

MADISON'S LUMBER REPORTER

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

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

In Canada, add GST or HST
ISSN 0715-5468

Printed in Canada © 2011

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News & Updates

Northern British Columbia Truckers Revolt

As of Monday, approximately 65 logging trucks and their drivers were sitting idle at Canfor's Fort St. John's, BC, and Peace Valley OSB, BC, plants, while negotiations were ongoing, according to *Energeticcity.ca*.

Kurt Halladay, a truck owner/operator, said the drivers make \$140 an hour on average, which could be up to \$80 less than the oil field trucks make. Oil field drivers are still delivering to and from the Fort St. John plants.

Halladay explained that negotiations are happening between the contractors and the loggers, and offers are being brought to the drivers for approval, although he is not involved in the negotiations. Two weeks ago, Halladay says Canfor even tried to give them a pay cut, retroactive to October 24, of up to \$9/hour. He hopes an agreement between the two sides can be made soon, says *Energeticcity*.

Meanwhile, Tolko responded quickly to logging truck drivers after some of them took job action Monday morning, according to *CKNW 1150*. Up to 60 contract and independent drivers refused to deliver logs to a number of company operations, including White Valley, Lavington and Armstrong.

Tolko regional manager Mark Tamas says meetings will be held with contracted drivers on a number of safety concerns. He says one issue deals with weight restrictions on the trucks.

Interior Logging Association spokesperson Wayne Lintott said another matter involves the heavy traffic on, and the condition of, the Kettle Valley logging road, east of Lumby. Lintott maintained that drivers also want rate parity with logging truck drivers in the north, says *CKNW*. Lintott said all the drivers will be back on the job Tuesday.

Canadian Housing Starts

The Canada Mortgage and Housing Corporation said Tuesday there were 207,600 housing starts in October, down 0.6 per cent from a revised 208,800 units in September.

Urban single-house starts were down nine per cent, while multiple-unit urban starts were up by 1.7 per cent. [READ MORE](#)

Timber Pest Battles Globally

A guide published Thursday by the United Nations aims to help countries prevent forest-damaging pests from spreading to new areas. The guide, put together by the Food and Agriculture Organization, was presented by the agency in Beijing, during the Second Asia-Pacific Forestry Week. [READ MORE](#)

Sawmill Fires

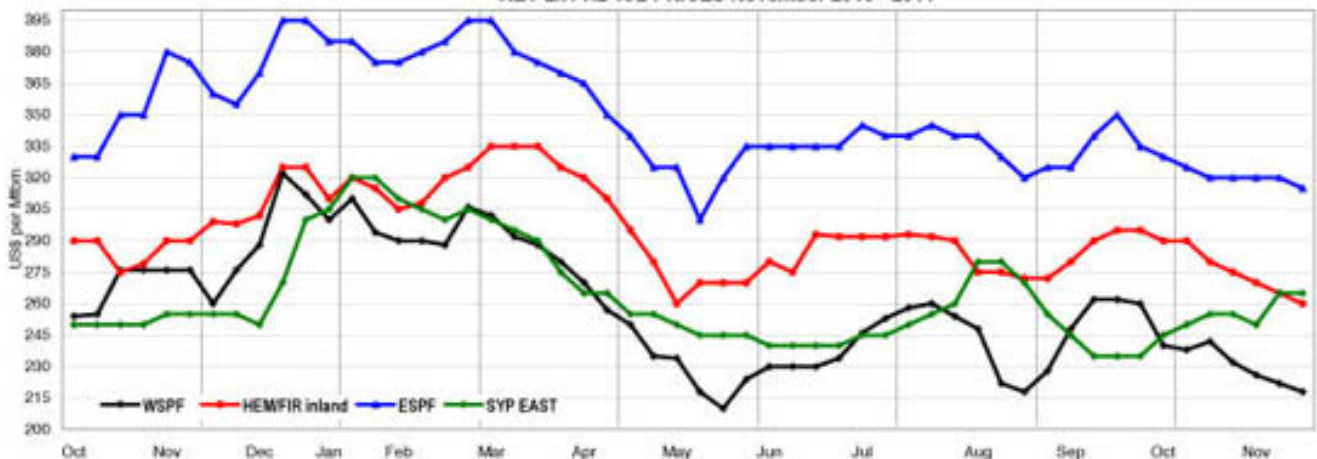
Fire crews were called to Babcock Lumber, in Donegal, close to Pittsburg, PA, early Saturday morning.

Twenty-two firefighters fought a blaze Wednesday at ST Wood Products' lumber storage facility in Fleetwood, a part of Surrey, BC. [READ MORE](#)

BC Trade Mission to Asia

The Premier of British Columbia, Christy Clark, as well as several Cabinet Ministers, are in the midst of the latest BC trade mission to China, and beyond. [READ MORE](#)

KEY 2x4 KD R/L PRICES November 2010 - 2011



Canada International Merchandise Trade

Canada's merchandise exports grew 4.2 per cent in September, while imports declined 0.3 per cent, said Statistics Canada Thursday. As a result, Canada's trade balance with the world went from a deficit of \$487 million in August to a surplus of \$1.2 billion in September. It was the first trade surplus since January 2011.

Exports rose to \$39.7 billion, the highest value since October 2008, as six of seven sectors posted gains in September. Prices, which rose 3.9 per cent, were the main factor behind the increase. Volumes edged up 0.3 per cent.

Imports decreased to \$38.5 billion, as volumes fell 3.1 per cent and prices increased 2.8 per cent.

Exports to the United States increased 5 per cent to \$28.2 billion, the highest value since January 2011. Imports from the United States decreased 1 per cent to \$23.8 billion. As a result, Canada's trade surplus with the United States rose from \$2.8 billion in August to \$4.4 billion in September.

US Economy, Trade

The US trade deficit unexpectedly narrowed in September on record exports and jobless claims fell to a seven-month low, indicating the world's largest economy may be poised to strengthen.

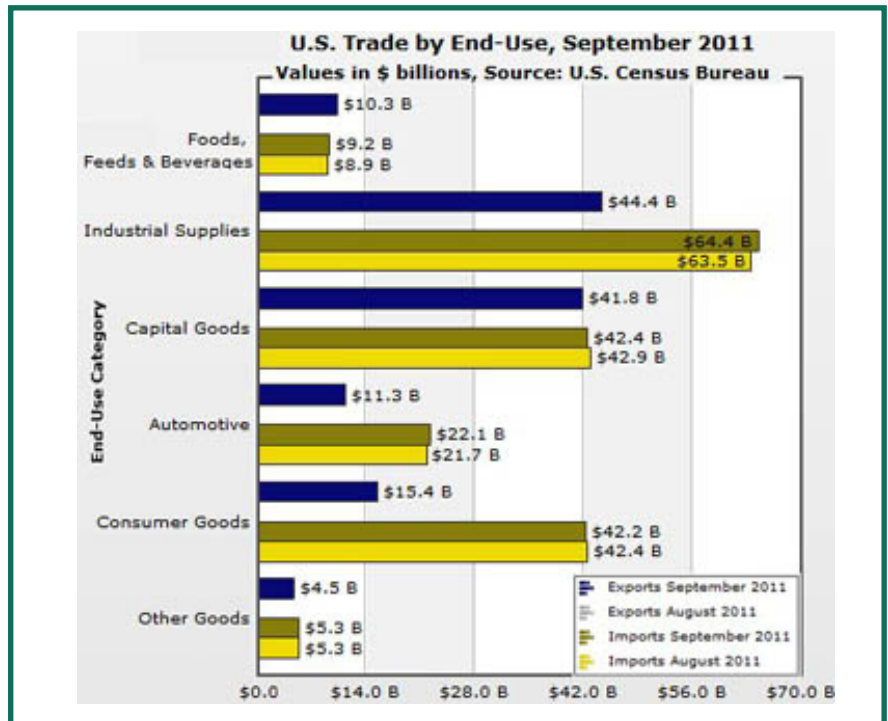
The trade shortfall shrank 4 per cent to US\$43.1 billion from a revised US\$44.9 billion in August that was smaller than initially reported, the Commerce Department said in Washington.

Imports rose 0.3 per cent in September, while exports climbed 1.4 per cent.

Exports climbed to US\$180.4 billion in September, setting a new monthly record, from US\$177.9 billion, boosted by overseas shipments of industrial supplies, capital equipment, automobiles and consumer goods. Nonmonetary gold, soybeans and organic chemicals were the top three contributors in terms of monthly growth.

After eliminating the influence of prices to render the figures used in calculating gross domestic product, the trade deficit averaged US\$45.8 billion in the third quarter. The number was less than the US\$47.2 billion deficit average in the second quarter.

First-time applications for unemployment benefits declined by 10,000 to 390,000 last week, the Labor Department said.



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	218	222	-4	242	-24	276	-58
WSPF KD R/L 2x6	240	250	-10	256	-16	274	-34
WSPF KD R/L 2x8	252	258	-6	266	-14	280	-28
WSPF KD R/L 2x10	240	250	-10	266	-26	325	-85
WSPF KD PET 2x4 Stud	215	220	-5	240	-25	245	-30
Douglas Fir Green R/L 2x4	220	218	+2	238	-18	200	+20
Douglas Fir Green R/L 2x10	310	290	+20	280	+30	285	+25
ESPF KD 2x4 8ft Stud	300	300	0	305	-5	300	0
OSB Ontario 7/16" (CDN\$)	195	195	0	195	0	210	-115

Weekly News

Housing Starts, Canada

CONTINUED The drop in housing starts was partly offset by a 2,700-unit gain in rural units and 2,100-unit gain in urban multiple units.

Quebec faced the biggest drop, with annualized urban starts falling by more than 15,000 units. The Atlantic region fell 5,700. The Prairie region rose by more than 9,000 units, Ontario was up more than 7,000 and BC added 400.

Actual starts nationwide rose to 18,360 in October from 15,759 in October 2010.

CMHC expects new housing starts to come in around the 191,000-unit mark this year and level off next year to about 186,750 units.

The average home price in Canada for 2011 is expected to be \$363,900 in 2011, and reach \$368,200 in 2012.

Pine Beetles

CONTINUED At least 35 million hectares of forest are damaged by outbreaks of insect pests each year.

According to a news release issued by the UN's FAO, one of the factors that have exacerbated the spread of pests has been the increase in global trade. Between 1992 and 2008, the volume of wood products traded internationally surged by 125 per cent.

The Guide to Implementation of Phytosanitary Standards in Forestry provides various ways to cope with these threats.

The guide, which was written by an international group of scientists and plant health experts, is intended for policy-makers, managers and forest workers. In addition, FAO has stated its focus will now shift to strengthening individual countries' capacities to implement the guide.

The timber industry can only do so much to fight the spread of the mountain pine beetle in Colorado and Montana, says Northern Hills District Ranger Rhonda O'Byrne.

Officials in the timber industry said

they're to the point where they need to be extremely selective of where they treat the forest for beetles, simply due to the sheer size and growth of the infestation.

The US Forest Service estimated that in 2009, the beetles infested almost 22,000 new acres (8,900 hectares) of forest. That number jumped to 44,000 (17,800 hectares) in 2010, and early estimates for 2011 place the new infestation even higher, in the range of 50,000-60,000 (20,200 to 24,200 hectares) new acres.

While the acreage grows, the timber industry's capabilities remain about the same. Tom Shaffer, general manager with the Neiman Timber Company, based in Wyoming, said to the *Black Hills Pioneer* that the industry logged on about 28,000 acres (11,300 hectares) last year. Dan Buehler, company resource manager, added that they probably could have managed about 40,000 acres (16,200 hectares).

North of the border, UNBC ecosystem science and management professor Art Fredeen is working on finding the answers to questions like: How should stands of trees killed by pine beetles be cut down, where should logging take place, and when is the best time to harvest that wood?

UNBC has been given a \$100,000 grant to fund a two-year research project that will be used to help shape provincial forest management policy to deal with stands of dead pine.

"With climate change in mind, the carbon stored in wood longterm is a good thing for the atmosphere, but if we burn it for bioenergy it ends up in the atmosphere right away, causing climate change," Fredeen said.

"There is a desire to maximize the amount of carbon storage, either in forest or wood products. Bioenergy or to a lesser extent, pulp and paper are not good options if you want to store carbon."

Originally, scientists believed the shelf life of beetle-killed wood for lumber would be only few years but Fredeen has talked to mill workers who are still finding good quality lumber in affected pine tree logs. He said the shelf life might be one or two decades, depending on how wet the climate of the forest is.

The BC pine beetle infestation covers an area of 17.5 million hectares, similar in size to New Brunswick.

Sawmills, Financial Results

CONTINUED Officials said the blaze at Babcock Lumber near Pittsburgh, PA, started at about 9:30 am when more than 20 propane tanks exploded. The entire building was lost, and another property close by was damaged, including dry lumber, sticks to sort lumber, and a Chevy truck used by the mechanics.

The lumberyard is not open for business on Saturdays, so no employees were on the scene except for one security guard, police said.

Elsewhere, when crews arrived heavy smoke and flames were shooting from the structure at ST Wood Products in Surrey, BC, Wednesday.

There is no word yet on the cause of the blaze, and there were no injuries reported. Seven trucks were dispatched to the two-alarm blaze.

In financial news, Cascades Inc has reported a loss of \$19 million in 3Q 2011.

In the same quarter last year, Cascades reported a profit of \$24 million.

Ainsworth Lumber has recorded a net loss from continuing operations of \$58.9 million in 3Q 2011 compared to net income of \$10.5 million for the same time last year.

This decrease is primarily due to a \$60.5 million increase in the unrealized foreign exchange loss on long-term debt and a \$9.5 million decrease in gross profit, partially offset by a \$5.7 million increase in income tax recovery.

New Trade with Asia

A Canadian Mission

Representatives from the governments of Canada and British Columbia, together with groups from a wide range of industries, have descended upon China, Japan, and later this week India, in a blitz of trade missions sure to forge stronger business relations between the respective countries.

by Kéta Kosman

The Honourable Joe Oliver, Canada's Minister of Natural Resources, BC Premier Christy Clark, Pat Bell, BC Minister of Tourism, Jobs and Innovation, and Steve Thomson, BC Minister of Forests, Lands and Natural Resource Operations departed for China November 4. Former BC Forests Minister and current Minister of Health, Mike de Jong, joins Clark on the India leg of the tour, which starts Thursday. Two hundred and fifty representatives from more than 120 companies and organizations representing sectors such as mining, energy, forestry, seafood, transportation and education are participating in the China part of the tour, with about half that number attending the Japan tour with Minister Thomson.

Federal Minister Oliver continued to highlight the phenomenal growth in exports of wood products when he met with Vice Minister Qiu Baoxing, Ministry of Housing and Urban Rural Development, as well as with Clark and Bell, to discuss trilateral cooperation on wood-frame housing in China.

In a conference call with media Monday, Bell explained that despite a slowing in China's demand for BC wood products in recent months, there are signs demand for logs and lumber will continue to grow.

"We're not expecting to see another doubling of lumber sales heading into 2012. I think that would be unrealistic based on the volume we are already moving over here, but we are still seeing good signs," said Bell.

After an evening meeting with BC's forest companies, Bell came away with the understanding the provincial forest industry is still bullish on China. "They see this as a growth market," Bell said.

Building on efforts begun in previous trade missions, Bell will also meet with government officials responsible for delivering 85 million housing units over the next five years in hopes of securing agree-

ments for a large portion of that wood to come from BC.

Also on Monday, Oliver announced a demonstration project consisting of two wood-frame apartment buildings totaling 6,000 square metres located in the Tianjin Economic Development Area, one of China's most advanced and largest development zones. The Government of Canada's \$660,000 contribution to this project was funded under the Large-Scale Wood Demonstration Initiative as part of Canada's Economic Action Plan. Construction of the project is expected to be complete by mid-December of this year.

Wednesday Oliver spoke at the Jinqiao Wood Townhouse Demonstration Project, which consists of 133 green three-storey townhouses constructed in Shanghai as part of the larger Jinqiao Townhouse Development Project. This demonstration project is one of several in China funded by the Government of Canada to showcase the low-carbon, environmentally friendly and energy-efficient properties of wood-frame construction, and to assist China in meeting its national goals of reducing carbon emissions in new housing projects.

Mid-sized and smaller cities in the interior of China are growing. Sichuan province in the landlocked southwest is home to 80 million people. Its first half, Shichuan's GDP beat the national average, growing 14 per cent compared to national GDP of 9.6 per cent, according to *Forbes Magazine*. Car sales are up, and more roads are being built.

In a conference call Thursday, Thomson said "there is a tremendous process of urbanization and construction in China providing significant opportunities for the use of wood."

Thomson also mentioned a new memorandum of understanding just signed between BC representatives and Shanghai Shi Real Estate for 98 new single-family homes in Shanghai. Thomson explained that Shanghai Shi is the sixth largest developer in the area and that this will be the company's first project working with BC.

"Traditionally that company builds with steel and concrete," said Thomson.

Regarding projects already started and memoranda of understanding already signed, Thomson said, "they are getting a lot of attention from around China. Architects and planners are coming from all over the country to be educated in the process of building with wood."

Thomson said that Forestry Innovation Investment and Canada Wood Group are on the ground in China to "provide technical assistance. China is interested in reducing its carbon footprint, particularly in commercial projects [and building with wood is a great way to do that]."

The China leg of this trade mission was over Thursday, as Clark and Bell head to India. It being early morning of Thomson's first day in Japan, he provided a preview of that day's announcements.

"The government of BC is providing \$2 million in reconstruction funding for areas damaged by the Great Eastern Earthquake and Tsumani earlier this year. This is in addition to the \$1 million already sent by BC to the Red Cross in the spring immediately following the disaster. In Tohoku, BC will assist in reconstruction of a community facility like an elder care centre or a school, with particulars to be decided by the local government. The forest industry of BC will provide \$500,000 for this project, which is in addition to the \$500,000 already sent by industry to the affected area. The project will be built using BC lumber exclusively for its wood needs.

Thomson also voiced optimism for BC's forest industry, saying that the feedback he was getting from their meetings was of "positive discussions" with Japan's leading buyers of solid wood products.

"The companies are reporting continued growth" of Japan's demand for BC lumber.

"Eighteen per cent of BC forest products go into Japan, so this is a significant legacy program, and will have a lasting benefit to our province," concluded Thomson.

In related news, UBC's highly-regarded Sauder School of Business will be opening a new office located alongside the province of BC's Trade Office in Bangalore, India. This initiative will be announced in Bangalore at a November 15 event hosted by BC Premier Christy Clark. As well, UBC will be opening an office in New Delhi in partnership with the University of Toronto.

Delegates from Langley, BC-based Christian school, Trinity Western University, are participating in the BC trade mission's visits to Shanghai and Beijing, where they will sign two agreements - one with the Tianjin Education Association for International Education and the other with Hebei University. The agreement with Hebei University is meant to open up cultural, faculty, and student exchange opportunities for both institutions. It also sets the stage for the development of joint programs in the future.