

MADISON'S LUMBER REPORTER

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News & Updates

BC Government Announces

There must be a provincial election afoot because the announcements out of the BC Liberals were coming fast and furious this week. Two were made in conjunction with the Truck Loggers Association AGM in Victoria, BC.

BC Premier Christy Clark announced \$5 million in funding for the The Forestry Service Providers Compensation Fund, and Minister of Forests, Lands and Natural Resource Operations Steve Thomson announced some changes to the coastal timber pricing and auction system. [READ MORE](#)

US Housing Starts

Celebrations broke out across the continent this week as the US Commerce Department released housing starts for December 2012, an astonishing 12 per cent improvement over the previous month. In December! One would have to go far back into the records indeed to find a similar increase for that particular month. As US Federal Reserve Chair Ben Bernanke said recently; 2013 is going to be a very good year for the US.

December US housing starts rose 12.1 per cent to a seasonally adjusted annual rate of 954,000, the Commerce Department said Thursday. Compared with a year ago, new home construction was up 36.9 per cent. For all of 2012, 780,000 new homes were started, the most since 2008. [READ MORE](#)

Housing Starts, Japan

Japan's housing starts in November 2012 were 80,145 units, up 10.3 per cent year-on-year, which marked a double-digit increase for the third consecutive month, said the Ministry of Land, Infrastructure, Transport and Tourism according to the *Japan Lumber Journal*. The seasonally-adjusted annual rate was 907,000 units. The floor area also increased for the third consecutive month to 7 million square meters total, an 8.5 per cent increase. [READ MORE](#)

Dust and Sawmill Safety

The BC Safety Authority, which oversees the safe installation and operation of equipment and administers BC's Safety Standards Act, made nine recommendations in a report Tuesday about wood dust. Fire and electrical codes in BC sawmills should be upgraded in an effort to mitigate the risks posed by explosive levels of wood dust and to avoid the kind of explosion that killed two mill workers last year, says the report. [READ MORE](#)

BC Truck Loggers Association Annual Meeting

This year has started off with a bang. The always-engaged crowd at the annual Trucker Loggers Association AGM was downright boisterous at the event held January 16 to 18 in Victoria, BC. Not only was it sold-out, with both exhibitor and attendee space at capacity, but the temperament of all those involved was uplifting.

This is the seventh or eighth TLA convention *Madison's* has attended. The past few years have been marked by a dour, sometimes sullen, mood. Even in the year that BC forest products exports to China officially surpassed those to the US, the mood was not entirely celebratory. This year, even though a lot of questions and uncertainty remain, was all about looking forward, was about planning for a profitable future. [READ MORE](#)

JAPANESE HOUSING STARTS

Month	TOTAL	Non-Wood	Wood	%Wood
Nov-12	80,145	34,396	45,749	57
Oct-12	84,251	37,883	46,368	55
Sep-12	74,176	31,159	43,017	58
Aug-12	77,500	34,485	43,015	56
Jul-12	75,421	32,883	42,538	56
Jun-12	72,566	31,654	40,912	56
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

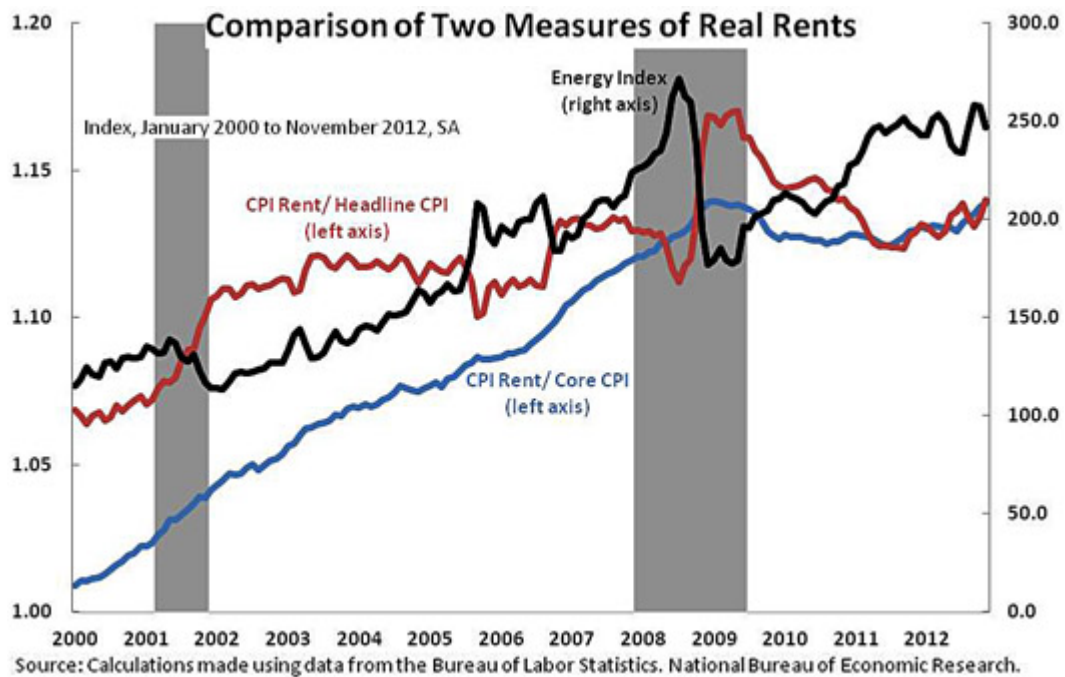
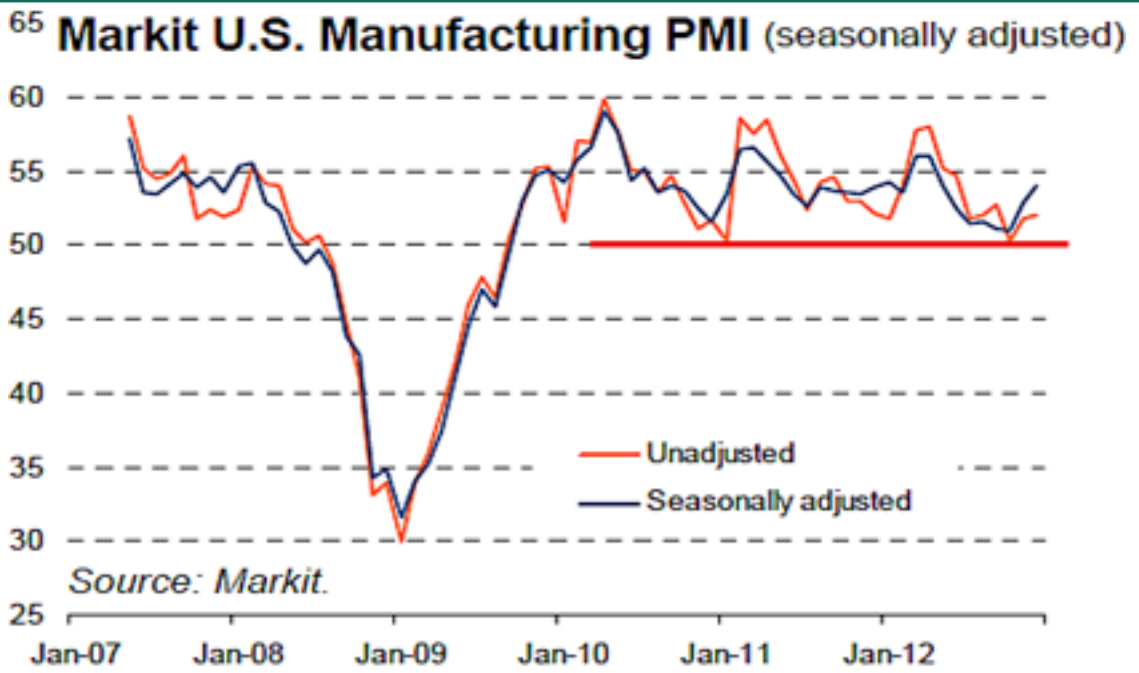
Source: Japan Wood Products Information and Research Center

U.S. HOUSING STARTS

	Dec-12	Nov-12		Dec-12	Nov-12
Starts			Permits		
Actual	61,500	63,300	Actual	64,200	66,500
SAAR*	954,000	851,000	SAAR*	903,000	900,000
1 Unit	616,000	570,000	1 Unit	578,000	568,000
2-4 Units	(#)	(#)	2-4 Units	24,000	28,000
5+ Units	330,000	268,000	5+ Units	301,000	304,000
Starts by Region			Permits by Region		
Northeast	330,000	70,000	Northeast	94,000	79,000
Midwest	85,000	158,000	Midwest	149,000	158,000
South	197,000	452,000	South	450,000	466,000
West	489,000	171,000	West	210,000	197,000

*Seasonally adjusted annual rate

Source: U.S. Census Bureau



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Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	390	390	0	350	+40	250	+140
WSPF KD R/L 2x6	406	406	0	360	+46	255	+151
WSPF KD R/L 2x8	392	388	+4	340	+52	250	+142
WSPF KD R/L 2x10	412	406	+6	360	+52	312	+100
WSPF KD PET 2x4 Stud	340	340	0	320	+20	265	+75
WSPF KD PET 2x6 Stud	325	325	0	300	+25	305	+20
Douglas Fir Green R/L 2x4	355	355	0	290	+65	230	+125
Douglas Fir Green R/L 2x10	358	355	+3	330	+28	325	+33
ESPF KD 2x4 8ft Stud	420	415	+5	390	+30	315	+105
OSB Ontario 7/16" (CDN\$)	375	375	0	335	+40	202	+173
CSplywood Toronto 3/8" (CDN\$)	451	451	0	405	+45	312	+139

Weekly News

US New Home Building

CONTINUED Starts in November were revised down to a rate of 851,000, reflecting a 4.3 per cent decrease from the previous month.

Construction of single-family homes, which made up two-thirds of housing starts last month, rose 8.1 per cent in December to a rate of 616,000 units. Single-family construction was up 18.5 per cent from a year earlier.

Thursday's Commerce Department report showed that the number of new building permits inched up by 0.3 per cent to an annualized level of 903,000 in December. That was above economists' estimates for a rate of 905,000.

The Commerce data showed new home building rose in all four US regions last month. It was up by 24.7 per cent in the Midwest, 21.4 per cent in the Northeast, 18.7 per cent in the West and 3.8 per cent in the South.

Actual housing starts, which are calculated without seasonal adjustments, dropped slightly to 61,500 from a downwardly revised 63,300 in November.

Home builders are optimistic about the market, with a The National Association of Home Builders report Wednesday showing its housing-market index at 47 in January. Builder confidence remained at the highest level in January since April 2006. Still, that index failed to rise for the first time in nine months largely on uncertainty over taxes and spending in Washington.

Japan Housing Starts

CONTINUED By owner/occupant, housing starts of rental houses in Japan marked a large growth for the third consecutive month with the growth rate of 23.2 per cent, and those of owner-oc-

cupied houses and built-for-sale houses steadily grew and increased for the third straight month, says the *Japan Lumber Journal*.

As a result, total housing starts during January-November 2012 are 806,853 units, up 5.5 per cent. The annual total will most likely exceed the result of

the previous year, with a figure very close to the 900,000 unit mark.

By construction method, housing starts of prefabricated houses were 12,590 units, up 21.4 per cent, and those of 2x4 houses were 11,501 units, up 31.2 per cent, both of which marked the third consecutive month of increase.

Total prefabricated home housing starts during January-November 2012 were 120,388 units, up 4.1 per cent, while new 2x4 houses for that time frame were 97,229 units, up 9.3 per cent.

The annual total of the latter may exceed the record high of 107,715 units marked in 2008.

Sawmill Safety Rules

CONTINUED The Canadian Standards Association should classify wood dust as combustible and make improvements to the requirements around natural gas and propane codes, said the B.C. Safety Authority report released this week.

The report noted the U.S. Occupational Safety and Health Administration has classified fine wood dust as having "strong explosion" characteristics.

WorksafeBC concluded that the likely ignition source was hot electric motor and gear reducer equipment running wood waste conveyors in low, confined areas of the mills.

The report's recommendations are directed at mill owners and operators, the Office of the Fire Commissioner in B.C.,

as well as the Canadian Standards Association.

The changes are intended to cover pellet plants and other wood processing facilities as well as sawmills. Researchers compared the explosion hazard of different kinds of dust, finding wood "flour" can be a more powerful explosive than coal dust when it is dry and exposed to an ignition source.

US Factory Output

US factory production rose in December for the second straight month, buoyed by more output of autos, electronics and business equipment.

The Federal Reserve said Wednesday that factory output increased 0.8 per cent last month compared with November. That followed a 1.3 per cent rise in November, which partly reflected a rebound from Post-Tropical Storm Sandy.

Total industrial production increased 0.3 per cent in December from November. That followed a 1 per cent rise in November. Production slowed last month mostly because utility output dropped 4.8 per cent, reflecting unseasonably warm weather.

The Institute for Supply Management's closely watched index of manufacturing activity rose to a level that signalled growth in December. And manufacturers added 25,000 jobs last month - the best hiring spree for the sector since May.

The overall economy grew at an annual rate of 3.1 per cent in the July-September quarter. But analysts believe activity slowed considerably in the October-December quarter to a rate below 2 per cent or less, in part because companies cut back on restocking. Less restocking leads to slower factory production, which weighs on economic growth.

Truck Logger AGM 2013

Downright Boisterous

CONTINUED Officially titled, “*Shifting Gears, Building Momentum*”, the event’s first speaker session on Wednesday morning was dedicated to the coast and what the industry there would look like in 20 years. All presenters chose to give a historical recap before making their projections.

by Kéta Kosman

First up was Bob Matters, Chair of the Wood Council of the United Steelworkers.

“Since 2008, 37 coastal forest operations, which provided 4,500 direct jobs, have been lost. Since 2000 there has been a 40 per cent decrease in the amount of coastal forestry jobs, to 46,000. Log exports have risen from 2.4 million cubic metres in the 1990s to 5.5 million cubic metres in the 2000s. For those same time periods, BC’s revenue from forest products has dropped from \$1.1 billion to \$533 million.”

“These sharp drops are not a result of the US housing and 2008 market crash,” Matters continued. “But of fundamental changes to BC forest practices. There is a crisis in reforestation. The future of forestry involves all stakeholders taking a holistic approach together to revitalize the coast. The future is in an overall vision to develop a workable plan, in public policy designed to manage the resource, in rebuilding value-added manufacturing, and in community involvement.”

Matters also stated that until First Nations land claims are resolved there can be no certainty of fibre supply, and therefore no investment.

Next spoke Patrick Armstrong, President of Moresby Consulting.

“In 2013 to 2033, BC’s coastal forest products industry will be signified by concerns of environment and society,” said Armstrong. “Issues like climate change, the marketplace, First Nations, and ecosystem-based management will be paramount.”

This last point Armstrong defined as “considering all pieces of the forest; the commodity and the value.

“Other environmental controversies, such as those in gas and oil, will affect forestry,” concluded Armstrong.”

Following that session, *Madison’s* asked Armstrong for details on the ‘value’ part of this definition.

“The ‘value’ is not just in what is taken out of the forest but in what is left behind. For example: wildlife, views, water, etc.

These values are well-established, they are not just ecological but are also well-being values for humans.

“By our not degrading the ecosystem, it remains resilient. If all an operator does is maximize the immediate returns, they will take out all the logs, the commodity, from a forest with no consideration for the ecosystem. But the ‘value’ adds monetary returns to the commodity in the future. So ecosystem-based management gives you the wherewithal to manage these other values.”

Chief Otis Jasper, of the Sto:lo First Nations in the Chilliwack area, said the most important thing for First Nations and forestry in the past ten years, and for the future, is relationship building.

“There is 200,000 cubic metres of actual land removed from the watershed on our territory [where the Fraser River and the Harrison meet] every year,” explained Jasper. “Which results in the Nation losing actual land mass at the high water cycle. After the difficult beginning of First Nations being engaged in the forest products industry, we now have 78,000 cubic metres of sustainable harvest annually. We have good relationships with our current stakeholders and we are organized more as a business model now.

“Looking forward, we will continue to be involved and we see a bright future ahead.”

The final speaker for that morning session was Bill Markvoort, Manager of Forestry and Timberlands for Probyn Logs and President of the TLA.

Like the other presenters, Markvoort spoke a bit about the past before going into his vision for the future. He made a very striking comment, using information he got from Russ Cameron, President of the Independent Lumber Remanufacturers’ Association of BC.

“Russ told me that out of 107 remanufacturers in existence ten years ago, there is now less than 47 all of which are operating at less than 30 per cent of what they were ten years ago,” detailed Markvoort.

“There are several steps we can take to prepare as best we can for the next 20 years. Good governance is critical. We need fair stumpage based on sound, long term economic and social planning. There must be good relationships with various stakeholders. We need to maintain working forests where the rural forest meets the urban interface.”

On this point Markvoort expanded somewhat, “On Mount Elephantstone, on east Vancouver Island, in Powell River, and in the Fraser Valley, just as four examples, there is valuable second-growth which is going to the highest bidders. We can apply this model elsewhere.”

Getting back to his steps to prepare for the future, Markvoort continued, “We need to address the silviculture backlog left in the wake of the Mountain Pine Beetle infestation. There MUST be trades and skills training. There needs to be changes to forest policy; just wishing for improvements in the value-added sector won’t make it so. As an example, the price of gas in 20 years will likely have a huge impact on forestry economics. And, we must continue with the market-based approach, especially the nurturing of new markets, and not hide behind tariff laws as an excuse to make no changes.”

That afternoon’s session, “*What Business Needs from Government*”, and the following morning’s topic, “*Harvesting the Allowable Annual Cut: How Do We Get There?*” were equally fascinating and will be covered in the next issue of your *Madison’s Lumber Reporter*.

BC Government to Improve Coastal Forest Economy

To increase harvesting activity on the coast, government is exploring the use of new scanner technology for scaling logs, accelerating the auction of an additional 500,000 cubic metres by BC Timber Sales, improving the log-export system, and exploring ways to better harvest the timber profile, announced Steve Thomson, Minister of Forests, Lands and Natural Resource Operations Thursday morning at the Truck Logger AGM in Victoria, BC.

A change in the fee schedule for logs exported under Order in Council from the Mid Coast timber supply area is also coming into effect immediately. The fee on low- and mid-grade logs will be reduced to a minimum of \$1.00 per cubic metre for a two-year trial period. The high cost of logging and low value of timber in this remote area has resulted in lessened economic activity. The lower fee should increase harvesting activity in this remote area.

Log export policy revisions include a change to the fee structure for exporting some logs. However, the revised fee does not apply to logs exported under existing Orders in Council. The new fee schedule comes into effect March 1, 2013.

The higher price from exported logs allows forest companies to harvest stands that would otherwise be uneconomic and provide for increased harvesting and economic activity.

Read the full release here: <http://tinyurl.com/bbexpe8>