toward the less expensive resale market. In normal times, newly built homes sell in about five months; now it's taking 14.2 months.

"The foreclosure flow is robbing demand from the new-homes market, and that process seems to be strengthening," said Julia Coronado, a senior economist at BNP Paribas in New York. "The new-homes market just can't get off the floor. If new homes suffer, construction suffers and jobs suffer."

Rising foreclosures are the main threat to a sustained housing recovery. A record 3 million US homes will be repossessed



by lenders this year as unemployment and depressed home values leave borrowers unable to make their house payments or sell, according to a RealtyTrac forecast last month. In 2009 there were 2.82 million foreclosures, the most since the company began compiling data in 2005.

There are indications that savvy home buyers are waiting for the extended home buyer credit to expire in April. Says one potential customer, "I'm waiting until May/June to purchase, because I think we will see a 5-7 per cent reduction in price of moderately priced (200-300k in our area) homes as the subsidy comes off. I think the credit was a payoff to the HBA and local property tax assessments in order to cushion the blow of prices for homes falling."

Says Bernard Thomas of SeekingAlpha.com, "In my opinion we have seen a crisis (autumn 2008) and rebound (2009). Now we will move forward based on fundamental growth. This means demand from replacement, efficiencies and population growth. These will increase demand for housing, products and services."

Craig Thomas, an economist at PNC Financial Services Group in Pittsburgh, told the Washington Post. "When you step back and look at what is going on with the broader economy in terms of retail activity ... and industrial production, I think our recovery is on pace to create jobs, if not this coming month, the following month."

Hardware retailer Rona Inc. reported Thursday a 4Q 2009 profit of \$30.8-million, edging ahead from a year-earlier \$29.8-million as its sales rose 1.5 per cent on improving demand that stemmed from increased construction in the wake of the economic downturn. "This improvement

in our performance reflects the beginnings of an economic recovery, plus the success of Rona's own efficiency improvement program and our many renovation stimulus initiatives," president and CEO Robert Dutton said in a statement.

Orders to US factories for big-ticket manufactured goods shot up in January by the largest amount in six months, the US Commerce Department said Thursday, but that strength came from a surge in demand for one-time items like commercial aircraft. Orders for durable manufactured goods jumped 3 per cent in January, the biggest increase since a 5.8 per cent increase in July 2009. However, excluding transportation, durable goods orders fell by 0.6 per cent, a weaker showing than economists had expected.

Analysts were not too concerned by the drop in demand outside of aircraft, noting that the government revised higher the increase in orders excluding transportation in December to show a gain of 2 per cent, stronger than the initial estimate of a 1.4 per cent rise. Paul Ashworth, an economist at Capital Economics, said the January durable goods report provided further evidence that "the manufacturing sector is enjoying a healthy rebound, driven by restocking and a sharp turnaround in world trade."

The Institute for Supply Management reported that its gauge of manufacturing activity rose to 58.4 in January, marking the sixth straight month of expansion. It was the strongest reading for manufacturing activity since 2004.

The Federal Reserve reported last week that output at the nation's factories rose by 1 per cent in January, the biggest manufacturing gain since August.