

MADISON'S LUMBER REPORTER

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News & Updates

US Housing Starts

Quiet celebration broke out across North America this week when the US Census Bureau posted strong housing starts in the US for September, a very unusual time of year for housing starts to rise. Permits, an indicator of new home building for the next two months, also showed strong improvement.

Housing starts in the US surged 15 per cent in September to the highest level in four years, adding to signs of a revival in the industry at the heart of the financial crisis.

Beginning home construction jumped last month to an 872,000 annual rate, the fastest since July 2008, figures showed Wednesday in Washington. An increase in building permits may mean the gains will be sustained. [READ MORE](#)

Home Sales, US

US existing home sales fell in September in part because there were fewer homes available for sale. The National Association of Realtors said Friday that sales dipped 1.7 per cent to a seasonally adjusted annual rate of 4.75 million. That's down from a rate of 4.83 million in August, which was the highest in more than two years.

Sales are still up 11 per cent from a year earlier.

The nation's inventory of homes – those for sale on the market – fell 3.3 per cent during the month to 2.32 million. [READ MORE](#)

Canadian Unions Merge

Delegates to the Communications, Energy and Paperworks Union (CEP) convention this week in Québec City, QC, voted in favour of forming a new union with the Canadian Auto Workers Union (CAW). The CAW voted in favour of the project in August.

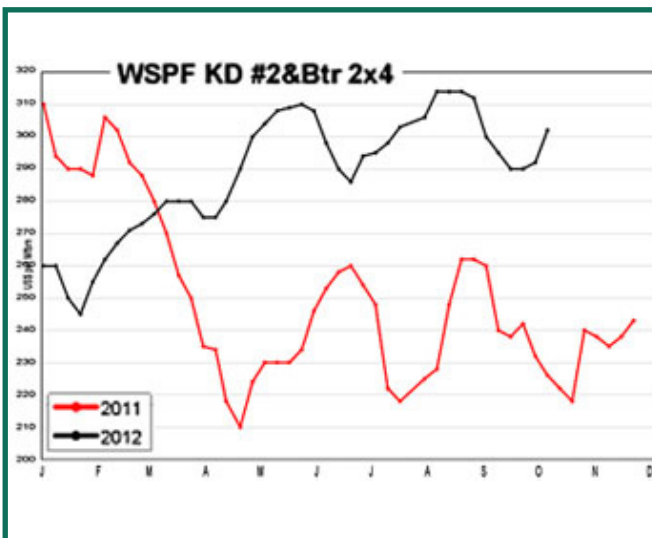
Yet unnamed, this new union will represent more than 300,000 workers in every province of the country, in 22 different major economic sectors. It will be the largest private sector union in Canada, but it will also represent thousands of workers who provide public services.

Madison's spoke to Dave Coles, newly re-elected National President of the CEP, Thursday for details. [READ MORE](#)

UN Forest and Forest Products Reports

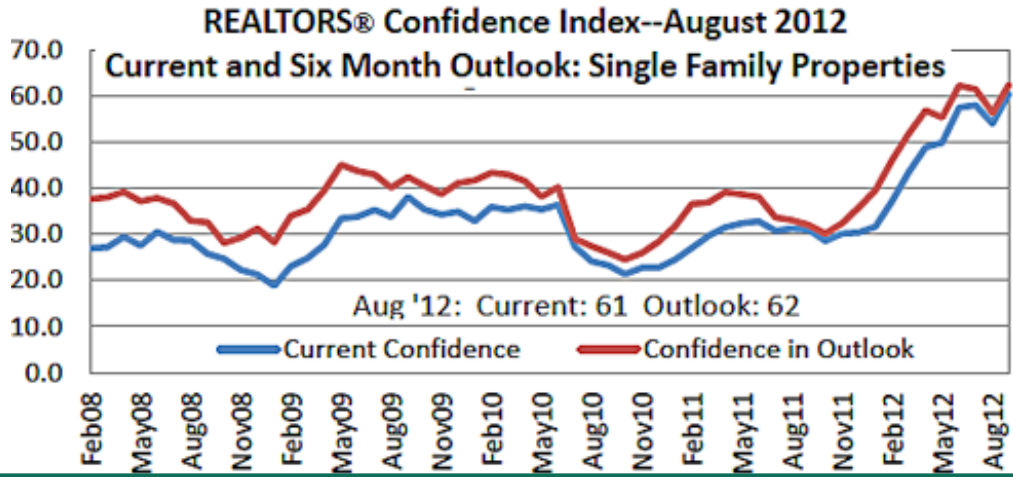
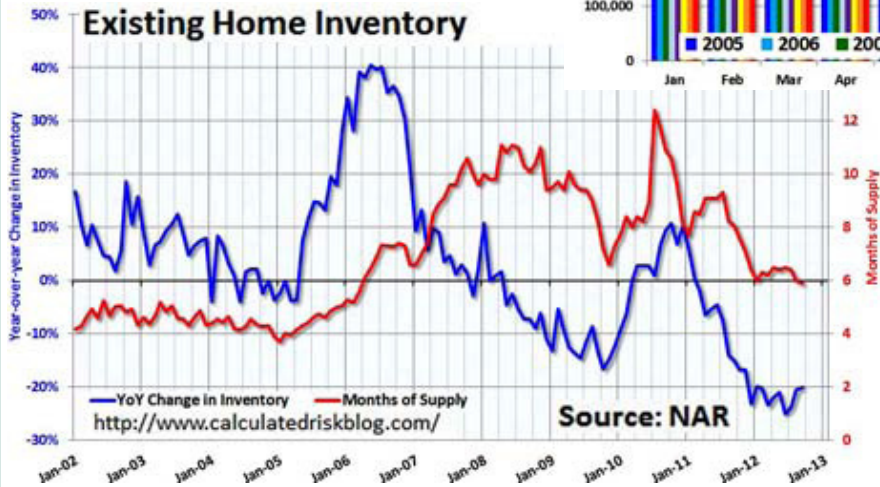
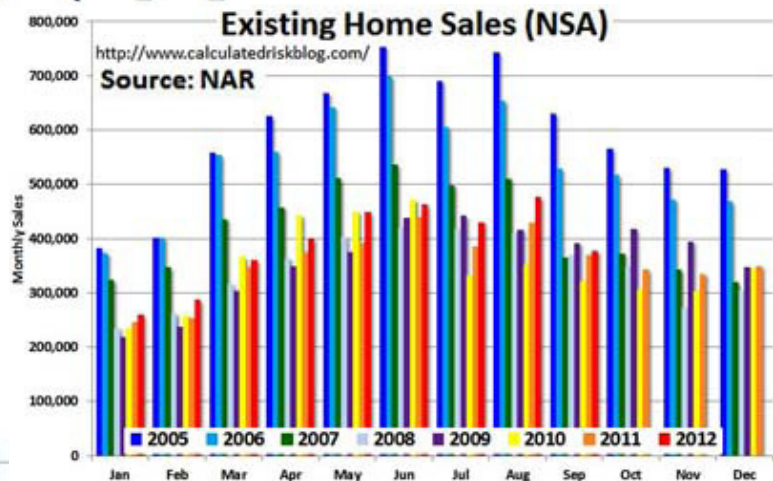
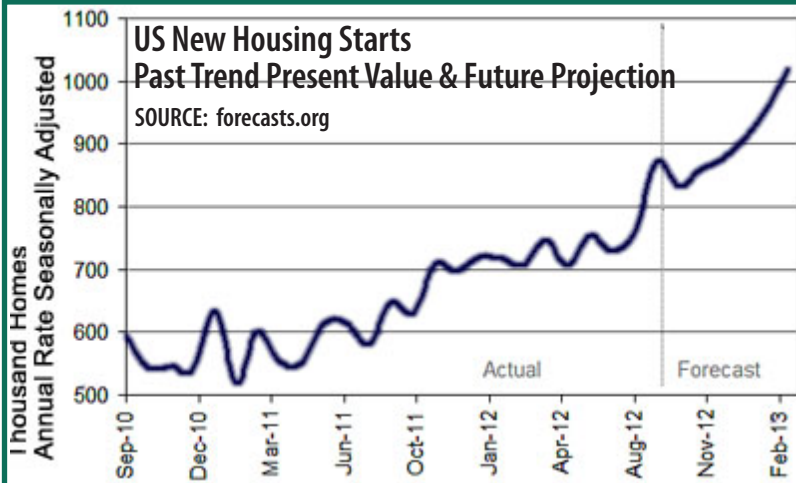
A flurry of reports were released by the United Nations in September; on the world's forest cover, the forest products market, and a forestry sector outlook for the Russian Federation.

On September 24 the United Nations Food and Agriculture Organization (FAO) released its latest "State of the World's Forests" report at the opening of the FAO's Committee on Forestry in Rome, Italy. The Committee is the highest FAO statutory body on forestry, bringing together heads of forest services and other senior government officials to identify emerging policy and technical issues, to seek solutions and to advise the FAO and others on appropriate action. [READ MORE](#)



U.S. HOUSING STARTS					
	Sep-12	Aug-12		Sep-12	Aug-12
Starts			Permits		
Actual	79,000	70,100	Actual	71,700	77,700
SAAR*	872,000	758,000	SAAR*	894,000	801,000
1 Unit	603,000	543,000	1 Unit	545,000	511,000
2-4 Units	(s)	(s)	2-4 Units	26,000	27,000
5+ Units	260,000	208,000	5+ Units	323,000	263,000
Starts by Region			Permits by Region		
Northeast	75,000	79,000	Northeast	88,000	83,000
Midwest	143,000	134,000	Midwest	147,000	123,000
South	451,000	376,000	South	452,000	409,000
West	203,000	169,000	West	207,000	186,000

*Seasonally adjusted annual rate



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	302	292	+10	300	+2	232	+70
WSPF KD R/L 2x6	310	307	+3	318	-8	248	+62
WSPF KD R/L 2x8	300	298	+2	302	-2	260	+40
WSPF KD R/L 2x10	345	350	-5	355	-10	260	+85
WSPF KD PET 2x4 Stud	285	285	0	320	-35	230	+55
WSPF KD PET 2x6 Stud	295	295	0	325	-30	245	+50
Douglas Fir Green R/L 2x4	265	265	0	280	-15	230	+35
Douglas Fir Green R/L 2x10	310	310	0	285	+25	290	+20
ESPF KD 2x4 8ft Stud	365	365	0	400	-35	280	+85
OSB Ontario 7/16" (CDN\$)	290	275	+15	347	-57	195	+95
CSplywood Toronto 3/8" (CDN\$)	363	380	-17	441	-78	328	+35

Weekly News

Home Building, US

CONTINUED Over the past 12 months, work began on 34.8 per cent more homes, the biggest year-over-year increase since April.

Housing starts are now 82.5 per cent above the recession low rate of 478,000 hit in April 2009

September groundbreaking for single-family homes, the largest segment of the market, rose 11 per cent to a 603,000-unit pace - the highest level since August 2008. Starts for multi-family homes climbed 25.1 per cent.

Construction activity rose in three of the nation's four regions. The biggest increases came in the West and South. Housing starts increased by nearly 20 per cent in both regions. Construction of new homes and apartments rose 6.7 per cent in the Midwest. Housing starts fell 5.1 per cent in the Northeast.

Building permits grew 11.6 per cent to a 894,000-unit pace in September, beating economists' forecasts.

The number of permits swelled by 45.1 per cent since September 2011, the biggest annual jump since 1983.

The supply of new homes available for purchase has diminished. There were enough properties on the market in August to last 4.5 months at the current sales pace, matching July as the lowest level in almost seven years, Commerce Department figures show.

Residential construction contributed 0.2 percent points to gross domestic product in the second quarter of this year after 0.4 point in the first three months.

US Home Sales

CONTINUED The inventory of homes for sale fell in September to 2.32 million. At the current pace of sales,

inventories would be exhausted in 5.9 months, the lowest rate since March 2006, the NAR said.

The price increase last month was measured against September 2011, and since then distressed sales have fallen to 24 per cent of total sales from 30 per cent.

Still, the share of distressed sales, which also include those where the sales price was below the amount owed on the home, increased in September of this year from 22 per cent in August.

CEP, CAW Merger

CONTINUED "The merger will take six to eight months to complete," explained CEP President Dave Coles to *Madison's* in a phone interview Thursday. "We need to draft a constitution, which will meet the constitutional requirements of both unions, decide on policies, integrate staff, and merge administration and legal departments.

"This we will do in consultation with our members. The entire process will be transparent, details will be made public as we go."

When asked if the new union will be structured similarly to the United Steelworkers, which formed a Wood Council when merging with the International Woodworkers of America (IWA) a few years ago, Coles answered, "Yes, absolutely. Certainly. The Forest Industry Council will be a very large and important part of the new union."

Lecours Lumber Closed

Lecours Lumber, based in Hearst, ON, announced Monday the company is being forced to permanently close its sawmill and planing mill located in Calstock.

The sawmill and planing mill are on land held in trust by the federal Crown for

the Constance Lake First Nation (CLFN). On September 21, 2012, Aboriginal Affairs and Northern Development Canada (AANDC) served a formal Notice to Vacate the Premises to Lecours Lumber. The Crown would not permit a lease renewal because Lecours Lumber and CLFN could not agree on terms.

Lecours Lumber's previous land lease expired on December 31, 2008. Negotiations for the renewal of that lease began in 2005, but were not concluded. Lecours Lumber was permitted to remain while the lease renewal negotiations were ongoing.

Lecours Lumber must remove its equipment from the premises no later than November 16, 2012.

About 300 direct and spin-off jobs are predicted to be lost.

Interfor Appoints

Vancouver, BC's, International Forest Products has appointed Andrew Mittag and Scott Thomson to its Board of Directors effective October 12, 2012.

Andrew Mittag is currently Senior Vice President, Agrium Inc and President, Agrium Advanced Technologies.

Scott Thomson is currently Executive Vice-President, Finance and Chief Financial Officer of Talisman Energy Inc.

Fortress Appoints

Fortress Paper, out of North Vancouver, BC, has announced the appointment of Joe Nemeth to its Board of Directors.

Nemeth has over 25 years of experience in the pulp and paper industry. Most recently, Nemeth held the position of President and Chief Executive Officer of Canfor Pulp Holding.

Fortress Paper also announces that Pierre Monahan will retire from the Board of Directors of the company effective December 31, 2012.

State of the World's Forests

UN Reports

CONTINUED The Report focuses on how sustainable use of forestry resources can help reduce poverty, hunger and climate change. From soil and water preservation to conserving biodiversity, forests play a crucial role in helping countries achieve sustainable development, says the Report.

According to the UN, forests cover at least 31 per cent of the planet, and play a fundamental role in global and national economies, and in the FAO's mandate to reduce hunger,

malnutrition and extreme poverty. In its Report the Committee noted that some 350 million of the world's poorest people, including 60 million indigenous people, depend on forests for their daily subsistence and long-term survival. However, deforestation and forest degradation are contributing to significant losses of soil each year, putting the lives of many in peril. Sustainable agriculture and forestry can reverse soil degradation and help to combat desertification, says the Report.

Committee members mentioned the possibility of ensuring a more regular monitoring of forest cover.

Statistics contained in the UN Economic Commission for Europe (UNECE)/FAO "Forest Products Annual Market Review 2011-2012", released September 21, indicate that softwood lumber consumption in the UNECE region (Europe, North America and Eastern Europe, Caucasus and Central Asia) remained on its upward path in 2011. A slightly more stable economy and the impact on more receptive and expanding markets, notably in Asia, sparked this improvement, says the Report.

The UNECE region has 42 per cent of the global forest area and produces 59 per cent of the world's forest products. Even though consumption climbed by 2.3 per cent, to 181 million cubic metres, this figure is still some distance away from the record set in 2007 when UNECE softwood lumber consumption exceeded 232 million cubic metres. According to that Report, these figures will not be replicated in the medium term.

The report describes market developments in five standard sectors, based on annual country-supplied statistics, for wood raw materials, sawn softwood, sawn hardwood, wood-based panels and paper and paperboard.

The consumption of forest products in most of the UNECE region was 10 per cent lower in 2011 than before the global financial crisis, while in Russia, the consumption grew by 9 per cent. Asia, meanwhile, has become a major market for forest products

for US and European traders, with China being the largest importer, while the consumption in their own region remained flat. The Report said net export of logs from the UNECE region, which covers 56 countries, to China grew by 28 per cent between 2010 and 2011.

China's needs are driven both by internal demand and by remanufacture for export back to the UNECE region, the Report said.

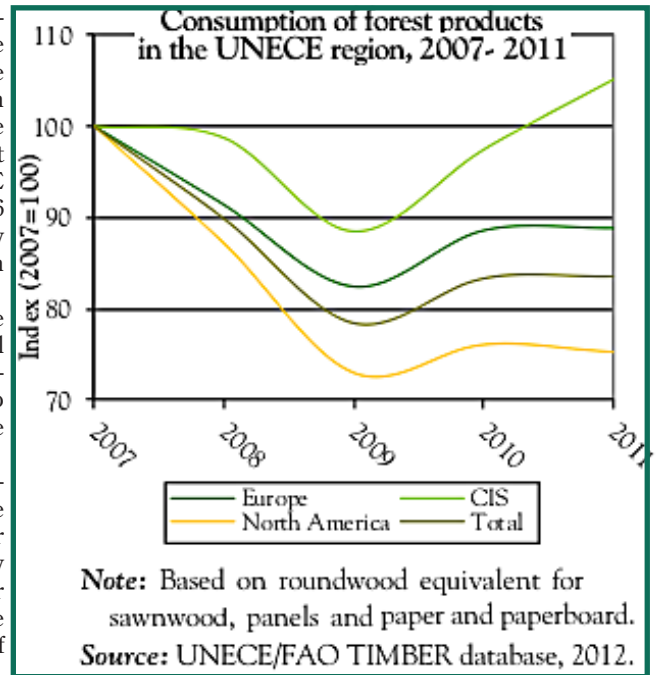
Consumption of industrial roundwood in the UNECE region was up for the second year in a row in 2011 but was still 14 per cent lower than before the global financial crisis of 2008.

The FAO and the Government of the Russian Federation's "Russian Forest Sector Outlook Study to 2030", released September 25, urges immediate action on modernizing the Russian forest sector, increasing its investment attractiveness, stimulating domestic demand for forest products such as wooden housing and furniture, and addressing the illegal logging issues and reforming forest public institutions and legislation.

The forest sector in the Russian Federation needs to be modernized using innovations and breakthrough technologies to maximize its potential as a global mitigator of climate change and an important source of timber. Forests in the Russian Federation play a crucial role in stabilizing the globe's climate. For example, the country provided more than 90 per cent of the carbon sink of the world's boreal forests in 2000 to 2007.

Estimates of the average carbon sink in Russian forests during the past 10 years are between 500 and 700 million tonnes per year.

According to the study, by 2030 the forest area in the Russian Federation will increase by almost 1.5 per cent, from 882 million hectares in 2010 to 895 million hectares, an



annual increase of 660,000 hectares. This increase will occur mainly due to the artificial and natural reforestation of abandoned agricultural lands and as a result of forest expansion on non-forested lands and tundra.

The study estimates that if the investment flow in the forest sector increases by five times from its current level of approximately US\$2 billion to about US\$10 billion per year, roundwood production in the Russian Federation will double by 2030, from 143 million cubic metres in 2010 to over 300 million cubic metres. Under such favourable conditions, pulp and paper production should grow by 2030 from 7.7 million tonnes in 2010 to 25.5 million tonnes, the Report says. Radical improvement in the investment climate in Russia would be necessary to achieve these goals.

