

# MADISON'S LUMBER REPORTER



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## News & Updates

### New Content

The release of news, data, and statistics on the North American forest products' industry is increasing at such a rate that we are finding it difficult to include everything in your weekly *Madison's Lumber Reporter* within our traditional eight-page format.

Starting this week we are adding a page to better fit the information being released on a weekly basis. We hope subscribers find the new content useful!

### North America Cedar Log Supply

Log supply continues to be the area to watch in all species. In cedar, a couple of the largest forest companies own the rights to the majority of the cedar timberlands. As the woods open up when the rains slow and the forest floor dries, there will still be little help for remans and smaller producers who need to buy logs. Spring logging usually starts at the end of February and is in full swing by mid March. This year, nobody is out in the woods yet due to weather.

The delayed start to logging on the coast means that only those who have the falling crews sewed up and own the logs will determine who gets materials to run. Smaller makers, wholesalers and remans are already shopping and will soon be begging for materials.

Those who own the logs say they will reserve the quality fibre for their own use and for their long term, key customers.

### Japan Plywood Situation

In the four weeks following the earthquakes and tsunami in Japan, wood producers in that country are taking a "wait and see" attitude, according to the *Japan Lumber Journal*.

Soon after the earthquake the Japan Plywood Manufacturers' Association made an announcement that it would try to compensate for a loss in production at damaged factories in the northeast by increasing production volume at unaffected factories. In April, some of manufacturers started taking orders again, so products currently in short supply are expected to be available in the market in a while, says the *Journal*. [READ MORE](#)

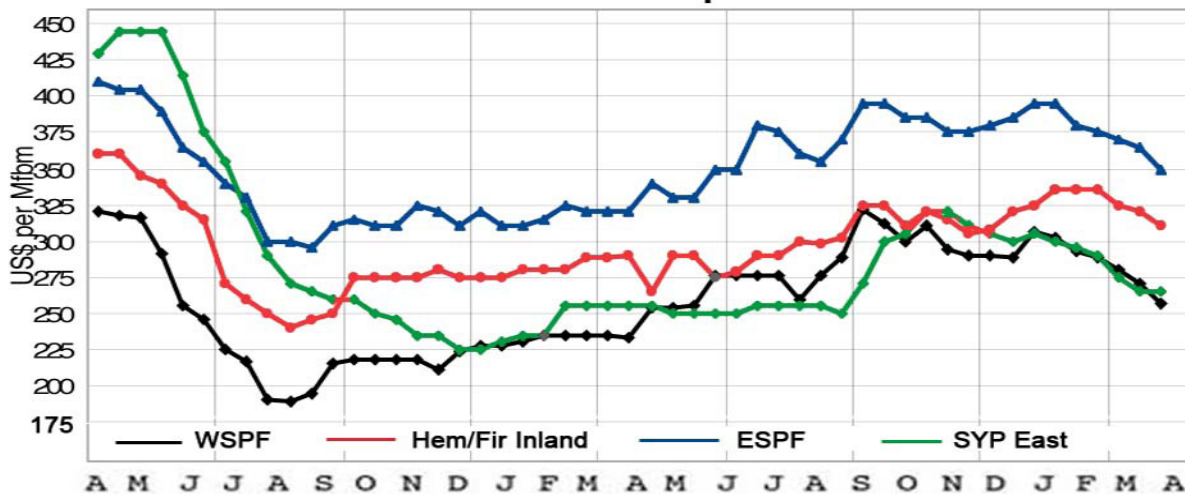
### China Wood and Paper Statistics

Since 2010, the total amount of China's wood, pulp, and paper imports decreased. However, the value of China's forest products' imports during January to November 2010 increased by one third due to the average international prices increase according to the latest statistics announced by State Customs, says *China Wood*. [READ MORE](#)

### US Hardwood Exports

Wood imports from the United States into India and the Middle East are increasing to a greater degree than they are into China. Of course the absolute figures are much smaller by current comparison, but the level of growth is more than double, particularly for finished wood products. The difference between these newest customers and the emerging Chinese market is that the South Asian customers are looking for high quality grades and shop lumber, as opposed to utility and low grades. [READ MORE](#)

KEY 2x4 KD RL PRICES April 2010 - 2011



## Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	257	270	-13	292	-35	306	-49
WSPF KD R/L 2x6	232	250	-18	270	-38	302	-70
WSPF KD R/L 2x8	255	260	-5	278	-23	292	-37
WSPF KD R/L 2x10	295	310	-15	320	-25	350	-55
WSPF KD PET 2x4 Stud	255	270	-15	280	-25	330	-75
Douglas Fir Green R/L 2x4	265	270	-5	280	-15	275	-10
Douglas Fir Green R/L 2x10	295	295	0	288	+7	275	+20
ESPF KD 2x4 8ft Stud	325	330	-5	335	-10	385	-50
OSB Ontario 7/16" (CDN\$)	195	205	-10	195	0	360	-165

## Weekly News

### Plywood, Japan

CONTINUED Though the inventories of plywood and insulating materials had been scant since before the earthquake, distribution stopped completely immediately after the disaster and many factories are left incapable of shipping their products, says the *Japan Lumber Journal*.

Especially in building materials, plywood is outstandingly scarce. One of the leading manufacturers on the Pacific coast of the Tohoku region was so badly affected by the disaster that it has no prospect for restarting operation. Factories of housing members in the Tohoku and the Kanto regions also have no prospect of re-opening.

On March 27, the Japan Forestry Agency released figures on forestry-related damage, in national and private forests in Miyagi and other prefectures damaged by the Great Eastern Japan Earthquake. These include: 182 forest devastations, 44 soil conservation facilities, 498 forest road facilities, and more. The damage total is of 1,029 places valued at ¥17.3 billion, according to the *Journal*.

The National Federation of Forest Owners' Co-operative Association and the National Federation of Log Producers' Co-operative Association have agreed to prepare a stable supply domestic cedar and larch to plywood factories so that they can smoothly increase production to build temporary houses and assist the rehabilitation and reconstruction.

### China Imports

CONTINUED China's wood pulp, waste paper and paperboard imports reached 31.05 million metric tonnes in 2010, a 15.4 per cent decrease compared with 2009, according to *China Wood*.

Newsprint imports, however, increased, by 127.51 per cent from January to November 2010 compared to 2009, to 36.18 thousand metric tonnes. Newsprint import value during January to November 2010 amounted to US\$18 million, a 100 per cent increase compared with 2009.

The total import value of wood pulp, waste paper, and paperboard soared to US\$12 billion, a 32 per cent increase compared with 2009.

### Storms, US

A volatile storm season looms for the United States this year announced US forecasters in a week that saw massive hailstorms, floods, wildfires, and tornadoes in large parts of the country.

At least five major hurricanes with winds of more than 111 miles per hour are expected to develop in the Atlantic during the 2011 storm season, Colorado State University forecasters said April 5, according to *Bloomberg*.

There is a 72 per cent chance that one of the major storms will strike the US coast, above the 52 per cent average for the past century, the forecasters said.

Earlier this week tornadoes hit north Iowa, hailstones the size of baseballs rained down in Indiana, there was flooding Tennessee, North Carolina, and Colorado, while Texas saw some of the worst wildfires in its history.

The National Weather Service said at least 10 tornadoes struck the central and southern plains regions of the US on Thursday. The storm system, which killed nine people in Oklahoma and Arkansas Thursday, was headed toward the Carolinas Friday morning. Severe weather associated with the system will unfold Saturday morning into the early afternoon.

"This has the potential to produce some really severe weather for us early

Saturday morning," said Chief Meteorologist Brad Panovich, to WCN.com.

The Storm Prediction Center puts the Charlotte area under a moderate risk for severe weather Saturday, which means there's a high chance for thunderstorms and isolated tornadoes.

This system will track through the deep south and Tennessee Valley today with more destruction and damage. This is a classic spring storm set up. Warm air is surging north out of the Gulf coast region along with plenty of moisture directly from the Gulf of Mexico ahead of this storm, said ABC News meteorologists.

### Labour Talks Continue

As of publication Friday morning the United Steelworkers and Interior Forest Labour Relations Association, representing forestry employers in the south interior of British Columbia, were still at the bargaining table.

### Federated Cooperative Mill Sale

Darrell Embley, VP of forest products at Federated Cooperative, has confirmed the Canoe, BC, sawmill is seeing prospective buyers coming through, according to *BCLocalNews.com*.

He said buyers are interested in the plywood plant, particularly because it's made huge gains over the last year and a quarter. Currently, the Japanese earthquakes and tsunami are prompting a large demand for plywood.

Prospective buyers have been given information on the Canoe operation's timber supply and other details to review, Embley said.

He said Federated is not being motivated to sell by the need for money, but whether they want forest products to be central to the rest of the business.

# Hardwood Exports

## Emerging Markets

CONTINUED While it is true that transportation presents a challenge, between higher cargo costs and a lack of material to fill returning containers – therefore added costs

to North American exporters with deadheading – the significantly higher valued products should more than make up this difference in profit margins.

Dubai serves as a hub for Middle Eastern wood importers. In 2007, wood imports to the United Arab Emirates topped 8.5 billion AE dollars, from 5.2 billion AE dollars in 2005, or US\$1.45 at that time, according to statistics from the Dubai Ports, Customs and Free Zone Corporation. Overall, the market registered 25-30 per cent growth annually, with certain segments registering higher growth rates. Please refer to the June 5, 2009 issue of your *Madison's Lumber Reporter* for more information.

US Census figures show that in 2010, exports of wood products from the US into the UAE jumped by 48 per cent compared to 2006, while furniture exports grew by 54 per cent. US wood products destined for India increased by 69 per cent from 2006 to 2010, while furniture exports jumped by 57 per cent. Meanwhile, China's import of wood products from the US grew by 27 per cent from 2006 to 2010, and furniture increased by 34 per cent.

Imports of US forestry products grew by approximately the same amount for all three regions from 2006 to 2010, between 71 and 76 per cent.

Certainly the volume of wood imports into China are much higher than into the middle east or India, US\$526 million worth of wood products into China for 2010 compared to US\$23.5 million into UAE, but the rate of growth can not be ignored.

Similar levels of growth are expected for buying from Canada now that an unfortunate bureaucratic oversight has been corrected. Until January 2011 the Canadian Spruce-Pine-Fir mix had been omitted from the list of allowed species entering India without cost-prohibitive fumigating in addition to heat

treatment was rectified.

According to the United States Department of Agriculture, the value of American hardwood exports in 2010 grew to a record-breaking US\$72.7 million, a 46 per cent increase over 2009. To date, Egypt remains the top destination for American hardwood lumber and veneers. Underlining the increase in exports of American hardwood logs, lumber, veneer and flooring across the Middle East region, are key figures that show an 82 per cent increase in exports of American hardwood flooring in 2010. During this period, there was also a 38.5 per cent growth in the shipments of red oak lumber to the Middle East and north Africa region. The USDA also reports that veneer exports to Turkey and Lebanon have increased by 108 per cent amounting to US\$3.75 million and by 86 per cent amounting to US\$3.33 million respectively in 2010.

"Exports of American hardwoods to the Middle East and North African region (MENA) have shown an increase that has almost doubled from the figures of the previous year," said Roderick Wiles, Director for Africa, Middle East, India and Oceania, of the American Hardwood Export Council (AHEC), in an agency press release. "Architects, consultants, interior designers and developers in the Middle East are increasingly aware of the key benefits of American hardwoods, which makes it a primary choice across the region.

"The MENA construction development industry, along with its complementing interiors segment, has also reported an increase in construction activity, both from stalled projects that have resumed construction and new projects that have just been recently launched. The US hardwood industry hopes to capitalize on this upturn and make sure that American hardwood products are available to be used in these projects throughout the region," said Wiles in the press release.

Drilling down to specific products, US wood flooring exports to the Middle East increased 119 per cent from January through September 2010, according to Hardwood Floors Magazine. The rise is

part of a larger trend of increasing American hardwood exports—also including logs, lumber and veneer—to that region, says Hardwood Floors.

Building upon demand in the region, AHEC has already started to implement and launch strategic initiatives and programs that are aimed at complementing the predicted growth, according to *AMEinfo.com*. To increase awareness on the importance of using quality American hardwood products, AHEC has organized seminars and lectures in different parts of the region, particularly targeting potential customers and industry professionals. AHEC has also announced its investment into what is probably the largest Life Cycle Assessment study ever undertaken in the international hardwood sector, thereby ensuring appropriate and fair recognition for the environmental profile of American hardwoods. The study will provide data for sawn lumber and veneers of a selection of American hardwood species, as well as product groups such as flooring, doors and furniture, comparing them with products manufactured in alternative materials.

Since 1999, eastern US hardwood production has dropped by almost 45.2 per cent led by massive reductions in demand from furniture, millwork, cabinetry and flooring markets, according to an April 1, 2011 article by Industrial Reporting, Inc. The industry is looking hard at growing new export markets to make up for the drop in domestic demand. Generally, most people in the hardwood sector agree that the industry needs to do a better job of promotion, says *Industrial Reporting*.

In that article, Jim Howard of Atlanta Hardwood Corp stated, "When I started in the industry, MDF panels, veneer-wrapped mouldings, bamboo flooring didn't exist. Today, the world is flat, wood is sourced worldwide and numerous synthetic and composite products have replaced wood. It's also vital we confront the US public's belief we're running out of trees. Bamboo flooring is perceived by architects as a green product and often substituted for superior American solid hardwood flooring which is manufactured in the US from sustainable managed forests. American forest product manufacturers inject billions into the country's economy."

### US Forest Products Exports, F.A.S. Book Value

SOURCE: US CENSUS

Value Thousands US\$		Forestry	Wood Products	Furniture			Forestry	Wood Products	Furniture
CHINA	2010	\$670,921	\$525,619	\$116,385	UNITED ARAB EMIRATES	2010	\$9,280	\$23,544	\$70,779
	2009	\$261,209	\$315,235	\$70,386		2009	\$3,597	\$18,168	\$52,649
	2008	\$239,498	\$303,674	\$101,846		2008	\$5,827	\$31,294	\$62,434
	2007	\$252,059	\$353,665	\$96,623		2007	\$5,063	\$19,093	\$46,824
	2006	\$193,958	\$385,003	\$76,613		2006	\$2,240	\$12,222	\$32,568
INDIA	2010	\$7,183	\$14,092	\$20,917	EGYPT	2010	\$10,298	\$27,572	\$15,046
	2009	\$4,481	\$12,133	\$16,600		2009	\$10,131	\$17,720	\$10,580
	2008	\$5,373	\$12,116	\$14,127		2008	\$7,377	\$17,781	\$9,759
	2007	\$3,581	\$5,714	\$16,485		2007	\$3,333	\$13,658	\$9,249
	2006	\$1,929	\$4,347	\$9,164		2006	\$1,325	\$13,413	\$7,270