

# MADISON'S LUMBER REPORTER



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## News & Updates

### Madison's Timber Preview

This week's issue of *Madison's Timber Preview* examines the latest lumber production data from the US and Canada, as well as log and lumber export statistics from British Columbia and the US west coast.

Contact us to receive this vital and timely information regularly.

### Softwood Lumber Arbitration Ruling Next Week

The tribunal hearing US allegations that the British Columbia softwood industry was mispricing its products will release its decision on Wednesday, July 18, 2012, according to sources close to the case.

The US is seeking hundreds of millions of dollars in compensation in the long-running dispute.

### Canadian Housing Starts

Canadian housing starts climbed unexpectedly in June as multiple urban starts in Quebec and British Columbia bounced higher, but homebuilding is still expected to slow as the year progresses, Canada Mortgage and Housing Corp said on Tuesday.

The seasonally adjusted annualized rate of housing starts surged to 222,700 units in June, compared with an upwardly revised rate of 217,400 units in May. The May figure was initially reported as 211,400 units. [READ MORE](#)

### Housing Starts, Japan

Japan's housing starts in May 2012 were 69,638 units, a 9.3 per cent increase from the same month in a year earlier, marking month-to-month growth for the fourth consecutive month, according to the *Japan Lumber Journal*. The seasonally adjusted annual rate was 903,000 units, an 0.8 per cent increase over April, which exceeded the 900,000 unit mark for the first time in three months. [READ MORE](#)

### Wildfires

The largest fire currently burning in Alberta, at 155,000 hectares as of Friday morning, prompted an evacuation of Zama City earlier this week, though it has not crept any nearer to that hamlet. About 160 residents are waiting to hear when they will be able to go back.

More than 100 firefighters — 21 from the Yukon — joined the fight Thursday bringing the total to about 200, along with helicopters and heavy equipment. [READ MORE](#)

### British Columbia's Resource Roads

This week the Mid Term Timber Supply Committee continued its tour of the province, spending three days in Vancouver, BC. The Monday to Wednesday sessions were packed with representatives from industry, agencies, groups, and scientists, each using their allotted half an hour to give their take on the issue of British Columbia's immediate timber supply problems and to answer questions. [READ MORE](#)

#### JAPANESE HOUSING STARTS

Month	TOTAL	Non-Wood	Wood	%Wood
May-12	69,638	31,439	38,199	55
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

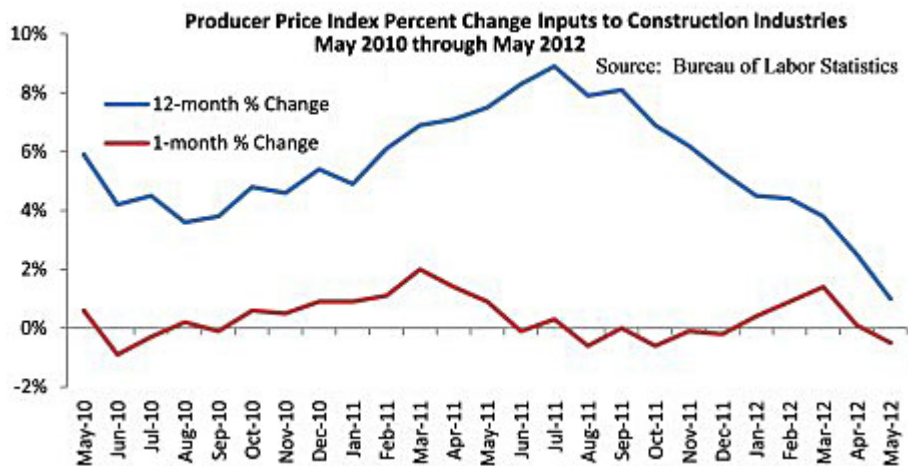
Source: Japan Wood Products Information and Research Center

#### CANADIAN HOUSING STARTS

Actual and Seasonally Adjusted Annual Rates

	June 2012		May 2012	
	Actual	SAAR	Actual	SAAR
<b>Canada, all areas</b>	<b>20,327</b>	<b>222,700</b>	<b>19,264</b>	<b>217,400</b>
urban ctrs with >10,000	18,144	199,500	17,058	194,500
singles, urban centres	6,923	67,500	6,145	67,700
multiples, urban centres	11,221	132,000	10,913	126,800
rural areas	2,183	23,200	2,206	22,900
Atlantic urban centres	1,121	9,800	866	9,100
Quebec urban centres	3,967	42,800	3,601	36,500
Ontario urban centres	6,258	70,700	6,604	77,700
Prairie urban centres	3,843	42,100	3,700	45,200
BC urban centres	2,955	34,100	2,287	26,000

Source: Canada Mortgage and Housing Corporation



### U.S. Producer Prices Show Modest Rebound

Producer prices in the US unexpectedly showed a modest increase in the month of June, according to a report released by the Labor Department on Friday, with prices rebounding slightly after showing a sharp drop in the previous month. The Labor Department said its producer price index edged up by 0.1 per cent in June after tumbling by 1.0 per cent in May.

The modest rebound by producer prices was partly due to higher food prices, which rose by 0.5 per cent in June after falling by 0.6 per cent in May. A 3.1 per cent jump in meat prices contributed to the increase in food prices, which marked the biggest increase since food prices rose by 1.0 per cent in November of 2011.

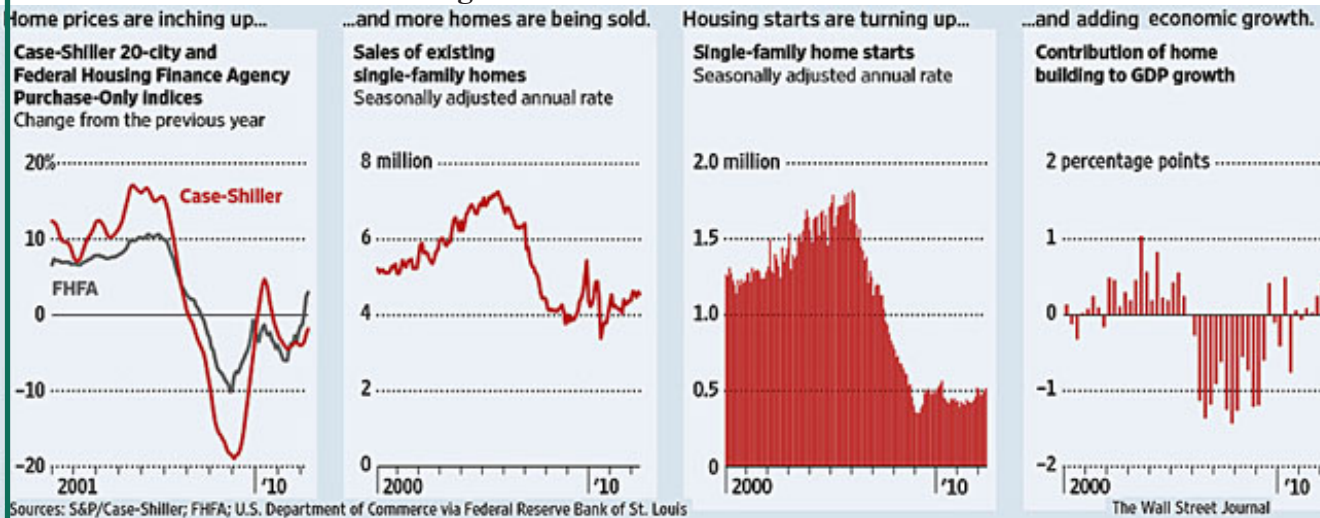
On the other hand, the report showed a continued drop by energy prices, which fell by 0.9 per cent in June after plummeting by 4.3 per cent in May. The continued decrease was partly due to a 2.1 per cent drop in prices for residential electric power.

### Construction Materials Prices Generally Lower in May -- Reed Construction Data

The Bureau of Labor Statistics reported that the seasonally adjusted Producer Price Index for materials and components used in construction increased 0.1 per cent in May after rising 0.3 per cent in April. The index was up 2.7 per cent on a year-over-year basis, and 7.8 per cent since May 2009. Meanwhile, prices for raw materials used in construction or to produce products used in construction fell 0.3 per cent after jumping 0.9 per cent in April. The index was up 3.3 per cent from a year earlier and 5.8 per cent from three years earlier.

An index that measures inputs used in nonresidential construction (excluding capital equipment) fell 0.6 per cent on a not seasonally adjusted basis after no change in April. On a year-over-year basis, the index was up a scant 0.6 per cent.

## US Housing Passes a Milestone -- Wall Street Journal



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## Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	294	286	+8	308	-14	253	+41
WSPF KD R/L 2x6	290	286	+4	298	-8	250	+40
WSPF KD R/L 2x8	308	308	0	324	-16	264	+44
WSPF KD R/L 2x10	360	360	0	378	-18	275	+85
WSPF KD PET 2x4 Stud	345	330	+15	360	-15	260	+85
WSPF KD PET 2x6 Stud	345	345	0	360	-15	285	+60
Douglas Fir Green R/L 2x4	255	250	+5	238	+17	260	-5
Douglas Fir Green R/L 2x10	278	270	+8	280	-2	289	-11
ESPF KD 2x4 8ft Stud	395	395	0	415	-20	330	+65
OSB Ontario 7/16" (CDN\$)	245	250	-5	260	-15	205	+40
CSplywood Toronto 3/8" (CDN\$)	413	413	0	410	+3	300	+113

## Weekly News

### Housing Starts, Canada

CONTINUED The seasonally adjusted annual rate of urban starts increased 2.6 per cent to 199,500 units in June. Urban single starts slipped 0.3 per cent to 67,500 units, while multiple urban starts jumped 4.1 per cent to 132,000 units.

June's seasonally adjusted annual rate of urban starts increased 7.7 per cent in Atlantic Canada, 17.3 per cent in Quebec and 31.2 per cent in British Columbia. Urban starts fell 6.9 per cent in the Prairies and 9 per cent in Ontario.

Separate data showed the average price of a home in Canada increased between 3.3 and 5.5 per cent in the second quarter of 2012 compared to a year earlier, according to the Royal LePage House Price Survey.

By the end of 2012, Royal LePage expects national average prices to be 3.2 per cent higher than in the same period of 2011.

In 2Q, the price of standard two-story homes rose 4.7 percent year-over-year to \$408,423, while detached bungalows increased 5.5 per cent to \$376,311. Average prices for standard condominiums increased 3.3 per cent to \$245,825, the survey showed.

### Japan Housing Starts

CONTINUED Total new floor area, which also increased for the fourth month in a row, was 6,349,000 square metres, up 9 per cent.

Due to government house promotion measures, housing starts have been showing a recovery trend since February. However, the focus was on rental houses and built-for-sale houses and not on owner-occupies houses. So, the growth in housing starts did not directly connect

with an active movement of building materials, says the *Journal*. Especially after spring, real demand remained inactive.

Housing starts of owner-occupied houses steadily grew, by 8.2 per cent, to 25,468 units.

Units built for owners, rentals, and detached units built for sale all increased, while new condominium starts were down by 3.2 per cent, the first decline in four months, says the *Japan Lumber Reports*.

The building of new wood-based units rose by 11.9 per cent.

The earthquake damaged prefectures of Iwate, Miyagi, and Fukushima experienced the greatest gains, or 76.4 per cent, 178.7 per cent, and 81.7 per cent respectively, says the *Reports*.

### Forest Fires

CONTINUED There were close to two dozen fires burning out of control in the northern half of the Alberta Friday.

A forest fire burning just outside Fort Smith, NWT, Wednesday alarmed some residents. The fire started on the Alberta side of the border, near Four Mile Lake, but crews from the NWT's Environment and Natural Resources Department responded to first. The Alberta government has classified that fire as "being held."

Firefighters were working Friday morning to suppress a new 5-acre wildfire in Yellowstone National Park. The Black-tail Fire was spotted Thursday afternoon near the park's northern boundary.

Meantime, the Fontenelle Fire in the Bridger-Teton National Forest was now 80 per cent contained Friday.

Elsewhere, the 153-square-mile Arapaho fire in the Medicine Bow National Forest northwest of Wheatland was 88 per cent contained.

Crews made progress Friday against a stubborn wildfire in Placer County, CA,

that forced the evacuation of about 300 people. The blaze, which was burning in a steep, heavily wooded area, was threatening 150 homes and could endanger the small community of Colfax if it crosses into a nearby canyon.

The fire began Wednesday and grew in the windy, hot weather. It blackened nearly 2 square miles and was 10 per cent contained Friday morning.

Farther north, the Mill Fire had burned more than 36 square miles in Mendocino National Forest and destroyed five out-buildings. Three people were injured, and the blaze was 45 per cent contained.

### Sawmill Contractor Dies

RCMP say they were called to the Conifex lumber mill in Fort St. James, BC, just after 11 in the morning Wednesday, where a man had died from injuries.

The investigation was handed over to the Coroners Service and WorkSafe BC. WorkSafe BC says the man was crushed under a structure.

The man was identified as Mika Saario, 44, a resident of Prince George.

Saario was an independent contractor in the latter stages of dismantling one of Conifex's two planer machines, sources said. He was working in an area alone but with others nearby. When they came to get him for a coffee break, he was deceased with a lit cutting torch still in hand.

"Preliminary information is that the worker was dismantling an elevated catwalk approximately 12 feet by 20 feet. As he cut some of the supporting elements, the remaining supports buckled and fell onto the worker," said Donna Freeman, spokesperson for WorkSafeBC.

This incident represents the sixth person killed so far this year while working inside a Prince George-area sawmill, says the *Prince George Citizen*.

# BC Resource Roads

## Current Infrastructure, New Regulation

The wide range of presenters offered a variety of thoughts, philosophies, and ideas. There are two jurisdictions left to go, in Merritt and Vanderhoof, Thursday and Friday, before the Committee meets in Victoria to deliberate. It is tasked with delivering its report on August 15.

After only a few speakers, *Madison's* began to notice some themes mentioned repeatedly, uttered at least once by basically everyone. Going back over the Hansard transcripts, *Madison's* searched for three of these particular phrases: over the course of the hearings and meeting held up to the end of Wednesday, "transportation" was mentioned 43 times, "infrastructure" came up 97 times, and "road" was stated 128 times.

by Kéta Kosman

Clearly this is a vital issue. The forest products industry in British Columbia has been undergoing a quantum shift due to a complex set of circumstances. One thing, it seems, that everyone can agree on is that as the reduced supply of available merchantable timber really becomes apparent, the lack of accessibility to formerly unwanted stands is going to be a problem.

Lower volume, non-pine, low value, second-growth, and stands at higher elevation are all becoming of interest to companies struggling to find ways to maintain a viable log supply at a reasonable distance.

The other regions in which the transportation issue came up more frequently, besides Vancouver, were Burns Lake, Fort St. James, Vanderhoof, 100 Mile House, and Prince George. The Highway 16 corridor came up a lot in the discussions. It is of special significance to the Lakes District in particular now that there is a question of whether Babine's Burns Lake sawmill will be rebuilt.

Most presentations from the resource extraction sector looked at road building as an opportunity rather than an impediment or liability.

Since October, the Ministry of Forests, Lands and Natural Resource Operations and the Ministry of Energy and Mines have been working on the question of resource roads. The Natural Resource Road Act Project (NRRRA) aims to establish a single legislative framework for the use, construction, maintenance and management of resource roads. Resource roads in BC are currently administered under 11 acts and associated regulations. There

are different types of resource roads in the province; for forestry, for mining, for recreation, for hunting, as well as roads specifically for wildfire fighting. The new act would take into account the different strategies, the competing interests, and make a single consistent legislation.

In addition to lowering the duty of care owed by the Crown and road maintainers, the revised legislation shifts the onus for personal injury insurance coverage to third party users and brings the government's resource road policy into line with policies covering rural agricultural land and marked recreational trails.

"These changes are an important first step to simplifying the regulations covering BC's vast network of resource roads," said Minister of Forests, Lands and Natural Resource Operations Steve Thomson when the NRRRA Project was announced. "Reducing the possibility of injury-related lawsuits will encourage road maintainers to keep roads open and preserve access to BC's wilderness areas."

BC has an estimated 450,000 kilometres of resource roads, which are typically one-lane or two-lane gravel roads built for industrial purposes to access natural resources in remote areas. These roads also provide access to dozens of rural communities and isolated settlements.

According to the Natural Resource Road Act Progress Report of March 2012, "Government staff and volunteers from forestry, utilities, transportation, agriculture, oil and gas, mining, tourism, and recreation are working together to identify possible solutions to the problem. Those policy options are then considered by Government and direction is provided to those drafting the new Bill."

The amendments will help keep more backcountry roads open by establishing that people using resource roads of their own accord do so substantially at their own risk.

"We support these amendments because they will keep more back country roads open for hunting, fishing and outdoor recreation," said BC Wildlife Federation president Bill Bosch to the *Courier-Islander*. "The BC Wildlife Federation can provide liability insurance to its members through clubs, direct members and programs such as the outdoor passport."

The issue is complicated not only because different industries and sectors build and use roads at different times, but also because decommissioning or deactivation of such roads can cause problems in the wider community.

"There is general agreement that maintainers should be able to close roads for safety and environmental reasons; however, many users groups do not favour deactivation and closure as the standard practice following industrial use," says the Progress Report.

The NRRRA Project released a *Summary of Public and Stakeholder Feedback* in February. The suggestions covered a wide range of concerns and observations.

One example; "Currently there is a vastly different approach to permitting roads between the various resource sectors. To produce a consistent approach

will mean increased engineering costs for the forest sector, if the mineral / energy sector requirements are followed."

Another; "It depends on what the baseline requirements are for safety, a forestry road may not be considered safe by oil and gas standards, and a forest-

ry user should not be held to an oil and gas standard of construction and maintenance (i.e. double lane all season road)."

And; "The NRRRA will not include Private Roads. There may be private roads included in Woodlots that may need to be considered. Resource Roads that are constructed (new and existing) on Woodlot Licenses and Community Forests Licenses will need to be taken into consideration particularly if there are other tenures being accessed beyond these tenure boundaries."

It seems communities are, at least in part, embracing this monumental undertaking.

Recreation tour operators and regional users, in particular, support the new legislation. While these small interests would not be able to maintain a former forest service road to the level a timber company did, they say they can keep up safety standards.

"Obviously we couldn't keep it open to the same standard that an industrial group like Tembec could. But there is the possibility that if it just requires replacing culverts and digging them out once in a while, that's probably something we could do," said Doug Hogg of the Cranbrook Snowmobile Club to the *Daily Townsman*. "We can't afford big machinery and replacing bridges, but we can do the easy stuff."

The BC government does have a budget to maintain forestry roads that are popular with recreational users, such as the road to access the Lakit Mountain trailhead, says the *Daily Townsman*.

"Government staff and volunteers from forestry, utilities, transportation, agriculture, oil and gas, mining, tourism, and recreation are working together to identify possible solutions to the problem."