

MADISON'S LUMBER REPORTER

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News & Updates

Madison's Investment Rx

This month's issue of *Madison's Investment Rx* takes a deep look at burgeoning issues of sawmill inventory levels and log supply before the critical 2012 spring season for the North American forest products industry begins in earnest.

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Burns Lake Timber Supply

BC Liberal MLA John Rustad said Wednesday that the province's Burns Lake recovery task force, which began analyzing the timber supply weeks ago, is coming up against some hard numbers, according to the *Houston Today*.

In three to ten years, Rustad said the pine-beetle infestation in the Lakes District timber supply area could drop the allowable cut from 2 million to just 550,000 cubic metres a year. Rustad said the province is taking a hard looking at several forestry rules to free up unallocated timber.

If the province does relax those rules, Rustad said an extra one to three million cubic metres of timber could be freed up along the Smithers to Prince George corridor.

But in the Lakes timber supply area alone, he said the same move would only free up 100,000 cubic metres.

The Burns Lake Community Forest, at 92,326 intensively managed hectares, has an annual allowable cut of 260,000 cubic meters per year until 2013, said manager Dawn Stronstad to the *Burns Lake District News* Tuesday.

Recent Dry Weather Sparks Wildfires

A 4,140-acre fire in Colorado remains at 45 per cent containment Friday morning, but with 600 firefighters on the ground, five helicopters above and slight winds forecasted, fire officials plan today to make further progress on fire lines and battling hot spots within the perimeter, said Mark Techmeyer, a Jefferson County Sheriff's Office spokesperson. [READ MORE](#)

Sino-Forest Files

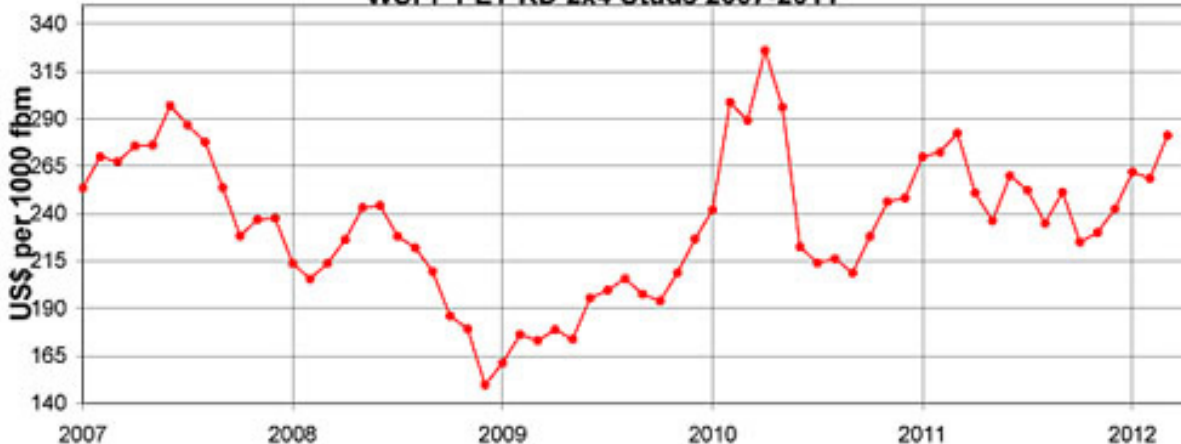
Chinese timber grower listed on the Toronto Stock Exchange, Sino-Forest Products, said it will file for bankruptcy protection as part of a plan that may see the company sold to bondholders.

Sino-Forest agreed with the holders to a sale of the company or a restructuring under which they would acquire substantially all of its assets. The company is initiating proceedings Friday in Ontario Superior Court.

North American 2012 Transportation Statistics

The Bureau of Transportation Statistics, part of the US Department of Transportation, released figures March 21 which show that the value of surface transportation trade between the US and Canada and Mexico increased by 14.3 per cent, to a record US\$904 billion, in 2011. This is the third largest year-to-year percentage increase since NAFTA took effect in 1994. [READ MORE](#)

WSPF PET KD 2x4 Studs 2007-2011



Government Forestry Funding Canada and the US

In its new budget Thursday, Canada's federal government announced investments totalling \$165 million over two years for responsible resource development and \$35.7 million over two years to support responsible energy development.

The budget includes \$105 million over two years for forestry innovation and market development.

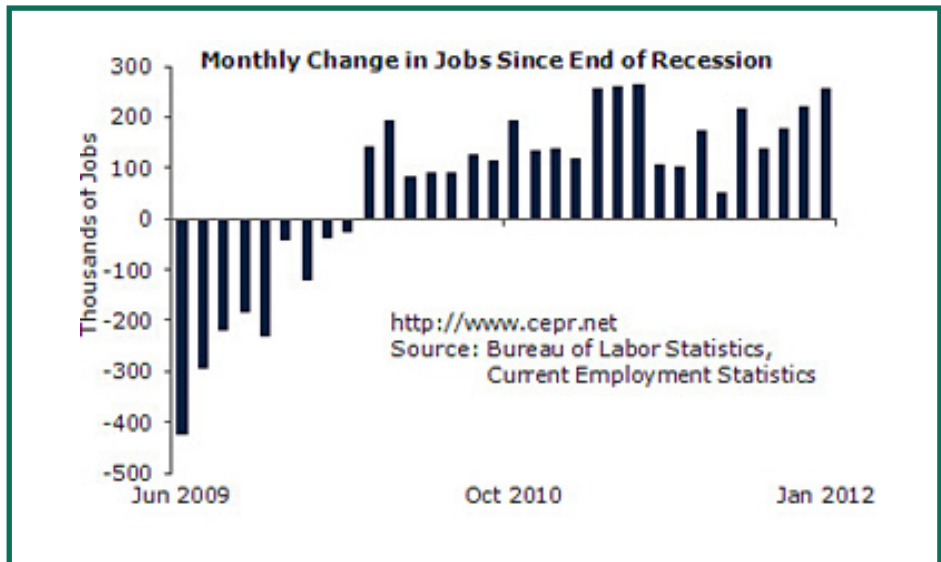
"Today's budget will allow us to continue to pioneer new products such as bio-materials and bio-composites and next generation building systems for multi-storey buildings," said Pierre Lapointe, President and Chief Executive Officer of FPIInnovations. "These innovations will open new markets and new job opportunities for the Canadian forest sector."

"This kind of support has been helping to secure employment and shore up communities that rely on the forest products industry," says Avrim Lazar, President and CEO of the Forest Products Association of Canada. "Maintaining this strategic support at a time of deficit reduction will certainly continue to promote jobs and growth in the forest sector."

In the US, thousands of temporary seasonal jobs with the US Forest Service and its partners are available this summer and officials say now is the time to begin the application process.

"Due to the nature of much of our work, such as wildfire fighting and seasonal recreation programs, we anticipate hiring many temporary workers," said US Forest Service Chief Tom Tidwell. "These jobs will provide economic relief for many unemployed Americans and help stimulate local rural communities."

Annually, the Forest Service and its conservation partners hire over 15,000 people for summer positions. Of that total there are around 12,000 openings during the peak fire season months for those seeking temporary work in the fire and aviation management field.



US Economy Growing Fourth Quarter 2011

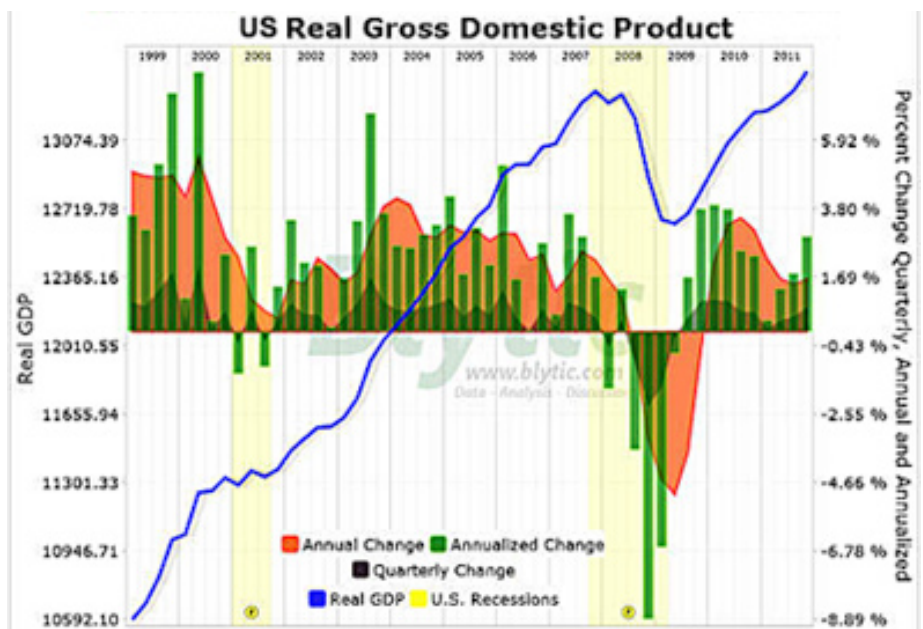
The US economy grew at an annual rate of 3 per cent in the final three months of 2011, the best pace in a year and a half. But that growth has likely slowed in the current quarter.

The Commerce Department reported no change Thursday in its previous growth estimate for the October-December quarter. The 3 per cent annual rate was the strongest since the spring of 2010. Slower growth in exports than previously estimated was offset by stronger business investment.

Still, economists expect growth has probably slowed to 2 percent or less in the current January-March quarter.

The economy has added an average of 245,000 jobs per month from December through February. The unemployment rate has fallen by nearly a full percentage point since the summer to 8.3 percent, the lowest level in three years.

The Labor Department said Thursday that the number of people seeking unemployment benefits fell to 359,000 last week, its lowest level in four years. That suggests March was another solid month of hiring.



This chart shows the annual change in the size of the annual US gross domestic product since 1999. Fourth quarter GDP expanded at a faster rate than previously predicted, 3 per cent since the third quarter of 2011.

Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	280	280	0	276	+4	280	0
WSPF KD R/L 2x6	288	288	0	288	0	260	+28
WSPF KD R/L 2x8	272	272	0	272	0	270	+2
WSPF KD R/L 2x10	314	314	0	314	0	315	-1
WSPF KD PET 2x4 Stud	285	280	+5	280	+5	280	+5
WSPF KD PET 2x6 Stud	245	245	0	245	0	315	-70
Douglas Fir Green R/L 2x4	252	260	-8	250	+2	270	-18
Douglas Fir Green R/L 2x10	290	300	-10	315	-25	290	0
ESPF KD 2x4 8ft Stud	355	365	-10	350	+5	335	+20
OSB Ontario 7/16" (CDN\$)	220	220	0	215	+5	205	+15
CSplywood Toronto 3/8" (CDN\$)	350	350	0	343	+7	310	+40

Weekly News

Wildfires Globally

CONTINUED While the situation has improved enough that some families are returning to their homes southwest of Denver, CO, 180 residences remain evacuated, authorities said.

At the height of the fire threat, residents of about 900 homes were told to flee.

Wisconsin's forestry and emergency response teams are getting ready for what they say could be the most dangerous wildfire season that state has seen in years.

Dry, tall grass is standing up due to the lack of snow this winter. Added to a quarter-million acres of downed timber in six counties from a severe windstorm in July, and Department of Natural Resources St. Croix Area Forestry Leader Steve Runstrom says conditions are perfect for devastating fires.

The Texas Forest Service is holding Wildfire Preparedness Seminars hosted by Bandera County and Kendall County Fire Marshall's departments, and assisted by and local volunteer fire departments and emergency agencies.

Several fires broke out in the UK this week. About 40 firefighters were at the scene with six fire engines, two all-terrain vehicles, four supporting Land Rovers and two large water tankers, at a 17 acre fire at Britain's largest cemetery, Brookwood Cemetery, near Woking, in Surrey.

In just over a week, Scotland's Highlands and Islands Fire and Rescue Service said crews have been called to deal with 107 wildfires most of them caused by muir-burning which has got out of control.

In Wales, fire crews received 219 calls about grass fires across the region this

week. Since Monday, crews have been tackling "numerous" blazes, according to Mid and West Wales Fire and Rescue Service.

UK fire service officials issued warnings of more wildfires as dry weather continues.

China Timber Imports

According to customs statistics, Manchuria customs imported 7.14 million cubic metres of logs in 2011, up by 14.9 per cent, says *China Wood Market Monthly Report*, according to the *Japan Lumber Journal*.

The value of imports reached US\$ 1.02 billion, an increase of 29.4 per cent.

China Business Information Network data shows that, in 2011, China imported 42.33 million cubic metres of logs in total, an increase of 23.2 per cent. The total value of imports reached US\$8.27 billion, a 36.2 per cent increase. December log imports were 3.23 million cubic metres with the value is \$ 625 million.

Eacom Financing

EACOM Timber Corp entered into a binding agreement Wednesday for a \$40 million secured debenture financing.

\$33 million of the financing is backed by Fairfax Holdings Limited.

\$7 million will be acquired by Lansdowne UK Strategic Investment Master Fund Limited.

Before the closing of the transaction, on or before April 11, 2012, Fairfax may assign a portion of their offering to other purchasers.

EACOM Timber will use the net proceeds for general corporate purposes.

Calendar

April 2012

BC Saw Filers Association 2012 AGM
April 20 - 21 - Prince George, BC
<http://www.bcsawfilers.com/>

Québec Forest Industry Council 2012
April 26 - 27 - Québec City, QC
<http://www.cifq.qc.ca/fr/nouvelles-et-evenements/evenements/ateliers-conferences-sur-le-sechage-du-bois>

NAWLA Leadership Conference
April 29 - May 1 - Colorado Springs, CO
<http://www.nawla.org/>

May 2012

Pulp and Paper Products Council International Pulp Week
May 6 - 9 - Vancouver, BC
<http://www.internationalpulpweek.com/>

Wood Markets Global Softwood Log and Lumber Conference
May 9 - Vancouver, BC
http://www.woodmarkets.com/conf_conferences.html

PricewaterhouseCoopers 25th Annual Global Forest and Paper Industry Conference
May 10 - Vancouver, BC
<http://www.pwc.com/gx/en/forest-paper-packaging/forest-paper-packaging-events.jhtml>

Surface Transportation

North American Data

US surface trade with Canada increased 14 per cent, to US\$537 billion, while surface trade with Mexico rose 14.6 per cent, to US\$367.1 billion.

by Kéta Kosman

In 2011, 85.5 per cent of US merchandise trade by value with Canada and Mexico moved on land. Total North American surface transportation trade is up by 42 per cent since the recent low in 2009.

In 2009, US-NAFTA trade had dropped by 23.3 per cent from the previous year. US-Canada land trade had declined 28.1 per cent in 2009 from 2008, then increased by 39.2 per cent in the next two years to reach a level in 2011 that was virtually unchanged from 2008.

For the first eleven weeks of 2012, US railroads reported cumulative volume of 3.1 million carloads, down 1.8 per cent from last year, and 2.6 million trailers and containers, up 2.3 per cent from last year.

Combined North American rail volume for the first eleven weeks of 2012 on 13 reporting US, Canadian and Mexican railroads totalled 4.1 million carloads, down

In January, seasonally adjusted truck tonnage dropped 4.6 per cent after surging a 6.4 per cent in December, the strongest month-to-month gain since 2005. A sustained increase in US manufacturing output is driving truck tonnage higher, said ATA Chief Economist Bob Costello, putting wheels under the recovery.

“Since bottoming out in the summer of 2009, (for-hire truck) tonnage is up a very robust 18.2 percent,” Costello said in a video released Wednesday. “I’m still expecting continued truck tonnage growth going forward,” Costello said. “We’ve also seen some signs of life in the housing sector.”

February’s rise in the seasonally adjusted index was the sixth increase in seventh months, Costello said. Year-to-date, the index is up 4.3 per cent year-over-year.

Meanwhile, in Canada, railways carried 24.9 million tonnes of freight in January, up 7.3 per cent from January 2011, according to a Statistics Canada release Thursday. That gain was the result of increases in both domestic and international cargo loadings. On the domestic front, the railway industry’s core transportation systems, non-intermodal and intermodal, saw their combined freight loadings rise 5.2 per cent, to 21.9 million tonnes, over the same 12-month period.

Non-intermodal cargo loadings, which are typically carried in bulk or loaded in

tracks rates for ships carrying dry commodities, rose on Wednesday as the capesize index turned positive after 20 straight sessions.

The main index, which gauges the cost of shipping commodities such as iron ore, cement, grain, coal and fertiliser, rose 5 points, or 0.55 per cent, to 922 points.

The Baltic’s capesize index rose 0.52 per cent, to 1,361 points, as expectations of demand recovery in top consumer China aided sentiment.

Shipments of iron ore, a raw material for steel, account for around a third of seaborne volumes on the larger capesizes.

The Baltic Exchange index rose further on Thursday as rates for large capesize vessels stayed firm on strength in iron ore activity in the Atlantic basin.

The overall index rose 8 points, or 0.87 per cent, to 930 points Thursday.

“Most of the rise has been in the rates in the Atlantic, particularly, the Brazil-China rates,” said Peter Norfolk, research director at freight broker FIS, to *Reuters*.

The Baltic’s capesize index climbed for a second straight day, rising 1.84 per cent, to 1,386 points, helped by higher demand for iron ore from China.

In Canada, TransCore’s Canadian freight index recorded its second best February spot market freight volume in 11 years, surpassed only by last year’s peak in February loads. Month-over-month the index increased by 1 per cent. Intra-Canada loads accounted for 28 per cent of the month’s volume.

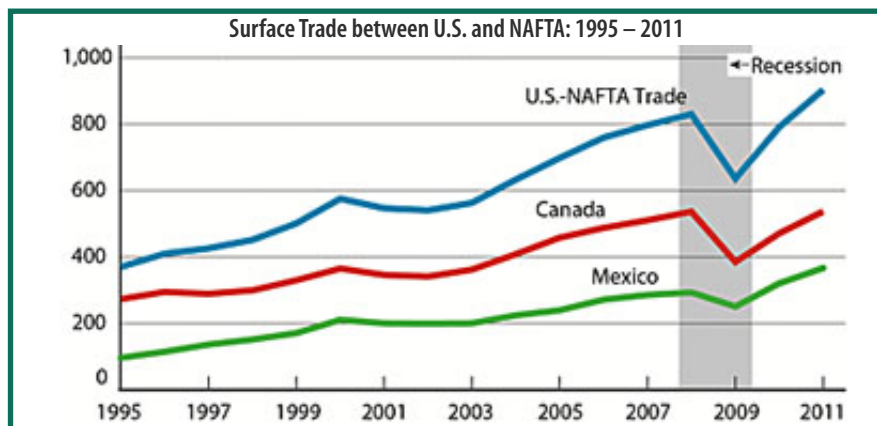
Equipment postings in February also increased by 1 per cent from the previous month, while year-over-year capacity was up 16 per cent from February 2011.

TransCore’s Loadlink freight-matching database constitutes the largest Canadian network of carriers, owner operators, freight brokers and intermediaries and has been available to Canadian subscribers since its inception in 1990.

Given the improvements begun in 2011, the US railroad industry is planning to spend roughly US\$13 billion for infrastructure improvements this year, with much of it targeted to support a shift in commercial shipping from long-haul trucking to intermodal services that often include freight train transportation, according to Standard & Poor’s Ratings Services.

In addition to the investments by railroad companies, infrastructure projects also will receive funding through a combination of grants, subsidies and tax breaks from the US or local governments, S&P said in an article titled “*Infrastructure Spending Keeps Rails And Trucks Moving In The US*,” published Monday on *RatingsDirect*.

Spending on track and facility updates will continue to account for a substantial portion of capital investments, said S&P.



0.4 per cent compared with last year, and 3.1 million trailers and containers, up 3.4 per cent compared with last year.

For the first eleven weeks of 2012, Canadian railroads reported cumulative volume of 828,787 carloads in the US, up 6.4 per cent from the same point last year, and 528,452 trailers and containers, up 6.1 per cent from last year.

In terms of truck transportation, a key indicator of US trucking activity rose 0.5 per cent in February from January, signaling truck freight volumes are rising after a post-holiday decline, new data released Tuesday shows. The American Trucking Associations For-Hire Truck Tonnage Index rose 5.5 per cent year-over-year last month.

box cars, advanced 4.9 per cent, to 19.6 million tonnes. The gain was the result of increased traffic in more than half of the commodity classifications carried by the railways.

Intermodal freight loadings of containers and trailers loaded onto flat cars grew 8 per cent, to 2.2 million tonnes. The increase occurred solely on the strength of containerized cargo shipments as trailers loaded onto flat cars declined.

Total rail freight traffic received from the US to Canada experienced a 25.4 per cent gain, to 3 million tonnes. This increase was driven by both non-intermodal and intermodal traffic.

Taking a look at indices, the Baltic Exchange’s main sea freight index, which