

# 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.madisonreport.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

### Eacom to Rebuild Timmins Mill

Work is beginning to rebuild a Timmins, ON, sawmill destroyed by fire this past winter. About 120 people were put out of work in January when the Eacom Timber mill was shutdown after the blaze.

Company vice-president Mel Lemky told the *CBC* he's ordering new machinery.

In the meantime, some of the Timmins employees have been working in Eacom's sawmill in Nairn Centre, just west of Sudbury, ON. Lemky said an extra shift was added at the Nairn mill, to keep up with rising demand for lumber.

"We've tried to ramp up here a little bit to hold market value, hold forestry value, to try to hang on to business, as a whole, as much as we can," he said.

Lemky noted the Timmins mill is scheduled to be sawing logs again by April.

"We're going ahead with the building of Timmins [and] ordering machinery, probably within a week."

### More Wildfires

A BC forestry official said Wednesday the evacuation alert that went into effect Monday for 70 properties on the western hillside above Okanagan Lake had been lifted after a crew doused the blaze, according to *The Province*. The lightning-caused fire near Wilsons Landing began last weekend and grew to 30 hectares at its peak. [READ MORE](#)

### Financial Results

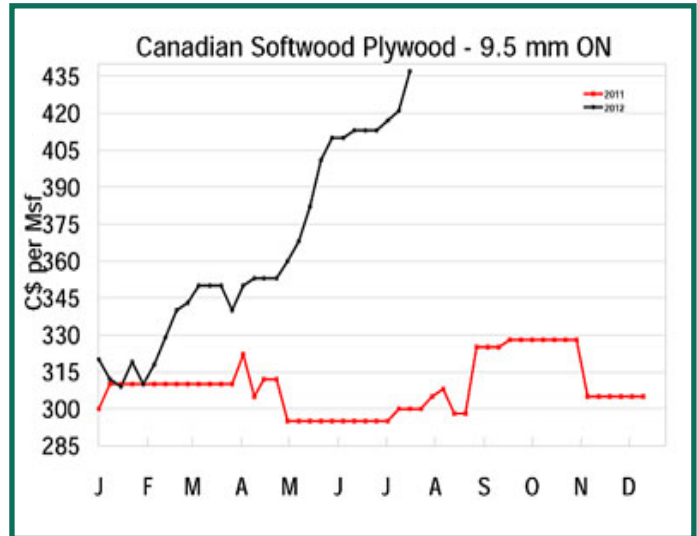
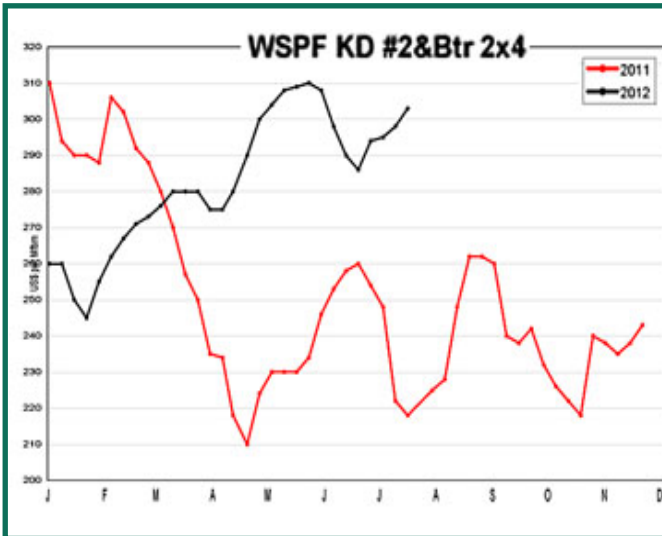
According to 2Q financial statements released this week, Western Forest Products netted \$12 million from the sale of TFL 60 to Taan Forest Limited Partnership while improved volumes of lumber and log shipments also helped increase total revenue to \$253.1 million. That total sales figure is the company's highest quarterly figure since 2Q 2007.

The company reported EBITDA of \$20.4 million for 2Q, up from \$9.3 million in 1Q 2012, though slightly down from the \$21.2 million in 2Q 2011. [READ MORE](#)

### Southern Yellow Pine Design Values : Update

In 2010, two US lumber grading agencies, the Southern Pine Inspection Bureau (SPIB) and Timber Products Inspection, agreed to work collaboratively to perform stiffness and bending, and tension strength, tests on #2&Btr southern yellow pine KD 2x4's. These design values are the properties that builders can count on southern pine delivering in construction—including the wood's load values, or its ability to resist bending, tension, and compression—as well as the product's general stiffness. It seems that overall trends illuminating a shift in the resource mix have occurred over the past seventeen years, prompting the SPIB Board of Governors to direct additional testing last year.

Due to changes in forest management regimes in the South—the planting of fast-growing or genetically altered species, the application of herbicides to reduce competition or fertilizer to spur tree growth, to list a few—pine trees grow more quickly than ever, leaving wider spaces between growth rings. [READ MORE](#)



**US Non-Residential Construction Materials Prices**

The US Bureau of Labor Statistics (BLS) reported Monday that the seasonally adjusted Producer Price Index (PPI) for materials and components used in construction was unchanged in June from May, after increasing 0.1 per cent the previous month. The index was up 2.2 per cent on a year-over-year basis, and 8.2 per cent since June 2009.

The seasonally adjusted PPI for softwood lumber rose 1.9 per cent in June after leaping 5.8 per cent the previous month. On a year-over-year basis, prices were up 11 per cent and increased 29.5 per cent since June 2009.

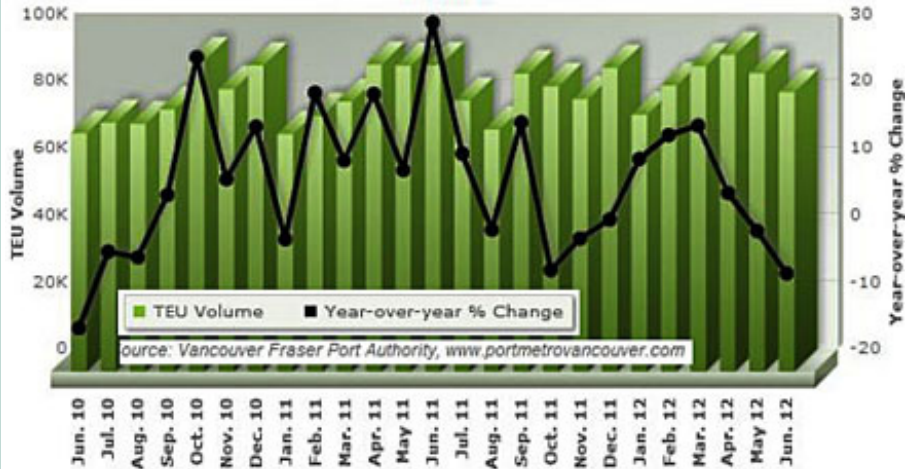
*Reed Construction Data*

**US Non-Res Construction Spending Forecast**

A sharp spike in demand for industrial facilities so far this year, along with sustained demand for hotels and retail projects factors into what projects to be a 4.4 per cent rise in spending this year for nonresidential construction projects – up from a projection of a 2.1 per cent increase in the January Consensus Forecast. The AIA semi-annual Consensus Construction Forecast, also projects a 6.2 per cent increase of spending in 2013.

*American Institute of Architects*

**Containerized Ocean Trade at Port Metro Vancouver : June 2012**



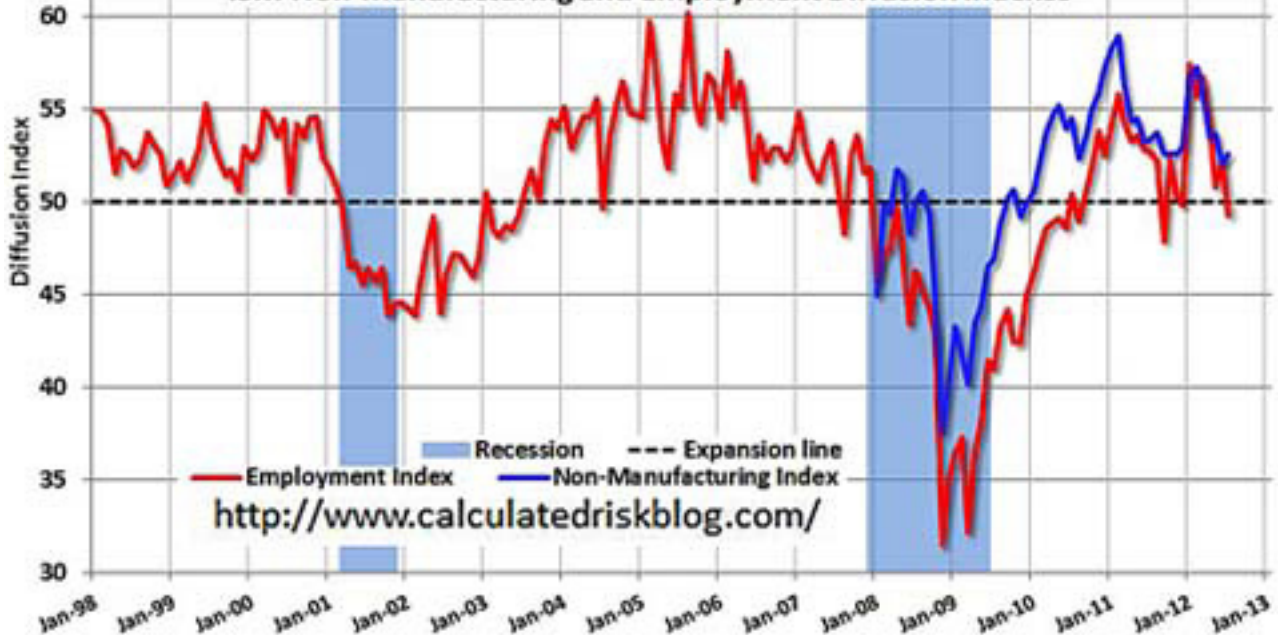
SOURCE: Journal of Commerce

**US Institute of Supply Management Survey**

The July ISM Manufacturing survey index (PMI) registered 49.8 per cent, an increase of 0.1 percentage point from June's reading of 49.7 per cent, indicating contraction in the manufacturing sector for the second consecutive month, following 34 consecutive months of expansion.

Both the Production Index and the Employment Index remained in growth territory, registering 51.3 per cent and 52 per cent, respectively. The Prices Index for raw materials registered 39.5 per cent, an increase of 2.5 percentage points from the June reading of 37 per cent, indicating lower prices on average for the third consecutive month. A growing number of comments from the panel this month reflect a slowdown in their businesses and general concern over increasing economic uncertainty."

**ISM Non-Manufacturing and Employment Diffusion Indexes**



**WHO WILL OWN THE FOREST?**

SEPTEMBER 18-20, 2012 : PORTLAND, OREGON

**JOIN US FOR NORTH AMERICA'S BEST ATTENDED ANNUAL EVENT ON FORESTLAND INVESTING**

[wwof.worldforestry.org](http://wwof.worldforestry.org)

## Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	303	298	+5	286	+17	248	+55
WSPF KD R/L 2x6	301	294	+7	286	+15	258	+43
WSPF KD R/L 2x8	309	308	+1	308	+1	286	+23
WSPF KD R/L 2x10	360	360	0	360	0	286	+74
WSPF KD PET 2x4 Stud	375	355	+20	330	+45	222	+153
WSPF KD PET 2x6 Stud	375	355	+20	345	+30	270	+105
Douglas Fir Green R/L 2x4	298	280	+18	250	+48	260	+38
Douglas Fir Green R/L 2x10	308	300	+8	270	+38	307	+1
ESPF KD 2x4 8ft Stud	400	395	+5	395	+5	330	+70
OSB Ontario 7/16" (CDN\$)	285	252	+33	250	+35	205	+80
CSplywood Toronto 3/8" (CDN\$)	437	421	+16	413	+24	305	+132

## Weekly News

### Forest Fires

CONTINUED It charred about 27 hectares and burned to within a kilometre of homes north of West Kelowna.

Since April 1st, British Columbia has spent \$57 million fighting 670 fires. This is considerably more than last year.

Dozens of homes and other structures are threatened by two Northern California wildfires, one near Lake Shasta and the other in the Plumas National Forest.

The 500-acre Salt Creek fire forced the closure of Interstate 5 in both directions shortly after it began on Wednesday afternoon near the Lake Shasta community of Lakehead.

An evacuation order remained in effect through the night as the fire threatened about 100 structures. More than 300 firefighters were working to control the blaze.

Firefighters in rural Riverside County said they don't know when they'll be able to fully contain a 355-acre wildfire that has been burning since Wednesday and has destroyed one home.

Officials said the fire was still only 75 per cent contained Thursday night – the same percentage as the night before – and they'll reassess the situation Friday morning.

The National Weather Service reported winds may gust to 20 mph Thursday night.

Overnight winds Thursday forced firefighters to retreat at a wildfire in central Washington that has grown to 10,000 acres - more than 15 square miles.

Firefighters are concerned about the hot weather forecast through the weekend so they're pushing Friday to get a handle on it. It's about 50 per cent contained.

About 240 firefighters are on the scene, assisted by a helicopter and air tankers dropping water and fire retardant.

### More Earning Reports

CONTINUED Catalyst Paper Wednesday reported a net loss of \$11.7 million in 2Q 2012, in comparison to a net loss of \$25.6 million the quarter before.

Ainsworth Lumber Thursday announced 2Q 2012 sales of \$90.5 million, an increase of \$10 million from 2Q 2011 due to an improvement in market prices, most notably in Western Canada, partially offset by a decrease in sales volumes. Adjusted EBITDA for the second quarter of 2012 was \$17.1 million compared to adjusted EBITDA of \$2.7 million in the same quarter last year.

Ainsworth recorded a net loss from continuing operations of \$11.3 million in 2Q 2012, compared to a loss of \$12.9 million in 2Q 2011.

Acadian Timber Friday reported a net income of \$575,000 in 2Q 2012.

For 2Q 2012, Acadian generated net sales of \$14.3 million on sales volume of 306 thousand cubic metres, which represents a \$2.5 million, or 22 per cent, increase in net sales compared to the same period in 2011.

Adjusted EBITDA of \$2.2 million for the second quarter of 2012 was \$1.6 million higher than in the second quarter of 2011, while Adjusted EBITDA margin increased to 15 per cent from 5 per cent in the same period of last year.

### NB Mill to Reopen

The Ligni Bel sawmill in Scotsburn, NB, which shut down in November, could be back in business after Northern Resources acquired \$5 million in secured debt of the company.

The move means Northern Resources, an affiliate of Northern Resources Nova Scotia Corporation, would take over the mill "with the intention of reopening (it

and creating at least 70 jobs in Scotsburn," says Bob Bagdon, vice-president human resources at the company to the *Truro Daily News*.

### Sawmill Fire

A blaze broke out in a warehouse at an Australian timber mill in Deanmill, near Manjimup in the State's South West, 300km south of Perth, Thursday, says *PerthNow*.

Fire and Emergency Services Authority spokesman Allen Gale said the cause of the fire was accidental, sparked by a welder working inside the building.

Officers from the volunteer fire and rescue services at Manjimup and Pemberton were alerted to the blaze by an emergency call.

### WFP Appoints

Western Forest Products Thursday named Don Demens as president. Hired in 2009, Demens was appointed Sr VP, Sales and Manufacturing, and in 2011 became COO.

### Canfor Announces

Following the decision earlier this year to integrate the management of Canfor Corporation and Canfor Pulp Products in order to maximize efficiency and cost synergies, Company President and CEO Joe Nemeth has elected to step down from his role effective September 30, 2012.

Nemeth has graciously offered to support the transition through that date.

Following Joe's decision, the Board of Directors of Canfor Pulp appointed Canfor President and CEO Don Kayne to the role of CEO; a role he will serve for both companies.

Brett Robinson, formerly Executive Vice President, Operations, will assume the President function for the Company.

# Design Values

## Southern Yellow Pine Update

CONTINUED The proposed change caused controversy, with some critics saying at the time that the timber would not meet standards for some building codes.

Please refer to the November 04, 2011 issue of your *Madison's Lumber Reporter* for background details.

The SPIB Technical Committee met in Pensacola, FL, in mid-July to make recommendations on design values for Southern Pine dimension lumber, explains an SPIB release dated July 19.

"Though the analysis is still ongoing, it appears that the wider widths and higher grades of lumber will not see the same depth of reduction in design values as the #2-2x4," says the SPIB. "Some of the higher grades maintained the stiffness values and showed a possible increase in tension values of 3 per cent. All of the grades and sizes tested indicate a reduction in bending values of 15 to 25 per cent. Compression parallel to grain may be reduced by 10 per cent."

In a two-step process, more than 7,400 full-size samples of commercially-produced Southern Pine were destructively tested, explains a Woodworking Network July 23 release. As the first step, #2-2x4s were tested which resulted in new design values for Southern Pine sized 2 to 4 inches wide and 2 to 4 inches thick in #2-Dense and lower grades on an interim basis. New design values for only those sizes and grades became effective June 1, 2012, pending the potential for slight adjustments based on results from additional testing in step two, says *Woodworking Network*.

As the second step, Select Structural (SS) 2x4s, #2 and SS 2x8s, and #2 and SS 2x10s were tested to complete the full In-Grade Testing matrix. Destructive tests in bending, tension and compression were then conducted while gathering stiffness and other property data, all in accordance with ASTM International standards. Throughout the entire process, technical oversight was provided by the USDA Forest Products Laboratory.

The SPIB Technical Committee is recommending that the complete design value matrix be moved to the Board of Governors for action. The next milestone will be a review of

design values by the SPIB Board of Governors in late August. If the Board of Governors approve new design values, the changes will be sent to the American Lumber Standard Committee Board of Review.

Forest industry analysts Forest Economic Advisors (FEA), out of Westford, MA, this week released an Update on Southern Pine Design Value Reductions.

Based on the most recent mill survey data available, grades #1, #2, and #3 typically represent the lion's share, approximately 75 per cent, of southern pine dimension lumber production, says FEA. The high grades typically represent less than 5 per cent of total so are not included in the FEA analysis.

According to FEA, most of the 2x6 dimension goes into rafters and trusses, particularly girder trusses. Designers have a slew of "work-arounds" such as the addition of struts for rafters and web members for trusses that will mitigate the impact of the lower design values. However, FEA expects that some substitution – with higher grades, MSR, or alternative species – will take place at the margins.

Analysts at FEA found that most of the 2x8 and wider goes into floor joist applications. Using 2x10 as an example, the proposed Design Value changes will have an impact on maximum allowable spans for southern pine floor joists – particularly for #2-2x10s – which would see a 13 per cent reduction.

FEA goes on to explain that for the majority of applications, the new design values will still be sufficient for the task. When they fall short, builders could reduce joist spacing, substitute #1 grade for #2, or substitute Select Structural grades for #1. FEA analysts do not expect that

the new design values will have a major impact on southern pine lumber demand or prices. If adopted, the changes will result in an improved competitive position for I-joists, floor trusses, and visually graded lumber of other species in longer span applications. To the extent that this leads to higher consumption of I-joist and floor trusses, demand for 2x3 and 2x4 MSR as well as LVL and LSL will increase, says FEA.

Pressure-treated wood producer Cox Industries, based in Orangeburg, SC, posted on their website June 22, "Although only Southern Yellow Pine and specifically #2-2x4 values are being examined and changed, the design review will ultimately reach other species of wood. Changes will affect not only conventional framing but wood truss design for both floor and roofs and wall panel design. Many organizations are weighing in on both the design and financial impact of the decisions. Industry associations and trade groups argued such changes could cause a drop in demand and would devalue whole inventories. In December, the National Association of Home Builders (NAHB) released the following statement: 'NAHB is deeply concerned about the impact that immediate approval of the SPIB proposal would have on the home building industry. Chaos in the marketplace and a spike in lumber prices would likely result. Dimensional lumber is a major component of home construction, with Southern Pine being the species of choice in many markets, so the SPIB proposal would directly and significantly impact many of NAHB's members.' The industry remains positive on the use of southern yellow pine."

The SPIB Board of Governors meets next in October 2012.

"Though the analysis is still ongoing, it appears that the wider widths and higher grades of lumber will not see the same depth of reduction in design values as the #2-2x4."

