

MADISON'S LUMBER REPORTER



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Annual Subscription Prices
E-mail/Fax: C\$364
Discounts available for multiple
subscriptions
Published 50 times a year



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In Canada, add 5% GST
ISSN 0715-5468

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News & Updates

Madison's Timber Preview

This week's issue of *Madison's Timber Preview* examines the transition of SFK Pulp Fund to a corporation, called Fibrek. Changes to Canadian tax laws to take effect in 2011 prompted the company transition.

Contact us any time for a subscription.

Conifex Completes Mackenzie Pulp Mill Purchase

Conifex Timber Inc, out of Fort St. James, announced Friday that it has completed the acquisition of certain sawmill and related assets located at or near Mackenzie, BC, from Abitibi-Consolidated Company, as well as a related equity financing and an arrangement with DTR Wood Acquisitionco Ltd.

The common shares of Conifex are expected to commence trading on the TSX Venture Exchange at the open of the market on June 8, 2010 under the new trading symbol "CFF".

The Mackenzie Assets included two sawmills, including planer mills, with a combined annual production capacity of 445 million board feet of lumber on a two-shift basis, a forest licence with an annual allowable cut of approximately 932,500 cubic metres, a steam/power plant and associated turbine and boiler, and a paper mill. Conifex intends to dispose of the paper mill assets but will retain the power generation assets.

US Pending Home Sales

Pending sales of previously owned US homes rose more than expected in April, scaling a six-month high as prospective home owners took advantage of a popular home-buyer tax credit, a survey showed on Wednesday.

[READ MORE](#)

2009 Log Supply and Demand in Japan

According to *Lumber Statistics for 2009* recently compiled by Japan's Ministry of Agriculture, Forestry and Fisheries, the amount of log demand in 2009 was 22.803 million m3, a 12.4 per cent decrease compared to the previous year. Demand decreased for the third consecutive year due to the drop in housing demand, says the *Japan Lumber Journal*.

In detail, demand for lumber was 15.279 million m3, a 13 per cent decrease compared to 2008, for plywood was 3.107 million m3, a 22 per cent decrease, and for wood chips was 4.417 million m3, a 1.5 per cent decrease.

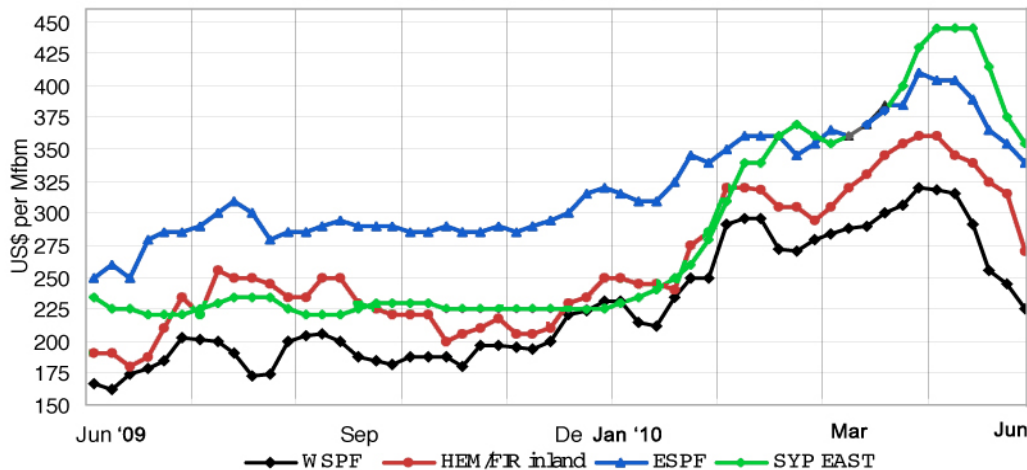
[READ MORE](#)

Softwood Lumber Surge Penalty to be Collected in Canada

There is finally word out of Canada's Department of Foreign Affairs and International Trade about action to rectify the incorrect calculation of additional duty at the US border affecting Option B provinces, Quebec, Ontario, Manitoba and Saskatchewan.

[READ MORE](#)

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



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	225	245	-20	316	-91	178	+47
WSPF KD R/L 2x6	225	245	-20	315	-90	168	+57
WSPF KD R/L 2x8	225	245	-20	311	-86	172	+53
WSPF KD R/L 2x10	275	285	-10	355	-80	195	+80
WSPF KD PET 2x4 Stud	245	265	-20	325	-80	190	+55
Douglas Fir Green R/L 2x4	235	235	0	270	-35	142	+93
Douglas Fir Green R/L 2x10	280	280	0	265	+15	192	+88
ESPF KD 2x4 8ft Stud	350	360	-10	415	-65	260	+90
OSB Ontario 7/16" (CDN\$)	405	405	0	405	0	195	+210

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

Weekly News

Home Sales, US

CONTINUED The National Association of Realtors said its Pending Home Sales Index, based on contracts signed in April, increased 6 per cent to 110.9, the highest since October.

It was the third straight month of gains in the index, which leads existing home sales by a month or two. Pending home sales rose by a revised 7.1 per cent in March, a figure previously reported as a 5.3 per cent increase.

Compared to April 2009, the index was 22.4 per cent higher.

"The housing market has to get back on its own feet and now appears to be in a good position to return to sustainable

levels even without government stimulus, provided the economy continues to add jobs," said Lawrence Yun, chief economist with the NAR.

This index is based on contracts signed in August, and that's how the credit was set up; buyers had to sign their contract by April 30th and close by June 30th in order to get \$8000 if they are first time buyers and \$6500 if they are move up buyers.

Japan Logs, 2009

CONTINUED 2009 log demand in Japan dropped to 6.184 million m3, a 25.7 per cent decrease from 2008, due to the decrease in Russian and North American material, according to the *Japan Lumber Journal*.

The log supply amount dropped to 3.732 million m3 for North American material, a 15.4 per cent decrease compared to 2008, 1.117 million m3 for Russian material, a 48.4 per cent decrease, and 0.634 million m3 for New Zealand material, a 26.8 per cent decrease.

The amount of shipments of lumber products totalled 9.291 million m3, a 14.6 per cent decrease over 2008.

Material used for construction, which accounts for over 80 per cent of the total, decreased to 7.671 million m3, a 13.2 per cent decrease, and material used for civil engineering construction decreased to 0.357 million m3, a 14.6 per cent decrease, says the *Journal*.

Abitibi-Bowater Announces

AbitibiBowater Inc. announced Thursday the appointment of Richard Garneau to serve on its Board of Directors, effective June 3, 2010, and the departure of Anthony F. Griffiths as a member of the Board.

Richard Garneau most recently served as President and CEO of Catalyst Paper Corporation from March 2007 to May 2010. Prior to his tenure at Catalyst, Mr. Garneau was Senior Vice President for the Forest Products Group of Domtar then Executive Vice President, Operations for the overall Company.

Mr. Griffiths has been a member of the AbitibiBowater Board since April 15, 2008, as a result of Fairfax Financial Holdings Limited exercising its right to appoint two directors to the Board.

Supply of Logs in Japan (1,000 cubic meters)

	Total	Domestic logs	Imported logs	Share of domestic logs
2005	29,041	16,166	12,875	55.7%
2006	29,441	16,609	12,832	56.4%
2007	28,789	17,650	11,139	61.3%
2008	26,036	17,709	8,327	68.0%
2009	22,803	16,619	6,184	72.9%

Demands for Logs in Japan (1,000 cubic meters)

	Total	for lumber	for plywood	for pulp & chip
2005	29,041	20,540	4,636	3,865
2006	29,441	20,342	5,183	3,916
2007	28,789	19,448	5,227	4,114
2008	26,036	17,568	3,986	4,482
2009	22,803	15,279	3,107	4,417

Source: Statistics Department of Ministry of Agriculture, Forestry and Fisheries

US-Canada Trade

2006 Softwood Lumber Agreement

As explained in the October 9, 2009 issue of your *Madison's Reporter*, the federal government tabled, then revoked, a

by Kéta Kosman

Ways and Means motion that would enable it to slap US\$68 million worth of export duties on wood destined for the United States, as required by the recent international trade tribunal ruling. *Madison's* has fervently been trying to get details from DFAIT about this motion, and about what – if anything – Canada was doing to correct the US duty collection, since that date.

On May 28, 2010, the Office of the United States Trade Representative posted a 'Notice and Request for Comments: Canada-Compliance With Softwood Lumber Agreement', which stated, in part, "The Government of Canada, however, is now taking steps toward adopting its own measure to address Canada's breach of the SLA, in the form of legislation requiring the collection of an additional 10 percent charge on exports from the provinces of Ontario, Quebec, Manitoba, and Saskatchewan. [...] the Trade Representative may modify or terminate the April 2009 action."

The US was not satisfied with the speed of Canada's action in the collection of the penalty so the Trade Representative's department issued instructions to customs brokers to calculate an additional 10 per cent duty on lumber coming out of the Option B provinces, which is allowed under the 2006 SLA. But these instructions required the additional duty be calculated on the Export Price rather than the First Mill price, and ignored the US\$500 mfbm cap, which is contrary to the terms of the 2006 SLA.

Pleas and requests to both governments could affect no change. Until now.

The US announcement can be found here: <http://edocket.access.gpo.gov/2010/2010-12951.htm>

"The Committee invites comments from interested persons with respect to the possible modification or termination of the April 2009 action in the event the Government of Canada adopts a law imposing an additional 10 percent export charge on softwood lumber from the provinces. [...] To be assured of consideration, comments should be submitted by no later than 5 pm on June 14, 2010, although USTR will continue to accept comments after that date."

Contact information is provided in the link above.

For its part, Canada has posted the contents of Bill C-9, tabled in Parliament on March 4 and having its first reading on March 29, 2010. Among changes to the Pension Act, requirements for the registration of new credit unions and other items, is a small section dedicated to amendments to the Softwood Lumber Products Export Charge Act, 2006. The document is large and cumbersome; brave readers may wish to click the link:

http://www2.parl.gc.ca/Content/HOC/Bills/403/Government/C-9/C-9_1/C-9.html

However the relevant part is contained in the pull quote on this page.

To help decipher what all this means, *Madison's* requested clarification from the

media department of DFAIT, and enlisted the trusted help of Michael Jones, President of Jones & Jones Customs Brokers and Trade Consultants. The confusion about this additional duty is extreme; some people in the lumber business didn't know the general lumber export duty was going to change from 15 per cent to 10 per cent then to 0 per cent for June; others didn't even know there was a duty, and a lot of people were confused about the 10 per cent additional duty to the Option B provinces.

Laura Dalby, Spokesperson for International Trade Media Relations Division, detailed in an email to *Madison's* the work Canada has been doing to take over collection of the additional duty from the US, "Canadian and United States officials have held discussions towards the implementation of the adjustment factor arbitration ruling. As a first step towards the lifting of their Section 301 duties, the United States has published the Federal Register notice. [...] Canada is commit-

ted to implementing the Tribunal's ruling. On September 30, 2009, within days of the Tribunal ruling, the government introduced the necessary Notice of Ways and Means Motion in the House of Commons to begin the process."

In reference to the July 1 transition, Dalby wrote, "Minister Peter Van Loan has consistently raised this issue with USTR Ron Kirk in correspondence and during a meeting while visiting Washington in April. The Canada Revenue Agency will be responsible for the administration of the temporary additional export charge. Ongoing discussions with the United States are seeking to establish the terms of the transition from the US customs duties to the Canadian export charge. The Canada Revenue Agency will start to collect the export charge once the US customs duties are lifted. Canada will collect the remainder of the amount established by the arbitration ruling."

Jones broke down the amendments to the Canadian Act in an email to *Madison's*, explaining, "I looked at the excerpt you provided and feel that everything points to the conclusion that the present 10% U.S. Duty Surcharge being assessed Option B Provinces will be taken over by the Canada Revenue Agency effective July 1st, at which time its collection will be administered as an Export Tax in the same manner as the other regular Export Taxes are being assessed and collected. This would mean the 10% applicable to the surge, in paying off the remainder of the \$68 million order by the London Court, would be assessed against the 'Export Price' instead of the 'Selling Price'."

In short, the penalty will be collected by Canada as it should be, and according to the terms of the 2006 SLA. It seems this change will take effect July 1, 2010.

3rd Session, 40th Parliament,

BILL C-9

PART 4

SOFTWOOD LUMBER PRODUCTS EXPORT CHARGE ACT, 2006

Amendments to the Act

100. The Act is amended by adding the following after section 12:

Higher rate

12.1 Despite subsections 12(3) and (4), the rate of charge applicable in respect of an export of a softwood lumber product on or after the day on which this section comes into force from Ontario, Quebec, Manitoba or Saskatchewan is equal to the sum of the applicable rate of charge under subsection 12(3) or (4) and 10%.

101. Section 14 of the Act is amended by adding the following after subsection (1):

Surge mechanism if section 12.1 applies

(1.1) Despite subsection (1), if the rate of charge provided for by section 12.1 applies in respect of an export of a softwood lumber product from a region during a month and the conditions referred to in paragraphs (1)(a) and (b) are met, the amount of the charge applicable in respect of the export is the amount determined by the formula

$$A + (B/2)$$

where

A is the amount of the charge calculated under subsection 12(1); and

B is the amount of the charge that would have been calculated under subsection 12(1) if section 12.1 applied.

Order in council

July 1, 2010

(2) Section 98 comes into force, or is deemed to have come into force, on July 1, 2010.