

# MADISON'S LUMBER REPORTER

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## News & Updates

### Madison's Timber Preview

This week's issue of *Madison's Timber Preview* examines recent changes to the state of TimberWest Forest Corp, problems with Sino-Forest's corporate reputation, and glowing 2010 year-end reports by four of Japan's major building products companies. Contact us any time for a subscription.

### Housing Starts, US

US housing starts rose 3.5 per cent to a seasonally adjusted rate of 560,000 from an upwardly revised 541,000 in April, the US Census Bureau said Thursday. Permits, an indicator of future construction, hit their highest level since December, rising 8.7 per cent to 612,000.

Housing starts were 3.4 per cent below their level of May 2010, and the monthly increase was still less than half the steep drop seen from March to April, in a sign that the glut of foreclosed homes continues to discourage building.

On Wednesday, a survey from the National Association of Home Builders showed confidence in the housing market fell to its lowest level in nine months. [READ MORE](#)

### Alberta Wildfires

A massive wildfire in northern Alberta is proving to be maddeningly resilient. As of Friday morning, the blaze covered almost 600,000 hectares.

While rains have doused some of the Richardson back-country blaze near Fort McMurray, another edge of the fire has grown. Crews are doing whatever they can to contain the fire. A DC-10 jet tanker from California is being used to drop 45,000 litre loads of fire retardant. And ground crews using bulldozers are beefing up the fire guard to protect a telephone communications site that provides service to Fort Chipewyan.

Stubborn fires are also burning in New Mexico, Colorado, Arizona, and Florida.

[READ MORE](#)

### Softwood Lumber Check-Off Approved

A strong majority of the US softwood lumber industry voted to approve the creation of a check-off to fund a unified softwood lumber promotion program in USDA's referendum, which concluded on June 10.

The program aims to increase the share for softwood lumber in key building markets such as non-residential construction and overseas markets, and facilitate the development of innovative technologies such as cross-laminated timber. [READ MORE](#)

### India Lumber Imports from BC Skyrockets in 2011

Statistics just released by the British Columbia division of Forestry Innovation Investment show that, since arbitrary phytosanitary restriction were removed in January, BC exports of lumber to India have exploded at a rate similar to that going into China in 2008. [READ MORE](#)

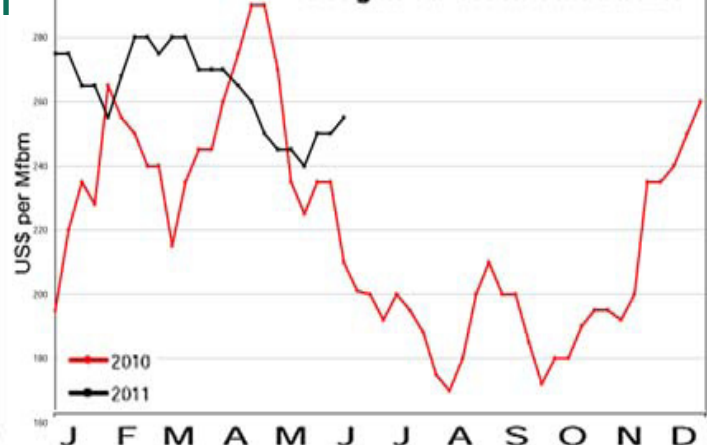
### US Housing Starts

	May-11	Apr-11		May-11	Apr-11
<b>Starts</b>			<b>Permits</b>		
Actual	55,600	48,400	Actual	56,400	49,900
SAAR*	560,000	541,000	SAAR*	612,000	563,000
1 Unit	419,000	404,000	1 Unit	405,000	395,000
2-4 Units	(s)	(s)	2-4 Units	17,000	21,000
5+ Units	134,000	123,000	5+ Units	190,000	147,000
<b>Starts by Region</b>			<b>Permits by Region</b>		
Northeast	58,000	60,000	Northeast	80,000	59,000
Midwest	94,000	98,000	Midwest	93,000	94,000
South	271,000	267,000	South	294,000	284,000
West	137,000	116,000	West	145,000	126,000

Seasonally adjusted annual rate

Source: U.S. Census Bureau

### Douglas Fir Green Std&Btr 2x4



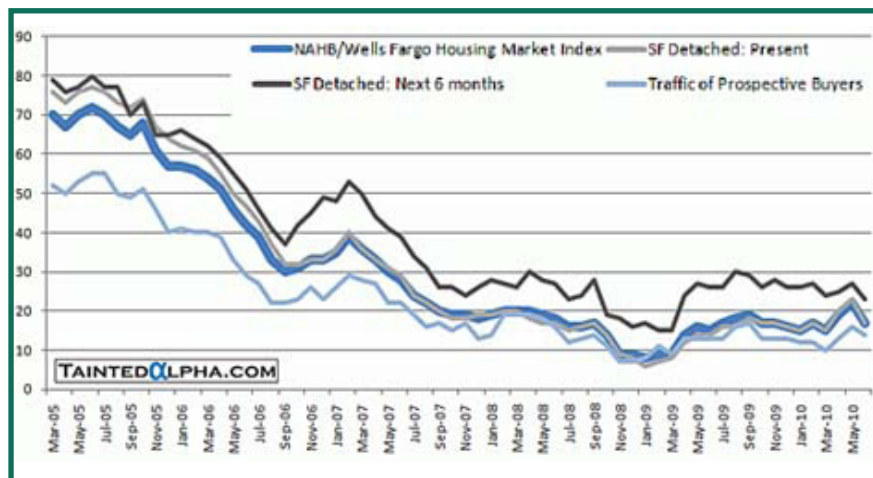
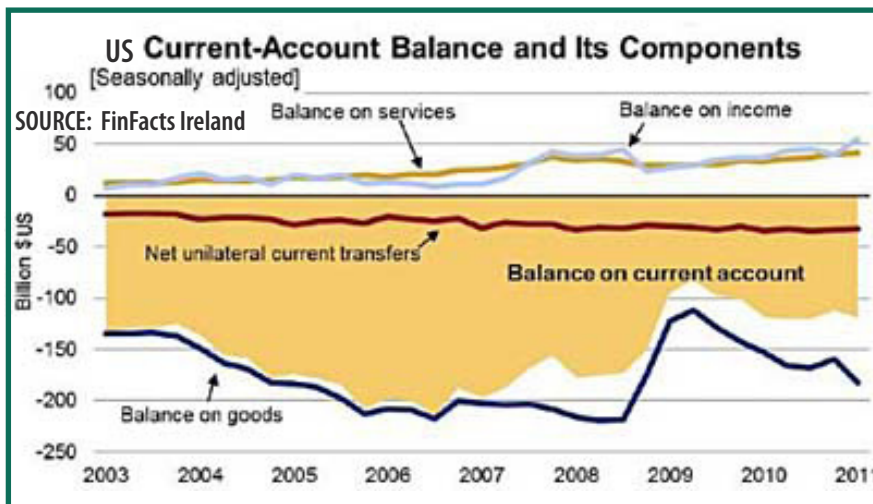
Following several years of decline, including a 20 per cent tumble in 2009, North American softwood lumber production finally rallied in 2010, according to a EUWID Wood and Panel Products release Thursday.

North American's lumber production posted a somewhat modest overall increase of 12 per cent, to 111.1 million cubic metres. This increase was led by Canada, where production jumped 17 per cent, to 52.1 million cubic metres.

The Canadian increase was evenly distributed across both British Columbia and Eastern Canada, but 2010 production in British Columbia of 27 million cubic metres continued to slightly exceed that of Eastern Canada's 25.1 million cubic metres, just as it had in 2009.

Canada's overall share in total North American softwood lumber production thus rose a little to 46.9 per cent, over 2009's 44.5 per cent.

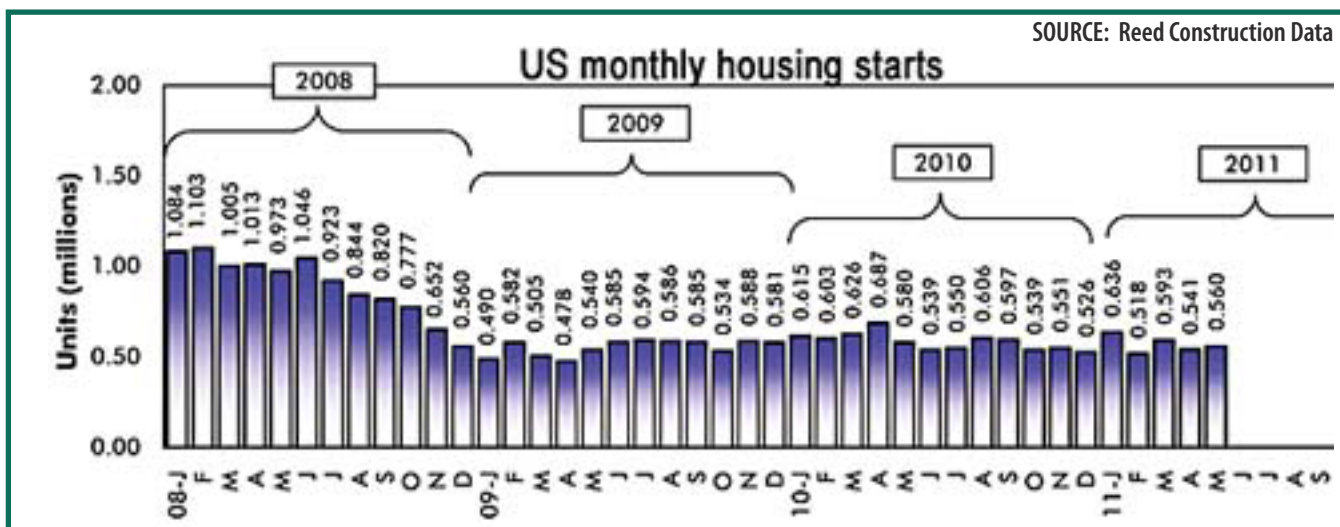
Meanwhile, total softwood lumber production in the US climbed just 7 per cent with slow growth in the US South holding down the national total, says EUWID.



**The Data DiGest is a weekly summary of economic news published by the Associated General Contractors of America**

The National Association of Home Builders reported June 9, “continuing improvement in the multifamily housing market” as the Multifamily Production Index rose for the third consecutive quarter in the first three months of 2011. The index is a weighted average of responses of 68 multifamily builders as to whether the latest quarter was stronger, the same, or weaker than the prior quarter for demand for rental housing (low rent and market rent) and for-sale housing (condos and co-ops).

The market-rate rental index rose to a five-year high of 60.5 from 51.7 in the fourth quarter of 2010, marking the first two quarters above a neutral reading of 50 and the eighth straight increase. The low-rent index slipped back to the 2010 third-quarter reading of 45.7 after reaching 48.7 in the fourth quarter. The for-sale index retreated to 23.4 from 24.7.



## Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	230	230	0	210	+20	190	+40
WSPF KD R/L 2x6	232	230	+2	215	+17	195	+37
WSPF KD R/L 2x8	248	249	-1	245	+3	200	+48
WSPF KD R/L 2x10	256	265	-9	250	+6	245	+11
WSPF KD PET 2x4 Stud	275	255	+20	225	+50	210	+65
Douglas Fir Green R/L 2x4	255	250	+5	240	+15	210	+45
Douglas Fir Green R/L 2x10	268	265	+3	260	+8	255	+13
ESPF KD 2x4 8ft Stud	325	320	+5	310	+15	310	+15
OSB Ontario 7/16" (CDN\$)	200	195	+5	195	+5	250	-50

## Weekly News

### Home Building, US

CONTINUED      Meanwhile US homebuilder confidence has seen a notable deterioration in the month of June, according to a report released by the National Association of Home Builders on Wednesday, with the homebuilder confidence index falling to a nine-month low.

The report said the NAHB/Wells Fargo Housing Market Index fell to a reading of 13 in June from a reading of 16 in May. The 3-point drop by the index came as a surprise to economists, who had expected the index to remain unchanged at 16.

The NAHB noted that all three components of the housing market index decreased in June, contributing to the unexpected drop.

The component gauging current sales conditions fell to 13 in June from 15 in May, while the component gauging traffic of prospective buyers fell to 12 from 14.

Additionally, the component gauging sales expectations in the next six months fell to 15 in June from 19 in the previous month, matching its record low.

### More Wildfires

CONTINUED      The Alberta wildfire continued raging Friday morning in the Richardson backcountry, about 60 kilometres north of Fort McMurray. It started on May 15 and has grown to the size of Prince Edward Island. A second firefighting crew from Nova Scotia is heading to northern Alberta to help with the battle.

Also as of Friday morning, winds were expected to gust to 35 mph along the New Mexico-Colorado border in the afternoon, pushing flames from one blaze toward breaks carved into the rugged landscape by bulldozers. Fire officials

said the wind might prevent water-dropping helicopters and air tankers from helping ground crews.

The fire has raced across more than 27,000 acres along the New Mexico-Colorado border, burning eight homes and six other structures and forcing the evacuation of several hundred people in the mountains near Raton, NM. Most of the residents have been allowed to return home with the exception of those near the eastern flank and some to the northwest of Raton.

More than 800 firefighters are assigned to the blaze. In addition to the winds, they were bracing for a hot and dry weekend.

In eastern Arizona and western New Mexico, thousands of firefighters continued to battle what is the largest wildfire in Arizona's recorded history. The Wallow fire has consumed 773 square miles, or 495,016 acres.

Containment on the Wallow fire remained at 33 per cent Friday, but more winds were predicted through the weekend, with gusts of 50 mph possible.

About 2,400 people remain evacuated from Alpine and Greer, AZ, and smaller vacation enclaves after about 300 were allowed to return to Nutrioso, AZ, on Wednesday.

This blaze became the largest in Arizona history Wednesday, exceeding a 2002 fire that burned 732 square miles, or 469,000 acres, and destroyed 491 buildings.

In southern Arizona, winds were expected to pick up Friday and possibly ground the aircraft that have been helping battle the Monument fire near Sierra Vista. The blaze has burned 18,580 acres, or 29 square miles, and containment dropped overnight from 17 per cent to 15 per cent.

A fifth wildfire ignited Thursday in Florida's Big Cypress National Preserve and is being fought Friday on the ground and from the air, the National Park Service says.

The Corral Fire flared up south of Interstate 75, near the Oil Pad Fire. Three other fires are burning north of the interstate. As of Wednesday, they had burned some 10,000 acres.

Lightning started the first four fires Monday.

### Softwood Lumber Promotion

This first-ever US national forest industry check-off takes advantage of a provision in the 1996 Farm Bill that provides the opportunity for a fair, unified, binational North American check-off program with cross-border equity with respect to financial contributions, process, and governance. Funds collected through the check-off will be used to create a promotion program targeting building industry professionals and key influencers.

The Blue Ribbon Commission for Check-off a working committee of 21 North American softwood lumber industry leaders, first met more than two years ago to ascertain the viability of a check-off program. Several factors led to the decision to pursue the option today, including eroding market share, the existence of untapped markets, and the pervasiveness of misinformation from competing products throughout the marketplace.

The research, marketing and communications program elements are expected to include clear and consistent messaging, pro-wood environmental marketing and a focus on the natural strengths, affordability and practicality of softwood lumber.

# India

## Trade with Canada

Arbitrary phytosanitary restrictions on Canadian wood coming into India were removed in January, eliminating the requirement for fumigation in addition to

by **Kéta Kosman**

heat-treatment for Spruce-Pine-Fir. As expected, now that the hungry wood market in India is as available to Canadian producers as it always has been to Americans, the volume and value of British Columbia's lumber exports to that country have skyrocketed. Please see the January 14, 2011 issue of your Madison's Lumber Reporter for details on the bureaucratic simplification.

The Canadian and Indian governments have been working hard this year to open bilateral trade between the two countries. With its population projected to reach 1.5 to 1.8 billion by 2050, the importance of India as a global customer of goods can not be discounted. Ed Fast, Minister of International Trade and Minister for the Asia-Pacific Gateway, Monday underscored the Canadian federal government's aim to complete free trade negotiations with India in 2013. In November, Canada and India launched the first round of negotiations toward a comprehensive economic partnership agreement.

In 2010, bilateral trade between Canada and India increased by 73 per cent since 2004, to a total of \$4.2 billion. Last year, two-way direct investment between these countries was more than \$7 billion. Canadian exports to India increased by 142 per cent over this period, reaching nearly \$2.1 billion in 2010. A recent Canada-India joint study estimated that a free trade agreement between the two countries has the potential to boost Canada's economy by \$6 billion-\$15 billion annually.

In confirmation of these general merchandise statistics, the value of BC's lumber exports to India for January through April 2011 increased by almost 80 per cent over the same time period in 2010. In 2011, BC shipped \$3.37 million in lumber to India through April, while in

2010 these shipments were only \$682,000, according to the latest figures available from Forest Innovation Investment. For

SOURCE: BCFii Year-to-Date Volume and Value of B.C. Lumber Exports to India

Commodity	Volume (Cubic Metres)				Value (000s of \$CDN)			
	2009	2010	YTD 2010	YTD 2011	2009	2010	YTD 2010	YTD 2011
SPF	1,791	5,533	697	13,148	331	1,117	150	2,484
Hemlock	947	798	183	0	198	211	42	0
Western Red Cedar	0	0	0	0	0	0	0	0
Douglas Fir	1,683	5,039	2,415	4,425	265	1,078	490	818
Yellow Cedar	0	0	0	0	0	0	0	0
Sitka Spruce	0	0	0	0	0	0	0	0
Other	67	337	0	350	17	72	0	72
<b>Total</b>	<b>4,488</b>	<b>11,707</b>	<b>3,295</b>	<b>17,923</b>	<b>811</b>	<b>2,478</b>	<b>682</b>	<b>3,374</b>

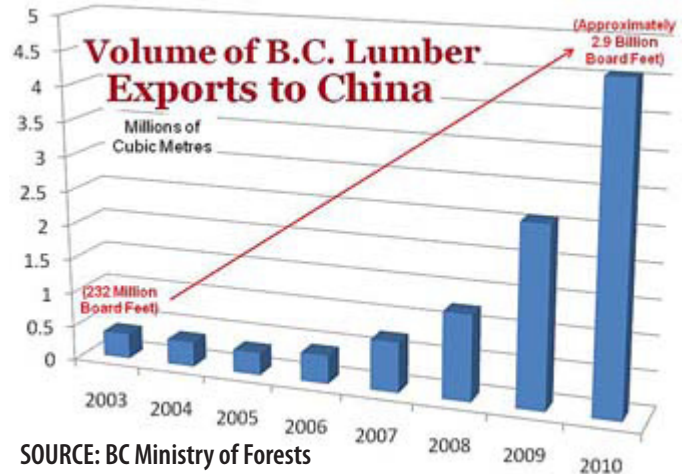
the same time period in 2010, the volume of BC's lumber exports to India grew by more than 81 per cent. BC exported 3,295 cubic metres of lumber to India from January through April 2011, and 17,923 cubic metres for the same time period this year.

While these figures may seem small, it is important to examine not the volumes but the rate of increase. This is the same as the situation that unfolded when BC lumber started flowing into China. At first the volumes were tiny compared to former quantities of lumber moving into the US, but three short years later China is the second-biggest importer of Canadian wood by volume.

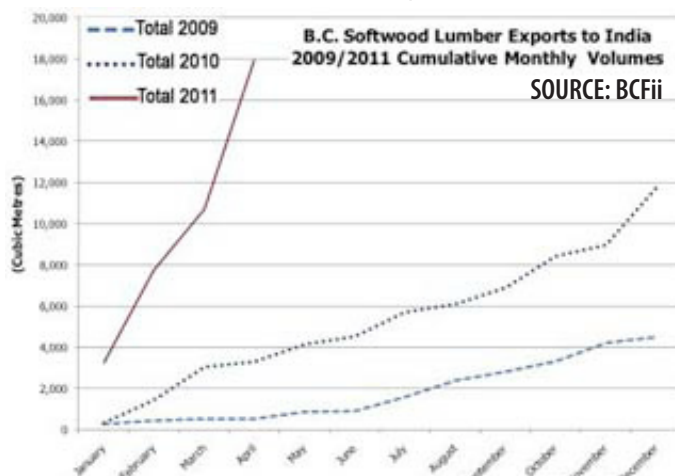
The difference between the now-established Chinese lumber market for BC wood and the newly-forming Indian one is that the Chinese are value buyers who are generally looking for the least processed components. Logs are preferred, and if not available Chinese customers will take bare 2x4's in the lowest grades

are not relevant. Otherwise the lumber is destined for pallet and crate making, or is remanufactured down into secondary components.

Indian customers, on the other hand, are not at all interested in wood framing. India does not have a wood-building culture to speak of. Neither did China at first, but India is not in a similar residential building growth-spurt as is China. In addition, China made significant changes to its building codes after the 2008 earthquake. Concrete roofs are out, currently being replaced by peaked wood roofs made from trusses using BC wood. Indian customers, on the other hand, demand



SOURCE: BC Ministry of Forests



SOURCE: BCFii

possible, to be used in wood framing to a certain degree, a lot of which is for concrete forming and infill walls so aesthetics

wood for trims and finishing. The highest grades are preferred.

Shop lumber, mouldings, flooring, panelling and siding are all what is most desired in India. Customers are demanding quality, and are not satisfied with laminates. Indian importers are indicating they prefer the wood to be finished. Sanded and planed of course, that is normal, but also stained and otherwise with an improved aesthetic.

What this means is, that while the quantity of BC lumber imported into India may not as quickly reach the levels currently going to China, the value of that wood however will be much higher. Rather than #3/Utility grade WSPF 2x4's at about US\$200 mfbm, customers in India desire good looking real wood finishing worth more than double that.