

# MADISON'S LUMBER REPORTER

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## News & Updates

### BC Forest Practices Board Releases . . .

A report was issued Wednesday by the Forest Practices Board — BC's independent watchdog that oversees the activities of forest licensees — about the state of privately constructed roads and bridges on Crown land.

The report said more than half of the issues found in board audits since 2005 are with roads and bridges, adding they have found five times more issues in 2010 and 2011 than in the previous five years combined. It said that the board did 58 compliance audits involving 117 licensees and 17 BC Timber Sales districts between 2005 and 2011. Of those audits, there were 37 instances of significant non-compliance, of which 22 were related to roads and bridges. [READ MORE](#)

### Canada Housing Starts

Housing starts, on a seasonally adjusted annualized basis, in Canada fell steeply in January to 160,577 units from 197,118 in December, according to the Canada Mortgage Housing Corporation Friday. The December figure was revised down from the 197,976 units reported previously.

Seasonally adjusted urban starts decreased by 22.3 per cent in January to 138,134 units, the report showed. Single urban starts fell 11.2 per cent to 59,318 units and multiple urban starts decreased by 28.9 per cent to 78,816 units. [READ MORE](#)

### Housing Starts, Japan

December housing starts in Japan were 75,944 units, a 10 per cent improvement over December 2011, according to the *Japan Lumber Reports*. Seasonally adjusted annual starts were 880,000, with wood-based units increasing their share by 7.4 per cent, to 43,552, for a 57.3 per cent share of total building. [READ MORE](#)

### US House Prices, Mortgage Lawsuit

Home prices in the US rose for a tenth consecutive month on a year-over-year basis in December, posting their biggest gain in more than six years, data analysis firm CoreLogic said on Tuesday. CoreLogic's home price index rose 0.4 per cent from the previous month and added 8.3 per cent compared to December a year ago. The year-on-year jump marked the biggest increase in the index since May 2006.

Excluding distressed sales, prices were up 7.5 per cent on a yearly basis and 0.9 per cent compared to the previous month. [READ MORE](#)

### Oregon Timber Revenue Crisis

A lengthy campaign by Oregon's governor and two senators, individually and together, to increase that state's timber harvest and timber revenues started to come to some fruition Thursday.

Early in January, Oregon Governor John Kitzhaber, Democrat, said to the Oregon Board of Forestry that the state should step up to help break the deadlock over logging on federal forests, which account for 60 per cent of Oregon's total timber base. Kitzhaber asked the Board to offer a statement to Oregon's congressional delegation and other federal officials about how forest issues should be resolved. [READ MORE](#)

#### JAPANESE HOUSING STARTS

Month	TOTAL	Non-Wood	Wood	%Wood
Dec-12	75,944	32,392	43,552	57
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

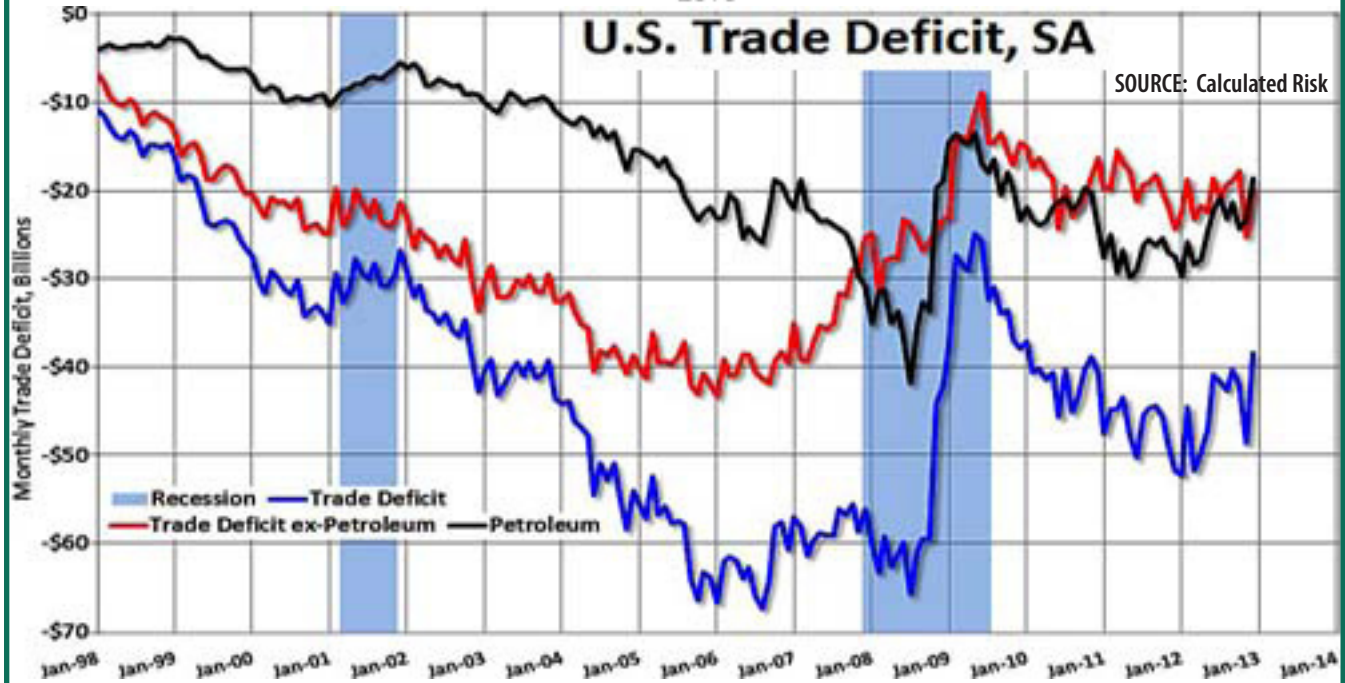
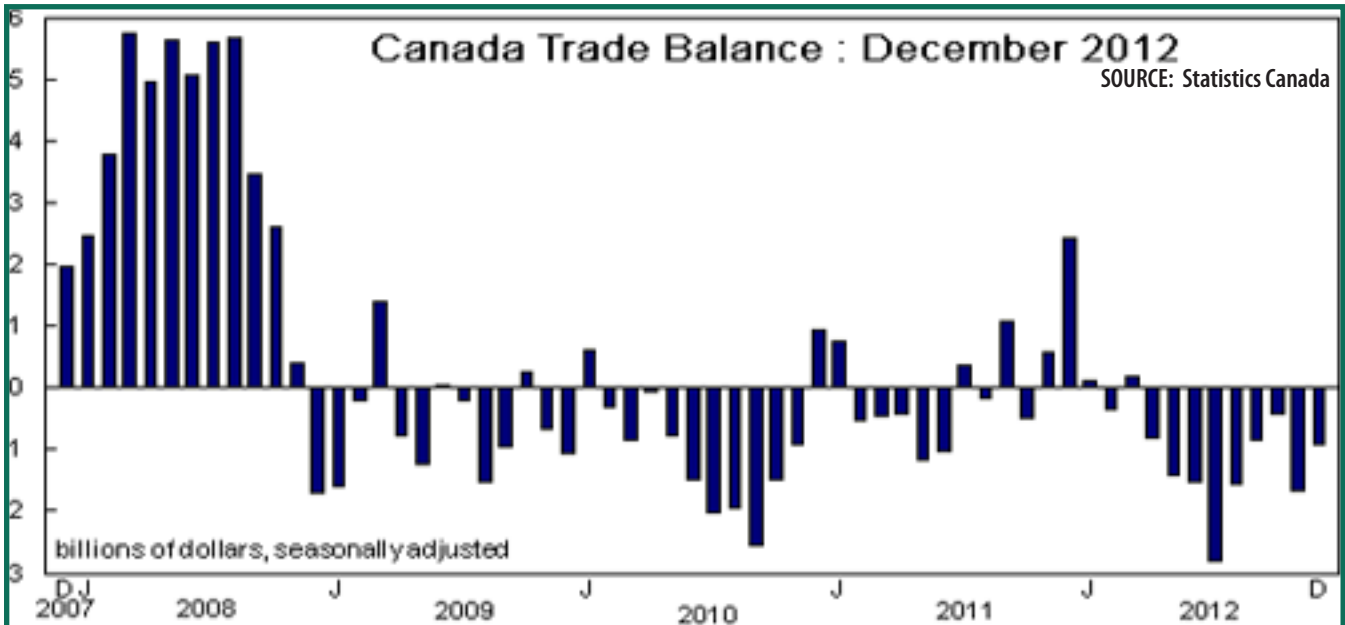
Source: Japan Wood-Products Information and Research Center

#### CANADIAN HOUSING STARTS

Actual and Seasonally Adjusted Annual Rates

	January 2013		December 2012	
	Actual	SAAR	Actual	SAAR
<b>Canada, all areas</b>	<b>9,904</b>	<b>160,577</b>	<b>16,352</b>	<b>197,118</b>
singles, urban centres	3,279	59,318	5,280	66,780
rural areas	745	22,443	1,667	19,411
multiples	5,880	78,816	9,405	110,927
Atlantic urban centres		12,295		7,713
Quebec urban centres		25,062		35,599
Ontario urban centres		41,912		74,767
Prairie urban centres		37,009		39,329
BC urban centres		21,856		20,299

Source: Canada Mortgage and Housing Corporation



#### US Construction Jobs 2012

“Despite a 25 per cent gain in housing starts, only a net 18,000 construction jobs were added for the year. This seemed too low, and we learned that evidently it was. The revisions yielded another 73,000 construction jobs in 2012 and 75,000 in 2011, bringing the total to 91,000 and 144,000, respectively.

“We find that the correlation between construction jobs and housing starts is the highest at 72 per cent when housing starts are lagged by five quarters. Since housing starts reached a trough in 1Q 2011, construction jobs should have turned higher last spring. We saw some gains, but only very modest ones. The gain in housing starts accelerated in 2012, suggesting a faster pickup in construction jobs this year.”

SOURCE: Trulia via Calculated Risk



## Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	382	370	+12	390	-8	262	+120
WSPF KD R/L 2x6	382	370	+12	406	-24	262	+120
WSPF KD R/L 2x8	372	362	+10	388	-16	254	+118
WSPF KD R/L 2x10	390	394	-4	406	-16	270	+120
WSPF KD PET 2x4 Stud	335	300	+35	340	-5	255	+80
WSPF KD PET 2x6 Stud	325	285	+40	325	0	265	+60
Douglas Fir Green R/L 2x4	360	360	0	340	+20	235	+125
Douglas Fir Green R/L 2x10	365	355	+10	340	+25	330	+35
ESPF KD 2x4 8ft Stud	405	395	+10	395	+10	330	+75
OSB Ontario 7/16" (CDN\$)	402	380	+22	357	+45	194	+208
CSplywood Toronto 3/8" (CDN\$)	433	437	-4	440	-7	310	+123

## Weekly News

### BC Forest Road Safety

CONTINUED "Roads and bridges are a common problem area in our audits," Chair Al Gorley said in a Board press release, "and poorly constructed or maintained roads and bridges create risks to workers, the public, and the environment. The Board is concerned that non-compliance has increased significantly over the past few years. An audit report the board also released today is a further example of these findings."

When asked by *Madison's* if the increase in non-compliance was due to more strict audit procedures of if there was actually that much more unsafe road and bridge building, Gorley replied by email, "Our audit process has not changed significantly. Although audits only describe a sample of the companies operating in the province, we are concerned that there has been an actual increase in the incidence of non-compliance."

And in answer to *Madison's* question about whether these new figures are a result of cost-cutting measures on the part of operators due to poor market conditions, Gorley replied, "Our auditors didn't examine the causes of non-compliance so the Board cannot attribute it to any one issue. In fact it is likely that each case is due to a slightly different set of circumstances. We know that a number of companies have experienced changes in ownership over the past few years and that may have resulted in some managers being unaware of the requirements they inherited. We also know that the fiscal recession has created challenges in the industry and companies have had to cut costs. However it would be speculation to say that is why the non-compliances occurred. The important thing is, compliance with the legal standards is the minimum expectation for companies operating on public lands in BC."

### Housing Starts, Canada

CONTINUED By region, Ontario and Quebec had the most dramatic drop. Urban starts fell 43.9 per cent in Ontario, 29.6 per cent in Quebec and 5.9 per cent in the Prairies, while urban starts increased 59.4 per cent in Atlantic Canada and 7.7 per cent in British Columbia.

### Japan Housing Starts

CONTINUED Total Japan housing starts in 2012 were 882,797, 5.8 per cent more than the previous year, and the third straight year of improvement, said the Japan Lumber Reports. Starts in the North East were highest due to restoration after the earthquake and tsunami.

### US Mortgages

CONTINUED The US government is accusing the debt rating agency Standard & Poor's of fraud for giving high ratings to risky mortgage bonds that helped bring about the financial crisis.

The government filed a civil complaint late Monday against S&P.

S&P, a unit of New York-based McGraw-Hill, has denied wrongdoing. It says the government also failed to predict the subprime mortgage crisis.

### CanBio Announces . . .

The Canadian Bioenergy Association (CanBio) is recruiting Canadian companies for its technology mission to the 2013 *World Biofuels Markets and Bio-Based Chemicals Conference and Exhibition* on March 11-14 in Rotterdam, Finland.

Delegates will have ample opportunity to network with potential offshore partners. A pre-conference information/networking session entitled *Business Opportunities in Advanced Biomass in Canada*

will provide a forum for Canadian organizations to meet with European companies invited by the Embassy in a small, intimate venue. The event will finish with a networking reception sponsored by the Port of Rotterdam.

*World Biofuels Markets and Bio-Based Chemicals* is Europe's largest bioeconomy event. Over 260 speakers will be featured as part of the conference, and dozens of companies and organizations from around the world will be exhibiting.

For more information about the mission, visit <http://www.canbio.ca/article/world-biofuels-markets-2013-361.asp>

## Calendar

### February 2012

**Association of BC Professional Foresters AGM**  
February 23 to 24 - Victoria, BC  
<http://www.abcfp.ca>

### March 2012

**Western Wood Products Association AGM**  
March 2 - Portland, OR  
<http://www.wwpa.org>

**Canadian Bioenergy Association - World Biofuels Markets 2013**  
March 11 to 14 - Rotterdam, Finland  
<http://www.canbio.ca/article/world-biofuels-markets-2013-361.asp>

### April 2012

**Council of Forest Industries Annual Convention**  
April 4 to 5 - Prince George, BC  
<http://www.cofi.org/>

# Oregon Timber Revenue

## Funding Cuts and New Proposals

CONTINUED FROM PAGE 2

“The status quo does not work,” he said in a January 9 meeting with the Board. “The sooner we can change that, the better off Oregon is going to be.”

Meanwhile, a panel Kitzhaber had appointed to find a solution to harvesting more timber on the federally-managed Oregon & California Railroad (O&C) lands released a recommendation Thursday for legislation that will try to balance the seemingly opposing needs of the timber

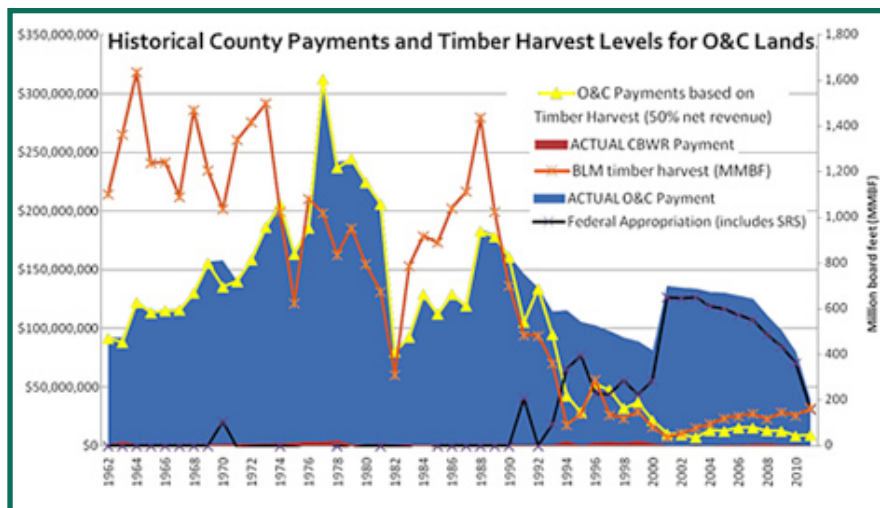
by Kéta Kosman

industry, environmental protection, and local government financial stability in the 2.4 million acres of O&C lands in 18 Oregon counties spanning Western and Southwestern Oregon. There is a proposal for the state to put some parcels off-limits to logging and resume logging on others.

Originally deeded to the Oregon & California Railroad to build a rail line, the federal government reclaimed ownership of the O&C lands in 1916 after the railroad failed to meet terms of its agreement. A 1937 bill put the lands in permanent forest production, sharing revenues with O&C counties based on timber receipts. However, environmental concerns have severely curtailed harvesting on federal lands for decades – and county revenue with it. The lands are managed by the US Bureau of Land Management. When logging was booming in the 1970s, some counties did not have to charge property taxes. Since cutbacks to protect the northern spotted owl and salmon, the payments dropped precipitously, forcing many of the counties to make deep cuts, particularly in law enforcement. Voters have refused to plug the gap with new taxes.

Congress passed the Secure Rural Schools legislation for a county payment program to replace lost funding and has renewed it twice, the last time in July 2012.

Kitzhaber said he thinks options from the report can be put together that respect conservation values and still produce more than US\$70 million for the O&C counties. That amounts to about double their last payment under a safety net that is expiring, and about 10 times the amount they would get from a direct sharing of federal timber revenues. It is far short of the US\$110 million the counties have been shooting for.



Time is pressing; twice-renewed county timber payments – a lifeline for many O&C counties – will expire again this year after a one-year extension in 2012.

The 18 Oregon counties are supposed to receive their last cheque this month from the Secure Rural Schools program, which was created by congress to aid the timber counties. Oregon Congressman Greg Walden, Republican, said Thursday he was shocked to learn the federal government is cutting the last payment by 10 per cent.

The 94-page report offered various options, including variations on a plan from three Oregon congressmen that would split the lands in two, with half going to a trust dedicated to timber harvest, and half to be managed for fish and wildlife habitat and clean water.

Members of Oregon’s congressional delegation welcomed the report as useful.

“After looking over the materials, I’m optimistic,” Democratic Representative Peter DeFazio said in a statement. “The report confirms that there are shared goals and there is common ground among Oregon counties, environmentalists, and the timber industry.”

The American Forest Resource Council, a timber industry group, said the O&C lands have the potential to sustainably produce five times the timber they do now.

Douglas County Commissioner Doug Robertson, who served on the taskforce and is president of the Association of O&C counties, said he was happy that the report included all options considered by the taskforce, including those that would produce US\$110 million for the counties while waiving environmental laws such as the Endangered Species Act.

“If these lands are not exempt in some way from some of the federal rules and regulations, the status quo will remain

in place,” he said. “The only meaningful change is going to be some modification that provides an opportunity to manage these lands for their stated purposes.”

Five conservation groups that served on the taskforce said in a joint statement that while all sides moved closer together, they failed to agree on important issues, such as protecting old growth forests, designing timber sales to improve ecological conditions, protecting key salmon habitat, complying with the Endangered Species Act, and protecting clean drinking water.

An important milestone toward enacting needed funding reforms to Oregon’s private and state forest fire protection was accomplished in Kitzhaber’s proposed changes in his 2013-15 budget. The Oregon Department of Forestry will offer a bill in the 2013 Legislature to boost initial attack firefighting, phase-in increased State fire funding, and reduce Eastern Oregon landowner fire assessments. The Forestry Department joins forest stakeholders statewide who have agreed to support this bill to reform fire protection on private and state forestlands.

The governor said he hopes Oregon’s congressional delegation will use the options to produce legislation resolving the funding problem for Oregon timber counties which have struggled for nearly two decades.

The budget contains money to promote changes in how federal forests on both sides of the Cascades are managed. Some of that money would go toward implementing another proposed solution brokered by Oregon Senator Ron Wyden, Democrat, for forests east of the Cascades.

The budget also proposes US\$5.4 million from bond funds to support the work of collaborative projects integrating timber production and environmental protection, and to implement changes in how O&C lands are managed.