

MADISON'S LUMBER REPORTER

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News & Updates

In Memoriam

It is with great sadness and the deepest regret that we must announce the passing of our veteran Lumber Market Analyst, Zara Heartwood. Intrepid reporter to the lumber industry, champion Sheltie breeder, dog rescue operator, firebrand and all around great gal.

RIP July 1, 1950 to December 21, 2011
She will be sorely missed.

Forestry Plan, China

At the end of China's 12th five year plan, the gross product of the forestry industry will reach a value of 3,500 billion RMB, the State Forestry Administration has said.

According to the *Japan Lumber Journal*, the Plan mentions that at the end of 2015, the forest coverage rate in China will reach 21.6 per cent, the delivering rate of collective forestry property rights and ownership of forests card will reach 90 per cent, forest stocking volume will reach 14.3 billion cubic metres, the annual output of commercial timber will reach 100 million cubic metres, and the total carbon stored of forest vegetation is expected to reach 8.4 billion tons.

Japan Update

The Japan North American Lumber Conference has released log and lumber demand projections from North America to Japan in 2012.

Log demand is projected to be 3,010 million cubic metres, a 1.4 per cent increase over 2011, according to the *Japan Lumber Reports*. Lumber demand is expected to be 2,710 million cubic metres, a 1.2 per cent drop over last year.

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Resolute Forest Products' Christmas Letter to Retirees

It seems that Resolute Forest Products, formerly AbitibiBowater, is willing to go to any lengths, including stealing from workers' retirement funds, to fulfill its wish to take-over Fibrek. On December 24, 2011, Resolute workers received a letter from the company stating, in part, "as of December 31st, 2010 the company was short \$71,794,000 in the pension fund" and retirees could lose 17 per cent of their rightfully-earned money.

The cost of the Fibrek takeover is about \$72 million.

Kim Ginter, vice President with the Communications, Energy and Paperworkers Union, said Resolute should make sure it can take care of its obligations at its existing operations.

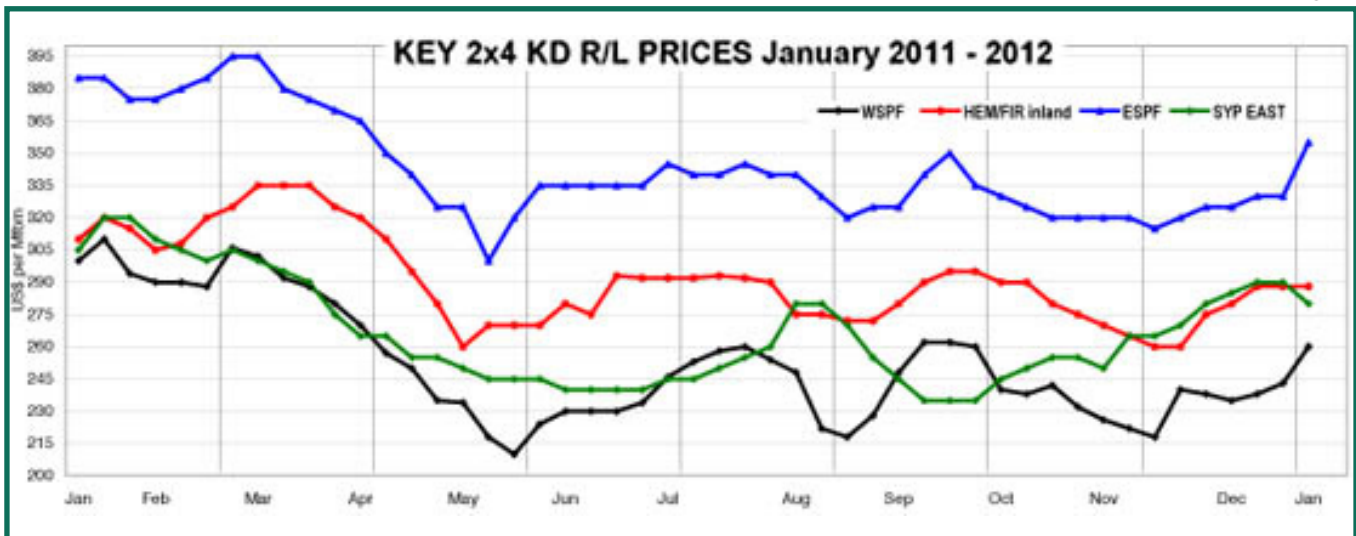
"So I wish they would just clean up their house before they look at taking over more companies," said Ginter to the CBC

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Wildfire Season in the Americas

Wildfires struck this week in various regions of North and South America. Very unusual for this time of year, dry forest conditions and stormy weather facilitated wildfire activity. Chilean authorities suspect a large fire in a national park was deliberately set.

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Construction Materials Prices Flat in November

SOURCE: Reed Construction Data

The US Bureau of Labor Statistics reported that the Producer Price Index for materials and components used in construction was unchanged in November after rising 0.3 per cent in October. The index was up 3.8 per cent on a year-over-year basis, but stood only a modest 1.9 per cent higher than November 2008. An index that measures inputs used in nonresidential construction also was flat after falling 0.7 per cent in October. However, it was up 7 per cent from November 2010.

The PPI for softwood lumber peaked in August 2004. As of November, the index was down almost a third, or 32.4 per cent, from that peak. More recently with the modest improvement in single-family housing, softwood lumber prices have moved off their lows. As of November, the index was up 17 per cent from its May 2009 cycle low. On a year-over-year basis, the index was up 1.7 per cent. Some of the firmness in softwood prices may be due to Canada's increased exports to Asia — China, in particular.

With the economy showing modest, but improving growth, construction materials prices will firm and move roughly in line with general inflation over the next six months. Faster than projected economic growth will accelerate commercial construction activity and push materials price inflation higher than general inflation. This seems unlikely to happen before the second half of 2012. Faster growth in the rest of the world would add to construction materials prices inflation.

Construction Spending Hit 17-Month High In November

SOURCE: Associated General Contractors of America

US construction spending totaled US\$807 billion in November 2011, the highest level since June 2010, the Associated General Contractors of America reported Tuesday in an analysis of new Census Bureau data.

The association's chief economist, Ken Simonson, noted that total construction spending rose 1.2 per cent in November from October and 0.5 per cent from the November 2010 level. Private residential construction posted increases of 2 per cent and 3.4 per cent, with gains in single-family, multifamily and residential improvements. Private nonresidential construction spending inched up a negligible amount from October but gained 4.5 per cent compared to November 2010. Public spending rose 1.7 per cent last month but declined 5.3 per cent from a year earlier.

Employment, US

Employment in the US grew solidly in December and the jobless rate dropped to a near three-year low of 8.5 per cent, offering the strongest evidence yet of an acceleration in economic activity.

Nonfarm payrolls increased 200,000 last month, the Labor Department said on Friday, the most in three months and way above economists' expectations for a 150,000 gain.

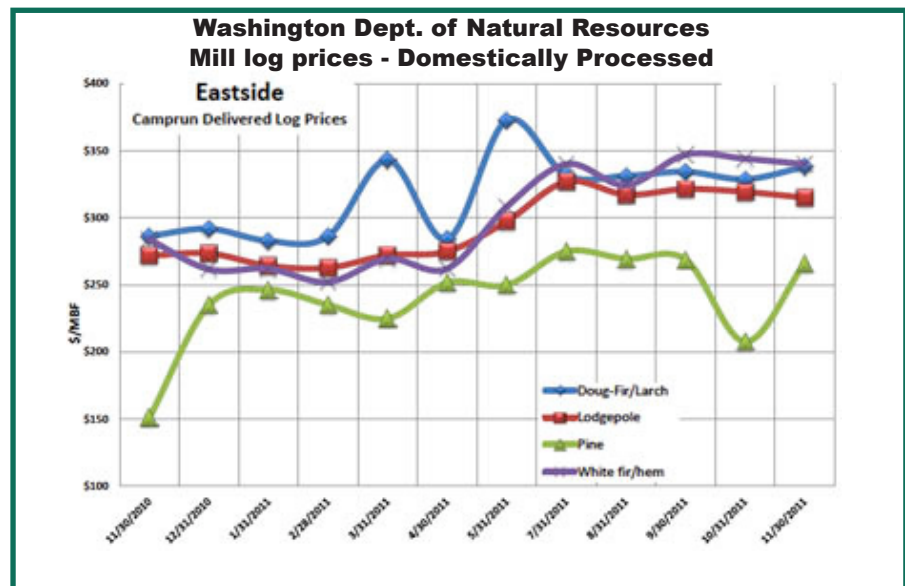
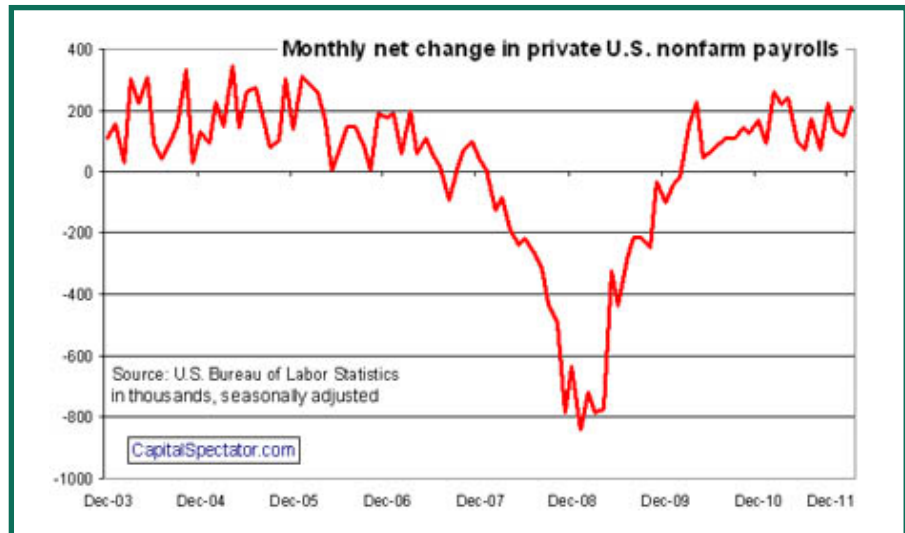
The unemployment rate dropped from a revised 8.7 per cent in November, which was previously reported as 8.6 per cent. The jobless rate is now the lowest since February 2009.

Construction Employment

US construction employment increased in December by 17,000 driven by gains in nonresidential construction employment, according to the Associated General Contractors of America Friday.

Total construction employment now stands at 5,544,000, or 0.3 per cent higher than a month earlier, and 46,000, or 0.8 per cent, higher than in December 2010. The latest employment figures continue a months-long trend of slight gains followed by slight declines in construction employment.

The nonresidential construction sector added 17,200 construction jobs in December. Nonresidential specialty trade contractors added 20,200 positions, while heavy and civil engineering construction firms shed 300 jobs. Nonresidential building contractors shed 2,700 jobs in December. Residential construction lost 400 total jobs.



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	260	243	+17	235	+25	322	-62
WSPF KD R/L 2x6	260	255	+5	245	+15	306	-46
WSPF KD R/L 2x8	250	251	-1	242	+8	286	-36
WSPF KD R/L 2x10	305	261	+44	248	+57	345	-40
WSPF KD PET 2x4 Stud	258	245	+13	235	+23	270	-12
WSPF KD PET 2x6 Stud	260	260	0	260	0	325	-65
Douglas Fir Green R/L 2x4	218	220	-2	238	-20	275	-57
Douglas Fir Green R/L 2x10	310	320	-10	325	-15	340	-30
ESPF KD 2x4 8ft Stud	315	290	+25	280	+35	325	-10
OSB Ontario 7/16" (CDN\$)	200	195	+5	195	+5	210	-10
CSplywood Toronto 3/8" (CDN\$)	305	302	+3	305	0	300	+5

Weekly News

Japan Forestry Demand 2012

CONTINUED In north east Japan, lumber demand was expected to drop due to the earthquake and tsunami, says the *Japan Lumber Reports*, but actually for the first ten months of 2011 lumber imports from North America were 200 million cubic metres, a 33 per cent increase over all of 2010.

Resolute Forest Products

CONTINUED On Tuesday, Fibrek's Board of Directors filed its Directors' Circular saying it "has thoroughly reviewed Abitibi's Insider Bid to determine the course of action that it believes is in the best interests of Fibrek's shareholders and other stakeholders.

"Abitibi's insider bid conveniently ignores probable and material new streams of operating income. It deprives shareholders of significant intrinsic long-term value associated with our growth prospects," stated Pierre Gabriel Côté, President and CEO of Fibrek.

On Thursday, Resolute appealed the tax rate for their mill in Fort Frances, ON. The appeal is now before the Municipal Property Assessment Corp's Assessment Review Board.

The appeal covers the tax years of 2009 to 2011. Resolute wants their assessment lowered from \$28,260,000 to no more than \$15,010,000, according to the *Fort Frances Times*.

If the company's appeal is successful, the town of Fort Frances will have to make a retroactive payment to Resolute of roughly \$2.2 million for the municipal portion of the adjustment to the company for the years 2009-11.

And on Friday, the province of Nova Scotia reached a deal with Resolute to purchase 25,000 acres of land for \$23.7 million.

This land deal is part of Nova Scotia's assistance package for the Bowater Mersey operation.

NewPage Port Hawkesbury Sold

Pacific West Commercial Corporation is the successful bidder for the idled NewPage Port Hawkesbury operation in Nova Scotia. The bid is now subject to meet several conditions, as well as a court approval. The value of the bid has not been disclosed, and it is not known when the sale will be complete.

Pacific West is associated with Stern Partners Inc, a Vancouver investment firm that also owns Alberta Newsprint Co of Whitecourt, AB, and Westland Paper Co, in Oregon.

President and the founder of Stern Partners, a private investment firm in Vancouver, BC, Ron Stern told CBC News that if the sale of the mill is approved, he plans to leave the newsprint machine idle, and will only operate the supercalendered paper machine.

Stern said he has already told the union that many of the 600 people who worked at NewPage Port Hawkesbury, before it idled in September, will no longer have jobs at the mill.

Stern will enter into further negotiations with the provincial government, Nova Scotia Power, and the union representing mill workers before the final sale is approved. Without securing a new deal on electricity from Nova Scotia Power, the sale will not be finalized.

Significant issues are also said to still exist around the mill's access to crown timber.

Madison's Introduces ...

Madison's is delighted to introduce a new staff member. Freshly graduated from Forest Resource Management at UBC, Earl Heath has been interning with *Madison's* since September. Every week Earl job-shadowed Zara Heartwood on her weekly phone survey of North American lumber producers and wholesalers.

Having now officially stepped into the role of Lumber Market Analyst, Earl will be contacting lumber industry players across North America every Thursday to provide *Reporter* subscribers with the latest, most immediate information on the goings-on of the lumber industry.

In addition, due to the non-stop flurry of news and changes within the solid wood industry weekly, and sometimes daily, we are adding a new page to your weekly *Reporter*, starting in the first week of January. We are also, at the request of a subscriber, adding two commodities to our Key Prices index.

Calendar

January 2012

2012 Truck Loggers Association Convention and Trade Show
January 18 - 20 - Victoria, BC
<http://www.tla.ca/index.php/>

IQPC 10th Timberland Investment Summit
January 30 - February 1 - New York, NY
<http://www.timberlandworldsummit.com/>

Early Wildfire Season

North and South America

Recent large forest fires in Chile are being investigated as having been deliberately set. Authorities in southern Chile are still fighting numerous fires that have raged for several days, destroying more than 31,000 hectares of forest as well as dozens of homes, according to the Office of National Emergencies. The blazes were concentrated in Chile's southern Bio Bio region, 280 miles south of Santiago, where as many as 162 homes went up in flames, says *Voice of America*. The fires also destroyed a plant at the Celulosa Arauco paper mill site.

by Kéta Kosman

The blaze consumed the wood panel manufacturing operation owned by Arauco, and led the Copec SA-owned company to halt pulp production and evacuate employees at their nearby paper mill. Arauco estimates that 9,900 acres of forestry plantations have been affected, but said in a statement that the company "is still evaluating damage from the fire and isn't in a position yet to quantify the effects," according to *Bloomberg Businessweek*.

On December 15, the company had announced it would invest US\$1.9 billion to expand production at that Arauco plant to 1.3 million metric tons annually from 280,000 tons a year, with work slated to start in 2013, daily paper *Diario Financiero* reported.

The fire has also caused significant losses to the local agricultural industry.

"It will be difficult to recover," one local farmer told *La Tecera*. "It's a blow that will affect hundreds of jobs."

According to the *Herald Sun*, Chilean President Sebastian Pinera told reporters Thursday, "We still have 20 fires that are active," warning that Chile is facing "an extraordinarily risky and vulnerable" fire season due to dry summer weather.

Interior Minister Rodrigo Hinzpeter said some of the fires might have been set intentionally.

The first of the fires began six days ago in the Torres del Paine National Park, a popular tourist destination. At the beginning of this week authorities said they planned to reopen the park as early as Wednesday.

An Israeli citizen, Rotem Young Singer, 23, was arrested on Saturday on suspicion of starting the fire.

In Canada, a grassfire that raged northwest of Fort Macleod Wednesday afternoon during a severe windstorm ap-

peared to be under control by evening after threatening homes and property for five hours, according to the *Lethbridge Herald*. The grass fire started about eight kilometres west of Highway 2 and north of Hwy 785 but fierce winds whipped the blaze up and sent it eastward, forcing the closure of Highway 2 south of Granum, AB.

In British Columbia, at roughly 4 am on December 30, firefighters were called to Sperlich Log Construction – a log home-building business on the north edge of the small community, about 30 kilometres north of Vernon, BC. The fire was largely under control and RCMP officers who had come to the scene to assist were preparing to leave, believing the blaze had been largely knocked down.

But then, almost an hour after the initial report of the fire, a blast shook the property, killing 29-year-old volunteer firefighter Daniel Botkin. Botkin was killed when an explosion ripped through a burning shed that was under construction near where the original fire erupted in a building, according to RCMP.

The next morning several structures at the lot continued to smoulder, said Huck Galbraith, a salesperson at Tim-Br Mart south of the log home lot, to the *Calgary Herald*.

"There are posts standing, but the roof is gone," he said, describing a massive "barnlike" structure under which a log home was being built when the fire broke out.

Fire officials haven't confirmed the cause of the fire or explosion. The BC Coroner's Service and WorkSafe BC are expected to participate in an investigation.

In Montana, a pair of rare winter wildfires fueled by 60 mph gusts Wednesday burned buildings and forced hundreds from their homes overnight on the Blackfeet Indian Reservation, but better weather conditions on Thursday helped firefighters get a handle on the blazes, says the *Associated Press*.

The two blazes started around sundown and together grew to 6,500 hectares by early Thursday, said tribal spokesperson Wayne Smith. At least 300 people were evacuated from homes and a boarding school, though no injuries had been reported. The fires were 85 per cent contained by Thursday afternoon, resident Gabe Renville said.

In slightly related news, a seemingly disproportionate amount of sawmill fires have occurred across North America in the past several weeks.

Near Ottawa, Scugog firefighters were dispatched to Lake Scugog Lumber on New Year's Eve, where they extinguished

a blaze in a large storage shed near the roof truss plant at the Vanedward Drive business, according to *DurhamRegion.com*. Damage to the building and its contents is estimated at more than \$200,000, say Scugog fire officials.

Rob Gonnermann, Scugog's deputy fire chief, said Tuesday that an electrical problem is most likely to blame for the blaze. A number of completed products as well as a forklift and various mechanic's tools and other equipment were lost in the fire, he said.

A large lumber yard in Lee, western Massachusetts, was engulfed in flames Tuesday night, drawing firefighters from across Berkshire County who were able to keep it from spreading into the community's downtown, according to the *Boston Globe*. Officials said the blaze at the Dresser-Hull Lumber Co on Railroad Street was reported shortly before 8 pm. That location is just steps from Main Street and downtown, but officials said that they had the blaze knocked down within the yard by midnight and that nearby homes and businesses were not in immediate danger. No injuries were reported, said the Lee police dispatcher.

State and local fire officials found an electrical problem with a diesel engine block heater in one of the delivery trucks parked in the building, which sparked the night fire and a subsequent explosion. The blast blew apart a section of wall at the south end of the 6,000-square-foot structure.

Meanwhile, people who lost property in last year's Texas wildfires have until Friday to apply for financial assistance from the Federal Emergency Management Agency. The deadline for phone registrations is 9 am, January 6, and the deadline for online applications is midnight. Survivors in all 23 counties designated for Individual Assistance under the major disaster declaration are urged to register before it's too late.

"This is the last call for wildfire survivors," FEMA official Kevin Hannes said in a news release. People who already registered don't have to worry about the deadline, even if they haven't received their cheque.

This Friday is also the deadline to apply with the US Small Business Administration for low interest loans to fund repairs to property.

To date, more than US\$13.4 million in grants has been approved for home repairs or replacement, rental assistance and other needs. Another US\$19.5 million in SBA low-interest disaster loans has been approved for 164 homes and businesses.