

# MADISON'S LUMBER REPORTER

Publisher  
**KetaDesign Productions**

Editor  
**Kéta Kosman**

Market Analyst  
**Earl Heath**

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

www.madisonsreport.com  
madrep@shawcable.com  
604 984-6838

PO Box 2486 Vancouver, BC  
V6B 3W7 Canada

In Canada, add GST or HST  
ISSN 0715-5468  
Printed in Canada © 2012

All material contained within is the property  
of KetaDesign Productions Inc. Reproduction  
or retransmission is expressly forbidden.



## News & Updates

### Madison's Timber Preview

This week's issue of *Madison's Timber Preview* examines the latest financial results of several large US building materials suppliers, as well as looking at new agreements and financing for Sherwood Lumber and 84 Lumber.

Contact us any time for a subscription.

### US Housing Starts, Home Sales

March housing starts in the US dropped 5.8 per cent to a 654,000 annual rate, the least since October, Commerce Department figures showed Wednesday. The slump was led by the volatile multifamily category, which at the same time showed a jump in permits, a proxy for future construction.

Construction of single-family houses eased 0.2 per cent to a 462,000 rate. Work on multifamily homes, which include townhouses and apartment buildings, dropped 17 per cent to an annual rate of 192,000. The decrease followed gains of 13 per cent and 17 per cent in the prior two months.

Building permits climbed 4.5 per cent to a 747,000 annual rate in March, the highest level since September 2008. Applications for multifamily units increased 21 per cent, while those for single-family houses, which account for about 70 per cent of the market, dropped 3.5 per cent.

[READ MORE](#)

### WorkSafeBC Concludes Babine Study

British Columbia's workplace health and safety agency has concluded the first phase of its investigation into the incident in which two workers died and many others were seriously injured at the Babine Forest Products Mill site in Burns Lake, BC, earlier this year.

WorkSafeBC has had an investigative team at the mill since the January 26 incident, and examined the site for ignition and fuel sources that could have caused the explosion. In recent weeks, cranes and other heavy equipment were brought in to selectively remove debris and allow access to areas of interest within the site. At this time, all pertinent areas of interest have been fully examined and all evidence has been removed for further detailed analysis and lab testing to identify the causal and underlying factors that led to the explosion.

The next phase of the investigation will be equally complex and is expected to take many more months to conclude. The employer, Hampton Affiliates, have been informed of WorkSafeBC's departure from the site and the status of the investigation.

### British Columbia Timber Supply Projections

A confidential summary report mistakenly posted on the BC government's external website for a short time this week is now available on the Ministry of Forests, Lands and Natural Resource Operations website.

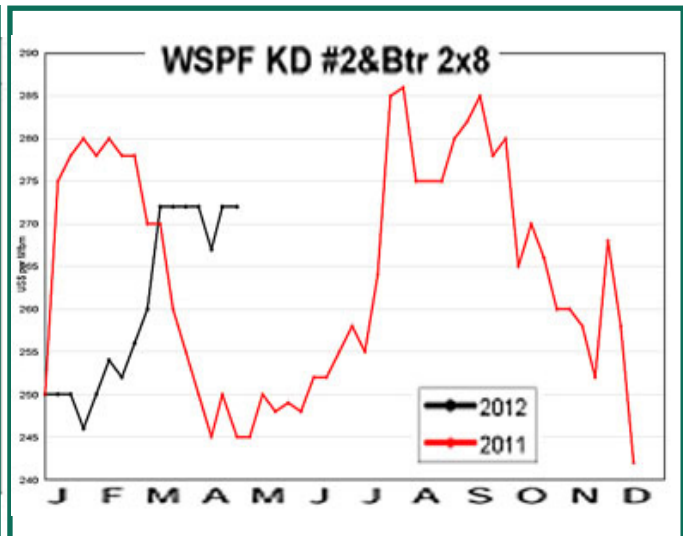
The report provides real data on timber supply projections, and expected shortfall, for the four Timber Supply Areas in the BC interior most impacted by the mountain pine beetle infestation.

[READ MORE](#)

#### U. S. HOUSING STARTS

	Mar-12	Feb-12		Mar-12	Feb-12
<b>Starts</b>			<b>Permits</b>		
Actual	54,500	47,900	Actual	51,900	46,300
SAAR*	654,000	694,000	SAAR*	747,000	715,000
1 Unit	462,000	463,000	1 Unit	462,000	479,000
2-4 Units	(s)	(s)	2-4 Units	23,000	25,000
5+ Units	178,000	222,000	5+ Units	262,000	211,000
<b>Starts by Region</b>			<b>Permits by Region</b>		
Northeast	89,000	67,000	Northeast	79,000	84,000
Midwest	102,000	101,000	Midwest	121,000	119,000
South	334,000	397,000	South	368,000	367,000
West	129,000	129,000	West	179,000	145,000

\*Seasonally adjusted annual rate



**March Construction Materials Prices**

**- Reed Construction Data -**

The US Bureau of Labor Statistics reported that the seasonally adjusted Producer Price Index (PPI) for materials and components used in construction rose 0.2 per cent in March, down from February's 0.9 per cent increase. The index was up 3.1 per cent on a year-over-year basis, and 6.5 per cent since March 2009. Meanwhile, prices for raw materials used in construction or to produce products used in construction advanced 0.4 per cent after increasing 0.7 per cent in February. The index was up 3.0 per cent from a year earlier and 5.5 per cent from three years earlier.

There has been some slight improvement in the single-family housing market over the last few months. New single-family home sales, although slipping a bit of late, have shown a modest upward trend over the past few months. Single-family building permits, although down in March, have seen their three-month moving average increase in each of the past eleven months. March's three-month moving average of 464,000 permits at a seasonally adjusted annual rate were their highest level since May 2010.

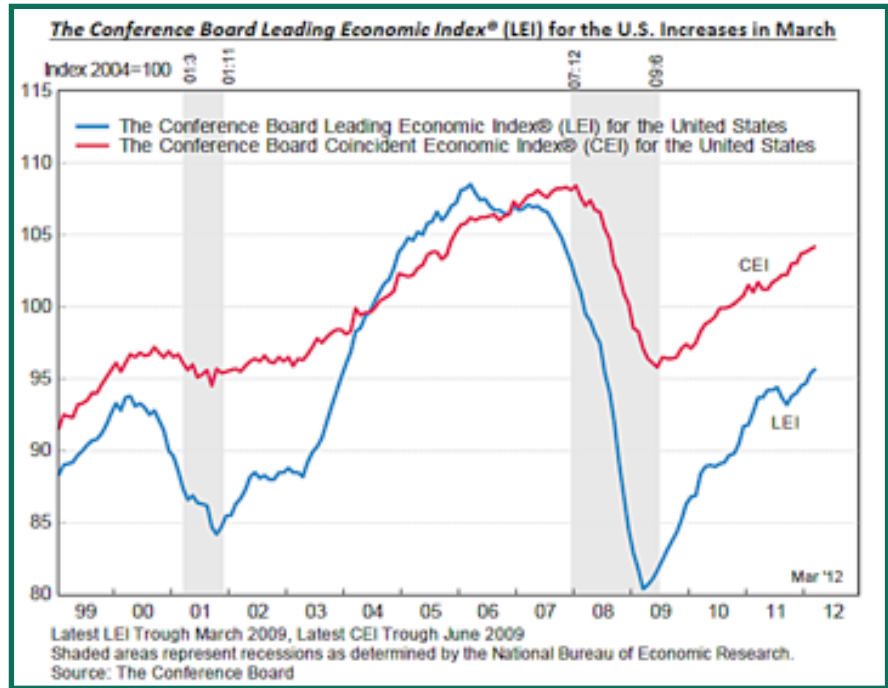
The PPI for softwood lumber increased 2.4 per cent, seasonally adjusted, in March after falling the four previous months. On a year-over-year basis, prices were up 0.5 per cent and have moved 23.0 per cent higher since March 2009.

The Reed Construction Data forecast is still for rising construction activity. This will result in modest upward pressure on construction materials prices.

Faster than projected sustained economic growth. 3 per cent or higher at an annual rate, 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.

**Monthly Manufacturing Survey - Statistics Canada -**

Manufacturing sales in Canada edged down 0.3 per cent to \$49.1 billion in February, following a 1.3 per cent decrease in January. Lower sales were recorded for the motor vehicle assembly, food, and motor vehicle parts industries. These declines were mostly offset by increases in the aerospace product and parts, non-metallic mineral products, and petroleum and coal products industries.



SOURCE: RTT News

## Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	280	275	+5	280	0	250	+30
WSPF KD R/L 2x6	288	284	+4	288	0	235	+53
WSPF KD R/L 2x8	272	272	0	272	0	250	+22
WSPF KD R/L 2x10	318	314	+4	314	+4	295	+23
WSPF KD PET 2x4 Stud	287	280	+7	280	+7	250	+37
WSPF KD PET 2x6 Stud	300	300	0	245	+55	275	+25
Douglas Fir Green R/L 2x4	238	240	-2	260	-22	260	-22
Douglas Fir Green R/L 2x10	250	240	+45	300	-15	285	0
ESPF KD 2x4 8ft Stud	350	350	0	365	-15	320	+30
OSB Ontario 7/16" (CDN\$)	215	215	0	220	-5	195	+20
CSplywood Toronto 3/8" (CDN\$)	350	350	0	350	0	312	+37

## Weekly News

### Housing Starts, Home Sales US

CONTINUED New-home orders increased 33 per cent in the three months ended February 29, said Lennar Corp, the third largest US home builder by revenue, CEO Stuart Miller to Bloomberg. Shares of the Miami-company rose to the highest level since 2007.

Sales of previously owned homes in the US fell in March for the second-straight month. Existing-home sales decreased 2.6 per cent in March from a month earlier to a seasonally adjusted annual rate of 4.48 million, the National Association of Realtors said Thursday.

Even with the monthly decline, however, the first three months of 2012 were the strongest start to the year for existing home sales since 2007. March's sales were 5.2 per cent above the same month last year.

The inventory of previously owned homes listed for sale, meanwhile, increased to 2.37 million at the end of February. That represented a 6.3-month supply at the current sales pace, a pace considered healthy by economists.

The median sales price for existing homes in March was US\$163,800, up 2.5 per cent from US\$159,800 a year earlier.

Meanwhile, short sales outnumbered foreclosure sales in 12 states in January, indicating that more homeowners are finding an easier way out of a distressed home loan, said *USA Today* Thursday.

Short sales — which occur when a lender agrees to a home sale for less than what's owed — were up 33 per cent in January year-over-year, and preliminary February numbers also look strong, according to market researcher RealtyTrac.

The data underscores lenders' increased willingness to do short sales,

which tend to harm neighborhoods less than foreclosures. Homeowners also may regain eligibility for a new mortgage sooner than those who go through foreclosure.

RealtyTrac says foreclosure sales, which occur after a bank has repossessed a property, still outnumber short sales nationwide but the gap is closing.

Earlier this week, *Bloomberg News* reported that data from mortgage tracker Lender Processing Services show short sales surpassed foreclosures in January for the first time.

### BC Snowpack Threatens Fraser River

Cooler spring temperatures have created a higher-than-normal snowpack throughout British Columbia, increasing the risk of flooding in the next two months, according to a BC River Forecast Centre report.

There are higher-than-normal snowpacks along the entire length of the Fraser River, from the Fraser Valley to Prince George.

Snowpacks in the Upper Fraser in northern BC are at record levels, noted the report, based on April 1 snowpack.

The BC River Forecast Centre has identified the upper Fraser as the area of most immediate concern because snowpacks there are at record measured levels - 135 per cent of normal and characterized as "very high." The lower Fraser is at 120 per cent of normal levels and the snowpack there is categorized as a "high."

Similar high-level snowpacks in the province occurred twice before, in 2007 and 1999, but didn't result in significant flooding, noted David Campbell, head of the BC River Forecast Centre.

### West Fraser Appoints

West Fraser Timber has appointed Edward "Ted" Seraphim to the position of President and COO.

Seraphim joined the company in 1997 and has held the positions of Vice-President, Pulp & Paper and was most recently Executive Vice-President and COO.

## Calendar

### April 2012

#### 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](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>

# BC Timber Supply Projections

## Government Figures

Further to last week's article in your *Madison's Lumber Reporter* about government management of public timber assets, an internal report accidentally posted for a brief period this week by a British Columbia government staff member on the external directory finally reveals government projections for timber supply shortages for BC's interior.

Most Timber Supply Areas (TSAs) in the BC interior have barely two years left to harvest and salvage merchantable timber in the wake of the mountain pine beetle infestation. After that, the distances required to bring logs to the mill will become too great. For example, according to the summary report, "*Mid Term Timber Supply Project*", dated February 29, 2012, from 2010 to 2020 the annual harvest in the Williams Lake TSA will be 1.9 million cubic metres per year, compared to 3.4 million cubic metres currently. The situation is so dire in Quesnel that there isn't even a forecast provided for the beyond 2020. A BC Ministry of Forests, Lands and Natural Resource Operations staff survey of licencees indicated that by late 2013 the Quesnel TSA will see a 51 per cent decline in timber supply.

by Kéta Kosman

There is no question the people of Quesnel and the surrounding area, and the forest products industry with operations located there, would have benefitted from knowing the full extent and timing of this looming timber shortage as soon as this data was gathered.

The summary report, which has been made available on several media websites Wednesday, was by Thursday afternoon posted on the BC government's pine beetle website, here: [http://www.for.gov.bc.ca/hfp/mountain\\_pine\\_beetle/](http://www.for.gov.bc.ca/hfp/mountain_pine_beetle/) (click "What's New"). *Madison's* has obtained the ten appendices from which the summary report was drafted. Anyone interested in receiving these documents is invited to contact our office.

The 122 page report for the Prince George TSA was completed in November.

There are repeated references in the summary report to public consultations and communications strategies in advance of "government decisions required by December 31, 2012 to avoid conflict with May 2013 election." When pressed in the Legislature Wednesday, Pat Bell, Minister of Jobs, Tourism and Innovation, told opposition members that discussions with stakeholders, First Nations, and the Beetle Action Coalitions would take place in a couple of months, 'probably over the sum-

mer'. Given that the Lakes and Williams Lake TSAs can anticipate timber supply shortages in late 2014, reductions of 67 per cent and 32 per cent respectively, one has to wonder what could be accomplished by this hold up.

As BC readers will know by Friday, it was independent MLA for Cariboo-Chilcotin Bob Simpson who spotted the document. *Madison's* caught up with Simpson Wednesday for a phone interview.

"While ten years ago we knew the green attack numbers [of the mountain pine beetle infestation], even in 2004 forest companies in BC were continuing to build sawmills. In 2007 and 2008 there were uplifts to the Annual Allowable Cut (AAC), which were needed to salvage the dying timber," Simpson said. "But there is a lot of information that industry still needed.

"Frankly, why isn't the government acting? Why wait until summer to begin consultations, we should be immediately engaging."

Simpson explained that he had a conference call scheduled with local mayors.

"We will be looking at alternatives on the TSA level. Have all options for using the fibre been pursued? What about the bioeconomy? There is also a hardwood profile in those forests. What about mining?", Simpson asked. "We need to take the worst case scenario and start planning. Now discussion can be based on reality since the data is finally available."

In a brief phone interview Friday morning, Pat Bell explained to *Madison's* that the summary report is a culmination of work that has been going on for the past four years.

"Some of the calculations might be new, some of the projections may not have previously been put out in quite that format," said Bell. "But most of the report restates information the government has already made available.

"The issue is that due to the fire at the Babine mill in Burns Lake, the gov-

ernment was required to ramp up the timeline on taking action. We need to act sooner rather than later. One thing that has become clear is that the entire region of the interior impacted by the beetle needs to be looked at, not just the Lakes TSA," explained Bell. "In two months or so we will begin public consultation, and it will be an expedited, inclusive process. There is a sense of urgency because if [Babine sawmill owner] Hampton Affiliates does decide to rebuild that mill then they will want to make that decision within this year."

## BC Interior Allowable Cut and Timber Supply

TIMBER SUPPLY AREA	AAC PRE-MPB 1982 -1996 cubic metres	AAC AT PEAK SALVAGE millions m <sup>3</sup>	AAC CURRENT cubic metres	MID-TERM TIMBER SUPPLY millions cubic metres per year	POSSIBLE INCREASE millions m <sup>3</sup> per year
LAKES	1.5 million	2001 - 2.96 2004 - 3.16	2 million	0.5	0.6
PRINCE GEORGE	9.36 million	2002 - 12.24 2004 - 14.94	12.5 million	6.4	9.2
QUESNEL	2.34 million	2001 - 3.25 2004 - 5.28	4.0 million	1.15	0.4
WILLIAMS LAKE	2.81 million	to 2007 - 2.81	5.7 million	1.9	3.08

## BC Interior Land Base, Harvest, and Timber Projections

TIMBER SUPPLY AREA	TOTAL AREA hectares	TIMBER HARVEST LAND BASE hectares	2001-2010 ANNUAL HARVEST million m <sup>3</sup> /yr	2010-2020 ANNUAL HARVEST million m <sup>3</sup> /yr	TIMBER SUPPLY PROJECTED million m <sup>3</sup> /yr	TIMBER SUPPLY SHORTAGES
LAKES	1.1 million 72% is Crown Land, 35% of that reserved	524,000 47% of TSAs or 65% of productive	1.7 76% was L. Pine	0.5	to 2070: 1.15	early 2014: 67% decline
PRINCE GEORGE	7.97 million 66% is Crown Land*, 22% of that reserved	3.1 million 39% of TSAs or 60% of productive	10.7 69% was L. Pine	9.2	to 2025: 6.4	2017: 32% decline
QUESNEL	2.1 million 67% is Crown Land, 31% of that reserved	965,687 47% of TSAs or 69% of productive	3.5 82% was L. Pine	3.6		late 2013: 51% decline
WILLIAMS LAKE	4.9 million 58% is Crown Land, 31% of that reserved	1.97 million 40% of TSAs or 69% of productive	3.4 74% was L. Pine	1.9	to 2075: 3.5	late 2014: 32% decline

\* another 18% (0.9 ha) removed from TSAs because not harvested by licencees