

# MADISON'S LUMBER REPORTER

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## News & Updates

### Madison's Changes . . .

Due to changing market conditions, *Madison's* has discontinued coverage of ESPF green boards, previously found on Page 4, and ESPF green studs previously found in the middle column of Page 3.

We have added 2x8 Chicago 1950 ft to our WSPF Machine Stress Rated prices, on Page 3.

### New Brunswick Invests

In an announcement that fits perfectly with today's story in your *Madison's Lumber Reporter*, the government of New Brunswick said Thursday it has a new export strategy, designed to get more of that province's businesses to export their goods. The five-year plan, entitled *Growing Global Markets*, aims to get 175 companies to sell overseas, said Premier David Alward.

The strategy will create more than 4,000 jobs in existing export sectors, such as seafood and forestry products, as well as new export areas, such as information technology and biotechnology. New Brunswick has the capacity to generate \$700 million in exports and the government has come up with 10 initiatives to help make that happen, said Alward.

"[This strategy will] create new opportunities, diversify our markets into Europe, into China, into other parts [of the world]," he explained.

Justin McGuigan of Riverbend Log Homes is looking to China as a place to sell his cedar log home kits.

"We can absolutely grow," McGuigan, who has been to China once so far and plans to go back again later on this year, said to *CBC*. "There is huge hunger for our product there."

### Kelso Makes Offer for EACOM

Investment firm Kelso & Co announced Friday morning a friendly takeover offer of EACOM Timber Corp that values the mill operator's equity at \$181.8 million, a 46 per cent premium to its recent market price. Kelos is offering 38 cents cash per share — eight cents above the Thursday closing price.

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### US Environmental Ruling on Logging Roads

The American Forest and Paper Association (AF&PA) issued a news release Friday after the Supreme Court ruled that runoff from logging roads is agricultural rather than industrial waste.

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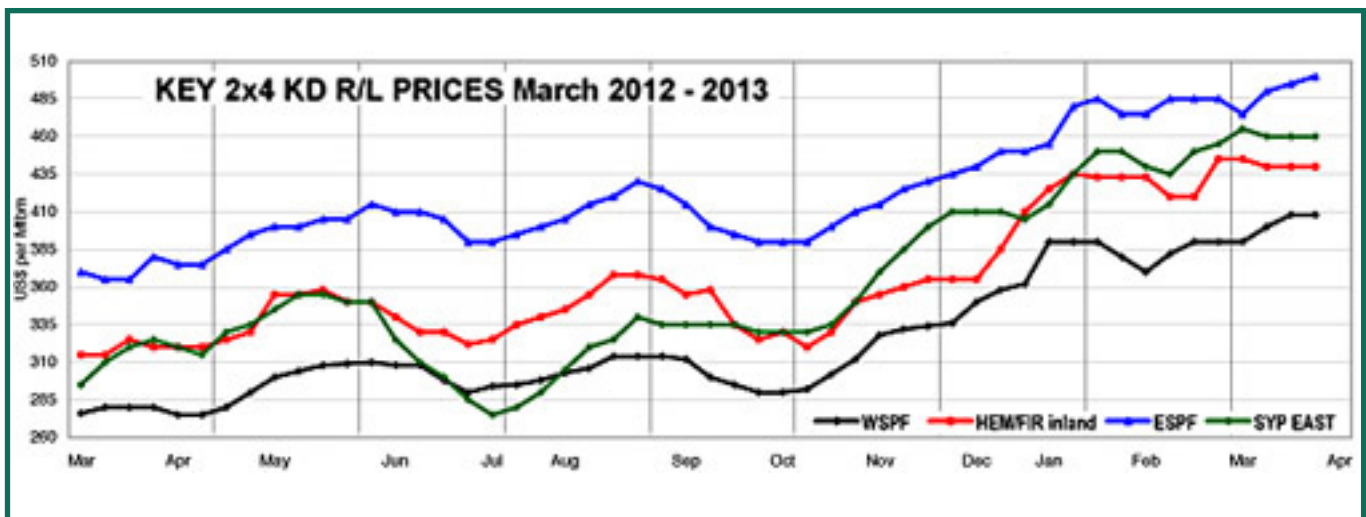
### Housing Starts, US

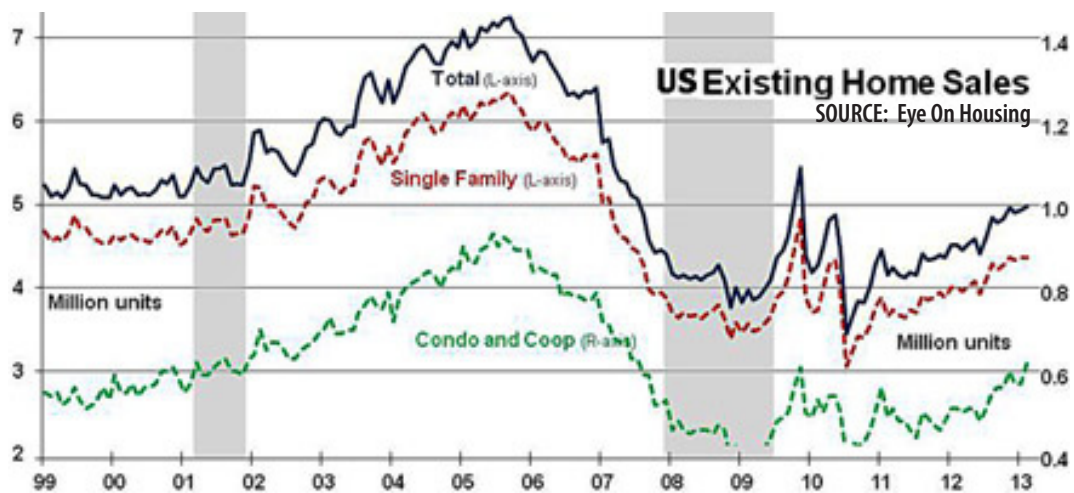
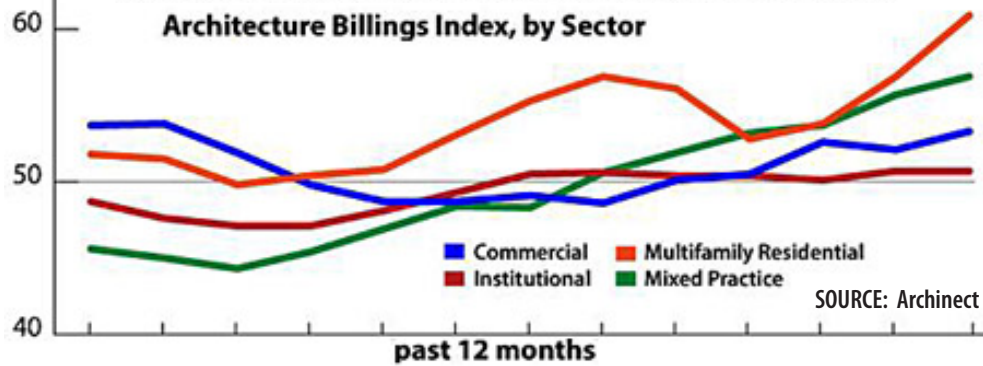
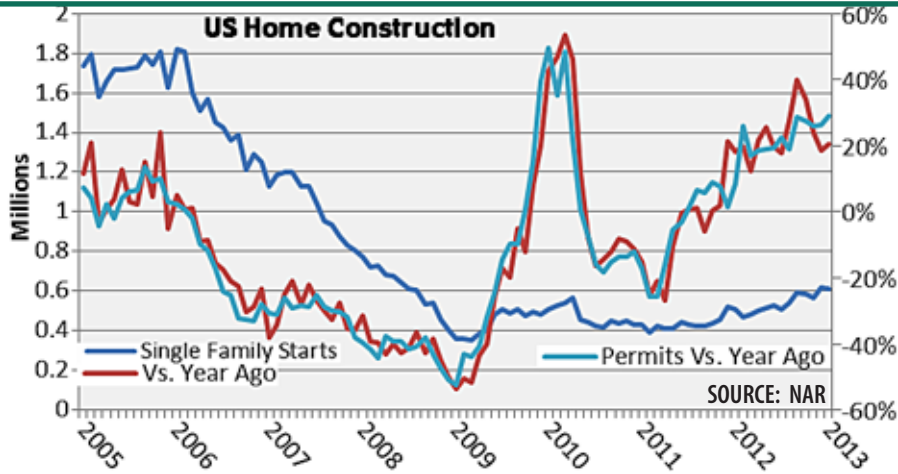
The Commerce Department said Tuesday that US housing starts rose 0.8 per cent last month to a 917,000-unit annual rate. Permits for future construction jumped 4.6 per cent to a 946,000-unit rate, the quickest since June 2008.

[READ MORE](#)

### Sawmill Investment, Re-Openings

There were so many announcements in Canada and the US this week of solid wood production investment and re-opening that *Madison's* almost couldn't keep up. [READ MORE](#)





## Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	408	408	0	390	+18	280	+128
WSPF KD R/L 2x6	394	394	0	386	+8	288	+106
WSPF KD R/L 2x8	374	378	-4	375	-1	272	+102
WSPF KD R/L 2x10	408	404	+4	400	+8	314	+94
WSPF KD PET 2x4 Stud	425	400	+25	366	+59	280	+145
WSPF KD PET 2x6 Stud	405	400	+5	366	+39	245	+160
Douglas Fir Green R/L 2x4	393	390	+3	380	+13	260	+133
Douglas Fir Green R/L 2x10	415	410	+5	380	+35	300	+115
ESPF KD 2x4 8ft Stud	495	460	+35	420	+75	365	+130
OSB Ontario 7/16" (CDN\$)	420	430	-10	445	-25	220	+200
CSplywood Toronto 3/8" (CDN\$)	395	402	-7	433	-38	350	+45

## Weekly News

### Kelso Bid

CONTINUED Eacom Timber, which owns eight saw mills in Ontario and Quebec, said its directors, senior executive officers, and certain significant security holders have signed lockup agreements representing 44 per cent of the company's common stock.

"We are pleased with Kelso's offer, which recognizes the company's inherent value," said Terry Lyons, chair of a special committee of Eacom directors.

### AF&PA Responds to Supreme Court Ruling

CONTINUED AF&PA President and CEO Donna Harman said in a press release, "We are pleased with the court's decision. Logging road runoff has been successfully regulated through state best management practices for more than 35 years. This decision provides the clarity needed for businesses that relied on Environmental Protection Agency's interpretation that logging activities are exempt from Clean Water Act permitting requirements.

"AF&PA intends to remain fully engaged in congressional and EPA deliberations that relate to ensuring access to an adequate supply of fiber for paper and wood products facilities. We also will continue to defend against continued litigation that threatens our industry."

### US Housing Starts

CONTINUED Construction of one-family properties climbed 0.5 per cent to a 618,000 rate, the highest since June 2008, from 615,000 the prior month. Single-family building permits rose 2.7 per cent in February to a 600,000 annual rate.

Work on multifamily residences such as apartment buildings rose 1.4 per cent to an annual rate of 299,000.

Two of four regions showed gains in February starts, led by a 37.5 per cent jump in the Midwest. New construction rose 18.4 per cent in the Northeast. Starts decreased 7.2 per cent in the West and 5.7 per cent in the South.

Meanwhile, the National Association of Realtors said Thursday that existing home sales increased 0.8 per cent to an annual rate of 4.98 million units last month, the highest level since November 2009. The January sales pace was revised up a 4.94 million units from the previously reported 4.92 million units.

The median home sales price in February rose 11.6 per cent from a year ago to US\$173,600.

Distressed properties, foreclosures and short sales, which typically occur at deep discounts, accounted for a quarter of overall sales last month, up from 23 per cent in January.

Investors bought 22 per cent of homes in February, with first-time buyers accounting for 30 per cent of the transactions.

Elsewhere, US home prices rose 6.5 per cent in the 12 months ending in January, the biggest year-over-year jump since 2006, as values surged on the West Coast and in the area including Nevada and Arizona, the Federal Housing Finance Agency said Thursday.

Prices haven't declined on a monthly basis since January 2012, the housing finance agency said, indicating that the recovery has solidified.

### EACOM Reports

EACOM Timber reported Tuesday net earnings of \$4.29 million, compared to a net loss of \$47.41 million in 2011.

The 2012 results include a gain of \$15.2 million on disposal of property, plant, and equipment destroyed by fire whereas the 2011 results included an impairment charge of \$15 million, partially offset by a gain of \$4.34 million on the sale of the Big River mill and a \$3.77 million recovery of income taxes.

EACOM's net sales in 2012 were \$248.94 million, down 11 per cent against sales of \$279.97 million in 2011.

### Centurion Announces ...

Centurion Lumber Manufacturing is pleased to announce that Peter Barton has joined the company from Welco Lumber Corp. Peter will be focused on the expansion of Centurion's domestic and international lumber and plywood business. Working from the North Vancouver office, Peter can be reached at (604)603-5129. Centurion is involved in the manufacturing and trading of lumber, veneer, plywood, and other forest related products.

## Calendar

April 2012

### Council of Forest Industries Annual Convention

April 4 to 5 - Prince George, BC  
<http://www.cofi.org/>

### IWPA 57th Annual Convention

April 17 to 19 - Vancouver, BC  
<https://m360.iwpawood.org/>

# Sawmill Operations

## Investment, Re-Openings

Warming springlike weather on the west coast of North America this week heralded a flurry of news of sawmill investment and re-openings across the continent. After a long, dark, dreary lull of six years, the business of producing and selling solid wood is buzzing back to high gear.

The most exciting announcement this week was out of the Sinclair Group, that the Lakeland Stud Mill in Prince George, BC, is going to be rebuilt. That mill, along with Hampton's Babine sawmill in Burns Lake, BC, suffered a tragic explosion in the early months of 2012 and was completely devastated. Hampton Affiliates have also announced their intention of rebuilding the Burns Lake mill.

Sinclair Group president Greg Stewart, accompanied by local United Steelworkers Union president and city councillor, Frank Everitt, and acting mayor Cameron Stolz, notified media Wednesday that the new mill in Prince George will continue to produce stud lumber, and will be integrated with the current planer mill. He added that the mill will have the most advanced safety protocols to ensure a safe work environment. Construction is expected to begin this summer, with completion in summer of 2014. There will be a few less employees, with the need for only 100 compared to the previous 160. Stewart said the final design plans haven't been completed.

"It will still be a stud mill," explained Stewart to *Madison's* in a phone interview Thursday. "But instead of just being ALS, it will also run metric sizes to serve customers in Asia."

When asked, Stewart specified China, Korea, and Vietnam as countries where Sinclair could continue to grow its market base.

The new mill will be more efficient, thus the need for fewer employees than the previous mill.

"We will be going from three shifts to two," Stewart said.

He was not able to say, as yet, what kind of volumes the new mill will produce.

"We have 750,000 combined cubic metres of timber supply annually," said Stewart in answer to *Madison's* question. "There is good fibre supply available for this mills, which gives us more security than some mills in the area.

Stewart said the company decided to make the announcement now, even though

the reconstruction plans are not finalized, "to provide comfort to employees and the community", and expressed his appreciation "of the support locally and by industry through this whole process."

Also this week International Forest Products announced an agreement to purchase two timber properties in the Kootenay region of British Columbia. The Vancouver-based company said the deal, which is still subject to regulatory approval, will give it an additional annual cut area of 174,000 cubic metres and will also increase production at Interfor's sawmill in Castlegar, BC.

Ric Slaco, VP and Chief Forester at Interfor, explained to *Madison's* in a phone interview Thursday, "A few years ago Interfor bought the Grand Forks and Castlegar, BC, sawmills from bankrupt Pope & Talbot. Since then both mills have resumed operation. This new tenure helps support additional logs going to Castlegar. We will be able to increase our shifts and reduce fears of log supply issues. This is a very positive signal to local communities that Interfor is investing in the Kootenay region of BC.

"Since the Springer Creek Forest Products mill in Slocan, BC, closed, these tenures have been inactive. So this is positive news for local harvesters as well. Also, [Mercer International's] Celgar mill will benefit from Interfor's increased sawmill operations in the Kootenays."

The agreement to purchase needs the usual regulatory approval, but "we're not anticipating any problems," said Slaco.

"The tenure we will be purchasing, TFL 3, is well located geographically because it is adjacent to Interfor's existing TFL 23. This is a logical and complimentary addition to our existing timber harvesting operations," Slaco detailed.

There was more good news this week out of lumber producing companies in the US.

Saratoga Forest Management, in Saratoga, WY, restarted operations Monday at a mill that had been out of operation for a decade. That sawmill will employ up to 50 loggers and have a total of 80 employees.

Wyoming Governor Matt Mead (R), said the Wyoming Department of Workforce Services offered the mill a US\$50,000 training grant for new employees so they would be prepared to use specialized equipment to help deal with the effects of Wyoming's bark beetle infestation, according to the *Wyoming Business Report*.

Mead said the mill is a partnership between the National Forest, the state of Wyoming, and private industry. The mill was purchased in April 2011 by Gary Ervin of Oregon.

And on Wednesday, North Carolina state officials said a lumber processor

plans to open a plant in Halifax County, creating 40 jobs over the next three years, according to *WRAL* radio. Meherrin River Forest Products will invest more than US\$1.8 million in its Weldon, NC, plant, which was previously a sawmill and headquarters for Coastal Lumber.

Meherrin River Forest Products qualified for a performance-based grant of up to US\$80,000 from the One North Carolina Fund, which provides financial assistance to attract business projects to the state.

The grant is contingent upon proof of job creation and receipt of a local funding match, said *The Daily Herald*. Other partners that helped with this project include: the NC Department of Commerce, NC Community Colleges, Halifax County, town of Weldon, and the Halifax County Economic Development Commission.

Back in Canada, a large sawmill in Nova Scotia started up recently as a result of the resurgence in lumber demand from the US, according to the *Chronicle Herald* March 13. At the beginning of March, Scotsburn Lumber, in Scotsburn, NS, entered full production, with 80 people manning two shifts in the sawmill and one shift at the planing mill.

First reopened this autumn, that mill was closed by former operator Ligni Bel in November 2011 after NewPage Port Hawkesbury declared bankruptcy and shut down the Point Tupper pulp and paper plant. A five-year run of low softwood lumber prices had weakened the mill's financial position and last August, Ligni Bel declared bankruptcy. The pulp mill was bought by Paper Excellence, which owns the nearby Northern Pulp plant at Abercrombie Point, NS.

Since its re-opening, 80 per cent of the workers laid off at the Scotsburn sawmill in 2011 have come back to work. The mill will produce 100 million board feet of lumber per year, making it one of the Nova Scotia's two largest mills.

Just before press time Friday Atlanta, GA-based Georgia Pacific announced it is investing invest nearly US\$400 million in its plywood and lumber operations in the coming years. The money will be used to expand plants and upgrade equipment in several states. In addition to Georgia, the company has operations in North Carolina, South Carolina, Alabama, Mississippi, Arkansas, and Texas.

The effort would increase Georgia-Pacific's overall capacity by approximately 20 per cent. Start-up would be expected in the second half of 2014 through the beginning of 2015.

Since 2006, the Georgia-Pacific building products business has invested close to US\$1.5 billion in capital for property and equipment upgrades and acquisitions.