

# MADISON'S LUMBER REPORTER

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## News & Updates

### North Enderby Timber Mill Fire

A large fire burned at North Enderby Timber on Highway 97 in BC early Friday last week. Enderby fire chief Kevin Alstad says the planer building was on fire when crews arrived just before 5 am. He says it took the 23-member crew five hours to put it out. No one was hurt.

"They had some finished product there. I'm sure there was a lot of dust and some shavings which helped feed it," Alstad told local media.

A group of 22 employees are back on the job this week. However, eight others at the heavily used planer mill have been laid off. The mill is currently using a second planer at a molding plant to help fill orders for its customers. General manager Ben Hendrickson hopes the burned out planer mill will be rebuilt within four to five months.

Fire investigators are trying to determine what caused the blaze. It is not believed to be suspicious.

### US Home Sales

The National Association of Realtors reported Wednesday that existing US home sales in May fell 3.8 per cent to 4.81 million units. Total sales off 15.3 per cent in year over year comparisons. Single family sales fell 3.2 per cent, to 4.24 million. Single family home sales were off 15.4 per cent in year over year comparisons.

The median existing home price rose 3.4 per cent to US\$166,500 from April's US\$161,100. Median prices were down 4.6 per cent in year over year comparisons.

Homes-for-sale inventories fell to 3.720 million from 3.759 million units. Months supply rose to 9.3 months from 9.0 months previously.

[READ MORE](#)

### Tolko Closures

Two Tolko operations will temporarily shut their doors. Tolko Industries announced this week that due to continuing poor market conditions, it will temporarily curtail panel production.

White Valley division's veneer operation in Lumby, BC, and Armstrong, BC's, plywood operation will shut the weeks of July 4 and July 11 with restart scheduled for July 18. Heffley Creek Division, near Kamloops, BC, will curtail one shift of plywood production during the same period.

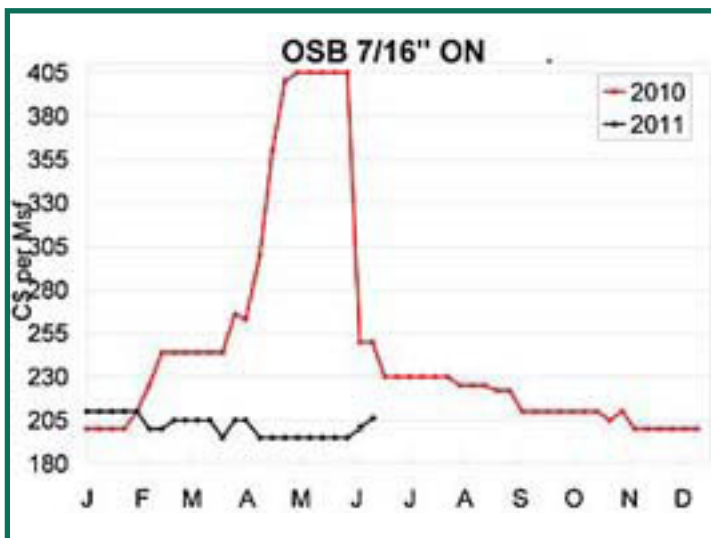
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### Additional Softwood Lumber Export Duty Paid

Canada's Option B provinces, Quebec, Ontario, Manitoba and Saskatchewan, are close to paying off the \$68 million additional duty on softwood lumber imposed by an international tribunal.

British Columbia lumber exporters to the US anxiously await the outcome of the next arbitration over the 2006 Softwood Lumber Agreement. Hearings on the US claim that BC stumpage fees unfairly benefit producers in that province begin in February 2012.

[READ MORE](#)



### Council of Forest Industries Annual Convention Resumes

COFI's Annual Convention is the largest annual gathering of the forest industry in western Canada and attracts industry CEOs and vice presidents from continental North America and offshore, and federal and provincial ministers.

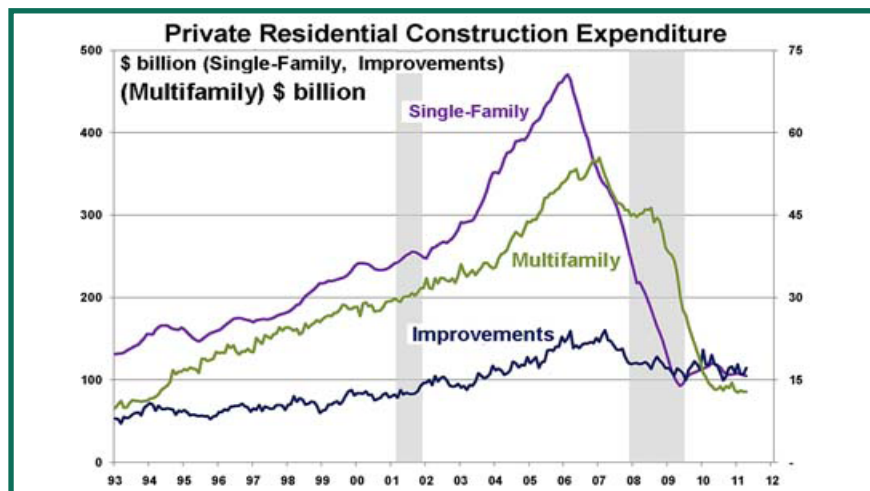
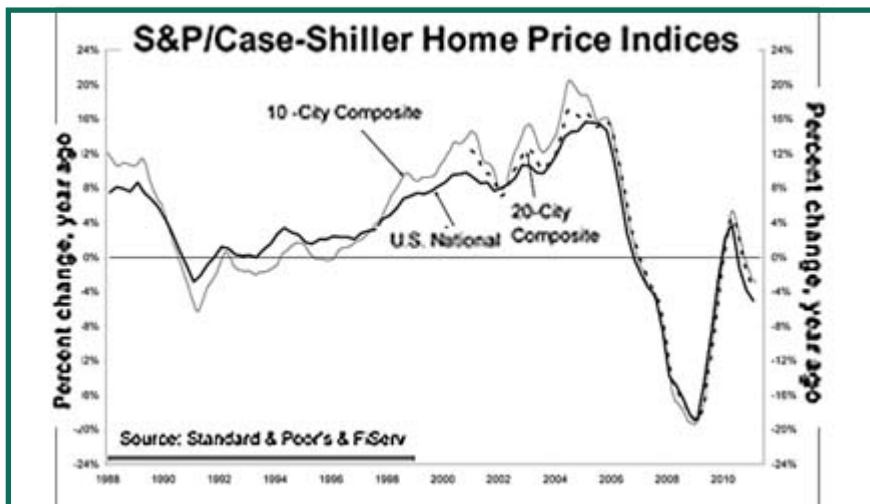
After a three year hiatus due to the global economic downturn the convention returns September 15-16, 2011.

Historic attendance at the convention exceeds 700 registered delegates. The main venue for the convention in 2011 is the Prince George Civic Centre.

The convention as reintroduced in 2011 will have a modified form of the traditional model. It will take place over the course of September 15 and 16.

The developing program of presenters will speak to critical issues facing the global forest industry today:

- Responding to the new Global Economic Forces
- Pacific Rim Markets: Existing and Emerging Opportunities
- Wood: The Green Building Material of Choice
- Bioenergy Potential: Opportunities and Challenges
- Address from Minister of Forests, Lands and Natural Resource Operations, Honourable Steve Thomson



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

The value of nonresidential construction starts in January through May combined rose 2 per cent from the same year-to-date period in 2010, Reed Construction Data reported on Wednesday, based on data it collected. "Individual month of May starts were 26.5 per cent above April (about 15 per cent after seasonal adjustment) and 17 per cent above last May," Chief Economist Jim Haughey wrote. "May 2011 starts were slightly above the average starts level over the past year and were the highest total since last November."

Industrial production in manufacturing grew 0.4 per cent in May, seasonally adjusted, following a drop of 0.5 per cent in April, the Federal Reserve reported on Wednesday. The index increased 3.7 per cent since May 2010.



## Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	<b>234</b>	230	-4	224	+10	189	+45
WSPF KD R/L 2x6	<b>234</b>	232	+2	226	+8	191	+43
WSPF KD R/L 2x8	<b>252</b>	248	+4	250	+2	208	+44
WSPF KD R/L 2x10	<b>262</b>	256	+6	255	+7	240	+22
WSPF KD PET 2x4 Stud	<b>250</b>	275	-25	245	+5	200	+50
Douglas Fir Green R/L 2x4	<b>262</b>	255	+7	250	+12	200	+62
Douglas Fir Green R/L 2x10	<b>275</b>	268	+7	260	+15	270	+5
ESPF KD 2x4 8ft Stud	<b>325</b>	325	0	310	+15	300	+25
OSB Ontario 7/16" (CDN\$)	<b>205</b>	200	+5	195	+10	230	-25

## Weekly News

### Real Estate, US

**CONTINUED** The US Commerce Department Thursday released May new home sales at 319,000, off 2.1 per cent compared to April. Sales up 13.5 per cent in year over year comparisons. The median new home price was up 2.6 per cent to US\$222,600, compared to April's median of US\$217,000.

Unsold home inventories were off slightly to 166,000 units. The months' supply fell to 6.2 months from 6.3 months in April.

Regionally, new home sales compared to April were up 2.4 per cent in the south and unchanged in the midwest. Sales fell 3.5 per cent in the west and 26.7 per cent in the northeast.

US one prices rose 0.8 per cent on a seasonally adjusted basis in April from March, according to the Federal Housing Finance Agency's monthly home price index. It was the first monthly increase since May 2010, the agency said.

Compared with a year earlier, prices were still down 5.7 per cent. April's index value was 182.4. A reading of 100 is equal to the price of homes in January 1991.

The FHFA's index is calculated by using the prices of houses purchased with mortgages backed by government-controlled mortgage companies Fannie Mae and Freddie Mac.

Fewer US homeowners are falling behind on mortgage payments, which is helping to reduce the number of distressed homes already on the market or soon to be listed for sale, according to the Financial Times.

Eighteen per cent fewer loans were delinquent in May compared with a year ago, according to Lender Processing Services.

The number of US homes likely to hit the market soon fell compared to last year due to fewer new delinquencies and a high level of distressed sales, a real estate research firm said on Wednesday.

CoreLogic reported that the so-called shadow inventory, of distressed properties not currently listed for sale, in the three months to the end of April declined to 1.7 million homes. That's equivalent to a five months' supply and is down from 1.9 million in the same time frame the year before.

The drop was an 18 per cent decline from its January 2010 peak, CoreLogic said.

CoreLogic estimates the supply of homes yet to come up for sale by calculating the number of properties that are not currently listed on multiple listing services and are delinquent by 90 days or more, in foreclosure and owned by lenders.

### Tolko Cuts

**CONTINUED** Tolko General Manager, Lumber & Plywood Sales, Larry Broadfoot, said to AM1150 that the unusually cold, wet spring has impacted the construction industry. Tolko will review the situation at the end of the shutdown to see if extensions are required.

Closures of the three plants cut the company's plywood production by 10-million board feet.

A total of 260 Tolko employees are affected.

Kruger Inc, and White Birch Paper have each scheduled downtime for three Quebec operations toward the end of June, as is the custom in that province during the summer.

### Investment Rx - Madison's Monthly Lumber Analysis in One Tasty Bite!

Reportersubscribers enjoyed two free sample issues of our new *Investment Rx* in early February and March.

The June issue, full of timely data on log supply, lumber production, transportation constraints, log and lumber shipments, and much more, has gone out to paying *Rx* subscribers only.

Get in on this vital analysis for your lumber investments.

Call us at 604 984-6838 or email [madrep@shawcable.com](mailto:madrep@shawcable.com) for your limited-time 10% discount!

Order before July 10 to begin receiving this critical, timely information every month and pay only C\$835 for 12 issues a year. After July 10 the regular price of C\$935 + tax goes into effect.

Don't miss out on the fast-changing realities of the North American lumber and panel market!

### Calendar

June 2011

#### Maritime Lumber Bureau, 70th Annual Meeting & Convention

June 16 - 17 - Halifax, NS  
[http://www.mlb.ca/upcoming\\_events.html](http://www.mlb.ca/upcoming_events.html)

September 2011

#### Wood Week 2011

September 9 - 10 - Quebec City, QC  
<http://www.masterpromotions.ca/Previous-Events/wood-week-2011/>

#### Alberta Forest Products Association 2011 AGM

September 28 - 30 - Jasper, AB  
<https://albertaforestproducts.ca/registration/>

#### National Hardwood Lumber Association Annual Convention

September 21 - 24 - Nashville, TN  
<http://www.nhla.com/>

# Lumber Export Tax

## \$68 Million Remedy Charge

The additional ten per cent export tax charged to Option B provinces under the 2006 Softwood Lumber Agreement is about to be paid by Canadian lumber exporters from those provinces.

In March 2008, following an arbitration process, the US claim that Quebec, Ontario, Manitoba, and Saskatchewan's lumber export

by Kéta Kosman

shipments into the US for the first six months of 2007 exceeded their quota limit was upheld in international court. In February 2009 the LCIA ruled that those provinces must remedy the overshipment levels, to the tune of C\$68 million. In addition to the 5 per cent export already in place, Option B provinces were to pay an additional 10 per cent export tax on Canadian lumber going into the US. The federal government of Canada made several attempts to pay less than the full remedy all at once, and in April 2009 requested the LCIA arbitrator panel reconvene to clarify the method and manner of payment. Dissatisfied with Canada's lack of compliance with the LCIA ruling, in May 2009 the US issued new customs instructions, effective mid-April, which required Canadian lumber exporters to pay an additional 10 per cent duty surcharge on softwood lumber imports. Please see the May 29, 2009 issue of your *Madison's Lumber Reporter* for details.

One of the main benefits of the 2006 SLA to Canadian lumber exporters are that any money collected under the terms of the Agreement are to stay in Canada. Upon signing the 2006 Agreement, the US returned only \$4 billion of the \$5 billion collected during the preceding softwood lumber dispute. In the case of the 2007 arbitration, due to Canada's slow response to the binding LCIA ruling, the US was able to put into motion a clause of the Agreement preventing either side from dragging its heels. While both sides waited for the LCIA panel to reconvene, the US collected an import duty on Canadian lumber rather than Canada collecting an export tax.

Canada finally acknowledged, but not until August 2010, that exporters must begin collecting the tax. At that time Madison's requested of Canada's Department of Foreign Affairs and International Trade

an estimate of how much the US had collected. DFAIT would only say that "approximately half" of the \$68 million had been collected. When pressed, a media representative at DFAIT replied to Madison's that Canada had no intention of approaching the US to bring those import duties collected back into Canada.

Effective September 1, 2010, in filling out their US Customs Proforma Invoice, Consumption Entry and the Canadian Export Permit, customs brokers handling exports into the US across the Canada/US border began filling in line 002 to reflect a Canadian Export Surcharge of an additional 10 per cent to the Option B provinces.

This bureaucratic change did not hinder the paperwork process of selling Canadian lumber into the US. As it was always meant to be, the Canadian government began collecting what remained of the additional 10 per cent lumber export tax on that date.

As if this all wasn't complicated enough, in the meantime a second arbitration was launched by the US against Ontario and Quebec under the 2006 SLA, this time for alleged government subsidies to the lumber industry there. A smaller additional export tax was eventually charged against those two provinces.

Last week *Madison's* requested an update from DFAIT and was told that, "Foreign Affairs and the Canada Revenue Agency expect the [additional] charge to be terminated shortly, no later than this summer." The DFAIT media representative indicated that Canada's lumber export volumes into the US have increased since September, "thereby accelerating the rate of payment."

Some amount of good news for Canadian lumber producers, no doubt.

In a strange twist, and as illustration to the level of complication all this involves, a Pembina CBP Import Specialist working in Buffalo, NY, issued a CF 28 and 29 to a veteran customs broker, indicating that the Proforma Invoice was to reflect only the initial 5 per cent duty, not the additional 10 per cent. The import specialist was unable to find official notification from the US International Trade Administration department instructing US Customs of the September 2010 change to the collection process. The customs broker was informed that monitoring the additional 10 per cent duty was "not a Customs concern."

Jones & Jones Customs Brokers and Trade Consultants were issued the CF

28 Notice of Action at the end of April. Company president Michael Jones explained to *Madison's* that a customs broker receiving such a notice is required by law to comply to that Notice in all subsequent Proforma Invoices for that commodity, as well as undertaking corrective actions for all entries and permits yet to be liquidated from September 1, 2010 to present. A large volume of emails and no small amount of hair tearing ensued as Jones tried to achieve a level of understanding with the Import Specialist, going so far as to involve a National Lumber Import Specialist and a Deputy Director at DFAIT. Major US Customs Brokers dealing with Canadian softwood lumber shipments surveyed and the DFAIT Deputy Director all agreed completely with Jones' position. DFAIT's Deputy Director allowed that he would take the matter up with the ITA. However, it was only after further communications from Jones directed to high level ITA and CBP personnel that the ITA finally acted. All the while a significant amount of Canadian lumber crossed into the US border.

On Tuesday afternoon, the US Office of International Trade sent an email to Jones stating, "We have crafted a memo for field distribution clarifying confusion stemming from additional 10% export charge. The memo will be made available very soon."

In surprisingly quick service, the memo arrived Thursday from the Pembina Import Specialist, providing Jones with his much-requested written response that CBP's actions have been cancelled.

Jones immediately notified clients by email, "If this mandate [to revise all US Permits for Option B Province softwoods shipped on and after September 1] would have gone unchallenged, it would have cost those Canadian companies hundreds of thousands of dollars in revised entry and permit costs, not to mention the time involved to the exporter, their broker and CBP."

In a sick sort of way it's gratifying to know that other government departments besides those in Canada get confused over their own processes and regulations. However, there may be yet another complication for US customs broker to deal with for their lumber clients.

The current arbitration under the 2006 SLA, tabled by the US over British Columbia's timber stumpage rates, is scheduled to begin hearings at the LCIA in February 2012.