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News & Updates

Alberta Forest Products Association 3Q

Values of lumber, panelboard, pulp and paper manufactured by Alberta Forest Products Association-member companies totalled approximately \$548 million for 3Q 2011. The value of production was down roughly \$2 million from the previous quarter and \$50 million from the 3rd quarter of 2010.

AFPA-member companies produced 720 mmfbm of dimension lumber products between July and September 2011 with a value of \$172.9 million. Part of this production came from the secondary manufacturing sector. Total production volumes were down 12.1 mmfbm or 1.7 per cent from 3Q 2010, but stronger prices led to a \$3.3 million or 1.9 per cent increase in values. Compared to 2Q 2011, volumes were down by 9.9 mmfbm, or 1.4 per cent, but values increased by \$4.3 million, 2.6 per cent.

AFPA-member panelboard operators produced 273 million square feet of 7/16 inch equivalent product in 3Q 2011, valued at \$67.5 million. Production was down 11.3 million square feet, or 4 per cent, and value decreased \$5 million, or 6.9 per cent compared to 3Q 2010. Production was down 29.5 million square feet, or 9.8 per cent compared to 2Q 2011, but pricing factors moderated the decline in value to \$1.1 million, or 1.6 per cent.

Canadian Housing Starts

New home building across Canada dropped by a sharp 13 per cent in November as the volatile sector that represents condos and apartments showed declines.

Housing starts in Canada fell in November to a seasonally adjusted annualized rate of 181,100 units from an upwardly revised 208,800 units a month earlier, Canada Mortgage and Housing Corp said Thursday. [READ MORE](#)

Texas Wildfire Tally

The costs for this year's raging wildfires in Texas have been added up. The Insurance Council of Texas estimates that US\$325 million will be paid out to people who lost houses during the Labour Day wildfires in Bastrop County. This latest figure is up from previous estimates of US\$250 million. More than 1,600 homes were destroyed earlier this year.

"This one individual fire – the Bastrop fire – has become the costliest wildfire in Texas history," said Mark Hanna, spokesperson for the Insurance Council of Texas.

Overall 2011 wildfire insured losses are projected to hit US\$500 million. The previous record was US\$115 million in insured losses in 2009, ICT says. [READ MORE](#)

Housing Starts, Japan

Seasonally adjusted, the number of new housing units built in Japan for October rose by 3.9 per cent, to 774,000, according to *Japan Lumber Reports*. Total October starts dropped by 5.8 per cent compared to one year ago, to 67,276 units. [READ MORE](#)

Climate Change Talks, Forestry Issues

While an EU-lead Road Map proposal was met with consensus agreement late Thursday at the world climate change forum in Durban, South Africa, a couple of unexpected occurrences mid-week have stalled talks related to forestry issues. [READ MORE](#)

CANADIAN HOUSING STARTS

Actual and Seasonally Adjusted Annual Rates

	November 2011		October 2011	
	Actual	SAAR	Actual	SAAR
Canada, all areas	16,615	181,100	18,360	208,800
urban ctrs with >10,000	14,701	158,900	16,388	185,700
singles, urban centres	5,920	63,600	5,472	61,400
multiples, urban centres	8,781	95,300	10,916	124,300
rural areas	1,914	22,200	1,972	33,100
Atlantic urban centres	674	7,800	638	7,800
Quebec urban centres	3,804	38,300	3,488	38,300
Ontario urban centres	4,828	49,800	6,286	49,800
Prairie urban centres	3,154	36,200	3,605	36,200
BC urban centres	2,241	26,800	2,371	26,800

Source: Canada Mortgage and Housing Corporation

JAPANESE HOUSING STARTS

Month	TOTAL	Non-Wood	Wood	%Wood
Oct-11	67,273	29,198	38,075	57
Sep-11	64,206	27,525	36,681	57
Aug-11	81,986	35,085	46,901	57
Jul-11	83,398	35,238	48,160	58
Jun-11	72,687	32,438	40,249	55
May-11	63,726	29,600	34,126	54
Apr-11	66,757	31,475	35,282	53
Mar-11	63,419	27,994	35,425	56
Feb-11	62,252	28,720	33,532	54
Jan-11	66,709	30,969	35,740	54
Dec-10	74,517	30,917	43,600	59
Nov-10	72,838	31,384	41,454	57

Source: Japan Wood Products Information and Research Center

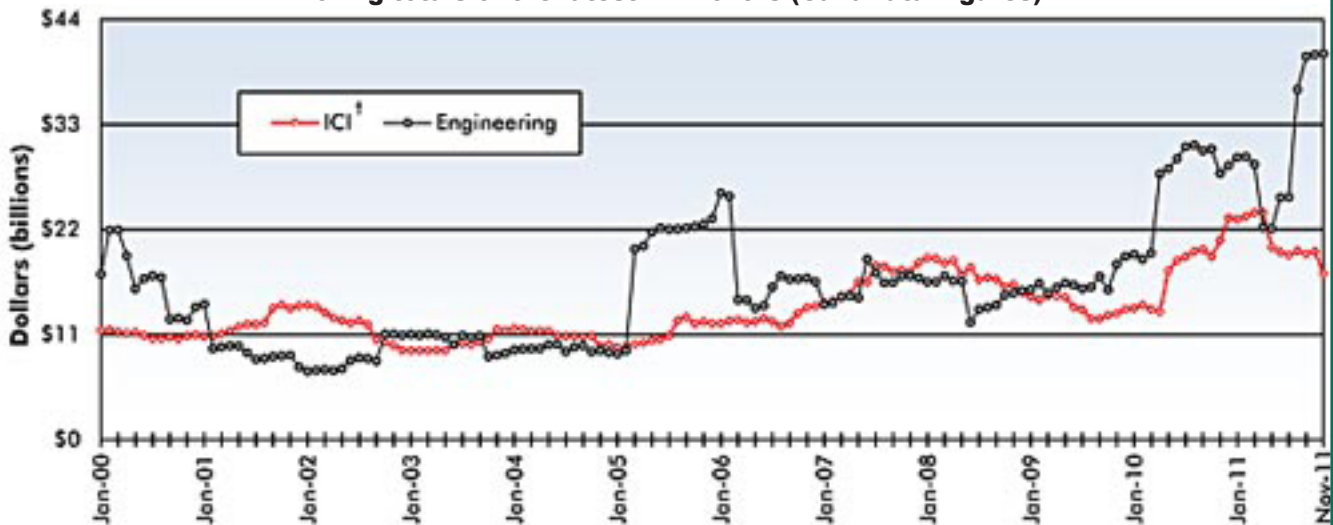
US Construction Materials Price Index Falls in October

The US Bureau of Labor Statistics reported December 2 that the Producer Price Index for construction materials fell 0.6 per cent in October after holding steady in September. Despite the recent decline, the measure was up 6.9 per cent from a year earlier, and 5.6 per cent higher than October 2008. Cement prices, which rose 1.3 per cent in September, returned to their generally downward movement over the last three years, falling 0.7 per cent. Cement prices were down 1 per cent since the end of last year, 1.7 per cent since October 2010, and 10.7 per cent since October 2008.

“The movement in softwood lumber appears to be more bouncing around its recent price of \$260 per thousand board feet, a still relatively low (though certainly not the lowest) price on a historical basis”, says Bernard Markstein, Reed Construction Data’s US Chief Economist, on the organization’s website. “It is not unusual for lumber prices to move up in late fall and winter as the weather forces a curtailment of logging operations. This is partially matched by a normal seasonal slowdown in residential construction activity, though the two are not always perfectly matched. Potentially more troubling from a longer-term price perspective is that Canada, responding to weak US demand and impediments to exporting to the US arising out of the Softwood Lumber Agreement, has focused much effort to expanding exports to other countries with Asia, China in particular, a chief target. That effort appears to be paying off and may explain some of the recent price movements.”

“Given that commodity prices generally rise faster than overall inflation during the mature phase of an economic recovery,” Markstein continues, “the current low inflation environment will end a few months after world economic growth turns about from the current slow pace to near an average 3 per cent plus rate. The earliest that this could happen is spring of 2012, but there is a high likelihood of delay due to both the United States and Europe implementing spending cuts in response to their respective central government deficit/debt problems. Contractors should expect a two or more quarter window with their materials costs rising the same or less than overall inflation.”

Trend lines of construction starts in Canada – November 2011 Moving totals of the latest 12 months (CanaData Figures)



SOURCE: Reed Construction Data

Alberta Forest Products Association 3rd Quarter Results

Production Figures and Values – (2010 and 2011)

Lumber Year/Quarter	2010		2011	
	Production (mmfbm)	\$C Value (000,000s)	Production (mmfbm)	\$C Value (000,000s)
1 st Quarter	674.7	\$184.8	656.8	\$192.2
2 nd Quarter	727.1	\$196.7	730.3	\$168.6
3 rd Quarter	732.5	\$169.6	720.4	\$172.9
4 th Quarter	698.9	\$188.6		
Yearly Totals	2,833.2	\$739.7	2107.5	\$533.7

Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	238	235	+3	218	+20	276	-38
WSPF KD R/L 2x6	250	245	+5	240	+10	266	-16
WSPF KD R/L 2x8	250	242	+8	252	-2	278	-28
WSPF KD R/L 2x10	255	248	+7	240	+15	330	-75
WSPF KD PET 2x4 Stud	240	235	+5	215	+25	250	-10
Douglas Fir Green R/L 2x4	230	238	-8	220	+10	250	-20
Douglas Fir Green R/L 2x10	320	325	-5	310	+10	320	0
ESPF KD 2x4 8ft Stud	290	280	+10	300	-10	300	-10
OSB Ontario 7/16" (CDN\$)	195	195	0	195	0	200	-5

Weekly News

Housing Starts, Canada

CONTINUED The drop was partly due to a drop in construction of multi-residential buildings such as condominiums. The seasonally adjusted annual rate of multiple starts in urban areas fell 23.3 per cent to 95,300 units.

The more stable and important single family market nudged up 3.5 per cent.

Separate data from Statistics Canada on Thursday showed new home prices climbed 0.2 per cent in October from September, after a similar increase in September.

Nationwide, prices rose 2.5 per cent in the 12 months to October and have been well above the pre-recession levels of 2008 since mid-2010.

Prices were unchanged in nine metropolitan regions and fell in three.

The cost of land only rose 0.2 per cent in the month, as did housing-only prices, StatsCan said.

The heavily populated Toronto area, along with Edmonton, in the oil-rich province of Alberta, contributed most to the gain in the new housing price index.

Downward pressure on prices came from the West Coast cities of Vancouver and Victoria, where the housing market has eased from extreme highs.

Texas Wildfires

CONTINUED "The insurance industry was handing out checks the day after the fire to homeowners who had lost everything," says Mark Hanna, Insurance Council of Texas spokesman, in a statement. "The recovery process will simply take time as insurers continue to pay for additional living expenses for homeowners who are either rebuilding or seeking a new place to call home."

Hanna said to *NU Online News Service* that the US\$500 million loss estimate for

the 2011 wildfires remains the same despite the increased estimate for the Bastrop fire because the other fires did not do as much damage to insured property as previously thought. Many of those fires burned outside of population centers, he notes, while the Bastrop fire struck suburban areas.

This week, Texas Parks and Wildlife Department officials asked the public to visit the state's 94 parks and to make donations to help the parks system, according to the *San Antonio Express-News*.

The Parks and Wildlife Department depends on visitors' park fees to fund about half of its US\$69 million annual budget.

Drought conditions, record heat and wildfires resulted in a dramatic drop in the visits and a huge loss of revenue. The state park system is asking nature enthusiasts for help to recoup some of their losses.

Meanwhile, recent rains in parts of Texas have led to less than half of the state being in the worst category of drought for the first time since last spring.

The US Drought Monitor map released Thursday shows 43 per cent of Texas in exceptional drought, down from 53 per cent last week.

It was the first time since May that the map showed less than 50 per cent in the worst category. The highest percentage came in October at 89 per cent.

Texas is in its worst single-year drought ever. The state has seen an average of about 12 inches of rain since January, just 46 per cent of the normal total of 26 inches.

Blistering temperatures and dry conditions fostered wildfires that blackened about 6,000 square miles and destroyed more than 2,700 homes this year.

Japan Housing Starts

CONTINUED The number of units built for owners in Japan dropped for two

straight months in October to 25,581, says the *Japan Lumber Reports*. Condominium starts rose 7.5 per cent compared to October 2010, to 8,775 units.

Wood-based units made up 56.6 per cent of total new housing starts, a slight drop of 0.5 points due to the increase in condominium starts.

Following the Great Eastern Earthquake and Tsunami, the affected regions of Iwate and Fukushima prefectures showed a 12 per cent and 10 per cent decrease in new starts respectively compared to one year ago, while Miyagi prefectures had a 16 per cent increase, says the *Reports*.

Moody's Downgrades Forestry

In a release that can only be described as laughably behind the times, Moody's Investors Service Thursday downgraded the world's paper and forest products industry to negative, saying it expects a rough year or two of weaker demand and prices resulting from sluggish economies in Europe and North America, increased supply from China and the continued shift away from paper to electronic devices.

Obviously having used historical data to make its forecast, Moody's says the industry's overall income will decline over the next 12 to 18 months as demand or pricing weakens for most of its products. Moody's said it doesn't expect that any cost-cutting measures companies take will be enough to offset these challenges.

The rating agency clearly has ignored several critical issues to the short-term financial health of the sector, most importantly extremely low lumber inventories and sheer lack of log supply.

The rating firm said it likely would raise the outlook to stable if global operating income rises between 0 per cent and 4 per cent in the next 12 to 18 months. The outlook likely would be changed to positive if income growth exceeds 4 per cent. Expect exactly that to happen.

Climate Change And Forestry

As the two-weeks long talks on global climate change wrap up Friday in Durban, South Africa, issues surrounding forestry and forest health seem to have gotten only

by Kéta Kosman

murkier. One of the topics under discussion at Durban is the role carbon farming and other forestry measures could have in reducing emissions. Forests can capture carbon from the air and act as carbon sinks, thus resulting in a lesser release of global warming causing gas into the atmosphere. Countries in the Cancun Agreement decided on a mechanism where polluting organisations in rich nations can offset their emissions by providing money to protect forests.

At Durban, representatives from almost 200 nations were working on the finance text for forestry until early Wednesday, said lobby group Ecosystems Climate Alliance to *Bloomberg BusinessWeek*. Those negotiations are part of wider talks on a global climate treaty to succeed the Kyoto Protocol.

There is “considerable disagreement on market mechanism and whether to include or exclude offsets and carbon markets” under the United Nations’ program of Reducing Emissions from Deforestation and forest Degradation or REDD+, explained Donald Lehr, a spokesman for the alliance. There’s “at least five options on the table regarding finance,” he said to *Bloomberg*.

The REDD+ program was designed to offer extra community and biodiversity benefits alongside emissions savings from preserving forests. It helps finance tree-protection projects by awarding them with tradable credits. With the phase out of the Kyoto Protocol commitment period in 2013, one proposal is to reduce emissions from REDD, or developing, countries, and allow developed countries to count these as “offsets”.

In a surprise move this week, Tuvalu, a small island nation in Pacific, has blocked the proposal supported by India to protect rights of indigenous people living in forests around the world. A global protocol under REDD+ aims to protect tribal communities dependent on forest produce from proposed market interventions. Tuvalu, a country of 10,000 people with less than one per cent forest cover, at the last moment sought inclusion of action against human rights violations in the proposal.

“It is just a last minute bid to block a decision,” said a senior climate negotiator to the *Hindustan Times*. “Every country

has laws against human right violations. Having such a provision under REDD will not make any difference.”

Due to Tuvalu’s proposal, the talks on market intervention has since not moved forward.

While the developed world is not without negative environmental impact in the forest, it is a fact that most unsustainable timber harvest practices still going on in the world today are committed by developing nations, in emerging markets.

New data published in *Science Magazine’s* August issue by the Global Carbon Project, a network of experts on the carbon cycle, indicates that deforestation contributes roughly twice as much to global warming as recent estimates suggested. The new figures indicate that stopping deforestation could cut global carbon emissions by as much as three billion tonnes a year, or the equivalent of more than one-third of fossil fuel emissions. These figures come from the first global assessment of carbon flows between ecosystems and the atmosphere, using millions of ground measurements as well as remote sensing, since 1994.

One reason for the changed estimate is that researchers have finally disentangled emissions from deforestation, at 2.9 billion tonnes a year, from the amount soaked up by regrowth of natural forests on logged and abandoned land, which is put at 1.6 billion tonnes.

In the past, the two have often been lumped together, giving a lower net loss of carbon from tropical forests. But the logged and degraded forests where this regrowth happens are increasingly being targeted by governments and agribusiness to grow oil palm and other cash crops, meaning natural regrowth will decline. Despite deforestation, however, the world’s forests still manage to absorb 2.4 billion tonnes of carbon from the atmosphere each year. But as science has raised the stakes for protection of the world’s forests, UN negotiations aimed at finding money to do that are in crisis.

“Clearing and burning of tropical rainforests is responsible for approximately 15 per cent of global carbon emissions, but conserving forests is one of the most affordable ways to reduce pollution,” said former US President Bill Clinton in a brief address to a large crowd in Durban Wednesday. “Help us fight one of the greatest threats in history.”

“We need to have a COP decision on REDD,” said UN Secretary General Ban Ki-Moon. “We need to support a climate friendly forest sector. And we need innovative policy and actions that can halt deforestation.”

A further complication to the talks came out of Brazil Tuesday. Brazil’s senate has passed a new forest code that threatens to undo many of the legal protections that have helped prevent deforestation in that country in the past few years. The new law, which must first be signed by President Dilma Rousseff, would update legislation from 1965. It reduces the amount of forest cover that rural landowners need to maintain on their property, and gives further exemptions to landowners with the smallest properties, ranging from 20 to 400 hectares. Growers who in the past might have deforested beyond the legal minimum have to sign up to government plans to gradually restore those lost trees over the next two decades, but they no longer have to pay fines associated with deforestation, fines that could have reached into the billions of dollars since Brazil made changes to forest practices a few years ago. Landowners will also be able to rent or buy a nearby patch of forested land, and keep it untouched a form of essentially forest offsets, if they don’t want to cut deforestation on their own land.

This new forest code will do little to inspire confidence in Brazil’s sustainable forestry, just as the South American giant is trying to exercise leadership at the ongoing UN climate talks in Durban, and in June Rio de Janeiro will be hosting a major meeting to mark the 20th anniversary of the 1992 Earth Summit.

Rousseff has already promised to veto any bill that would have offered deforesters sweeping amnesty, but the Senate version of the law might give her enough wiggle room to support it, according to the *Financial Times*. The new law was pushed by Brazil’s powerful agribusiness industries, who hope to open new areas of the forest to agriculture and cattle raising. Polls show a majority of Brazilians oppose this new law.

Word came that the European Union said it has the support of at least 120 nations for its Road Map proposal at the Durban talks, suggesting it may be able to break a deadlock on how to fight climate change, according to various news sources late Thursday. The shift “has the potential to be a game-changer in the sense that it’s the first time that developed and developing nations stand together,” said Martin Lidegaard, the Danish climate and energy minister whose nation takes over the EU’s rotating presidency in 2012.

While this new EU Road Map may have achieved climate change agreement among the relevant nations, there was no word on progress with REDD+ or forestry-specific issues by press time Thursday.