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News & Updates

Madison's Timber Preview

Ongoing discussions of a very complicated subject, the BC mid-term timber supply, warrant a special distribution of this week's issue of *Madison's Timber Preview*. For this week only, *Madison's* is making the *Timber Preview* available to all *Reporter* subscribers.

Contact us any time to receive this vital and informative tool regularly.

AFPA First Quarter

Values of lumber, panelboard, and pulp and paper manufactured by Alberta Forest Products Association-member companies totalled approximately $545 million for the first quarter of 2012. While the value of production was down $31 million from 1Q 2011, it increased roughly $61 million from 4Q 2011.

The AFPA noted that stronger prices during the months of May and June will likely translate into solid results for 2Q 2012. READ MORE

Japan Housing Starts

According to the Ministry of Land, Infrastructure, Transport and Tourism, Japan's housing starts in April were 73,647 units, up 10.3 per cent from the same month in a year earlier, says the *Japan Lumber Journal*. This marked the first double-digit increase this year. The seasonally-adjusted rate was 896,000 units. READ MORE

14-Storey Wood Framed Building

Not to be outdone by Australia's announcement a couple of weeks ago of a LEED-standard 10-storey wood building, Norway has announced planned construction of a 14-stoery wood builing.

Bergen Region Housing plans to build a 14-storey wooden apartment block overlooking the western coastal city's famous fjords, claiming it will be the world's biggest wooden apartment building. READ MORE

Canadian Industrial Capacity Utilization Rates

Canadian industries operated at 80.7 per cent of their production capacity in 1Q 2012, up 0.2 percentage points from the previous quarter. An increase in capacity use in manufacturing was partially offset by declines in the resource and energy sectors, Statistics Canada said Thursday The increase of 0.2 percentage points followed an advance of 0.8 percentage points in 3Q 2011 and 0.6 percentage points in 4Q 2011. READ MORE

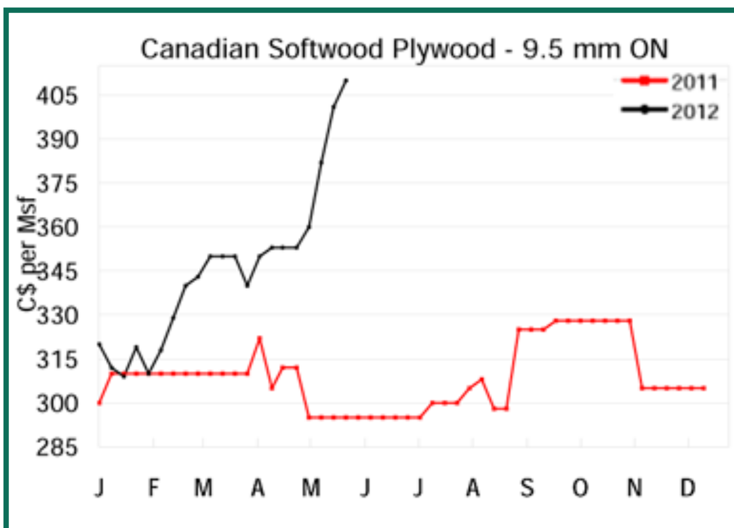
North American Rail Transportation Statistics

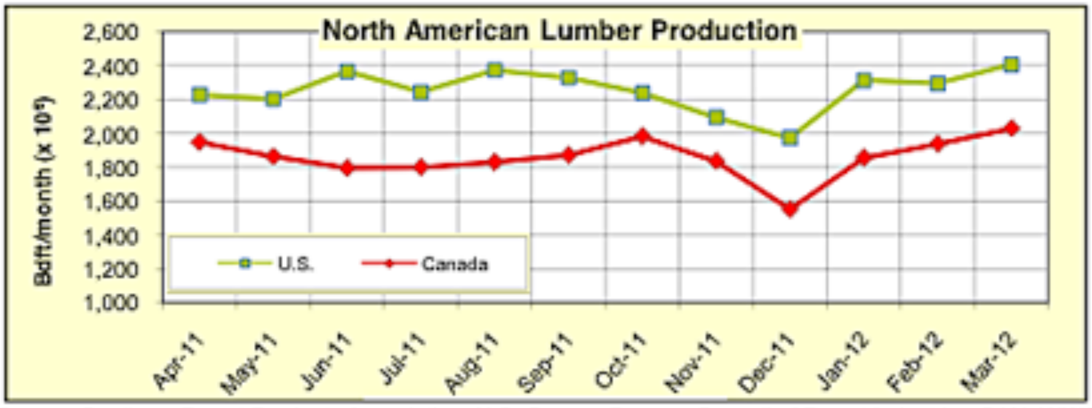
New data released by Statistics Canada and the US Department of Transportation, as well as by the Association of American Railroads and the American Trucking Association, indicate a strong recovery in the volume of goods being moved between the US, and Canada and Mexico. While some sectors showed a decrease, forest products and lumber numbers improved significantly. READ MORE

JAPANESE HOUSING STARTS

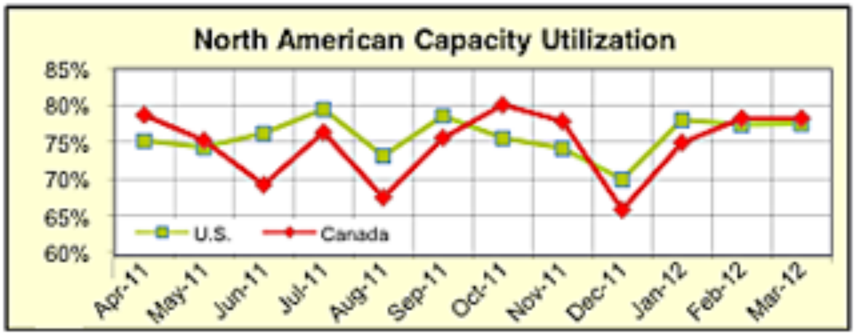
Month	TOTAL	Non-Wood	Wood	%Wood
Apr-12	73,647	36,535	37,112	50
Mar-12	66,597	30,985	35,612	53
Feb-12	66,928	31,363	35,565	53
Jan-12	65,984	30,867	35,117	53
Dec-11	69,069	28,531	40,538	59
Nov-11	72,635	32,507	40,128	55
Oct-11	67,273	29,198	38,075	57
Sep-11	64,206	27,525	36,681	57
Aug-11	81,986	35,085	46,901	57
Jul-11	83,398	35,238	48,160	58
Jun-11	72,687	32,438	40,249	55
May-11	63,726	29,600	34,126	54

Source: Japan Wood-Products Information and Research Center





Source: Southern Forest Products Association, U.S. Census Bureau, Council of Forest Industries-CAN, WWPA



Source: USDA Profile:Softwood Sawmills in the United States and Canada, WWPA

AFPA Q1 2012 Results

Production Figures and Values – (2011 and 2012)

Lumber	2011		2012	
Year/Quarter	**Production (mmfbm)**	**$C Value (000,000s)**	**Production (mmfbm)**	**$C Value (000,000s)**
1st Quarter	656.8	$192.2	704.9	187.9
2nd Quarter	730.3	$168.6		
3rd Quarter	720.4	$172.9		
4th Quarter	678.9	$168.7		
Yearly Totals	**2,786.4**	**$702.4**		

Panelboard	2011		2012	
Year/Quarter	**Production (mm sq ft)**	**$C Value (000,000s)**	**Production (mm sq ft)**	**$C Value (000,000s)**
1st Quarter	285.1	$69.5	287.7	74.1
2nd Quarter	302.5	$68.6		
3rd Quarter	273.0	$67.5		
4th Quarter	257.3	$62.5		
Yearly Totals	**1,117.9**	**$268.1**		

CUMULATIVE TOTALS - ALL AFPA SECTORS

Q1-2011: $576,000,000 Q4-2011: $483,900,000 Full year 2011:$2,159,135,000

Q1-2012: $544,600,000

Prices are in U.S. dollars per 1,000 fbm.

Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	**308**	308	0	308	0	230	+78
WSPF KD R/L 2x6	**298**	294	+4	300	-2	232	+66
WSPF KD R/L 2x8	**324**	324	0	300	+24	248	+76
WSPF KD R/L 2x10	**378**	378	0	374	+4	265	+122
WSPF KD PET 2x4 Stud	**360**	365	-5	360	0	275	+85
WSPF KD PET 2x6 Stud	**360**	365	-5	360	0	280	+80
Douglas Fir Green R/L 2x4	**238**	243	-5	260	-22	255	-17
Douglas Fir Green R/L 2x10	**280**	295	-15	310	-30	268	+12
ESPF KD 2x4 8ft Stud	**415**	415	0	410	+5	325	+90
OSB Ontario 7/16" (CDN$)	**260**	260	+5	240	+20	200	+60
CSPlywood Toronto 3/8" (CDN$)	**410**	401	+9	353	+57	295	+115

Weekly News

Alberta 1Q Shipments

CONTINUED AFPA-member companies produced 705 mmfbm of lumber in 1Q 2012 with a value of $188 million. Part of this production came from the secondary manufacturing sector. Total production volumes were up 48 mmfbm or 7.3 per cent from 1Q 2011, but values dropped $4 million, or 2.2 per cent. Compared to 4Q 2011, production volumes rose 26 mmfbm, or 3.8 per cent, and values increased $19 million, or 11 per cent.

AFPA-member Panelboard operators produced 288 million square feet of 7/16 inch equivalent product in 1Q 2012 valued at $74 million. Compared to the same quarter in 2011, production was up roughly 3 million square feet, or 0.9 per cent, while values increased $5 million, or 6.6 per cent. In comparison to 4Q 2011, production rose by 30 million square feet, or 11.8 per cent, and values increased by $12 million or 19 per cent.

Housing Starts, Japan

CONTINUED This year, owing to the Japanese government's promotion policies for house acquisition, housing starts in February marked year-to-year growth for the first time in six months, according to the *Japan Lumber Journal*.

By building method, housing starts of prefabricated houses increased for the fourth consecutive month to 9,410 units, up 3.1 per cent. Those of 2 x 4 houses also increased for the third consecutive month to 7,876 units, up 8.2 per cent.

Condo starts exceeded 10,000 units for the first time since November 2008, says the *Japan Lumber Reports*.

Tall Wooden Buildings

CONTINUED The project seeks to promote sustainable materials while boosting Norway's vast forestry industry, the agriculture ministry said yesterday. "The biggest challenge in building a 14-story wooden building is preventing big swings amid strong winds," Bergen said in an earlier statement.

The building, complete with a rooftop terrace, a Japanese garden, an indoor patio, a glass facade and views of the fjord, could be ready for sale by early 2014. It would be constructed from prefabricated modules.

Capacity Utilization Rate, Canada

CONTINUED In 1Q 2012, the strength of the manufacturing industries as a whole was responsible for the growth in capacity use of Canadian industries for a second consecutive quarter, said StatsCan. Capacity utilization in the manufacturing sector increased 0.7 percentage points to 81.3 per cent. This was the third straight advance since the decline in 2Q 2011.

The largest contributors to the increase in the capacity utilization rate were the transportation equipment, machinery, wood product manufacturing and fabricated metal products industries.

The capacity utilization rate in the wood product manufacturing industry rose from 74 per cent in 4Q 2011 to 77.2 per cent in the 1Q 2012. The increase was mainly the result of higher production in the sawmills and wood preservation industry.

2006 SLA Arbitration Final Filings

Final submissions were made on May 25 by both Canada and the US in the current arbitration under the 2006 Softwood Lumber Agreement.

Usually the documents presented to the international tribunal are made available to the public within one week, or thereabout. At a full 15 days past that, there is no indication from either side about when the North American forest industry will be able to look at this critical information.

After repeated requests, *Madison's* received an email from a representative at DFAIT stating, "The process [of releasing the post-hearing briefs] is taking longer than initially anticipated as mentioned to you last week, and I do not know when they will be available."

It seems there is an ongoing disagreement about some sections that Canada wants redacted.

Madison's asked representatives at the US Coalition for Fair Lumber Imports for details, and was told by email, "If it's an issue of redacting confidential information from the public version, the only confidential information in the case is Canada's. Any disagreement would therefore have to be over a request from Canada to redact something."

The LCIA panel has a lot of discretion in the timing of its ruling, so at the moment it is not known when the final decision will made. In this current arbitration, once the decision is made the case is closed, there is no opportunity for appeal.

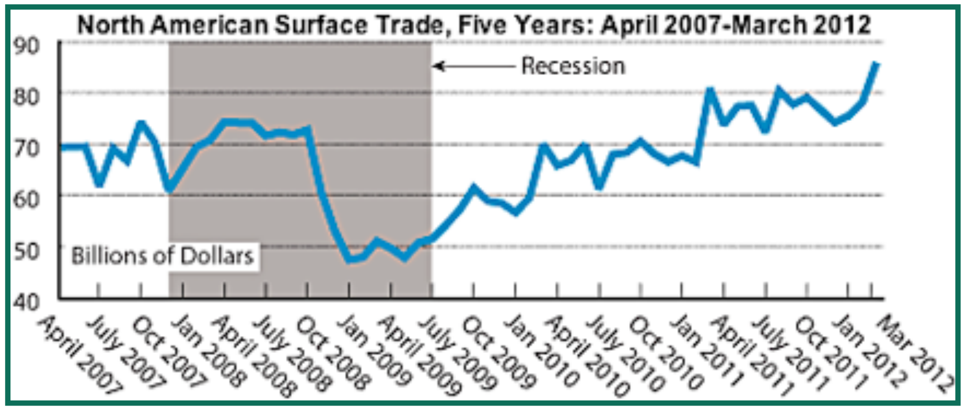
It seems only reasonable for stakeholders to be as informed as they can prior to this fateful decision. Contact information for DFAIT staff working the softwood lumber file can be found here:

http://tinyurl.com/7v72b4g

Transportation Statistics

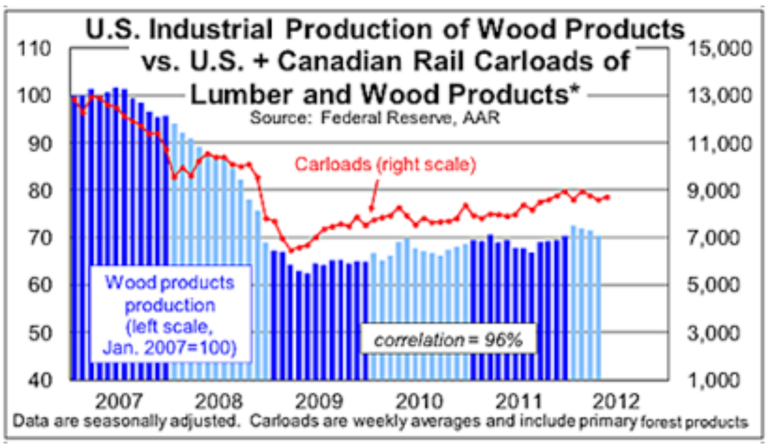
US and Canadian Railways

by Kéta Kosman



The latest figures on North American freight shipments and rail car loadings, for March, indicate increasing volumes of goods moving on Canadian and US railways. Forestry and lumber products account for a good portion of that improvement.

As well, intermodal volume in May on the major US railroads hit the highest level in history for that month, according to a release by the Association of American Railroads on June 7. US intermodal traffic last month was 3.5 per cent higher than the same month a year ago. The May 2012 weekly intermodal average of 235,662 trailers and containers is the highest May average in history. Although carload volume was down 2.8 per cent year-over-year, the big losses were due to slumps in the major commodities of coal and grain. Lumber and wood products, meanwhile, were up 2,357 carloads, or 16.9 per cent, in May compared to April.



On May 30, Statistics Canada reported that Canadian railways carried 26.7 million tonnes of freight in March, virtually unchanged from March 2011. A drop in domestic loadings was fully offset by an increase in cargo received from US connections. Traffic received from US connections advanced 13.1 per cent, to 3.3 million tonnes. Intermodal freight loadings rose 9.7 per cent, to 2.5 million tonnes. The increase occurred solely on the strength of containerized cargo shipments, as trailers loaded onto flat cars declined. Total domestic freight loadings, composed of non-intermodal and intermodal traffic, fell 1.6 per cent to 23.4 million tonnes over the same 12-month period.

However, shipments of lumber and 'other wood products (plywood, veneer)' increased by 5.8 per cent from February to March, and 14.3 per cent compared to December. Shipments of lumber were 9,055 and 10,565 rail cars in December and March respectively. Shipments of 'other wood products' were 3,300 and 4,072 rail cars in December and March respectively.

Trade using surface transportation between the United States, and Canada and Mexico totalled US$85.8 billion in March, 6.2 per cent higher than in March 2011, said a May 29 release by the Bureau of Transportation Statistics of the US Department of Transportation. March 2012 was the highest month for North American trade value since collection of data began in 1994, exceeding US$85 billion for the first time and topping the previous record of US$80.8 billion in March 2011.

The value of US surface transportation trade with Canada and Mexico in March increased by 88.2 per cent compared to March 2002. Imports in March were up 76.1 per cent since March 2002, while exports were up 104.5 per cent.

US-Canada trade reached US$50.1 billion, a 2.9 per cent increase. In March, Michigan led all states in surface trade with Canada as it has in previous years, at US$6.3 billion, a 3 per cent increase from March 2011. Of the top 10 states by value, Illinois had the largest percentage increase over March 2011, at 16.5 per cent.

The latest Freight Transportation Services Index, released Wednesday by the US Department of Transportation Bureau, showed the amount of freight carried by the for-hire transportation industry rose after a one-month decline, by 0.2 per cent in April from March. The April 2012 level was 16.2 per cent above the April 2009 recession low but is down 3.8 per cent from the historic freight shipment peak reached in December 2011.

April 2012 freight shipments rose 2 per cent from April 2011 and 16.2 per cent from April 2009 but remain below the level in April 2008, prior to the recession.

Despite the 3.8 per cent decline from December 2011, freight shipments in April 2012 were at the fourth highest level since the early recession month of July 2008, which had been the highest level in the 22-year history of the series. After dipping to a recent low in April 2009, freight shipments increased in 24 of the last 36 months, rising 16.2 per cent during that period.

Freight shipments are up 0.4 per cent in the five years from the pre-recession level of April 2007 and up 10 per cent in the 10 years from April 2002, despite declines in recent years.

Freight shipments in April 2012 rose 16.2 per cent from the recent low in April 2009, when freight shipments were at their lowest level since June 1997.

In trucking, two measures of US activity signal the industry remains steady and has even firmed up since mid-May. The first, the for-hire truck-tonnage index, rose 2.8 per cent in April from a year earlier, up from 0.2 per cent the prior month, marking 29 months of growth, based on data from the American Trucking Association released Thursday. The US economy has never contracted without tonnage turning negative first, so the truck figures are a leading indicator.

The second measure, FTR's index of US truck loadings, increased 3 per cent to 115.9 in April from a year earlier, the highest since 2008, said the Nashville, IN-based transportation-forecasting company this week.