

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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PO Box 2486 Vancouver, BC
V6B 3W7 Canada

In Canada, add GST or HST
ISSN 0715-5468
Printed in Canada © 2010

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News & Updates

Cargo and Reload

Eastern stocking wholesalers say they are always learning. "If we can't learn something every day, we might as well quit," said one trader. NAWLA was summed up as a useful experience where all were in good spirits. The main topic of discussion was offshore markets, especially China. Log shortages were also high on the list of worries as many offshore customers outbid domestic mills. Whether they plan to buy KD or green lumber, fir or hemlock, most customers realize they will be paying more next year for coastal lumber. The customers that plan ahead and put their orders in place early will benefit.

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Canadian Housing Starts

Canadian home construction in October fell to its lowest level in more than a year. Canada Mortgage and Housing Corp. reported Monday that the seasonally adjusted annual rate of housing starts was 167,900 units in October, down from a revised 185,000 in September, a decline of 9.2 per cent.

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Japan Housing Starts

September new home building in Japan jumped 17.7 per cent compared to the same month in 2009, to 71,998 units, according to the the Ministry of Land, Infrastructure, Transport and Tourism.

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Mountain Pine Beetle Fight Progress in Alberta

Alberta is making good headway in its fight against mountain pine beetle infestations, as revealed by Government of Alberta aerial surveys conducted across the province since July. The aerial surveys, completed in August and September, pinpoint locations and counts of trees attacked in 2009 and 2010. Results are combined with the findings of beetle population trend surveys conducted last spring to determine where and how much removal of infested trees will occur in the coming year. Operational plans for removing infested trees will be developed this autumn.

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Wood Framed Building Promotion in Ottawa

A private members' bill to promote the use of wood building put to Parliament in the spring is being met with opposition by Canada's steel industry. Bill C-429 was introduced in the House of Commons by Gérard Asselin (Manicouagan, Bloc Québécois), and on April 21, 2010 passed the first vote. The Bill has now been read a second time and referred to the Standing Committee.

In order to improve employment prospects in northern Québec's hard-pressed lumber industry, Asselin wants to amend the federal Public Works Act to make wood a 'preferred' building material for any new government buildings or repairs. With the legislation, Public Works and Government Services would have to consider using wood to build two new office towers in Gatineau, or to repair the decrepit parliamentary precinct. The bill takes its lead from countries like France, Norway and Sweden, as well as Quebec and British Columbia.

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JAPANESE HOUSING STARTS

Month	TOTAL	Non-Wood	Wood	%Wood
Sep-10	71,998	30,857	41,141	57
Aug-10	71,972	29,899	42,073	58
Jul-10	68,785	28,740	40,045	58
Jun-10	68,688	27,940	40,748	59
May-10	59,911	24,952	34,959	58
Apr-10	66,568	32,143	34,425	52
Mar-10	65,008	31,061	33,947	52
Feb-10	56,527	24,412	32,115	57
Jan-10	64,951	30,322	34,629	53
Dec-09	69,298	28,643	40,655	59
Nov-09	68,198	27,416	40,782	60
Oct-09	67,120	28,175	38,945	58

Source: Japan Wood-Products Information and Research Center

CANADIAN HOUSING STARTS

Actual and Seasonally Adjusted Annual Rates

	October 2010		September 2010	
	Actual	SAAR	Actual	SAAR
Canada, all areas	15,192	167,900	16,929	185,000
urban ctrs with >10,000	12,981	142,400	14,401	162,300
singles, urban centres	5,380	57,700	5,963	62,700
multiples, urban centres	7,601	84,700	8,438	99,600
rural areas	2,211	25,500	2,528	22,700
Atlantic urban centres	883	9,700	720	7,300
Quebec urban centres	3,896	40,900	3,623	42,000
Ontario urban centres	3,774	41,300	4,885	54,700
Prairie urban centres	2,387	26,500	2,868	31,900
B.C. urban centres	2,041	24,000	2,305	26,400

Source: Canada Mortgage and Housing Corporation

Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	276	276	0	254	+22	200	+76
WSPF KD R/L 2x6	274	275	-1	255	+19	200	+74
WSPF KD R/L 2x8	280	280	0	280	0	220	+60
WSPF KD R/L 2x10	325	322	+3	325	0	305	+20
WSPF KD PET 2x4 Stud	245	240	+5	225	+20	200	+45
Douglas Fir Green R/L 2x4	200	192	+8	190	+10	175	+25
Douglas Fir Green R/L 2x10	285	280	+5	240	+45	255	+30
ESPF KD 2x4 8ft Stud	300	300	0	285	+15	280	+20
OSB Ontario 7/16" (CDN\$)	210	205	+5	210	0	190	+20

Weekly News

Housing Starts, Canada

CONTINUED CMHC said the moderation in housing starts reported in October is consistent with its annual forecast of 184,900 units.

Looking ahead, the association predicts housing starts could decrease by another 100,000 units or so, becoming more closely aligned with demographic demand which is currently estimated at about 175,000 units per year.

The annual rate of urban starts decreased 12.3 per cent to 142,400 units in October. Urban multiple starts fell 15 per cent in October to 84,700 units, while singles slipped eight per cent to 57,700.

Rural starts were estimated at an annual rate of 25,500 units in October.

"Starts of single-detached units had fallen by 39 per cent, while multiple unit starts had moved up by 29 per cent. While the former comes as no surprise as the resale market cooled considerably, the uptrend in multiple units had been more of a head scratcher. Multiple unit starts made up 60 per cent of total starts over

the last four months, well above the average 50 per cent since 2000, noted Toronto-Dominion Bank senior economist Pascal Gauthier. "

Home Building, Japan

CONTINUED Seasonally adjusted annual starts for October were at 837,000 units, the fourth straight month for increases. Floor space also increased, for the seventh straight month.

September starts for condominiums were more than double than in September 2009, and over 10,000 units for the first time since February 2009. Condos increased by 5,843 units compared to August.

Wood based units had a 57.1 per cent share of all construction, a slight drop over the previous month due to the amount of new condo building, while 2x4 units increased by 14.5 per cent, the eight straight month of increases.

Building permits fell by 14.9 per cent, to 48,357 units, compared to September 2009.

Alberta Pine Beetle

CONTINUED Alberta credits the reduction on its aggressive efforts to remove attacked trees before the insects could spread again, as well as extreme temperature fluctuations last winter that increased the beetle's natural mortality rate.

A controlled burn program in forested areas east of Saskatchewan River Crossing has contributed to keeping the beetles out and forestry plans can be manipulated to tackle vulnerable areas and eliminate any infected trees that are found, Alberta Sustainable Resource Development Public Affairs officer Duncan MacDonnell said from his office in Edmonton on Tuesday.

The province is focusing on keeping existing infestations under control while arming as much as possible against incoming beetles, said MacDonnell. The program currently includes removing all infected trees as they are found, he explained.

There's no hint of mountain pine beetles in the Clearwater Forest. Keeping it that way is an ongoing challenge, said Tom Daniels, forestry superintendent for West Fraser Timber in Sundre, AB, to the Red Deer Advocate Wednesday.

West Fraser is co-operating in every way possible with Alberta SRD's measures to control existing infestations and prepare for potential inflights from British Columbia.

But officials warned pockets of infested trees remain uncut and the spread from British Columbia may resume next year.

"We had some success this year, but the battle is far from over," said Mel Knight, Alberta's Sustainable Resource Development Minister.

Pine beetles threaten up to 6 million hectares of forest in Alberta, and have removed some 400,000 beetle-infested trees since 2006.

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Wood Building Promotion

In Canada's Parliament

CONTINUED

PublicWorks spends several hundred million dollars a year building, renovating and fitting up buildings for federal occupancy, but that's a drop in a bucket for a \$50-billion forestry industry.

by Kéta Kosman

The bill, which has already cleared two of three required readings in Parliament and clause-by-clause committee review, is being opposed on several grounds including trade and economic policy, materials science, and basic fairness. Opponents have banded together as the Coalition for Construction Fairness.

Sault Ste. Marie MP Tony Martin (NDP) has decided to vote against the Bloc MP private member's bill.

It was apparent in the committee testimony that there was confusion among even its supporters whether they wanted wood simply to be considered, or on equal footing to other construction materials, or to be preferred. Witnesses noted the proposed bill likely contravened domestic and international trade agreements, could drive up costs by excluding material choices, undermine the national building code, and limit design freedom for construction professionals.

There was also no mention of the origin of wood to be used in government buildings.

Martin said the bill has "tied Parliament in knots," to the Ottawa Citizen. He argues MPs couldn't vote against a bill that supports a product as Canadian as wood – especially coming from Quebec, where thousands of forestry jobs have been lost.

"MPs are painted into a corner. You couldn't vote against it and now we're stuck with it," he said. "And I have no qualms saying it's stupid and we have been hoisted on our petard by respecting a parliamentary member and not wanting to offend the forestry industry and Quebec ... it's not too often you get two sacred cows in the same bill."

"I come from a lumber producing area and I love wood ... but there are such a host of unintended consequences and problems this could create," said Conservative MP Chris Warkentin also to the Ottawa Citizen.

"This isn't the best thought-out national policy I've seen," said Hamilton Mountain MP Chris Charlton (NDP) to TheSpec.com "It's a very impractical bill – you're not going to construct a 20-storey office tower out of wood."

Charlton sees the bill as a "one off" attempt to deal with a larger issue — the fact that strategically important Canadian industries such as steel and forestry products are being sold off to foreign companies that cut jobs in Canada. Dealing with that, she said, requires a national industrial policy.

Hamilton East-Stoney Creek MP Wayne Marston (NDP) also said he plans to vote against the bill, as he has at every other stage of its review.

"My position remains the same, I'm opposed to it," he said. "I'm from Steel Town and this calls for a priority that I can't accept."

David Sweet, MP (Conservative) for Ancaster-Dundas-Flamborough-Westdale and the area's lone voice on the government benches, is also opposed to the idea, adding the government has already given \$1 billion to aid to the forestry sector since 2007 along with tax breaks on machinery.

"We need to look at legislation that is fair and will have positive outcomes and this isn't it," he said.

Canada's steel industry has joined a coalition opposed to an effort to making wood the material of choice in federal government building projects. Members of the coalition include trade associations for the iron and steel, concrete, cement, civil engineering and iron workers industries among others.

In a letter to Members of Parliament ahead of an expected vote this week, the coalition urges them to defeat the bill on the grounds that any jobs it creates in lumbering districts will be offset by losses in other areas; it contravenes government procurement policies, and requiring one material over another undermines the national building code.

"To say it politely, we don't support this," said Ron Watkins, president of the Canadian Steel Producers' Association to TheSpec.com. "We think anything that favours workers in one section over workers in another is bad public policy. We think all construction materials should operate on a level playing field."

Steel products supplier ArcelorMittal Dofasco, out of Hamilton, ON, spokesperson Andrew Sloan said his company joined the coalition because it sees any public policy that favours one sector over another as fundamentally unfair.

"The economy in the fourth quarter for a lot of our businesses isn't looking good and the last thing we need is another hurdle," Sloan said. "It seems the rocky road to recovery is going to be a little rockier than some people imagined."

"What we want is to be able to compete on a level playing field," he added.

Steel for construction, Sloan said, accounts for about one-third of ArcelorMittal Dofasco's volume "so this would set a very bad precedent."

A wood preference policy is discriminatory and will increase federal construction costs, said Stephanie Rea of the Canadian Construction Association to the Ottawa Citizen. Her group argues the bill limits the freedom of architects, designers or contractors to select the best material for a buildings use.

Wood can't work for everything and being forced to use it could cause malfunctions and failures, and drive up costs. It also gives an "advantage" or protection to one industry at the expense of others, which violates the principle of fair and open competition, she said.

In fact, the construction industry faces enough turmoil and giving wood preferential treatment could push other businesses into bankruptcy and wipe out jobs.



Grimm & Parker Architects' design for 401, 297 sf, 258-unit wood-framed building in Washington, DC