

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 Investment Rx

This month's issue of *Madison's Investment Rx* went out last week. Recent changes in the delicate supply-demand balance for North American solid wood products and the latest data on US forestry products and softwood lumber imports from Canada are examined.

Contact us any time for a subscription.

Home Sales, Prices, US

Americans bought more previously owned homes in April, a sign that the weak housing market is gradually improving. The National Association of Realtors said Tuesday home sales rose 3.4 per cent last month to a seasonally adjusted annual rate of 4.62 million.

That brings home sales back near the pace in January and February — which was the best winter for sales in five years. Still, sales are well below the nearly 6 million per year that economists equate with healthy markets.

New US single-family home sales rose more than expected in April and prices pushed higher, further evidence the housing market was turning the corner. The Commerce Department said on Wednesday sales increased 3.3 per cent to a seasonally adjusted 343,000-unit annual rate after a 332,000-unit pace in March. [READ MORE](#)

CP Rail Job Action

The strike at Canadian Pacific Railway has put a stop to international trade moving through the rail tunnel connecting Windsor, ON, and Detroit, MI. CPR and Borealis Transportation share ownership of the tunnel.

"The suspension of CP's freight network in Canada, due to the walkout means tens of thousands of carloads of freight are not moving. This is impacting our customers' business and Canada's economy," CPR spokesperson Ed Greenberg wrote in an email to *CBC News*.

Greenberg declined to estimate what the financial fallout of the tunnel's closure is.

[READ MORE](#)

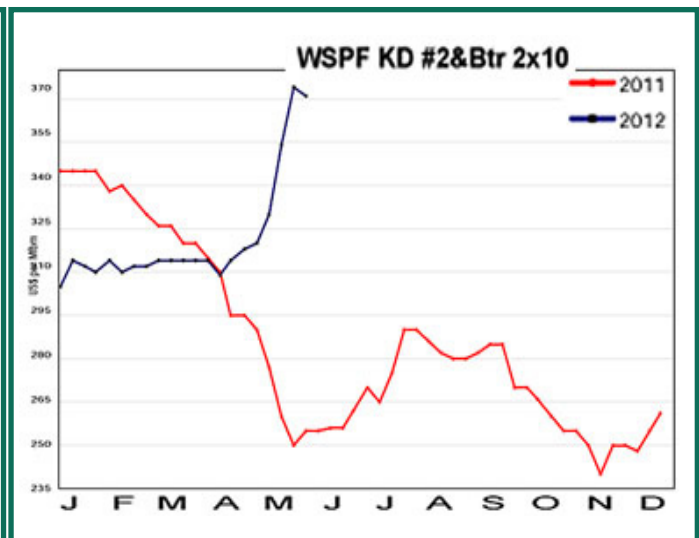
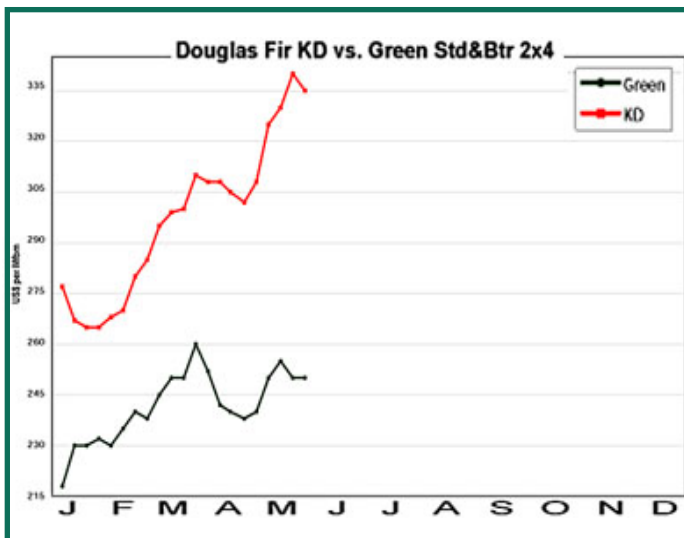
10 Storey CLT Building in Melbourne

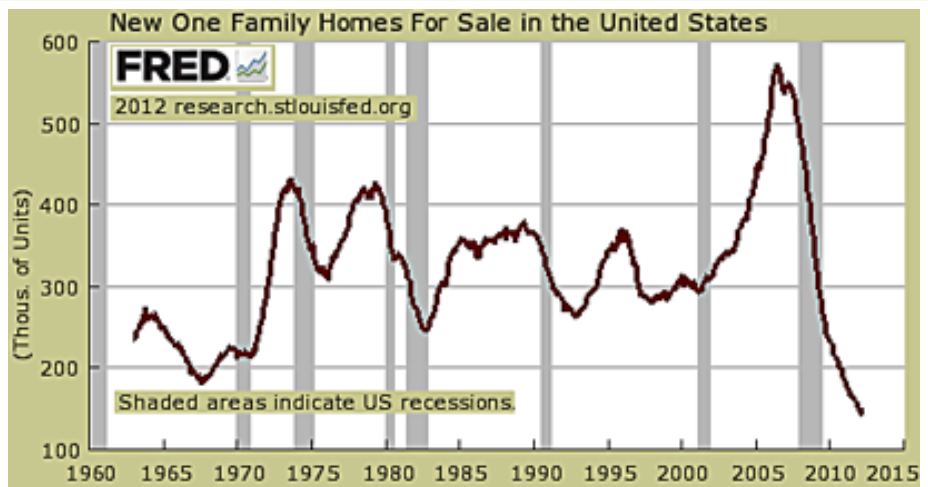
Work has started on a 10-storey cross laminated timber structure (CLT) in the Docklands area of Melbourne, Australia, that will rise 242 centimetres above the world's tallest similar buildings, according to the Sydney Morning Herald. The innovative new Forte building, rising up at the west end of Bourke Street, will also be Australia's most environmentally friendly multi-storey residence, with a 5-star green rating.

It will house 23 boutique apartments and four townhouses and be built entirely from CLT. [READ MORE](#)

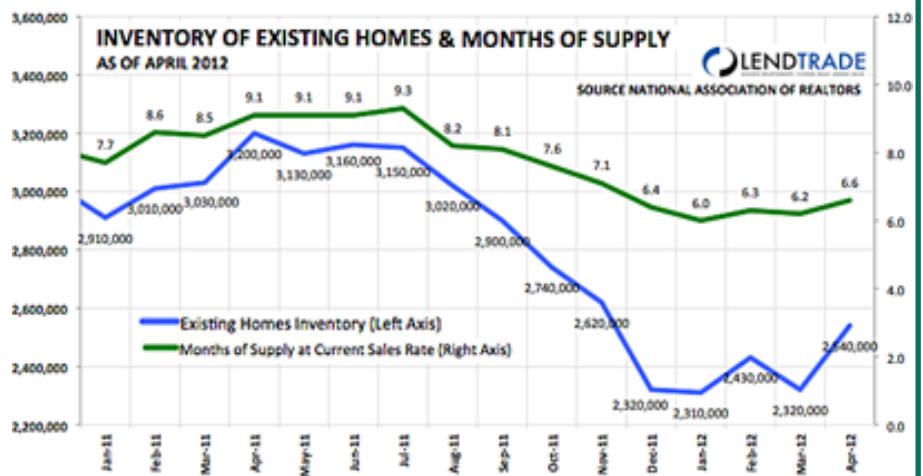
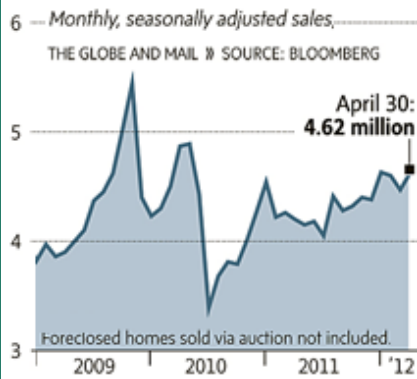
Economic Data, US and Canada

1Q 2012 operating profits for Canadian corporations and consumer confidence in Canada, and US consumer confidence, durable goods orders, and the latest employment figures are examined. [READ MORE](#)





U.S. EXISTING HOME SALES



Scoreboard

	January - March 2012		January - March 2011		SALES 2011-12 (%)
	Sales (\$,million)	Earnings (\$,million)	Sales (\$,million)	Earnings (\$,million)	
Ainsworth	85.1	0.6	98.7	77.7	+8.7%
Canfor	607.6	(16.2)	624.0	(7.0)	-2.6%
Cascades	891.0	6.0	774.0	(8.0)	+13.1%
Catalyst	315.8	(25.6)	303.6	(12.9)	+3.9%
Conifex	47.4	(6.5)	21.1	(3.6)	+55.5%
Domtar	1,398.0	28.0	1,423.0	133.0	-1.8%
Eacom	59.9	(7.8)	79.9	(6.6)	-25.1%
Interfor	186.7	(6.5)	178.6	(1.7)	+4.3%
Norbord (US \$)	253.0	(0.0)	253.0	(2.0)	+0.0%
Resolute FP	1,054.0	23.0	1,185.0	31.0	+11.1%
Taiga FP (3Q 2011- Feb 09)	203.1	(1.7)	198.4	(1.2)	+2.3%
Tembec	407.0	(14.0)	452.0	6.0	-10.0%
Western Forest Products	223.4	1.9	180.8	3.8	+19.1%
West Fraser	681.0	(17.0)	687.0	19.0	-0.9%

Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	309	308	+1	290	+19	224	+85
WSPF KD R/L 2x6	299	300	-1	290	+9	226	+73
WSPF KD R/L 2x8	310	300	+10	276	+34	250	+60
WSPF KD R/L 2x10	371	374	-3	320	+51	255	+116
WSPF KD PET 2x4 Stud	365	360	+5	335	+30	245	+120
WSPF KD PET 2x6 Stud	345	360	-15	295	+50	270	+75
Douglas Fir Green R/L 2x4	250	260	-10	240	+10	250	0
Douglas Fir Green R/L 2x10	300	310	-10	290	+10	260	+40
ESPF KD 2x4 8ft Stud	410	410	0	395	+15	310	+100
OSB Ontario 7/16" (CDN\$)	240	240	0	215	+25	195	+45
CSplywood Toronto 3/8" (CDN\$)	368	360	+8	353	+15	295	+73

Weekly News

US Home Sales, Prices

CONTINUED The median price for existing homes sold in April rose to US\$177,400, up 10.1 per cent from a year ago.

The median price of new homes rose 0.7 per cent last month to US\$235,700 from March. Compared to April last year, the median price was up 4.9 per cent.

Inventories of new homes on the market remained near record lows despite a rise of 1.4 per cent to 146,000 units last month. At April's sales pace it would take 5.1 months to clear the houses from the market, down from 5.2 months in March.

U.S. home prices rose in March and in the first quarter of the year, according to a government index released Wednesday, highlighting a trend of gradual stabilization as the market finds its footing after a severe bust.

Overall, home prices rose 1.8 per cent on a seasonally adjusted basis in March from a month earlier, according to the Federal Housing Finance Agency's monthly home-price index. Compared with a year earlier, home prices were up 2.7 per cent.

On a quarterly basis, home prices rose 0.6 per cent in the January-to-March period from the last quarter in 2011. They were up 0.5 per cent from the same quarter in 2011, the first year-over-year increase since the second quarter of 2007.

CP Rail Disruption

CONTINUED The waiting games continues for Windsor area businesses that rely partly or wholly on the Canadian Pacific Railway lines.

They can't do much right now since CPR workers went on strike Wednesday. Business owners in the region who use the rail line to ship goods are now dis-

cussing contingency plans.

Some are waiting on whether Ottawa legislates CPR workers back to work. If it happens by early next week, some business owners tell *CBC Windsor* they will be OK.

One railway official from Essex Terminal Railway, which moves 35-40 cars of goods around the city each day, said earlier this week this strike is costing Windsor \$1 million a day.

The strike is about pensions.

The Teamsters union accuses CPR of taking a tough stance by trying to reduce pensions as much as 40 per cent in some cases.

Labour Minister Lisa Raitt said both sides are still at the table.

In the meantime those who use CPR in one way or another are stuck on the tracks – and their goods are going nowhere.

Some railways, such as Canadian National, use tracks owned by CPR and, in some cases, are not using those lines during the strike.

Cross-Laminated Timber Building

CONTINUED Forte will be completed in October after nine months' construction, "quicker than most houses get built", Lend Lease chief executive Mark Menhinnitt said.

Green Building Council of Australia chief executive Romilly Madew said the sustainability initiatives had the potential to transform timber use in buildings around Australia.

"In a fire event the product will char, it won't burn," Mr Menhinnitt said. The \$11 million structure had been put through a CSIRO fire test.

Lend Lease also plans to build a public library in Docklands from the same material.

The tower will resemble a traditional apartment in its internal and external finishes. "If you walk inside an apartment, you wouldn't know [it was made of wood]. There will be a [wood] wall inside each apartment, so you will get a warm timber finish in one area."

The speedy construction improves Lend Lease's capital performance because buyers settle sooner. Because the development was unusual, the company chose not to pre-sell apartments.

Lakeland Planer Resumes

During a meeting with workers Thursday night, Sinclar Group Forest Products officials announced the planer mill at Lakeland in Prince George, BC, will be opened soon, according to *CKPG TV*. The mill will operate with the remaining inventory, although it's not clear what will happen once that inventory is cleared. An explosion and fire destroyed the facility's sawmill last month, killing two and injuring more than twenty others. The planer survived the blast with little damage.

Elsewhere, President of Sinclar, Greg Stewart, said Wednesday in regards to whether the stud mill will be rebuilt, they company not entirely sure yet, according to *HQ Prince George*.

"It's still far too early in the process to be able to say. We do believe that there are conditions that are favourable towards a rebuild. One, I think we have the best employees in the industry, we have long-time local owners, we do have access to fibre as it stands today, as well we have great relationships with our stakeholders."

Four employees still remain in hospital, but Stewart says they continue to show improvement.

Stewart added that the Sinclar Group extended the employees' wages for five weeks to help with the financial impact.

Latest Economic News

USA and Canada

In addition to quite encouraging US home sales and home price data out this week, other economic indicators from the US and Canada are beginning to paint a picture of overall recovery. The rail strike by Canadian Pacific workers has thrown Canadian manufacturers, particularly in the west, into a tizzy. However, the federal government has already indicated that it will not tolerate a prolonged labour disruption, so expectations are that CP trains will be running again soon. That particular dispute turned ugly mid-week when the rail carrier sent temporary layoff notices to 2,000 workers, with another 1,400 jobs temporarily threatened should the issue not be resolved by next week. Please refer to Page 2 of your *Madison's Lumber Reporter* for details on the CP Rail labour talks.

by Kéta Kosman

North of the border, Statistics Canada Thursday released 1Q 2012 financial statistics for enterprises. Operating profits for Canadian corporations remained virtually unchanged from 4Q 2011, amounting to \$75.2 billion in 1Q, StatsCan said. With 11 of 22 industries reported higher profits, gains in the financial sector were largely offset by declines in the non-financial sector.

On a year-over-year basis, operating profits for Canadian corporations were 4.6 per cent higher in the first quarter than in the same quarter of 2011. Profits increased 3.1 per cent in the non-financial sector and 8.7 per cent in the financial sector. Manufacturing profits decreased 16.2 per cent, to \$13.5 billion, in 1Q as 8 of 13 manufacturing industries reported lower profits. Computer and electronic product manufacturers, motor vehicle and parts manufacturers and air, rail and ship products manufacturers led the decline. For construction, profits rose 11.8 per cent, to \$3.9 billion, in 1Q primarily on the strength of residential building construction, particularly of condominiums. Profits for the transportation and warehousing industry were up 17.8 per cent, to \$2.9 billion. Most of the growth came from transportation, where profits rose 38.1 per cent, to \$1.5 billion.

Elsewhere, consumer confidence in Canada got a boost in a May, according to a new survey that also shows the population's outlook on the economy is rising. The confidence index tracked by consulting firm TNS hit 98.8 this month, more than three full points above April's 95.4 reading, TNS said Thursday. The survey

interviewed 1,207 adults across Canada between May 14-17, 2012.

The 0.4 per cent increase in retail sales reported by Statistics Canada on Wednesday showed consumers are spending more after a weak start to the year, but not quite resuming their 2011 role as the main drivers of growth. Compared with March 2011, overall retail sales were up 4.1 per cent. Stripping out the motor-vehicle and parts dealers, sales were up just 0.1 per cent. Gasoline sales actually fell, to the surprise of analysts, and there were gains in just seven of the 11 retail sub-sectors that Statistics Canada tracks. Sales at general merchandise stores rose for the third straight month, up 1.1 per cent in the month. Receipts increased by 1.8 per cent at building-material and garden-equipment dealers and by 1.3 per cent at clothing and accessories outlets.

In the US, consumer confidence improved last week for the first time in a month as falling gasoline prices helped stem dismay over household finances. The Bloomberg Consumer Comfort Index was minus 42 in the seven days ended May 20, compared with a four-month low of minus 43.6 the prior period. The measure slumped 12.2 points over the previous four weeks, wiping out almost the entire gain for the year.

New orders for durable goods edged 0.2 per cent higher last month, a minimal gain after a revised 3.7 per cent drop in March, the Commerce Department said on Thursday. This data is a sign manufacturing will keep contributing to the US expansion, economists told *Bloomberg*. The increase was led by a rebound in auto making as growing confidence in the economy prompts Americans to replace older models, keeping assembly lines busy this quarter.

US stock index futures edged higher on Thursday morning as investors were hopeful that data on durable goods orders and initial jobless claims will show the world's largest economy is on the right track to recovery, according to Reuters.

In US employment figures, which together with housing have stubbornly resisted showing signs of true recovery, the number of people seeking unemployment benefits fell slightly last week, signalling modest job growth. Initial claims for state unemployment benefits slipped 2,000 to a seasonally adjusted 370,000, the US Labor Department said Thursday. The four-week moving average, considered a better measure of labor market trends, dropped 5,500 to 370,000.

Claims have barely budged in the past four weeks, indicating a marginal improvement in the pace of job creation after April's disappointing 115,000 gain in nonfarm payrolls.

The number of people still receiving benefits under regular state programs after an initial week of aid fell 29,000 to 3.26 million in the week ended May 12.

The so-called continuing claims data covered the week used by the household survey to derive the unemployment rate. The jobless rate dropped to 8.1 per cent in April from 8.2 per cent the prior month and from 9.1 per cent in August 2011. Part of the reason for the drop is that employers have added a million jobs over the past five months. But it has also declined because some people gave up looking for work.

Though Thursday's economic reports were a bit lackluster, said *Reuters*, they offered no signs of deterioration in the world's largest economy.

There was truly good news in the US housing market this week. Home prices jumped 1.8 per cent in March, the biggest monthly increase in at least two decades, as the housing recovery builds momentum, the Federal Housing Finance Agency said Wednesday. The FHFA report measures changes in real estate values using purchases of properties with mortgages backed by Fannie Mae or Freddie Mac. It doesn't provide a specific price for homes. For the first quarter, prices rose 0.5 per cent from a year earlier, the first annual increase since 2007.

Purchases of previously owned US houses climbed 3.4 per cent in April to a 4.62 million annual rate, the first increase in three months, the National Association of Realtors said Tuesday. The median home price was US\$164,800 in March. In April, it climbed to US\$177,400, according to the trade group.

Demand for new US homes increased 3.3 per cent in April to a 343,000 annual rate from a revised 332,000 in March, the Commerce Department reported Thursday.

"The economy continues to grow with economic indicators on a positive trajectory and pointing to a recovery. But struggles remain. High unemployment, a declining labor force, stagnant wages, and a large delinquent inventory across many parts of the country are slowing the recovery's momentum," Fitch Ratings wrote Friday.

Fitch expects home prices – after inflation – to drop another 7.8 per cent – a smaller forecasted decline than the 9.1 per cent projected three months ago. By state, Fitch sees widely varied performances ahead – but 12 state housing markets were seen as "undervalued" and 14 with pricing at "sustainable" levels.

Please refer to Page 2 for more information on US new and existing home sales data.