

# MADISON'S LUMBER REPORTER

  
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## News & Updates

### Hampton to Rebuild Babine Mill

Hampton Affiliates are now in the process of planning for a new sawmill to be built at the Babine Forest Products site in Burns Lake, BC, according to the *Burns Lake District News* Wednesday. Hampton CEO Steve Zika said sawmill plans and drawings are being worked on, as well as discussions about what type of machinery will be installed.

Forest Lands and Natural Resources Operations Minister Steve Thomson said he had the chance to meet with First Nations stakeholders, Hampton Affiliates chief executive officer Steve Zika, Mayor Luke Strimbold and officials at the Regional District of Bulkley Nechako during his one day visit to Burns Lake last week.

"We just can't sit back and wait, we have to be proactive in this," Zika said.

"Business is good," Zika said, reiterating that he remains optimistic the sawmill will be rebuilt.

### Tembec to invest \$190 million in Temiscaming Mill

Tembec Inc, out of Montréal, QC, announced Friday it plans to invest \$190 million to install a boiler and electricity turbine in its specialty cellulose manufacturing facility at Temiscaming, which is on the Quebec side of the Ottawa River about 60 kilometres northeast of North Bay, ON.

That \$190 million is the first of a two-phase project.

[READ MORE](#)

### Canadian Industrial Capacity Utilization Rates

Canada's industries operated at 80.5 per cent of their production capacity in 4Q 2011, up slightly from the 80 per cent posted in 3Q, said Statistics Canada Friday. The increase would have been greater if not for the slight decline in the non-manufacturing sector.

With the exception of 2Q 2011, which saw a decrease in the capacity utilization rate, the rate has increased steadily since 2Q 2009. However, the rate of 80.5 per cent was below that of 83.4 per cent posted in the first quarter of 2007.

The gain of 1.4 percentage points in 4Q for all manufacturing industries was offset by the slight decline posted by the non-manufacturing sector, said StatsCan. [READ MORE](#)

### Wildfire Season Declared

Wisconsin's Department of Natural Resources Wildfire Prevention Department declared Thursday that a burning permit is required to burn outside, but even if people have permits, they need to call daily to check on burning restrictions in their area.

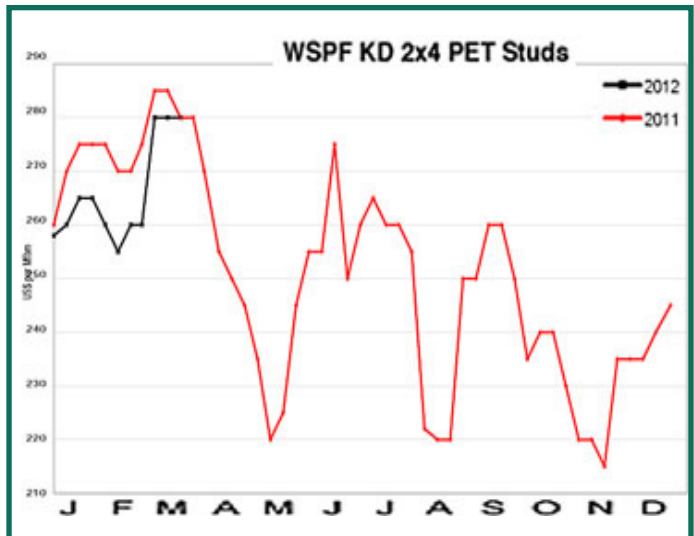
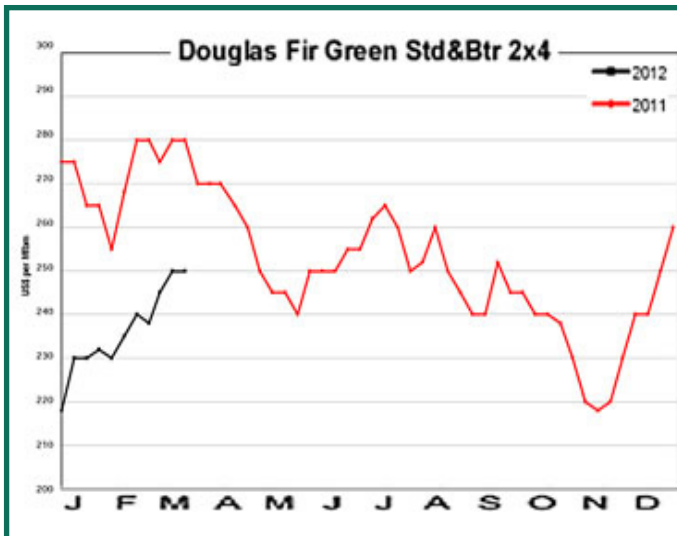
Small wildfires broke out this week in Saskatchewan, California, and Colorado.

[READ MORE](#)

### Western Wood Products Association AGM

Sunday evening and all day Monday's events brought together forest products companies, analysts, and suppliers for the WWPA's annual meeting.

Updates were provided by association staff, by the Softwood Export Council, by the Softwood Lumber Board, as well as by forest industry analysts. [READ MORE](#)



## US Industrial Production February 2012

US factory production rose 0.3 per cent in February, the third monthly increase in a row, according to figures from the US Federal Reserve Friday.

Factory output has risen 17.4 per cent since June 2009. It remains 6.7 per cent below its pre-recession peak, reached in December 2007.

Overall industrial production in the US was flat with declines in mining and car manufacturing.

In a separate release, the Labor Department announced Friday that US consumer prices rose by 0.4 per cent in February.

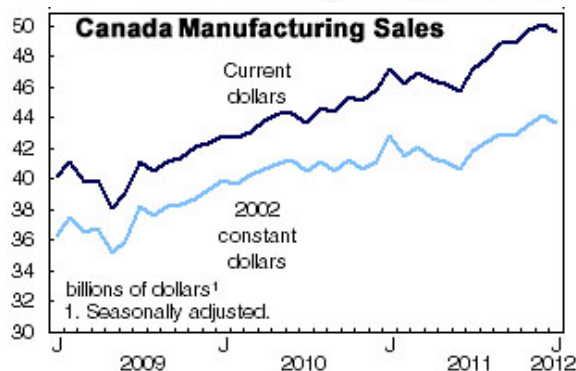
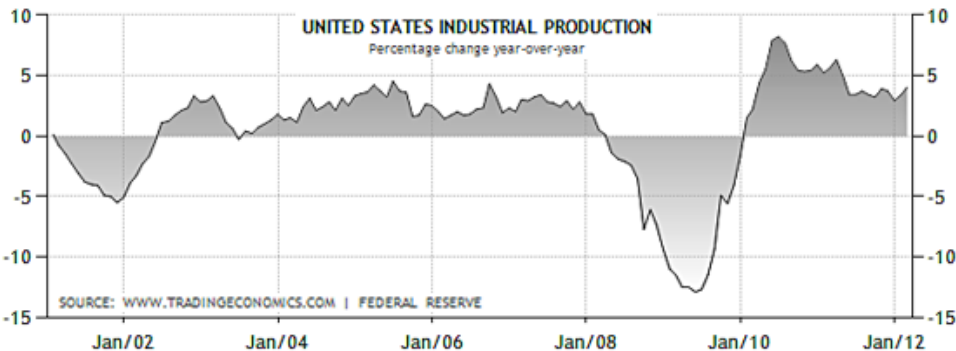
The US economy created a better than expected 227,000 jobs in February, 31,000 of which were in the manufacturing sector.

## Canada Manufacturing Survey January 2012

Canadian manufacturing sales fell 0.9 per cent to \$49.6 billion, according to a Statistics Canada release Friday.

Sales fell in 11 of the 21 industries, representing 44 per cent of Canadian manufacturing, but a 34 per cent drop in sales for the aerospace sector, to \$913 million, led the decline.

While sales of durable goods fell 2.4 per cent in January, sales of non-durable goods rose 0.6 per cent.



## Softwood Lumber Board Call for Proposals is Now Open

The Softwood Lumber Research, Promotion, Consumer Education and Industry Information Order (Order) specifies that the purpose of the Softwood Lumber Board (SLB) is to "strengthen the position of softwood lumber in the marketplace, maintain and expand markets for softwood lumber, and develop new uses for softwood lumber". In other words, the goal of the SLB is to fund initiatives and projects that increase sales of appearance and structural softwood lumber products.

Call for Proposals link : [http://www.softwoodlumberboard.org/resource/resmgr/Docs/SLB\\_Call\\_for\\_Proposals\\_-\\_201.pdf](http://www.softwoodlumberboard.org/resource/resmgr/Docs/SLB_Call_for_Proposals_-_201.pdf)

To achieve this goal, the SLB objectives are to:

- Increase wood use in the light commercial/non-residential and multi-family markets.
- Defend and rebuild share for solid wood in the decking and outdoor living market.
- Protect access to the markets for solid wood products through ongoing codes and standards work.
- Grow demand in residential and mid-high rise construction through building system improvements and innovation.

The initiatives and projects funded by the SLB will need to lead directly or indirectly to the following measurable outcomes:

- Increased market share for softwood lumber
- Increased volume of softwood lumber consumed in the United States (incremental to normal market fluctuations)

SLB's first Call for Proposals is open from February 27 – midnight EST March 30, 2012.

Direct questions regarding the Call for Proposals to:

Cees de Jager  
Chief Marketing Officer  
312-321-5131 ext. 2  
[dejager@softwoodlumberboard.org](mailto:dejager@softwoodlumberboard.org)

## Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	280	276	+4	271	+9	292	-12
WSPF KD R/L 2x6	288	288	0	273	+15	270	+18
WSPF KD R/L 2x8	272	272	0	256	+16	278	-6
WSPF KD R/L 2x10	314	314	0	312	+2	320	-6
WSPF KD PET 2x4 Stud	280	280	0	260	+20	280	0
WSPF KD PET 2x6 Stud	245	245	0	265	-20	310	-65
Douglas Fir Green R/L 2x4	250	250	0	238	+12	280	-30
Douglas Fir Green R/L 2x10	310	315	-5	300	+10	288	+22
ESPF KD 2x4 8ft Stud	365	350	+15	330	+35	335	+30
OSB Ontario 7/16" (CDN\$)	222	215	+7	205	+17	195	+27
CSplywood Toronto 3/8" (CDN\$)	350	343	+7	329	+21	310	+40

## Weekly News

### Temiscaming Upgrades

CONTINUED Under a contract with Hydro Quebec, Tembec will produce electricity for \$106 per Megawatt hour. The price will rise to keep pace with the consumer price index over the life of the 25-year contract.

The new boiler and turbine will also let Tembec increase production at Temiscaming from 160,000 metric tonnes of specialty cellulose per year to 195,000. The overall project will increase Tembec's annual production capacity of specialty cellulose from the current 310,000 metric tonnes to 345,000 metric tonnes. Tembec also produces specialty cellulose in Tartas, France. It is a component of products in the pharmaceuticals, food, cosmetics, personal care, construction and electronics industries.

### Capacity Utilization, Canada

CONTINUED The manufacturing industry operated at 80.4 per cent of its capacity in 4Q 2011, up 1.4 percentage points from 79 per cent in the previous quarter. The upward trend continued, but the rate reached in 4Q was below the 84.3 per cent rate recorded in 1Q 2007.

The capacity utilization rate rose in 4Q in 12 of the 21 major manufacturing industries, declined in seven and remained relatively stable in two.

Higher production of agricultural, construction, and mining and oil and gas field machinery drove up the capacity use rate in the machinery industry by 3.7 percentage points to 82.3 per cent.

Lower production in pulp, paper and paperboard mills reduced capacity use in the paper manufacturing industry from 89.9 per cent to 86.4 per cent from 3Q to 4Q 2011.

### Early Wildfire Season

CONTINUED A fire north of Maple Creek, KS, caused an estimated \$1 million of damage overnight Tuesday.

Fanned by winds of 70 kilometres per hour, flames completely levelled two abandoned farmhouses, destroying farming equipment, feed lots, miles of fencing and bale stacks, and licking at the back doors of two occupied homes.

Maple Creek Mayor Barry Rudd said the fire started about four kilometres east of Hatton and ended about 10 km north of Maple Creek — not far from where a grass fire ripped through the area on January 5.

Maple Creek-area rancher Calvin Siegle lost farm equipment, grass, fences and close to 1,000 hay bales in the fire.

Saskatchewan Fire Commissioner Duane McKay headed to Maple Creek on Thursday afternoon to assess the damage, according to the *Regina Leader-Post*.

A second fire started in the region on Thursday afternoon near Paipot, about 35 kilometres east of Maple Creek.

Firefighters contained a brushfire in San Bernardino, CA, early Thursday after the blaze scorched about 21 acres, fire officials said.

The fire briefly threatened five homes but there were no evacuations or injuries. The blaze started just after 5 pm Wednesday along Bannock Trail in Yucca Valley. About 100 firefighters battled the flames and contained the fire by 6 am Thursday morning, said San Bernardino County fire spokesperson Tracey Martinez.

With high winds expected, Martinez said firefighters will stay on scene all day. "We want to make sure there are no flare-ups," she said. The cause of the fire has not been determined, she said.

The second significant grass fire near Fort Collins, CO, in as many days sent up

a large column of smoke visible to evening commuters, says the *Coloradoan*.

The fire burned several acres of a field and a horse trailer being used for storage on Wednesday evening.

Poudre Fire Authority officials late Wednesday night determined the fire was caused by an illegal ditch burn that got out of control.

Wednesday night, Crews have contained a wildfire that burned about 300 acres in Larimer County near the Cobb Lake State Wildlife Area, also in Colorado, according to the *Craig Daily News*.

### Carrot River Producing

Saskatchewan's Carrot River Sawmill, which was formerly owned by Weyerhaeuser then purchased by EdgeWood Forest Products, is entering its second month of production.

"It's been going very well. Start up was quicker than expected," said Plant Manager Andy Borsa to the *Nipawin Journal*.

He said that because the mill was closed for so long, they didn't know what to expect when they got back into the mill and began getting ready to open.

The mill was closed for five years, with their first shift being January 2, 2012.

The mill is currently running at half capacity, with one 12 hour shift. The mill is producing in metric sizes. None of those products have actually made it to the consumer in the Middle East or China, and Borsa said that is something that takes a month or two to accomplish.

EdgeWood, which is a division of C&C Wood Products, purchased the facility two years ago, and spent that time putting together a marketing package so they could facilitate the startup of the mill.

The forestry industry looks positive throughout the province with the Prince Albert Pulp Mill expected to re-open in 2Q of 2012, says the *Nipawin Journal*.

# WWPA

## Annual Meeting

The Western Wood Products Association (WWPA) held its annual meeting at the beginning of this week in Portland, OR. On March 11 and 12 the group hosted lumber producers and exporters, log harvesters, association members, and equipment suppliers, for two days of meetings and networking sessions. Always an excellent source of data, forecasts, and information on the latest movements in the business of lumber on the west coast, the WWPA's presentations and those of invited speakers provided a worthwhile snapshot of the current state of the log and lumber markets, as well as some projections.

by Kéta Kosman

At breakfast, WWPA President and CEO Kevin Binam gave an update on the west coast forest industry, and forecast to 2015.

"Total US lumber production in 2011 was 26,713 million board feet," Binam said, "with 11,867 million in the west. We see total US production at 32,002 million board feet in 2015; 14,234 million in the west and 16,096 million in the south.

"For US housing," continued Binam, "we project 662,000 single family and 282,000 multi-family starts in 2015, for a total of 944,000 new housing starts that year."

The morning committee meetings started with a recap by the Softwood Export Council of that group's latest trip, to Japan.

"There is a growing trend toward building longer lasting homes in Japan," explained Frank Stewart of the WWPA. "Since the real value is in the land, houses in Japan have traditionally been built for a 30-year life span. Everyone wants to move into a new home. There is a push, in part by the government, to re-educate people into passing their house on to their kids. New lumber production technology and building styles now offer 100 year guarantees on homes."

Craig Larsen, SEC President, then provided an update on west coast log and lumber exports.

"In 2011, Douglas fir log exports are up 71 per cent over 2009," began Larsen. "In 2010, total US lumber exports rose 44 per cent compared to the previous year, to US\$844 million. US\$1.3 billion in lumber was exported in 2011, a 23 per cent increase over 2009. To China alone, total US softwood lumber exports rose 144 per cent in 2011 compared to 2009. To India, US lumber exports were up 501 per cent

in 2011 compared to two years earlier, but this of course is off a very small base."

Then followed a long discussion about Proposition 65, an absurd California legislation, which could only ever pass in that state, requiring producers and suppliers to list any chemical in a product that the World Health Organization has said can cause cancer. This means that all treated lumber must display a warning. Logistically this law is causing all kinds of problems because often mills don't know if their wood is going to eventually end up in California and they are reluctant to place a cancer warning on their products unnecessarily.

In the afternoon, Sierra Pacific's George Emmerson, who is also Director of the Softwood Lumber Program, described the latest developments in the Check-Off Program. Please refer to Page 6 for details.

Then Paul Jannke of Forest Economic Advisors, and Lynn Michaelis of RISI, spoke about lumber markets and gave specifics on exports.

"US lumber exports have grown 60 to 80 per cent since 2008," said Jannke, "with most wood going either to the Caribbean or to Asia. On the Caribbean side, 88 per cent of that market is served by Southern Yellow Pine, while to Asia, 70 to 75 per cent of the wood comes from the west. Customers in Japan prefer Douglas fir while in China the Hem/Fir mix is in big demand.

"Wood in China is used for concrete forming, furring strips, packaging and crating, framing lumber, and furniture. Sixty per cent of existing housing stock in China is too small, too old and not what people currently want. The Chinese government has mandated 25 million new affordable housing units to be built by 2015, and only 7 million are completed to date," Jannke detailed.

"There was a huge slowdown in North American lumber exports to China by 4Q 2011," continued Jannke. "There are large inventories of lumber in China, and there are also a lot of logs. But we are talking about a slowing of growth, not a decline in North American lumber exports.

"Meanwhile, demand from within the US will pick up significantly. There will need to be 1.5 million new housing starts, annualized, to serve the US population," Jannke concluded.

Next, Michaelis got immediately to the guts of the issue, "When discussing the northwest log market, we still have to talk about lumber-log competition. In Asia, log buying is still small compared to that of lumber. But for west coast mills, log prices have outstripped their lumber price equivalent, putting a squeeze on lumber producers in the west.

"Looking domestically, the California housing market crash hit Douglas fir mills especially hard, further precipitating low Douglas fir lumber prices," said Michaelis. "Still though, the lions share of west coast log volume does go to the sawmills. Even with log exports increasing, domestic production is still the king in terms of west coast log usage. As US housing recovers and demand for finished lumber increases, customers in China will no longer be able to afford west coast logs.

"At the same time, however, the value of North American lumber exported to China, on an equivalent basis, is actually cheaper than that of logs," Michaelis warned. "China's appetite for resources will continue to grow. Given that lumber imports in China have increased more than have log imports, I see most of the future growth in China coming from the lumber side.

"So far, Canada has the lumber play in terms of exporting to China," summed up Michaelis.

## Underlying Demand for Housing FEA Base Case

<a href="http://www.getfea.com">http://www.getfea.com</a>	1980-1990	1990-2000	2000-2010	2010-2020	2020-2030
Net Households Formations	1.26	1.14	1.27	1.15	1.24
Removals	.27	.32	.30	.30	.32
Second Homes	.15	.06	.06	.05	.07
Frictional	.09	.09	.08	.08	.08
Other Mobile Home	.02	.02	.01	.01	.01
<b>Total Demand</b>	<b>1.78</b>	<b>1.63</b>	<b>1.72</b>	<b>1.59</b>	<b>1.71</b>

About 100K of these are mobile homes