

MADISON'S LUMBER REPORTER


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 Annual Subscription Prices
 E-mail/Fax: C\$389
 Discounts available for multiple
 subscriptions
 Published 50 times a year


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 In Canada, add GST or HST
 ISSN 0715-5468
 Printed in Canada © 2012

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News & Updates

Post-Tropical Storm Sandy

Our hearts and thoughts go out to those affected by the devastating storm in eastern North America this week. While clean-up and recovery seems a long way off, the strength and resilience of individuals and communities will overcome even this great challenge.

Sawmill Fires

A fire has destroyed Tembec's shuttered planer mill in Cranbrook, British Columbia, Thursday night. Firefighters were called to the site around 10pm local time. It was quickly evident they would not be able to save the structure, but instead worked to stop the fire from spreading across the 36-hectare property. The cause of the fire is not yet known. No one was injured.

Tembec closed the sawmill in 1998, and the planer in 2010. The kilns were permanently shut down in May, 2012. The company received just over \$100,000 from the Ministry of Forests in July to pinpoint and clean up any contamination issues on the property.

Tembec issued a notice in September calling for bidders to buy and dispose of the planer mill, kilns, and other items.

A fire tore through a lumber company showroom in Brookline, NH, on Thursday night, causing at least four alarms to sound, according to unofficial reports says the *Nashua Telegraph*. [READ MORE](#)

Japan Wood Products Demand Projection

Japan's Forestry Agency recently compiled the short-term forecast of supply and demand for major timber for 4Q 2012 and 1Q 2013, according to the *Japan Lumber Journal*.

New housing starts in fiscal year 2012 were used as the base for the forecast, and were estimated to be 883,000 units, up by around 5 per cent from the previous fiscal year. The demand for lumber in 4Q was projected to be the same as in the previous year for both domestic and imported lumber. [READ MORE](#)

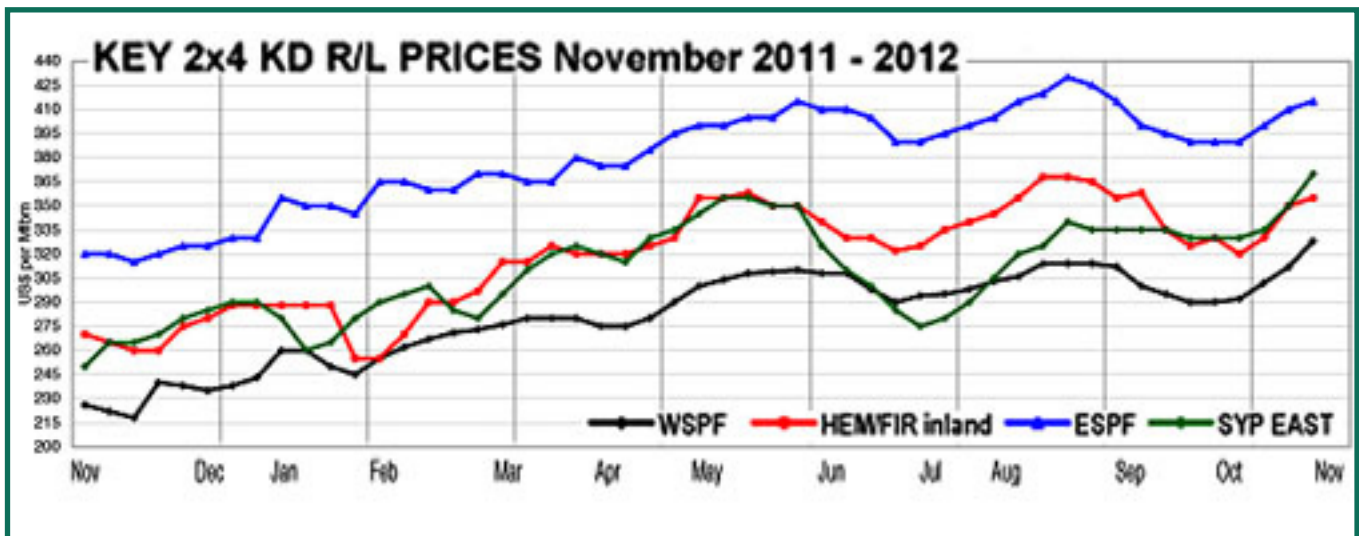
More Financial Results

North American forest products companies continue to release 3Q results. [READ MORE](#)

Transportation Hurdles

The aftermath of Post-Tropical Storm Sandy will cause supply chain problems in the east of North America for some time to come. The biggest issue currently is just getting fuel to the people who need it, both for transportation and to power generators while the power grid is still down.

Weyerhaeuser CEO Dan Fulton said Tuesday one of the company's lumber production facilities has temporarily shuttered and several distribution facilities were not yet online. "The Northeast is a big market for us and we're poised to deliver products when they're needed," Fulton said, adding the rebuilding efforts following Sandy will likely create some "short-term disruption" to the supply of lumber and wood products, which could affect the US housing market. "Supply channels are tight, production channels are strong, and we expect that momentum to continue into the quarter." [READ MORE](#)

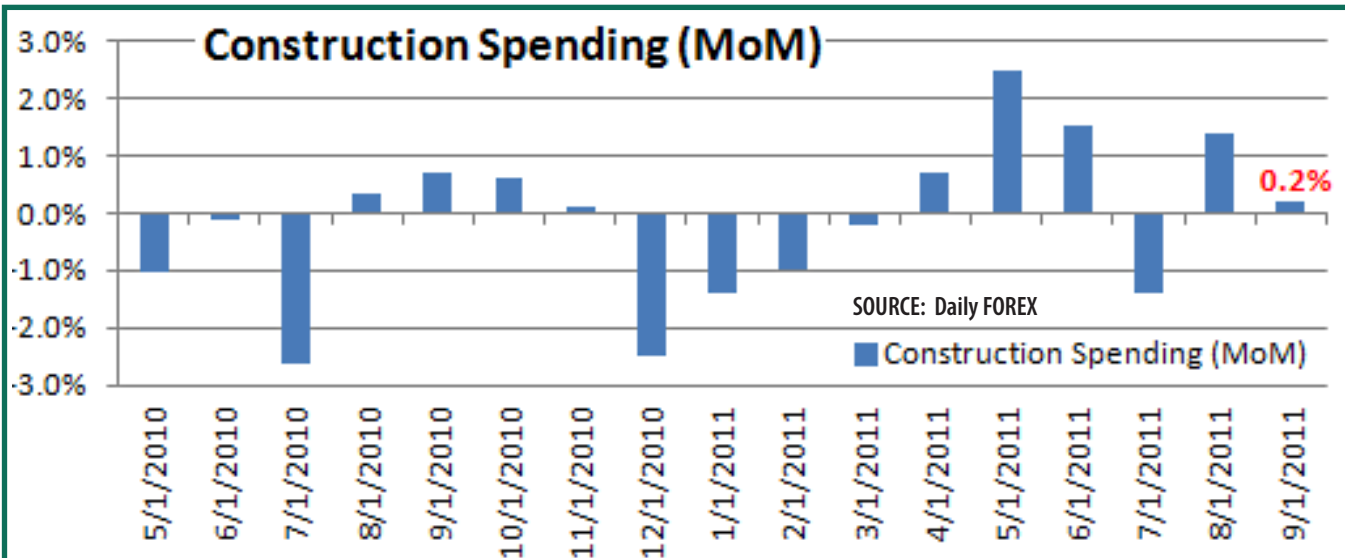




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US Construction Spending

The US Commerce Department released a report Thursday showing that US construction spending rose in line with economist estimates in September. The report said construction spending rose 0.6 per cent to an annual rate of US\$851.6 billion in September, from the revised August estimate of US\$846.2 billion.

Additionally, the drop in construction spending that was seen in August was revised to show a 0.1 per cent decrease, compared to the 0.6 per cent decline originally reported.

The increase in construction spending in September was largely due to a 1.3 per cent increase in spending on private construction, which rose to an annual rate of US\$580.5 billion from US\$572.8 billion in the previous month.

Spending on residential construction surged up by 2.8 per cent, more than offsetting a 0.1 per cent drop in spending on non-residential construction.



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A growing number of Countries require wood products from Canada to be certified under either the Canadian Heat Treated Wood Products Certification Program (CHTWPCP) or the Canadian Debarking and Grubhole Control Program (CDGHCP). Canadian Mill Services Association can register you in both of these programs to insure that your company is certified to do the following;

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Contact the CMSA office at 604-523-1288 (local 1) or 604-230-2661 or E-mail to sing@canserve.org to find out more and to obtain application forms.

Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	328	312	+16	290	+38	222	+106
WSPF KD R/L 2x6	318	310	+8	308	+10	250	+68
WSPF KD R/L 2x8	310	300	+10	298	+12	258	+52
WSPF KD R/L 2x10	350	345	+5	350	0	250	+100
WSPF KD PET 2x4 Stud	300	290	+10	305	-5	220	+80
WSPF KD PET 2x6 Stud	295	295	0	320	-25	230	+65
Douglas Fir Green R/L 2x4	275	275	0	260	+15	218	+57
Douglas Fir Green R/L 2x10	320	310	+10	285	+35	290	+30
ESPF KD 2x4 8ft Stud	370	365	+5	370	0	300	+70
OSB Ontario 7/16" (CDN\$)	310	315	-5	313	-3	195	+115
CSplywood Toronto 3/8" (CDN\$)	350	363	-13	390	-40	328	+22

Weekly News

Lumber Mill Fires

CONTINUED The Brookline Police Department reported a call coming in for a fire at Bingham Lumber. Officers had the two entrances to the road blocked off to vehicular traffic and kept onlookers a distance back from the scene. Smoke curled up through the treeline silhouetted against building outlines on the property. At least 10 fire departments responded to the blaze.

The family that owns that business was lucky that one of the first firefighters on the scene also works part-time for the company and knew their dog was in his crate in the office so let him out.

The lumber yard contained at least 10,000 square feet of showroom space. It was the largest fire to strike Brookline during his 35-year tenure with the volunteer Brookline Fire Department, said Fire Chief Charles Corey Sr.

Fire officials told reporters that the fire appears to have originated in the warehouse in the rear of the building when a stain shop was located.

Investigators from the state fire marshal's office arrived on the scene Friday morning to determine the cause.

Wood Products Demand, Japan

CONTINUED As for the imported lumber, the import volume of European lumber was projected to increase significantly, due to the yen's appreciation making the price appear low, says the *Japan Lumber Journal*.

The supply and demand of North American lumber products were expected to increase from the same period in the previous year, backed by the firm demand.

Financial Results, 3Q

CONTINUED Vancouver, BC's, West Fraser Timber Tuesday posted earnings of \$55 million in 3Q 2012, on sales of \$772 million.

In the quarter the lumber segment generated operating earnings of \$37 million. The panels segment, which includes plywood, LVL and MDF, generated improved operating earnings in the quarter of \$22 million.

Ainsworth Lumber, also out of Vancouver, BC, Thursday posted a net income of \$32.6 million in 3Q 2012, on sales of \$115.6 million.

At September 30, 2012, Ainsworth's available liquidity, consisting of cash and cash equivalents, and short-term investments, was \$86.6 million, an improvement of \$32.4 million during the third quarter, and \$28.9 million since December 31, 2011 resulting from their strong operating results year to date.

International Forest Products, based in Vancouver, BC, Friday reported net earnings of \$1.1 million in 3Q 2012.

Excluding restructuring costs and other one-time items, Interfor's net earnings in 3Q were \$0.6 million, compared with net earnings of \$0.9 million in 2Q 2012 and net earnings of \$2.4 million in 3Q 2011.

Lumber production in 3Q was the highest in Interfor's history, at 350 million board feet, up 17 million board feet quarter-over-quarter. Sales volume, including wholesale activities, was 366 million board feet, compared with 363 million board feet in 2Q.

Sales values at the company's operations in the US Pacific Northwest were flat quarter-over-quarter while chip prices in that region were off 12 per cent relative to 2Q.

Activity levels in China and Japan have improved in recent weeks.

Montréal, QC's, Resolute Forest Products Friday reported net income of \$31 million for 3Q, on sales of \$1.2 billion. This compares with a net loss of \$44 million on sales of \$1.2 billion in 3Q 2011.

The wood products segment reported operating income of \$6 million in 3Q, \$6 million lower than 2Q. Continued improvements to North American housing starts led to a 9 per cent increase to average transaction price, but shipments fell 11 per cent.

Stella Jones Buys

Stella-Jones has signed a non-binding letter of agreement to buy the shares of rival McFarland Cascade Holdings for a deal valued at about US\$230-million.

The Montreal-based pressure treated wood products company said it plans to finance the transaction through a combination of term financing and equity.

The company has already received US anti-trust clearance. If finalized, the deal is expected to close in November.

McFarland's sales for the fiscal year 2011 were about US\$255-million. Sales for the current fiscal year are expected to be in the US\$280-million range.

Sherwood Contributes

Beginning Monday, November 5, 2012 Sherwood Lumber, out of Islandia, NY, will extend a US\$10,000 contribution on behalf of customers and employees, according to a company press release Friday. All customers placing orders with Sherwood next week will be recognized for participating in this US\$10,000 contribution to The Red Cross, Long Island Harvest and Habitat for Humanity. In addition, Sherwood will match, dollar for dollar, all employee contributions to any of these three organizations.

Supply Chain Problems

Post Storm

As the damage and devastation following Post-tropical cyclone Sandy continues to be counted, one thing is already abundantly clear: there are going to be serious transportation and infrastructure problems in the affected areas for some time

by Kéta Kosman

to come. While it is too early to provide a complete tally of the washed-out roads, highways, bridges, and other surface transit routes, the fact of long term issues is already evident. The shocking reality of New Jersey and coastal New York residents lined up for over 1 km, a two hour wait, for gas on Wednesday brings unpleasant clarity to the problem. Even the services that keep basic infrastructure open and running were unavailable in the days following the storm.

Most mass-transit systems were rolling again in New York Thursday, while service resumption was slower in harder-hit New Jersey. At mid-day, the Port Authority of New York and New Jersey (PATH) reported an update on conditions at its transportation facilities:

- all bridges had reopened. The Brooklyn-Battery Tunnel, Holland Tunnel, and Queens Midtown Tunnel remained closed until further notice;
- all New Jersey PATH rail service was suspended until further notice. There is no estimated time for the resumption of rail service;
- limited bus service resumed Thursday morning at the Port Authority Bus Terminal (PABT);
- ferries were running between New Jersey and New York in daytime hours, starting from Paulus Hook, Weehawken, and Hoboken North at 14th Street, and going to the World Financial Ferry Terminal in Battery Park City;
- the Long Island Rail Road restored limited hourly service on the Ronkonkoma Branch and on the Port Washington Branch from Great Neck Thursday morning; and,
- the Port Authority's maritime facilities were closed until further notice.

In addition:

- motorists were advised that the City of New York was not allowing vehicles with fewer than three passengers to cross the Lincoln Tunnel and enter Manhattan between the hours of 6 AM and midnight; and,
- Greyhound Bus service into and out of the PABT resumed Thursday. The New York subway system began

partial service Thursday, but it will take a week just to pump out the remaining water, said the Metropolitan Transit Authority. Fourteen of the city's 23 subway lines were running Thursday morning, though none operate south of 34th Street in Manhattan.

Grand Central Terminal, which is visited by 750,000 people a day, started running trains to the northern suburbs again Thursday afternoon.

Amtrak restarted service on many of its Northeast routes. Modified service was being offered Thursday between Boston, MA, and New Haven, CT, and between Newark, NJ, and points south. The carrier is planning to offer limited service to and from New York City beginning Friday.

State power utility Con Edison said Thursday that based on its assessment of "unprecedented damage," it expects to restore the "vast majority" of customers who lost power by the weekend of November 10-11. The rest could be out of luck for another week or more. The utility said that about 900,000 customers served by underground and overhead electrical distribution equipment in New York City and Westchester County lost power but 250,000 of them were back online as of Thursday morning.

One correspondent mentioned that residents of Europe are appalled that downed power lines are responsible for a large amount of the power failures.

"Nobody here in Switzerland has seen a power line above ground since their childhood—they've all been placed underground, so they are safe from the elements. And there are no power losses in the country...no matter how heavy a snowstorm or a windstorm!", remarked one concerned European.

The US\$800 billion provided by the American Recovery and Reinvestment Act (ARRA), used to stimulate the economy during the recession, does not seem to have been used for such forward-looking projects. Public construction spending by federal, state, and local governments peaked at a record high of US\$326 billion (seasonally adjusted) during March 2009 and has been trending down since. It was down 15.5 per cent from the peak to US\$275 billion during August.

The federal government will cover 100 per cent of emergency power and public transportation costs through November 9 for the areas of New York and New Jersey that were hit hard by superstorm Sandy, announced Federal Emergency Management Agency (FEMA) Administrator Craig Fugate in a conference call with reporters Thursday.

Typically, the cost-share for governments in disaster responses is 75 per cent

federal and 25 per cent state and local. If there's a need for FEMA to kick in greater than 90 per cent, Congress can call for 100 per cent federal funding for all recovery costs, which is what it did in the cases of Hurricanes Katrina, Rita, and Wilma, Fugate said.

Fugate said FEMA can make recommendations for specific "life-saving, life-sustaining" funding, as the President Barack Obama did last night, for 100 per cent federal funding for power restoration and transportation. Fugate said that the President directed the agency to provide direct federal support for power restoration and transportation operations for 10 days.

Fugate reiterated the US\$3.6 billion in FEMA's disaster relief coffers are enough in the Sandy recovery efforts.

New Jersey Governor Christie said at a news conference Thursday night the number of homes without power statewide was down to 1.8 million from a peak of more than 2.5 million. And all but 20 state roads were now open; in the immediate storm aftermath, more than 450 were closed. By late Thursday, the number without power was 1.6 million.

In Ortley Beach, NJ, a section of the community of Toms River, sinkholes swallowed roads, roofs caved in and homes lay on their sides, separated from passable roads by pools of water.

Atlantic City and Ventnor, NJ, were still under a travel ban Thursday afternoon, but evacuated residents from Brigantine, Margate, and Longport were slowly returning to their homes. At sheriff's checkpoints on the causeways, they were required to show valid ID and proof of residency to enter.

On Long Beach Island, NY, many roads remained impassable, and the island was not expected to reopen for another week.

The Department of Homeland Security Friday waived the Jones Act, which normally bars foreign flagged vessels from carrying fuel between US ports, which may help improve supplies from the Gulf Coast to the Northeast.

As of Friday morning, the miles-long lines of New York area motorists scrambling for gasoline showed no signs of abating on Friday, with "panic buying" gripping the storm-hit area even as pipelines and oil tankers began to resume bulk shipments, according to *Reuters*.

Supplies remain constricted with two major New Jersey refineries idle and key oil storage sites still without power. The Phillips 66 Bayway refinery in New Jersey, the second-largest in the region, may be shut for weeks due to flood damage, a source familiar with operations said to *Reuters* on Friday.

There are some limited signs the situation will improve in the coming days as wholesale markets begin to work again, and authorities accelerated efforts to restore normal service.