

MADISON'S LUMBER REPORTER

Publisher
KetaDesign Productions
Editor
Kéta Kosman
Market Analyst
Zara Heartwood

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

www.madisonsreport.com
madrep@shawcable.com
604 984-6838
PO Box 2486 Vancouver, BC
V6B 3W7 Canada

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

All material contained within is the property
of KetaDesign Productions Inc. Reproduction
or retransmission is expressly forbidden.



News & Updates

Canada's Response to US Request for Arbitration

Canada's Department of Foreign Affairs and International Trade today released its defense against the US claim of British Columbia's violation under the terms of the 2006 Softwood Lumber Agreement.

Canada's statement reads, in part "From 2006 to 2010, for example, the volume of Mountain Pine Beetle-killed timber harvested in the BC interior nearly doubled from an estimated 11 million cubic metres to 19 million cubic metres, even while overall timber harvesting declined following the US housing market collapse. By 2010, MPB-killed timber represented nearly 70 per cent of the total harvest of lodgepole pine, compared to less than 20 per cent in 2006."

[READ MORE](#)

US Housing Starts

Housing starts in the US climbed 14.6 per cent to a 596,000 annual rate, Commerce Department figures showed Wednesday. Work started on 78 per cent more dwellings with two or more units, overshadowing a drop in single-family houses that indicates the housing market continues to struggle.

[READ MORE](#)

China Plywood Imports and Exports

China's production of plywoods has flourished due to the large-scale cultivation of fast-growing plantation forests and the pull from international market, according to *China Wood* and reprinted in *Japan Lumber Journal*. China's plywood production in 2009 reached 44.5 million cubic metres.

[READ MORE](#)

Printing and Writing Paper Shipments

The American Forest and Paper Association reported Monday preliminary printing and writing paper shipments for US mills of 1.451 million tons in January 2011, representing a 1.4 per cent drop from January 2010's 1.472 million-ton level.

Printing and writing paper shipments for January 2011 were mixed, with coated paper volumes increased compared to one year ago, but uncoated paper continuing to slow.

After rising year-on-year for 11 straight months, US printing and writing paper shipments hit harder comparisons in October and have seen year-on-year declines for four months straight. Coated paper shipments improved by 2.3 per cent compared to December 2010 and 15 per cent compared to one year ago. Uncoated freesheet shipments increased by 0.6 per cent compared to December 2010 but fell by 2.5 per cent compared to one year ago.

[READ MORE](#)

USDA Forest Service new 'Planning Rule'

Interested parties have until May 16, 2011 to submit comments and input on the USDA Forest Services proposed forest management policy changes.

An open forum to discuss the proposed Rule will be held on March 10, in Washington, DC. The meeting will be webcast to allow for national participation, and there will be additional public forums held throughout the country.

[READ MORE](#)

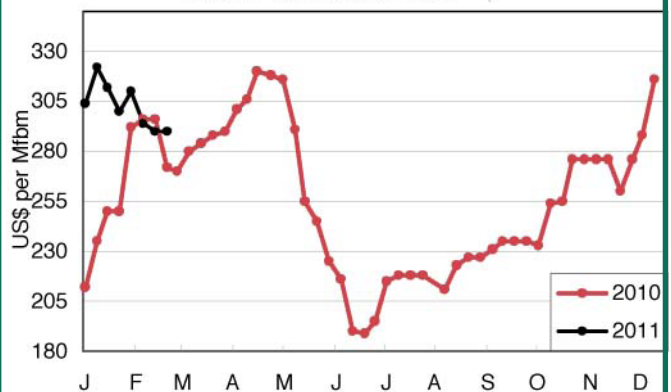
U. S. HOUSING STARTS

| | Jan-10 | Dec-10 | | Jan-10 | Dec-10 |
|-------------------------|---------|---------|--------------------------|---------|---------|
| Starts | | | Permits | | |
| Actual | 38,200 | 33,700 | Actual | 35,900 | 46,700 |
| SAAR* | 596,000 | 520,000 | SAAR* | 562,000 | 627,000 |
| 1 Unit | 413,000 | 417,000 | 1 Unit | 421,000 | 442,000 |
| 2-4 Units | (s) | (s) | 2-4 Units | 16,000 | 24,000 |
| 5+ Units | 171,000 | 95,000 | 5+ Units | 125,000 | 161,000 |
| Starts by Region | | | Permits by Region | | |
| Northeast | 78,000 | 55,000 | Northeast | 72,000 | 117,000 |
| Midwest | 90,000 | 66,000 | Midwest | 890,000 | 94,000 |
| South | 307,000 | 265,000 | South | 284,000 | 255,000 |
| West | 121,000 | 134,000 | West | 117,000 | 161,000 |

*Seasonally adjusted annual rate

Source: U.S. Census Bureau

WSPF KD #2&Btr 2x4



Key Prices

| | This Week | Last Week | Change | Month Ago | Change | Year Ago | Change |
|----------------------------|-----------|-----------|--------|-----------|--------|----------|--------|
| WSPF KD R/L 2x4 | 290 | 290 | 0 | 300 | -10 | 296 | -6 |
| WSPF KD R/L 2x6 | 272 | 273 | -1 | 288 | -16 | 298 | -26 |
| WSPF KD R/L 2x8 | 280 | 278 | +2 | 286 | -6 | 282 | -2 |
| WSPF KD R/L 2x10 | 335 | 340 | -5 | 345 | -10 | 360 | -25 |
| WSPF KD PET 2x4 Stud | 275 | 270 | +5 | 275 | 0 | 300 | -25 |
| Douglas Fir Green R/L 2x4 | 280 | 268 | +12 | 268 | +12 | 250 | +30 |
| Douglas Fir Green R/L 2x10 | 300 | 295 | +5 | 310 | -10 | 250 | +50 |
| ESPF KD 2x4 8ft Stud | 325 | 312 | +13 | 335 | -10 | 355 | -30 |
| OSB Ontario 7/16" (CDN\$) | 205 | 200 | +5 | 210 | -5 | 244 | -39 |

Weekly News

2006 SLA Arbitration

CONTINUED Canada's defense goes on to say, "The Claimant surmises, and only surmises, that the mere increase in the percentage of Grade 4 timber must constitute a form of "grant or other benefit. [. . .] The Claimant must identify a specific government "action" that has "the effect of reducing or offsetting the Export Measures". [. . .] The United States cannot satisfy these criteria in this case. [. . .] Even if the US were to satisfy these criteria, the SLA provides an illustrative list of "safe harbours", which the Parties agreed do not constitute circumvention."

Panel members to sit on the tribunal are currently being selected, then document discovery procedures will take place. It may be summer before there is any more news on this important issue.

Home Building, US

CONTINUED January US housing starts fell 2.6 per cent compared to one year ago. Single family starts fell 1 per cent while the volatile multi-family sector rose 77.7 per cent compared to December. Regionally, starts rose 41.8 per cent in the northeast, 36.4 per cent in the midwest, 15.8 per cent in the south but fell 9.7 per cent in the west.

New building permits fell 10.4 per cent to an annual rate of 562,000. A month earlier, permits had posted a 15.3 per cent monthly gain as builders sought approval before building codes changed in Pennsylvania, California and New York state.

Single family authorizations fell 4.8 per cent to 421,000. Regionally, permits rose 11.4 per cent in the south, but fell 38.5 per cent in the northeast, 27.3 per cent west and 5.3 in the midwest.

As foreclosures continue to pour onto the market the US homeownership rate has been falling. In 4Q 2010, 66.5 per cent

of Americans owned homes, down from 67.2 per cent a year earlier and the lowest rate since the end of 1998, according to the Census Bureau.

New-home sales were down 7.6 per cent in December from a year earlier, the latest government data showed. Aside from low demand, builders have also had problems getting financing to start projects.

Plywood, China

CONTINUED China's plywood exports have kept increasing not only because many countries like the US have had an ever-increasing demand for plywood, but also because plywood production in Indonesia and other countries has substantially reduced, says *China Wood*.

Despite the severe impact of world financial crisis in the past two years, China's plywood exports in 2009 went up by 1.76 times in comparison with the exports in 2003. As the world financial crisis gradually eased off this year, the demand for plywood in various countries kept improving. In the first 10 months of 2010, China's plywood exports reached 6.254 million cubic metres, up 37 per cent over 2009. The growth amounted to 1.688 million cubic metres.

US Paper Shipments

CONTINUED US shipments of coated paper rose 0.9 per cent to 587,800 tons in January from 582,400 tons in January 2010, according to the AFPA. .

Shipments of uncoated freesheet dropped year-over-year for the fifth straight month in January, falling to 730,900 tons. However, January's uncoated freesheet shipments were 10.5 per cent above November 2010.

Research analysts at Deutsche Bank found in a recent industry survey that most contacts expect the annual secular decline to be 2 to 5 per cent compared to

one year ago. While the secular decline could allow for some pricing deterioration, especially if imports continue to increase, Deutsche Bank analysts believe a projected uptick in pulp markets will support current uncoated freesheet prices.

Boise Announces . . .

Boise Cascade's Building Materials Distribution Division announced February 14 that Scott Sunday will assume responsibilities as the Division Commodity Manager on March 2, 2011. Scott will replace Dale Catt who will retire effective March 1.

Scott has been active in both the retail and wholesale segments of the industry since 1984.

Dale began his career in the industry in 1971. He has served in many positions and locations for Boise Cascade and Bohemia Lumber. Since 1991, Dale has served as Boise Cascade's Commodity Procurement Manager and has been a friend, mentor, and trainer to many people in the industry.

Calendar

February 2011

2011 ABCFP Forestry Conference & AGM

February 24 & 25 – Vancouver, BC
<http://www.expofor.ca/index.htm>

March 2011

2011 WWPA Annual Meeting

March 14 – Portland OR
<http://www2.wwpa.org/ABOUTWWPA/AnnualMeeting/tabid/870/Default.aspx>

2011 Timberland Investment Conference

March 23 & 25 – Greensboro, GA
<http://www.ugacfb.com/timberland-asset>

USDA Forest Service

Planning Changes

The USDA Forest Service issued a press release February 10, 2011 that included a request for public comment on

by Kéta Kosman

a proposed Forest Planning Rule. This was intended to provide

a science-based framework to support healthy forests and communities. The Planning Rule would establish a new national policy to develop land management plans that protect water and wildlife and promote vibrant communities. The new effort was introduced August 14, 2009, and is the result of an open, collaborative rulemaking process that began in December 2009. Interested parties have until May 16, 2011 to provide input here.

On June 30, 2009, the United States District Court for the Northern District of California invalidated the Forest Service's 2008 land management planning rule, holding that it was developed in violation of the National Environmental Planning Act and the Endangered Species Act. The proposed Rule would require preparation of an environmental impact statement and a record of decision for new plans. The proposed Planning Rule would provide guidance for plans to require monitoring through a structured public process that evaluates changes. Monitoring would be used to assess progress toward achieving desired conditions, and for evaluating whether there is a need for re-assessment.

As far as timber supply is concerned, the only reference contained in the summary of the Draft Programmatic Environmental Impact Statement released by the USDA Forest Service in February 2011 states, "Forest management program objectives currently include ecosystem restoration and protection, hazardous fuels reduction, and the maintenance of healthy forests – all of which contribute to a sustainable supply of forest products. With the focus on providing sustainable uses, a unit would be expected to contribute an element of stability to local economies."

Agriculture Secretary Tom Vilsack said in the press release. "This proposed Planning Rule seeks to conserve our forests for the benefit of water, wildlife, recreation and the economic vitality of our rural communities. The proposed Rule will provide the tools to the Forest Service to make our forests more resilient to many threats, including pests, catastrophic fire and climate change. Healthy forests and economically strong rural communities form a solid foundation as we work to win the future for the next generation."

The Forest Service will use comments to develop a final Rule. To encourage public engagement, the Forest Service is hosting an open forum to discuss the proposed Rule on March 10, in Washington, DC. The meeting will be webcast to allow for national participation, and there will be additional public forums held throughout the country. Details can be found at www.fs.usda.gov/planningrule.

"The Forest Service has been a steward of American lands for more than a century, and this proposed Planning Rule will build on that tradition," said Forest Service Chief Tom Tidwell in the press release. "We value the thoughtful input we've received in the development of this proposed Rule, and we look forward to continuing collaboration to construct an adaptive management framework for the people's forests and grasslands, based on sound science and reflecting public values."

To develop the proposed Rule, the Forest Service held over 40 public meetings and roundtables across the country that drew more than 3,000 participants, and hosted a blog to engage the public. Additionally, the Forest Service reviewed more than 26,000 comments on the notice of intent to issue a new planning Rule.

The proposed Rule would update planning procedures that have been in place since 1982, creating a modern planning process that reflects the latest science and knowledge of how to create and implement effective land management plans.

Highlights of the proposed Planning Rule include:

- assess conditions and stressors, including climate change, on the National Forest System unit, and in the context of the broader landscape;
- revise or amend land management plans based on the need for change; and
- monitor to detect changes on the unit and across the broader landscape and to evaluate whether management actions produce desired outcomes.

"This proposed Planning Rule is the outcome of an open and transparent development process," said Agriculture Under Secretary for Natural Resources and Environment Harris Sherman. "It's a positive framework that will allow the Forest Service to more effectively restore our natural resources, support the economy, and adapt to changing conditions."

Agriculture Secretary Tom Vilsack, joined by Forest Chief Tom Tidwell and Under Secretary Harris Sherman, talked about the proposed Rule in a media conference call on February 10.

In response to a question from *Dow Jones*, Vilsack said, "You've got 170 million visitors to the Forest Service. Those are 170 million opportunities for communi-

ties surrounding forests to get tourism dollars that really circulate an economy very quickly.

"We are not going to forget the fact that we still have a timber industry in this country, and obviously, their interests have to be looked at and examined in the context of multiple use. There are minerals. There is an emerging energy interest. We have six projects in the Forest Service right now with hazardous fuel reduction that offer an opportunity for biomass energy production. So, I mean, there's just a whole series of opportunities here, and what we need to do is make sure that whatever we do in managing the forests that we make it as resilient as possible, so to conserve as many of those uses as effectively as possible."

To a question from *Mountain XPress*, Vilsack detailed, "As a starting principle, we are very interested in maintaining as much of the old growth as we can. When you talk about resilience and you talk about water conservation and preservation, you are really talking about making sure that the old growth is maintained more effectively. We now have a budgeting process that really provides better resourcing for management and adequate resources for firefighting as well as contingent funds."

Under Secretary Sherman explained further, "I would just emphasize that the heart of this Planning Rule is the requirement that we maintain and restore our forests and our ecosystems and watersheds, and that we provide for animal and plant diversity, and so all of these uses that we are talking about are within the context of those requirements. So multiple use, of course, will be encouraged, but the bottom line here is we need to maintain and restore our forests, protect the water that comes off, deal with the stresses of climate change, and within that context, there are many multiple uses that can go forward."

To a question from *BNA*, Chief Tidwell said, "There's places where because of past management, we have created an even-aged stand of trees, then when you have either insects and disease or a windstorm go through, an even-aged stand often will reduce the resiliency and also species diversity. Through past management in some areas, we have managed for just certain species, and then so many of our pests are natural pests. They are species-specific, and so if you just have a pine type there, a bark beetle comes through there and it will take out all the pine versus if you have a mixed-conifer stand, you may have an infestation in the pine, but then the Douglas fir remains healthy and resilient."