

MADISON'S LUMBER REPORTER

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News & Updates

Madison's Timber Preview

This week's issue of *Madison's Timber Preview* takes a deep look at movement in the US economy, stock market reactions to further US Federal Reserve stimulus, and various indices tracking forestry and US home building and remodeling.

Contact us any time for a subscription.

KD Fir 2011

Any lumber "soft, white and dry" will be in short supply and high demand next year. Customers who wait, expecting mid winter bargains, will be in deep trouble and paying at much higher levels than they are comfortable with. There will likely be little "pop" in the spring but that will be due to numbers starting the year above usual January levels. California, one of the largest housing markets in the world, has licked the platter clean; reloads on the coast are too light on stock.

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Quarterly Reports

Third quarter earnings results poured out this week from North American forestry companies, solid wood and pulp and paper producers alike.

Domtar Corporation has reported net earnings of \$191 million in 3Q compared to net earnings of \$31 million for 2Q 2010 and net earnings of \$183 million for 3Q 2009. Sales for 3Q 2010 amounted to \$1.5 billion.

Smurfit-Stone Container Corporation has reported net income of US\$65 million for 3Q 2010, compared with net income attributable to common stockholders of US\$1.41 billion, for 2Q 2010, and US\$65 million for 3Q 2009.

Western Forest Products is reporting a net income of \$6.9 million in 3Q on sales of \$175.5 million. For comparison, in 2Q2010, the company reported a net income of \$9.5 million and a net loss was reported for 3Q 2009 of \$16.6 million.

Catalyst Paper has reported a net income of \$6.0 million in 3Q on sales of \$322.3 million. This result contrasts with a net loss of \$368.4 million on sales of \$299.4 million in 2Q.

NewPage Corporation has reported a net loss of US\$67 million in 3Q on sales of \$943 million. These results can be compared to a net loss of US\$138 million in 3Q 2009 on sales of US\$791 million.

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Latest North American Transportation Statistics

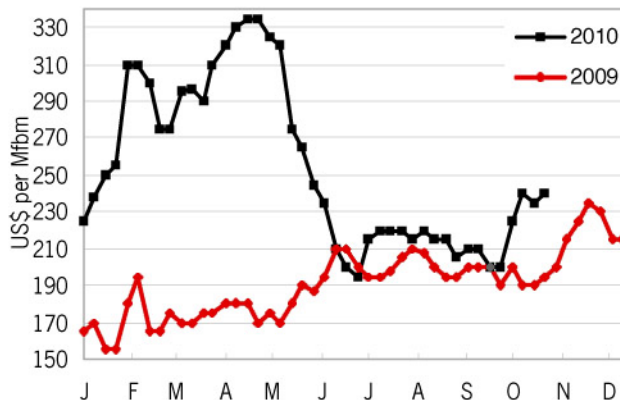
British Columbia's Minister of Forests, Lands, and Mines, Pat Bell, is not the only government official currently leading an industry trade mission to Asia.

Shirley Bond, BC Minister of Transportation and Infrastructure departed November 1 with senior executives from Pacific Gateway partners Port Metro Vancouver, Port of Prince Rupert, Canadian National, Canadian Pacific, Burlington Northern Santa Fe Railway, and Vancouver International Airport for the 10-day trade mission, which includes Korea, Japan, Hong Kong and China. The purpose of the trip is to grow business at BC ports and expand Asia Pacific trade.

Total tonnage handled at Port Metro Vancouver and Prince Rupert Port is up by nearly 20 per cent and 34 per cent respectively from 2009.

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WSPF KD 2x4 PET Studs



ESPF KD #2&Btr 2x4



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	276	255	+21	233	+43	194	+82
WSPF KD R/L 2x6	275	255	+20	247	+28	194	+81
WSPF KD R/L 2x8	280	280	0	276	+4	219	+61
WSPF KD R/L 2x10	322	315	+7	315	+7	310	+12
WSPF KD PET 2x4 Stud	240	235	+5	200	+40	195	+45
Douglas Fir Green R/L 2x4	192	195	-3	180	+12	170	+22
Douglas Fir Green R/L 2x10	280	265	+15	260	+20	245	+35
ESPF KD 2x4 8ft Stud	300	285	+15	280	+20	285	+15
OSB Ontario 7/16" (CDN\$)	205	205	0	210	-5	185	+20

Weekly News

3Q Results

CONTINUED Fibrek Inc, formerly SFK Pulp, has reported a net earning of \$3.8 million in 3Q, compared to a net loss of \$14.5 million in 3Q 2009. Consolidated sales reached \$132.2 million, an increase of \$19.4 million when compared with sales of \$112.8 million in 3Q 2009. This increase is mainly attributable to higher pulp prices and a favourable sales mix of \$39.0 million, which was partially offset by a lower sales volume of \$12.2 million and an unfavourable exchange rate of \$7.4 million.

Ainsworth Lumber Co. has recorded a net income of \$10.1 million in 3Q 2010, compared to net income of \$22.3 million in 3Q 2009, despite an increase in gross profit of \$6.0 million. This reduction is primarily due to a \$30.0 million decrease in the unrealized foreign exchange gain on long-term debt.

BC Trade Mission to China

An agreement signed Tuesday with Beijing National Building Materials shows that Chinese interest in Canadian construction technology and BC wood products is reaching new heights, the Honourable Christian Paradis, Canada's Minister of Natural Resources, and BC Forests, Mines and Lands Minister Pat Bell announced. The agreement is for BNBM to build a wood-frame building in Beijing with technical support from Canada Wood China.

In a separate announcement, Pat Bell said the opening of a roof truss manufacturing facility in Langfang City is driven by the growing success and demand for wood truss roofing systems in China.

The Hebei government owns the truss plant and is responsible for the land, factory setup and all other equipment and labour. A key step in manufacturing a

roof truss is the use of a roller press, a large piece of machinery that completes the assembly process. Forestry Innovation Investment's China office provided a \$30,000 roller press to the facility and Canada Wood Group will provide technical training to operate the press.

The plant has the capacity to manufacture 400 roofs per year from structure-grade lumber.

One highlight of the mission involved a groundbreaking for a wood-frame construction project in the Tianjin Economic Development Area, 160 kilometres southeast of Beijing. An agreement for a multi-storey, wood-frame construction project was just signed in March, and now construction is starting on a residential building and two office buildings.

TEDA is one of most rapidly expanding areas in China and has experienced an increase in GDP of 22.5 per cent each year over the last five years. Senior TEDA officials also indicated their interest in establishing a free trade zone for lumber, which would provide a gateway to north-east China for BC lumber producers.

AbitibiBowater Explosion at Plant, Restructuring

A coal-bunker explosion and fire late last week at the Bowater Newsprint Calhoun Operations plant in Ohio seriously injured a Bradley County volunteer firefighter employed at the paper mill who was responding to the emergency. Bowater employee Phillip Shelton, who also serves on the plant's Emergency Response Team, suffered second-degree burns to his face, arms and back, and was flown to Erlanger Medical Center for treatment. Shelton is also a volunteer fireman.

The fire is currently being investigated.

In other news, A hearing is scheduled this Friday before the chief US bankruptcy judge for the District of Delaware. A decision concerning the future of Abitibi-Bowater's holdings – including its paper mill in Iroquois Falls – gets closer as the company is set to argue this week in support of its restructuring plan.

The US court began examining the restructuring plan on September 24, after the Quebec Superior Court gave its approval.

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North American Transportation Update

CONTINUED Manitoba is pushing hard to turn Canada's Arctic into an international trade zone, and aims to transform Winnipeg into an air-cargo hub to and from Asia, while converting the underutilized Port of Churchill into a bustling site handling containers of consumer goods from

China. Delegates from China, Russia and Nunavut will join political, academic and transportation leaders from Manitoba next week to develop plans to create the Canadian Arctic gateway to Asia.

Manitoba's inland port at Churchill on Hudson Bay handled its second-highest volume of wheat in over 30 years during the port's 2010 shipping season, the Canadian Wheat Board reported Thursday, making this the second busiest season for the port since 1997. In total, 20 ocean vessels loaded wheat or durum at the Hudson Bay deep-water port this season, bound for Europe, Africa and the Americas.

The Canadian National Railway Company and North America Stevedoring Company announced Monday the construction of a new multi-modal steel transloading facility in Chicago, IL. The new facility will be located at the Port of Chicago on 190 acres of land adjacent to CN's Kirk Yard and Interstate 90, roughly 13 miles south of downtown Chicago. It will offer producers multi-modal transportation options by rail, truck, intermodal container, inland barge and ocean-going vessel for steel products, as well as dimensional loads and heavy equipment, as early as January 2011.

"This partnership will benefit our 25-marine-terminal network beyond the Great Lakes and St. Lawrence Seaway system, enabling the growth of our steel-handling business. It could be the first stepping stone to future expansions along CN rail corridors," commented Denis Dupuis, founder and President of QSL, a partner in the construction project.

Trade using surface transportation between the United States and Canada and Mexico was 25.3 per cent higher in August 2010 than in August 2009, reaching US\$68 billion, according to US Bureau of Transportation Statistics data released Tuesday. The value of US surface transportation trade with Canada and Mexico in August 2010 remained 5.9 per cent below the August 2008 level. In August, 86.3 percent of US trade by value with Canada and Mexico moved on land. The value of US surface transportation trade with

Canada and Mexico in August was up 12.9 per cent compared to August 2005, and up 35.1 per cent compared to August 2000. Imports in August were up 29.3 per cent compared to August 2000, while exports were up 42.5 per cent.

US-Canada surface transportation trade totaled US\$39.9 billion in August, up 21.1 per cent compared to August 2009. The value of imports carried by truck was 23.2 per cent higher in August 2010 compared to August 2009, while the value of exports carried by truck was 19.8 per cent higher during this period.

Denny Slagle, President and CEO of North American Trucks, the parent company of Mack Trucks and Volvo Trucks North America, sees the on-highway market leading recovery of the housing market and therefore the construction sector, according to the November 3 issue of TruckingInfo.com.

Pointing out that the US fleet is now almost eight years old on average, Slagle said there is huge pent-up demand out there, and noted that Mack's order intake in 3Q 2010 was up 86 per cent compared to the same quarter in 2009, and 40 per cent higher than 2Q 2010.

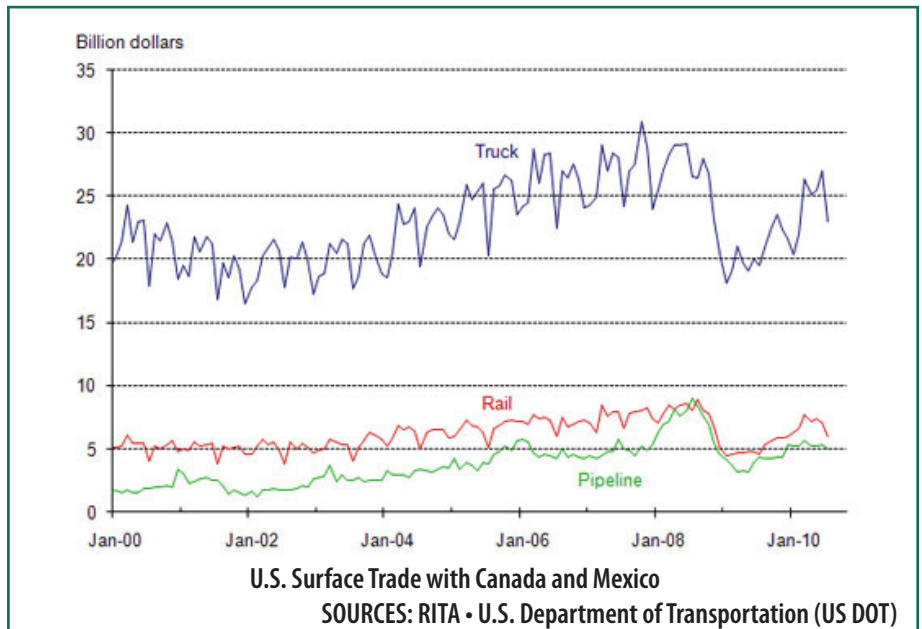
"The construction market is still way off," he says. "There are still problems with the housing market, and that's holding everything back. We might see some-

creases. Net order activity for the latest six-month period, including October, annualizes to 171,662 units. The figure includes the US, Canada, Mexico and exports.

Eric Starks, President of FTR, said in an interview with Automotive World, "Increased order activity in October was in line with expectations and is consistent with FTR's current forecast of only a modest increase in demand for equipment in 2011. Typically October is a seasonally strong month for orders with November the strongest order month of the year. Therefore, if November orders do not surpass October by several thousand units that would suggest that many fleets are holding back on buying equipment."

Commercial Vehicle Group, out of New Albany, OH, Wednesday reported revenues of US\$150.9 million for 3Q 2010, compared to revenues of US\$110.8 million for 3Q2009. The company currently expects North American class 8 production units to be approximately 155 thousand for the full year 2010 and in the range of 220 to 230 thousand units for 2011. As of September 30, 2010, the Commercial Vehicle Group reported a positive cash balance of US\$43.8 million.

"We are pleased to see the continued signs of recovery in several of our key end markets and the benefits of our profit improvement initiatives, which are reflected in our positive results," said Mervin Dunn, President and CEO.



thing of a comeback by 2011, possibly not until 2012. We just don't know."

Preliminary data from FTR Associates, out of Santa Fe, CA, indicates that class 8 truck total net orders for all major North American original equipment manufacturers in October amounted to 18,386 units, a 22 per cent increase over the previous month. October was the third consecutive month showing month-on-month in-

Goodyear Tire & Rubber Company showed unit sales of original equipment manufacturers tires gained 12 per cent and of replacement tires 3 per cent in 3Q results released October 28. The segment's operating income increased by US\$3 million to US\$5 million, owing to improved price/product mix, higher sales and production volumes as well as decreased pension expense and benefits from cost reduction actions.