

MADISON'S LUMBER REPORTER

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News & Updates

Madison's Timber Preview

This week's issue of *Madison's Timber Preview* examines recent sharp rises in share prices for several North American pulp, paper and packaging companies. Global inventories and shipments to March 2010 for these commodities are also discussed.

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Newfoundland Accidentally Buys AbitibiBowater Mill

The Newfoundland and Labrador government admits it is on the hook for millions of dollars because it mistakenly expropriated a newsprint mill it doesn't want. The matter came up Thursday in the house of assembly, when Deputy Premier Kathy Dunderdale said the government wound up with a century-old, environmentally troubled mill in Grand Falls-Windsor.

The mistake was made in a 2008 bill that was rushed through the legislature, allowing the government to seize AbitibiBowater assets, particularly timber and water rights, as well as a hydroelectric power station. The error is related to land surveys prepared for government when it drafted an expropriation bill that sailed through the house in December 2008. In its rush, the surveys were botched and the area that the government claimed mistakenly included the land on which the mill sits.

Premier Danny Williams said the environmental costs could be enormous but no bureaucrats will be disciplined and no politicians will be punished for the error.

US Home Sales

Existing-home sales were up slightly more than expected in March, climbing 6.8 per cent, to a 5.35 million annual rate from a downwardly revised 5.01 million annual rate in February, the National Association of Realtors said Thursday.

Sales of new single-family homes rose 26.9 per cent in March to a seasonally adjusted annual rate of 411,000, the Commerce Department said Friday. Buyers rushed to secure government tax credits scheduled to expire at the end of April.

Total US housing inventory in March rose 1.5 per cent to 3.58 million, representing an 8.0 month supply. That's down from an 8.5 month supply in February, the Realtors said.

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Japan 2009 Wood Import Value

Japan's Forest Agency has released figures, based on trade statistics from the Finance Agency, showing that the total value of wood imports to that country for 2009 was about 820 billion yen, 30 per cent less than 2008. The largest drops were made by imports of Russian logs, down 37 per cent, and Canadian lumber, down 36 per cent by volume and 39 per cent by value, according to *Japan Lumber Reports*.

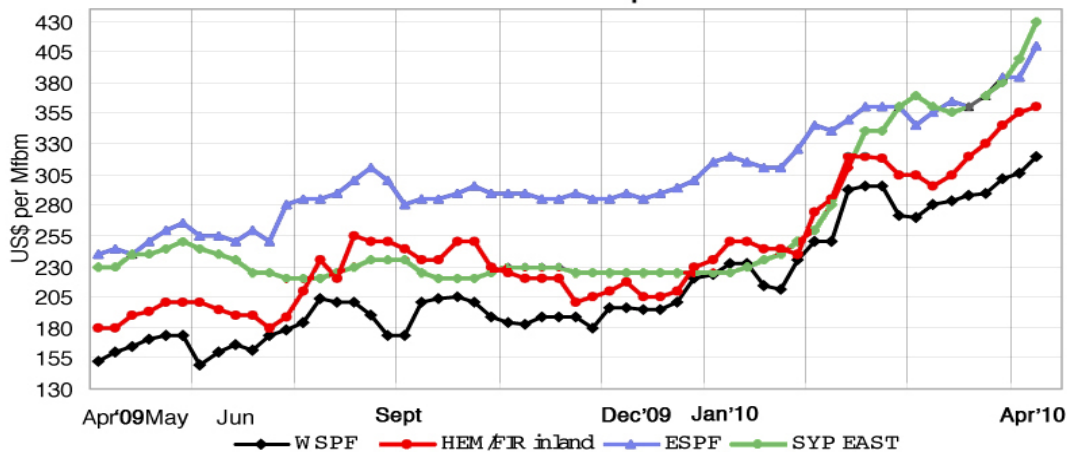
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ExpoFor 2010

The BC Association of Professional Foresters held their annual general meeting for 2010 last week in Kelowna, BC. Industry speakers gave presentations on a variety of subjects from wildfire danger to log exports, and China as a customer for North American lumber.

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KEY 2x4 KD R/L PRICES April 2009 - 2010



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	320	306	+14	288	+32	174	+146
WSPF KD R/L 2x6	320	302	+18	278	+42	166	+154
WSPF KD R/L 2x8	300	292	+8	270	+30	175	+125
WSPF KD R/L 2x10	365	350	+15	340	+25	192	+173
WSPF KD PET 2x4 Stud	335	330	+5	290	+45	180	+155
Douglas Fir Green R/L 2x4	290	275	+15	245	+45	150	+140
Douglas Fir Green R/L 2x10	285	275	+10	230	+55	200	+85
ESPF KD 2x4 8ft Stud	420	385	+35	360	+60	250	+170
OSB Ontario 7/16" (CDN\$)	400	360	+40	266	+134	195	+205

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 First time home buyers purchased 44 per cent of all homes in March, up from 42 per cent in February. The level of all cash sales was steady at 27 per cent.

The median home price rose 3.7 per cent to US\$170,700 from February's downwardly revised US\$164,600. Median prices were up 0.4 per cent in year-over-year comparisons.

NAR Chief Economist Lawrence Yun credited the government's tax credit program with driving sales higher, but said it would take months for the full effects of the program to be reflected in the data.

March's increase in new home sales comes on the heels of a February dip that took activity to its lowest level since the Commerce Department

began tracking the data in 1963. Severe winter weather coupled with continued weakness in the job market pulled February sales down a revised 4.1 per cent to a seasonally adjusted annual rate of 324,000.

March's new home sales figure is up 23.8 per cent from a year earlier even though new home sales growth has been sluggish as buyers have leaned toward purchases of cheaper, sometimes foreclosed, existing homes.

Still, new home inventories are declining. Friday's data showed 228,000 new homes were up for sale at March's end, a 2.1 per cent decrease from the previous month.

The months supply of new homes available for sale slid to 6.7 from 8.6 in February.

Japan Wood Imports 2009

CONTINUED European lumber imported into Japan was almost flat by volume but the value dropped by 21 per cent, according to the *Reports*.

Plywood imports into Japan were also down in 2009 compared to 2008, by 2,460 M cubic meters, or 107.7 billion yen.

Wood chip imports fell by 10,480 M tons, a 29 per cent drop, or 198 billion yen less than 2008.

Australia and South Africa were two major supplying countries, with a 50 per cent share of the wood import market into Japan, says the *Reports*.

Fire Resistant Wood Framed Building

A 6,388 square metre, two storey nursing home is being built in Japan's Kanagawa prefecture. The 2x4 framed buildings will comply with current fire resistance specifications.

Base floors will be concrete slab, with wood finishing added after the roof is completed. Roof trusses of a maximum 21 metre span will be connected with metal fasteners. Two to three trusses will be preformed into units then lifted into place with a large crane.

Each room will be equipped with a sprinkler, while floors and walls will be double reinforced gypsum boards.

Light steel framing will be used for ceiling and divider walls.

- *Japan Lumber Reports*.

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IN DEPTH ANALYSIS OF NORTH AMERICAN TIMBER COMPANIES!





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BC Association of Professional Foresters

2010 Annual Meeting

ExpoFor 2010, the Association of BC Forest Professionals' annual meeting, was held last week in Kelowna, BC. The three day conference was packed with speakers on a variety of topics, from wildfires to log exports, from lumber demand out of China to First Nations forestry activity. This week *Madison's* breaks down the presentations, providing a summary of the discussions.

by Kéta Kosman

First, and probably most important given the timing, is the wildfire danger in British Columbia due to the low winter snow pack, plus dead and dry timber left behind in the wake of the Mountain Pine Beetle infestation. Steve Schell of Kamloops Fire Centre, Fire Chief for the City of Kelowna Rene Blaneil, and Kelowna Urban Forest Health Technician Blair Stewart spoke about forest fire safety and what the average citizen can do to protect themselves and their property. The next day Okanagan Forest District Ecosystem Restoration Team Leader Bernie Kaplun spoke about treating fire-maintained ecosystems to achieve multiple forest benefits and values.

Schell's presentation focussed on BC's fire danger, explaining that this province has the most challenging terrain in Canada. BC has a 10-year average of 2,500 wildfires every summer of which the causes are 50 per cent human and 50 per cent lightning strikes. 93 per cent of fires are extinguished at less than 4 hectares in size, thus aggressive initial fire response is key to success in putting out a fire. To fight wildfires, BC has one Provincial Wildfire Coordination Centre, six regional fire centres, 60 fire zones/initial attack bases, two provincial warehouses and 18 tanker bases. In terms of technology, the province has automated weather stations, spatially displayed fire danger risk, lightning detection, a Fire Reporting Centre, real-time resource tracking and fire status and monitoring.

Schell further explained that BC's 2010 winter temperatures were between 1.5 and 2.5 degrees C above normal, and that drainage basin snowpack and water equivalency are below normal as of April 2010 but that May and June rains will help determine water supply challenges for the 2010 summer fire season.

Blaneil's presentation detailed what provincial wildfire professionals have learned after the disastrous Kelowna fire of 2003. The most important lesson,

said Blaneil, is interagency cooperation and unified command. Also planning and multi-agency exercises to prepare workers in advance of a fire are critical. An integrated communication system is also critical, with all agencies involved receiving each other's releases and updates.

Stewart explained that fire suppression practices in the past have resulted in poor forest health; forests are too dense, are filling in natural grasslands, the trees are stressed, and are more susceptible to pest outbreaks. As a result of these findings Kelowna has embarked upon a fuel modification program on city owned forest lands, which involves; pruning 3-5m, 2-3 m Crown spacing, removal of dead trees, and chipping or removing ground debris. As of 2009, approximately 70 per cent of the 151 applicable hectares have been treated, with the remaining 30 per cent at low to moderate danger levels thus no treatment is required.

The second day of presentations kicked off with top executives of major BC lumber companies discussing lumber exports to China. Jack Heavenor, CEO and Managing Partner of Downie Timber, West Fraser's VP of lumber sales Chris McIver, VP and Chief Forester for Interfo Ric Slaco, and Canfor CEO Jim Shepard all spoke.

Heavenor started off by explaining that Downie Timber is primarily in the western red cedar business, with a focus on high end finished goods, panelling, siding, clear fascia & trim, and finger joint boards and siding. 60 to 70 per cent of BC lumber goes to the US, which is too much exposure to a single market according to Heavenor. US housing starts, while difficult to predict, are not expected to exceed one million units annually in the next two to three years. China, on the other hand, has pent up housing demand, an emerging middle class, and is a large user of low grade lumber, Heavenor went on to explain. However China also has a significant milling sector, prefers to buy logs, is close to Russian timber supply, and does not have a strong wood culture.

For Downie Timber specifically, and other specialty species and product suppliers, China is an emerging market. Especially for cedar, China is currently taking 4 per cent of BC's cedar exports, said Heavenor. Chinese demand for middle & low grade remanufactured stock increased from 1,000 mfbm in 2000 to 2,250 mfbm in 2008, amounting to a 20 fold increase in the decade. Chinese industry manufactures the material into finished goods which are then exported back to the US.

In terms of BC lumber, the cedar industry accounts for 5.8 per cent of the volume but 21.3 per cent of the value, according to Heavenor.

Interfor's Slaco agreed that BC needs to diversify its lumber customer base beyond the US and Japan, explaining that there are growth opportunities for hem-fir based on product attributes and for higher end cedar products. Slaco also noted an important point, which has been stated also by Pat Bell, BC's Minister of Forests and Range, that when the 2006 Softwood Lumber Agreement comes up for renegotiation in 2013, BC will be much better positioned to deal with the Americans if China is a more significant customer for wood products.

The final day of the conference began with presentations about the always-controversial exporting of logs out of Canada. Speakers TimberWest CEO Paul McElligott, and BC consulting forester Jim Girvan tackled the topic, "Log Exports: Good for business, bad for the economy?"

Offering a unique perspective out of TimberWest, as a large owner of private coastal timberlands on Vancouver Island, McElligott explained that in 1998, the Canadian Department of Foreign Affairs and International Trade (DFAIT) harmonized provincial and federal procedures for obtaining log export permits. In order to obtain a federal log export permit, it must be demonstrated that the logs in question are surplus to domestic needs. Because log export restrictions constrain landowners from selling to the highest bidder, they directly cause a transfer of wealth from timber owners to private manufacturing companies, according to McElligott.

This is not an issue of 'exporting jobs', said McElligott, since there is not a shortage of fibre on the coast of BC. Since 1998, the estimated undercut of publically owned coastal crown timber exceeds 60 million m3.

McElligott further pointed out that in the US Pacific Northwest, companies have exported and continue to export logs from their private lands. They have retooled their manufacturing plants without the addition of private land log export restrictions. US land owners are not obliged to meet a surplus test yet US log exports declined significantly after the industry restructured and local mills became globally competitive.

Girvan pointed out that a significant portion of BC mills rely on revenue from log exports to keep their mills running. Girvan's presentation contained fascinating quotes from various BC lumber industry professionals, as well as from some loggers. That presentation can be viewed here

http://www.expofor.ca/program_info/documents/Girvan_presentation.pdf . The rest of the presentations are available on the BC Professional Foresters website here http://www.expofor.ca/program_info/presentations.htm .