

MADISON'S LUMBER REPORTER

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News & Updates

Longhorn Beetle Found in Eastern Canada

The beetle that decimated Halifax's Point Pleasant park has appeared in New Brunswick, but a Nova Scotia forestry expert says the bug could pose more of a threat to trade than to trees. The Canadian Food Inspection Agency has confirmed the presence of the Brown Spruce Longhorn Beetle near a campground within the Kouchibouguac National Park in New Brunswick. This is the first find of that beetle in New Brunswick, and the first outside of Nova Scotia. It is suspected that the pest was transported to New Brunswick on firewood.

The beetle, which first landed in Halifax, NS, from Europe a decade ago, has a very "sporadic" spread, Andrew Fedora, executive director of the Federation of Nova Scotia Woodland Owners, and relies on humans to get anywhere, often hitching a ride on untreated firewood.

But Ken Hardie of the New Brunswick Federation of Woodlot Owners said there's no reason to panic.

"It's a bug in a trap," Hardie said, pointing out there are hundreds of traps to monitor for new species in New Brunswick. "There's no harvesting that takes place in parks," Hardie said, noting that a quarantine of the area shouldn't affect woodlot owners.

Alberta Forest Products Shipments

Shipments of lumber, panelboard, pulp, and paper manufactured by Alberta Forest Products Association-member companies totalled approximately \$550 million for 2Q 2011, representing a 7.3 per cent decrease, or \$43 million, from 2Q 2010, and down \$25 million, or 4.4 per cent, from 1Q 2011. [READ MORE](#)

US Mortgage Lawsuit

The Federal Housing Finance Agency, which represents mortgage giants Fannie Mae and Freddie Mac, is getting ready to file lawsuits against "more than a dozen big banks" saying they misrepresented the safety of mortgage-backed securities that led to billions in losses. The suits could come as early as Friday and no later than Tuesday, "shortly before a deadline expires for the housing agency to file claims," reported the *New York Times* Friday morning. The suits are aimed at Bank of America, JPMorgan Chase, Goldman Sachs and Deutsche Bank, among others, according to three individuals briefed on the matter. [READ MORE](#)

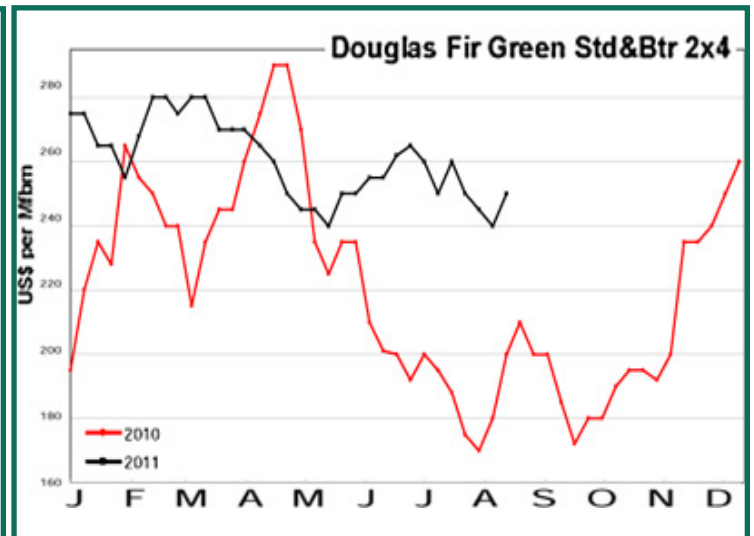
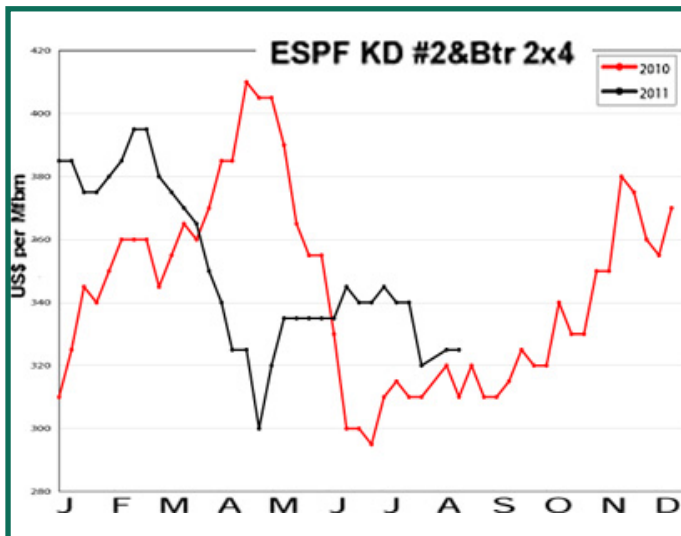
Wildfire Season

Hurricane Irene performed the useful service of a 90 per cent dousing of the stubborn wildfire in Virginia's Great Dismal Swamp, while firefighters this week managed to get most of the wildfires burning in southern California under control.

Other US states continue to battle smaller blazes. [READ MORE](#)

New Property Ownership Rules in China

Concern over a real estate bubble in China's major cities has prompted authorities to draft new rules on ownership of multiple properties. [READ MORE](#)



US House Prices

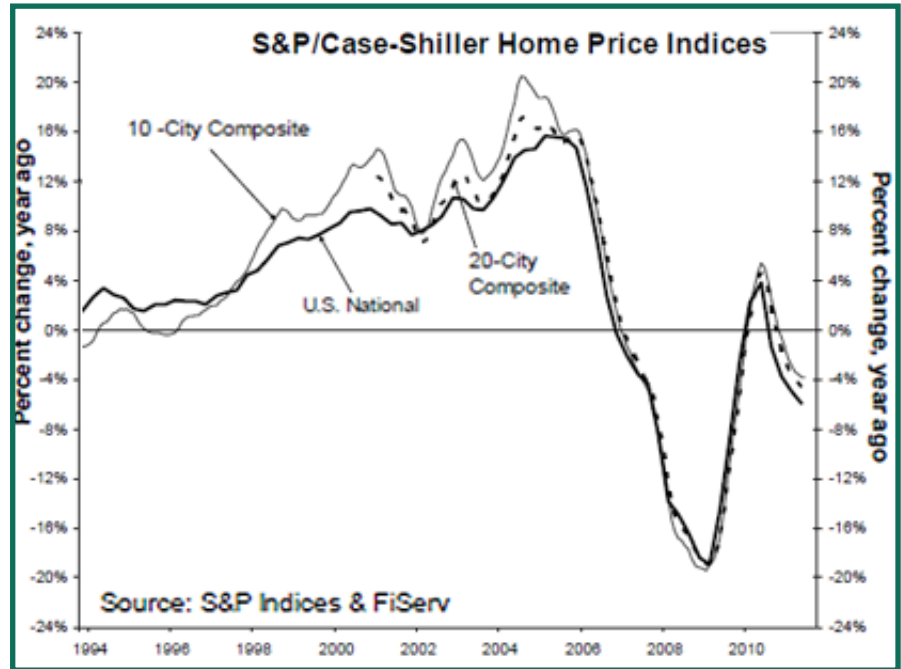
US home prices rebounded in 2Q over the previous quarter, but were still lower than a year earlier and remain at 2003 levels, according to the **S&P/Case-Shiller** index released on Tuesday.

On a seasonally adjusted basis, home prices were virtually unchanged in June over May, losing just 0.1 per cent on the index, showing the sluggishness of the sector's recovery despite low interest rates.

On an unadjusted basis, there was a 1.1 per cent pickup in June over May and a 3.6 per cent quarter-to-quarter jump, suggesting a bottoming out of the second trough of the "double-dip" price slump of the housing sector.

CoreLogic's home price index in July rose 0.8 per cent from the month before. Prices declined 5.2 per cent from July 2010, an improvement from June's year-over-year decline of 6.0 per cent.

Excluding distressed sales, prices fell just 0.6 per cent from a year ago.

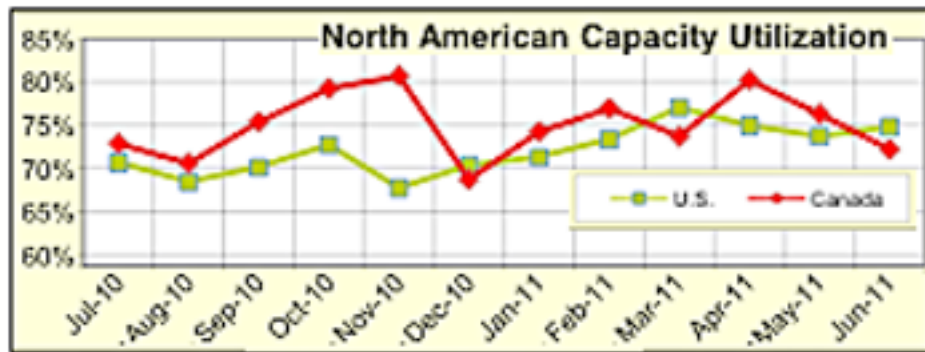


Data DIGest: a weekly summary of economic news by the Associated General Contractors of America

US construction employment totaled 5,524,000, a dip of 5,000 from July and a gain of 4,000, or 0.1 per cent, since August 2010. The industry unemployment rate fell from 17 per cent a year earlier to 13.5 per cent, not seasonally adjusted, and the number of unemployed people who previously worked in construction shrank by 329,000 over the year. Since only a few thousand workers have been added to construction payrolls in that span, the drop in unemployed workers suggests they are leaving the industry.

US construction spending totalled US\$790 billion at a seasonally adjusted annual rate in July, down 1.3 per cent from June's upwardly revised total of US\$800 billion (initially estimated at US\$772 billion) and nearly unchanged from the July 2010 level, the Census Bureau reported on Thursday.

The apparent year-over-year stability masked divergent public and private trends, however. For the first time in several years, there were 12-month increases in both private residential construction, up 5.3 per cent, and private nonresidential construction, up 5.7 per cent.



USDA Profile: Softwood Sawmills in the United States and Canada, WWPA



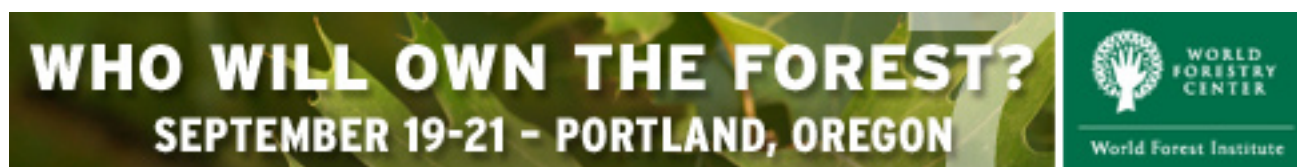
Source: Southern Forest Products Association, U.S. Census Bureau, Council of Forest Industries, WWPA

Prices are in U.S. dollars per 1,000 fbm.

Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	248	228	+20	248	0	227	+21
WSPF KD R/L 2x6	264	250	+14	258	+6	238	+26
WSPF KD R/L 2x8	282	280	+2	286	-4	276	+6
WSPF KD R/L 2x10	282	280	+2	286	-4	315	-33
WSPF KD PET 2x4 Stud	250	250	0	222	+28	205	+45
Douglas Fir Green R/L 2x4	240	240	0	260	-20	210	+30
Douglas Fir Green R/L 2x10	290	280	+10	307	-17	268	+22
ESPF KD 2x4 8ft Stud	315	310	+5	330	-15	270	+45
OSB Ontario 7/16" (CDN\$)	210	205	+5	205	+5	222	-12

Weekly News



Lumber Shipments, Alberta

CONTINUED Alberta Forest Products Association-member companies shipped 730 million mfbm in lumber products between April and June 2011 with a value of \$168.6 million. Part of this production came from the secondary manufacturing sector. Total shipments were up 3.2 million mfbm, or 0.4 per cent, from 2Q 2010, but weaker prices caused values to slip \$28.1 million, or 14.3 per cent. Compared to 1Q 2011, lumber shipments were up by 73.5 million mfbm, or 11.2 per cent, but values decreased by \$23.6 million, or 12.3 per cent.

AFPA-member panelboard operators produced 302.5 million square feet of 7/16 inch equivalent product in 2Q 2011 valued at \$68.6 million. Production was up 7.8 million square feet, or 2.7 per cent, but value decreased \$26.9 million, or 28.2% per cent, compared to 2Q 2010. When looking at 2Q 2011 versus 1Q 2011, panelboard production was up 17.4 million square feet, or 6.1 per cent, and value declined \$0.9 million, or 1.3 per cent.

Mortgage Lawsuit, US

CONTINUED The suits stem from subpoenas the finance agency issued to banks a year ago. The suits will argue the banks, which assembled the mortgages and marketed them as securities to investors, failed to perform the due diligence required under securities law and missed evidence that borrowers' incomes were inflated or falsified. When many borrowers were unable to pay their mortgages, the se-

curities backed by the mortgages quickly lost value.

Fannie and Freddie lost more than US\$30 billion, in part as a result of the deals, losses that were borne mostly by taxpayers.

In July, the agency filed suit against UBS, another major mortgage securitizer, seeking to recover at least US\$900 million.

Besides the angry investors, 50 state attorneys general are in the final stages of negotiating a settlement to address abuses by the largest mortgage servicers, including Bank of America, JPMorgan and Citigroup. The attorneys general, as well as federal officials, are pressing the banks to pay at least US\$20 billion in that case, with much of the money earmarked to reduce mortgages of homeowners facing foreclosure.

And last month, the insurance giant American International Group filed a US\$10 billion suit against Bank of America, accusing the bank and its Countrywide Financial and Merrill Lynch units of misrepresenting the quality of mortgages that backed the securities AIG bought.

North America Wildfires

CONTINUED The Toquerville Falls Wildfire, in southwestern Utah, had blackened 207 acres of grass, mixed brush, pinyon and juniper trees and was 30 per cent contained as of Friday morning, said Nick Howell of the Color Country Fire Management Office.

Raging wildfires in northern Texas had burned about 6,200 acres of land by

Friday morning, aided by strong winds and high temperatures earlier in the week. The blaze has so far destroyed at least 39 homes and nine recreational vehicles and is only partially contained, Tom Berglund, an officer with the Lone Star Incident Management Team said Friday morning.

In Oklahoma fires have also destroyed dozens of homes and up to 4,000 acres, Oklahoma City fire Deputy Chief Marc Woodard said also Friday.

Venezuela Seizes Smurfit Land

In a bid to double the amount of Venezuelan land under cultivation, President Hugo Chavez has nationalized large swaths of Venezuela's economy, including much of its vital oil sector.

Thursday Chavez ordered the removal of Irish cardboard maker Smurfit Kappa Group from all its farm land in the agricultural state of Portuguesa.

Chavez seized 1,500 hectares of land from the Dublin-based paper products company in 2009, claiming that Smurfit's eucalyptus plantations have dried sources of water for irrigation in Portuguesa that should be used to grow vegetables.

Agriculture Minister Juan Carlos Loyo said Smurfit still operates on about 12,000 hectares, or 29,640 acres, of land between the central plains states of Portuguesa and Lara.

Smurfit Kappa, which is Europe's biggest maker of cardboard boxes, counts the South American country as one of its smallest markets, generating about 4 per cent of its €6.7 billion in revenues last year for the company.

Construction in China

Home Ownership

by Kéta Kosman

Troubling signs out of China's booming construction industry this week might point to a slow down in new building projects in that country. Tightening credit opportunities and restrictions on access to funding have already manifested as lower demand by China's importers of wood products from North America. China has expanded its property control measures this year, raising down-payment requirements and mortgage rates to ease gains in home prices. The government said last month it will rein in residential prices in smaller cities.

China's huge land mass and ballooning population make sizable regional differences in both new construction and property ownership trends.

The Asian Development Bank released a report in early August titled "*Asia 2050: Realizing the Asian Century*", which found that China, already the second largest economy in the world, is set to overtake the US economy by 2020. If China's growth continues as expected, 75 per cent of that population will qualify as middle class by 2030, the ADB report says.

Chinese Premier Wen Jiabao said in a *Qiushi* magazine, an official publication of the ruling Communist Party, essay this week that the nation needs to focus efforts on curbing housing price gains in second- and third-tier cities.

"We must unswervingly curb irrational housing demand, continue to strictly implement differential housing loans, tax policies and restriction on purchases," Wen wrote.

However, China "must not slacken" on its plan to build affordable housing, Wen said in the article, adding the government will increase monitoring of those cities that fall behind in construction of these cheaper homes.

China will expand its efforts to curb price gains in smaller cities after limiting home purchases in Beijing and Shanghai, according to a July 14 summary of a State Council meeting chaired by Wen. The government said so-called second

and third-tier cities which have seen excessive price gains should restrict the number of homes each family is allowed to buy, according to the State Council.

In 2008, Beijing helped support a faltering global economy by unleashing a wave of bank lending that fuelled China's construction industry - and commodity exporters everywhere. Now, with global markets buckling under concerns of a double-dip recession in the US and sovereign-debt woes in Europe, China's high inflation means it can't perform a similar trick without watching prices shoot up further.

Lu Qilin, an analyst at Shanghai Devovente Realty said to the *Shanghai Daily* Wednesday "It is time to take action when speculators, who are barred by the housing purchase restrictions in metropolises like Beijing and Shanghai, have been going to smaller cities."

"Although Taizhou's economy has grown rapidly, which supported rising property prices, the large inflow of speculative funds will easily create a dangerous bubble," *Beijing News* reported. It added that the newly-enacted policy in Taizhou may curb rising prices.

In July, only 14 out of 70 cities saw a fall in property prices, and growth spiked in second- and third-tier cities.

Some analysts were worried that local governments in second-tier cities may be reluctant to use such curbs for fear of hurting their property sector, which drives their economies, according to *Shanghai Daily*.

In a bid to cool down real estate speculation, national officials are building a database, to be shared among 40 cities, where information about property ownership will be readily accessible.

"The shared database will involve two procedures," an official from the Ministry of Housing and Urban-Rural Development told the *Beijing Times* on Sunday. "First, records about properties and their ownership would be sorted out and put into the database. Then information about earlier sales of properties will go online."

The database will reveal when people buy several properties in some of these 40 cities. Analysis of these records will show the money flow from one city to another, thus helping the authorities to supervise more closely the housing market in dif-

ferent areas and reduce speculation.

The regulation stipulated that families that planned to buy houses should apply for a properties check from the authorities, and they should have records of personal income tax or social insurance paid in the city for at least one year out of the previous two years.

More than 20 second- and third-tier cities have decided to impose purchase limits and more cities are likely to follow them. The whole process will be finished by the end of August and local governments may release their regulations in September.

With many low-income residents still lacking adequate shelter, experts say the government should focus on welfare housing projects in its effort to address the country's out-of-whack housing market.

The Central Government has vowed to build a total of 36 million welfare apartments within the next five years.

Taken regionally, some areas of China - such as Ordos, a city with a population of less than 2 million, in the province of Inner Mongolia - are seeing continued long term spikes in investment and construction.

Cranes and construction projects are everywhere. Tens of thousands of homes have been built since 2006 that are snapped up as soon as they are launched, according to *Asia Channel News* Tuesday. It's said that some of the rich buy property by the blocks, while waiting for the price to appreciate, but the homes have been left empty. Indeed, price per square metre has risen to more than US\$1,000, from US\$300 five years ago.

The millionaires or billionaires who have gone rich overnight have turned to investing in property as a way to store cash, stockpiling on empty units. But locals are optimistic that the occupancy rate will rise, as soon as amenities such as hospitals and schools are completed, says Asia Channel News.

Stephen Joske, director of the Economist Intelligence Unit's China Regional Forecasting Service, said Wednesday to Abu Dhabi's *The National*, "It is an urbanization that got ahead of itself". He added that vacancy rates in many of the areas of urban China he has studied are above 20 per cent.