

# MADISON'S LUMBER REPORTER

**Publisher**  
KetaDesign Productions

**Editor**  
Kéta Kosman

**Market Analyst**  
Earl Heath

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www.madisonsreport.com  
madrep@shawcable.com  
604 984-6838  
PO Box 2486 Vancouver, BC  
V6B 3W7 Canada

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## News & Updates

### Madison's Timber Preview

This week's issue of *Madison's Timber Preview* examines the latest log price data for various North American jurisdictions, as well as for New Zealand, against recent lumber price trends.

Contact us any time to receive this worthwhile and timely information.

### Asian Long-horned Beetle Eradicated from Canada

The Canadian Food Inspection Agency (CFIA) Friday declared the Asian Long-horned Beetle successfully eradicated from Canada.

The Asian Long-horned Beetle is not native to Canada and was first detected in the cities of Vaughan and Toronto, ON, in 2003. Following the detection, the CFIA conducted visual surveys to determine how widely the pest had spread, and the extent of the damage it had caused to many broadleaf trees, such as maple, birch, elm, poplar and willow.

A Ministerial Order was subsequently established around the southern part of the City of Vaughan and the north east part of the City of Toronto to prevent further spread. As part of the eradication effort, nearly 30,000 trees were also removed from the area.

The Asian Long-horned Beetle was last detected inside the regulated area in December 2007. It has never been detected elsewhere in Canada.

### Buchanan's Longlac, ON, Mill to Restart

*CBC News* reported Friday on plans to restart the Long Lake Forest Products, part of the Buchanan Group of Companies, mill in Longlac, ON. The mill will be allowed to reopen without having to repay the \$24 million the company owes Ontario taxpayers.

[READ MORE](#)

### Big River Sawmill to be Running Soon

Carrier Forest Products has had a handful of specialized contractors working since February to get its Big River, SK, facility back into "ready mode" for eventual production, according to *News Talk 650 CKOM* Friday. Carrier is also using the kilns in Big River to dry wood from its Prince Albert, SK, facility to take advantage of stronger lumber markets.

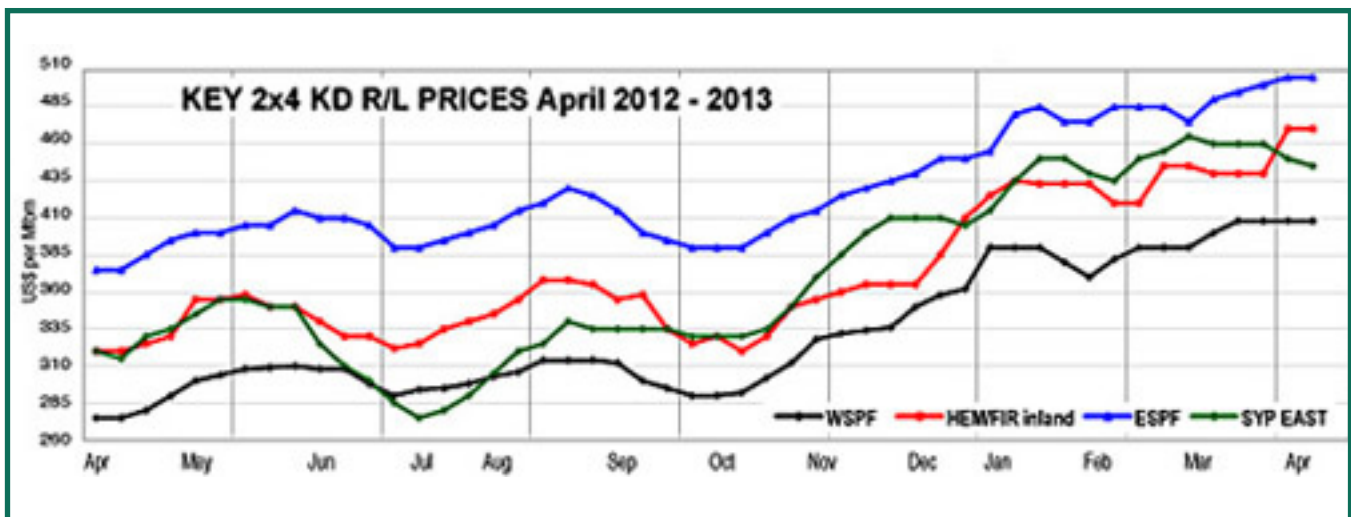
Work will ramp up in the coming months as the company eyes for a possible start-up date in August. However, it's a loose timeline with the company waiting on new equipment for the mill that won't be delivered until autumn.

[READ MORE](#)

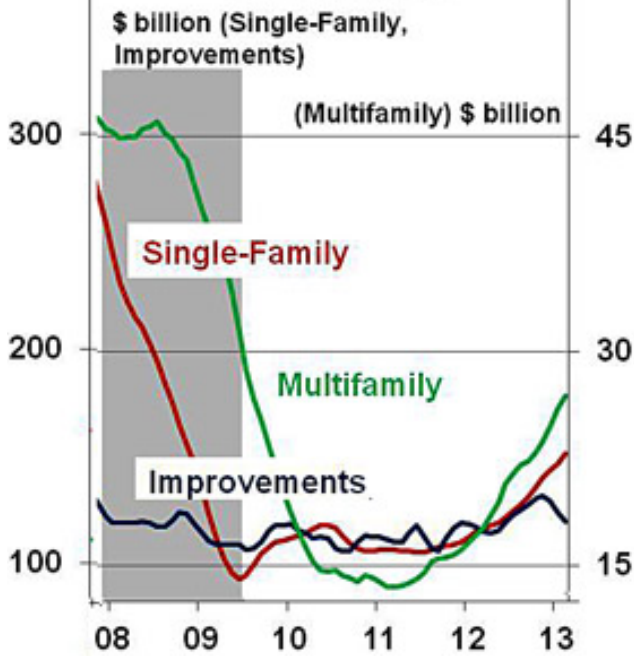
### North American Rail Cars

It never ceases to amaze *Madison's* that commodity manufacturers and logistics players grasp shifts in a marketplace only in retrospect. When North America's forest product's industry was at the beginning of the epic downturn just experienced, the reaction of producers and infrastructure managers to curtail activity lagged significantly. By almost an entire year in fact.

[READ MORE](#)

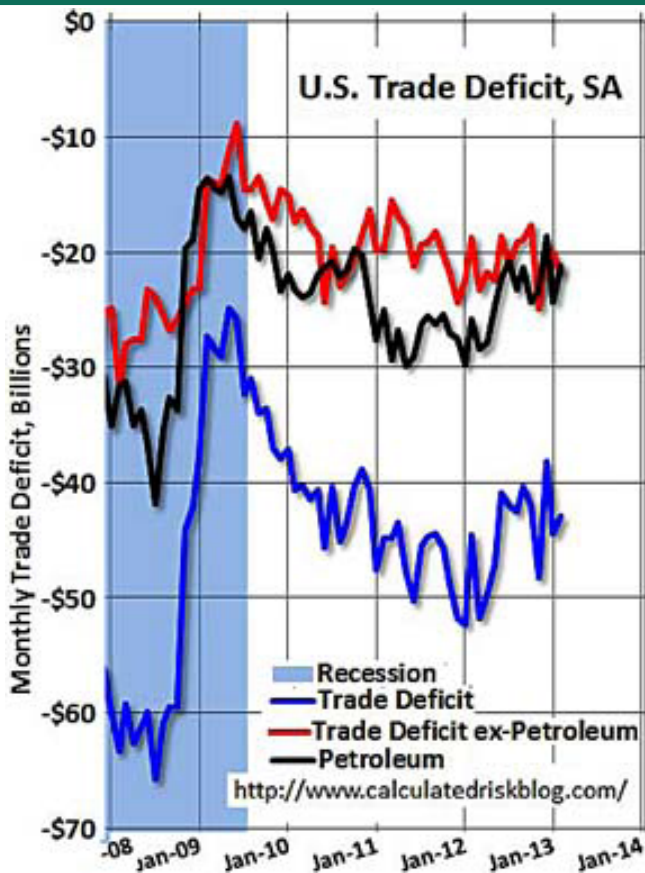
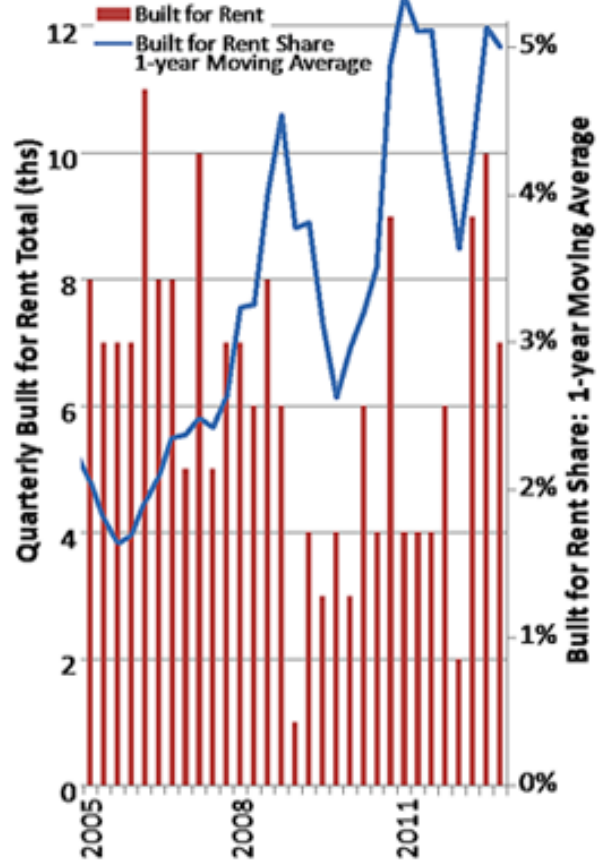


### US Construction Spending, 3 month MA



SOURCE: National Association of Home Builders

### Single Family Starts Built for Rent



### US Trade Deficit : February 2013

The US Department of Commerce reported Friday that total February exports of US\$186 billion and imports of US\$228.9 billion resulted in a goods and services deficit of US\$43 billion, down from US\$44.5 billion in January, revised. February exports were US\$1.6 billion more than January exports of US\$184.4 billion. February imports were US\$0.1 billion more than January imports of US\$228.9 billion.

Exports are 12 per cent above the pre-recession peak and up 3.2 per cent compared to February 2012; imports are slightly below the pre-recession peak, and up 2 per cent compared to February 2012.

The decrease in the trade deficit in February was mostly due to a decrease in the volume of petroleum imports.

The trade deficit with China increased to US\$23.4 billion in February, up from US\$19.4 billion in February 2012.

### Canadian Merchandise Trade : February 2013

Statistics Canada said Friday that Canada's merchandise exports decreased 0.6 per cent in February, while imports edged up 0.1 per cent. As a result, Canada's trade deficit with the world widened from \$746 million in January to \$1 billion in February.

Exports decreased to \$38.5 billion, as volumes were down 0.6 per cent and prices were flat.

Imports edged up to \$39.5 billion, as prices rose 0.6 per cent and volumes declined 0.4 per cent. Increases in 7 of the 11 import sections were mostly offset by a large decrease of energy products.

## Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	408	408	0	400	+8	275	+133
WSPF KD R/L 2x6	398	394	+4	390	+8	283	+115
WSPF KD R/L 2x8	378	374	+4	380	-2	267	+111
WSPF KD R/L 2x10	410	408	+2	404	+6	309	+101
WSPF KD PET 2x4 Stud	470	450	+20	385	+85	285	+185
WSPF KD PET 2x6 Stud	440	425	+15	385	+55	310	+130
Douglas Fir Green R/L 2x4	395	392	+3	385	+10	242	+153
Douglas Fir Green R/L 2x10	420	415	+5	403	+17	270	+150
ESPF KD 2x4 8ft Stud	505	500	+5	435	+70	350	+155
OSB Ontario 7/16" (CDN\$)	407	412	-5	435	-28	205	+202
CSplywood Toronto 3/8" (CDN\$)	394	394	0	415	-22	340	+54

## Weekly News

### Buchanan's Longlac Restart

CONTINUED Due to bankruptcy, new companies have been formed, Longlac Lumber and Nakina Lumber, that now hold the assets of the mills.

These new companies have no stumpage debt with the province. According to a spokesperson for the Ontario Minister of Natural Resources, all the debts of Long Lake Forest Products are being dealt with through the Bankruptcy and Insolvency Act legislation and the applicable court processes.

Andrew Foulds, NDP candidate for Thunder Bay – Superior North, told the *CBC* that Buchanan owes taxpayers about \$80 million in unpaid stumpage and loans and he wants to see workers and taxpayers protected this time.

"I mean some forestry workers across the northwest have lost everything and families and communities have been decimated," Andrew Foulds said. "We don't want to go through this again."

Longlac Lumber hopes to have the mill restarted by the summer, returning 300 jobs to the community of Greenstone.

### Carrier Lumber Saskatchewan Mill

CONTINUED Carrier acquired the Big River sawmill from EACOM Timber in 2011 and officials at the time said they wanted to align the start-up with the Prince Albert Pulp Mill.

It appeared a wrench was thrown into Carrier's plans last month when vice-president of operations for Paper Excellence, Dale Patterson, announced the restart of

the pulp mill was behind schedule and at least a year away from production, said 650 *CKOM*.

Having the pulp mill operating is important, Kordyban said because it would be the ideal buyer for its chips, a byproduct produced in the milling process.

### British Columbia's Wood Waste [Residue] for Rural Communities Program

British Columbia is expanding a program called *Wood Waste 2 Rural Heat* that helps turn wood waste into heat for buildings and homes in rural communities in the province's interior, the BC Ministry of Jobs, Tourism and Skills Training announced Wednesday.

A total of \$240,000 will be invested in over two years in the *Wood Waste 2 Rural Heat* project. \$50,000 will be coming from the Ministry. The provincial government is partnering with:

- Columbia Basin Trust (donated \$60,000 to the program)
- Southern Interior Beetle Action Coalition (donated \$60,000 to the program)
- Omineca Beetle Action Coalition (donated \$36,000 to the program)
- Cariboo-Chilcotin Beetle Action Coalition (donated \$35,000 to the program)

Rural British Columbia has a reliable fuel supply of wood waste [residue] produced by ecosystem restoration projects, community forests, woodlots and other small tenure holders. Converted into pellets and chips, this woody biomass can power heating projects for smaller communities and businesses, a practice that has been hugely successful in Europe, most notably throughout Austria.

*Wood Waste 2 Rural Heat* staff will work with First Nations, local governments and organizations to explore the feasibility of new bio-energy projects and develop business plans in the Villages of Telkwa and Lumby, the District of Clearwater plus more.

To help rural BC communities make the leap to wood biomass heating systems, this project – formerly known as the Green Heat Initiative – will work at the local level to develop business plans that identify technological solutions and financing opportunities.

### Aspen Planers Buys . . .

Aspen Planers has purchased the former Ardeu Wood Products mill site in Merrit, BC, according to the *Merrit Herald* Thursday.

Ardeu Wood Products exhausted its timber supply and closed on January 11, 2013. The company was started by Erik Norgaard 47 years ago.

The purchase price has not been disclosed, nor has Aspen Planer's plans for the site, said the *Herald*.

## Calendar

April 2012

### IWPA 57th Annual Convention

April 17 to 19 - Vancouver, BC

<https://m360.iwpawood.org/>

May 2012

### International Pulp Week 2013

May 5 to 8 - Vancouver, BC

<http://www.internationalpulpweek.com/>

### 26th Annual Global Forest & Paper Industry Conference

May 9 - Vancouver, BC

<http://www.pwc.com/ca/>

# Transportation Problems

## North American Railways, Trucks

CONTINUED Lumber industry veterans will remember that through 2007 the large-volume, low-cost producers in British Columbia continued to run as much wood, and ship into the US, as they had been in mid-2006 when volumes were breaking records. At that time there came

by Kéta Kosman

to be too much lumber in the supply chain. In the same regard, the Canadian railways were causing absolute convulsions with sawmills by repeatedly sending many more rail cars than were needed. In both cases, to a certain degree, the reasons given for this delayed reaction to market conditions was that companies based their yearly planning on the volumes of the previous year.

Just when a lot of analysts and economists are still warning that the US economy might not yet be in recovery, the housing market and housing starts are definitely improving. A mortgage lending giant, government-funded Fannie Mae, said it booked net income of US\$7.6 billion in 4Q 2012 and US\$17.2 billion for the year, according to *Forbes* Tuesday. More importantly, for the first time since its 2008 government bailout, Fannie Mae was able to pay down some of the taxpayer rescue without additional borrowing. For the full year, the firm returned US\$11.6 billion to government coffers. Compare that with 2011, when it paid US\$9.6 billion in dividends but drew US\$25.6 billion, and 2010 when it paid US\$7.7 billion and drew US\$15 billion. To date, of the US\$116.1 billion Fannie Mae has drawn from the Treasury it has repaid just US\$31.4 billion, said *Forbes*.

In other good financial news, US residential construction companies have kept their months-long rally running in early 2013, and real estate-related companies are lining up to go public.

It should be obvious to everyone by now that new building in the US is ticking up. It is certainly nowhere near historical averages, but it is well past the bottom. So why is it taking so long for the suppliers and transporters of building materials to react by increasing trade more than they currently are? One reason is the continued difficulty in getting credit, the other is that many players are being extremely cautious. The US and European economies are by no means in good shape so there is a prevalent belief that holding back for just a while longer might be a good idea. Just in case things turn downward again.

Meanwhile, the movement of solid wood products on the railways in particular is proving difficult to say the least. Some in the industry say that during a growth period, especially if its in the spring, this is not at all surprising.

The Ontario Forest Industries Association and its Quebec counterpart said to the *Globe and Mail* on March 27 that shipping delays resulting from a lack of rail cars being provided by major rail carriers are seriously hurting sales and share of market. The Quebec Conseil de l'industrie forestière said there are serious constraints on the shipment of softwood lumber to the US, leading to "substantial losses of market share" and a diminished export capability.

CN spokesperson Mark Hallman explained to the *Globe and Mail* that CN Rail's car supply for forest products is based on shipment forecasts and commitments from customers over the prior year. CN has sufficient fleet to meet the demand based on those forecasts, but anything above those levels "now requires additional freight cars and in today's market the lead time to obtain such cars is 12 to 18 months," he said.

There were also references to the weather in Hallman's explanation, but that is difficult to understand since the weather is always bad in parts of Canada and the US at this time of year.

A well-established solid wood producer in BC explained to *Madison's* in a phone interview Thursday that rail cars have been few, and slow in coming, but that this is not entirely unexpected given the season and that the forest products industry is just ramping up after an extended downturn. Weather-related problems in the prairies and the US mid-west are creating issues for empty rail cars coming back to Canada's west, and at the same time mills are running well and want to ship their wood, said the source. The mills feel they can't get rail cars fast enough.

When a producer has 30 rail cars worth of product ready to ship but only 20 cars arrive, that causes frustration, the source said. This problem was worse, apparently, a month or so ago, but is being incrementally rectified, the source explained.

As a result, demand for trucks is increasing. When lumber prices are on the way up, the longer mills take to ship the longer it takes to show that profit.

"People just want to get the wood out and post some numbers," said the source. "It's worse when this happens in a down market, then the mills are repricing and might lose their entire margin."

It is normal at this time of year, as spring takes hold and lumber sales pick up, for a problem with rail car availability to come up.

"This plays out more years than not," said the source. "We get backed up in March, then make hay in April and May."

*Madison's* and the source spent a few minutes reminiscing about how things were a couple of years ago, when there were empty rail cars everywhere and the railways were trying to charge companies for those sitting at their mills. Please refer to the October 22, 2010 issue of your *Madison's* Lumber Reporter for details.

*Madison's* contacted another source Thursday, this time a wholesaler in southern Ontario who deals in both Ontario and Quebec wood products. This source found the lack of rail cars quite a dire situation. They said that the railways are shortchanging their shippers' rail car supply, so the mills are looking for any truck they can find.

"In just the past month-and-a-half, the trucking companies started charging 20 per cent more than their regular rates," the source detailed.

In contrast to the BC experience, it doesn't look like this problem will be resolved any time soon in eastern Canada, the source and *Madison's* agreed. It is not so easy to just switch to trucks in Ontario as it is in BC, it seems.

"The trucks here are more specialized," the source explained. "They run lumber into the city then concrete and steel back."

"I can't remember trucking ever being this bad," said this long-time lumber trader. "Just as more business is happening, there are fewer trucks."

This source believes the problem is not going to go away with the weather.

"The whole industry reduced capacity, sawmills shut down, rail cars were decommissioned, truckers were going broke and sold out," the source said.

In the end, there might be a time lag but the reaction of transportation players is indeed coming to be. Last week, Greenbrier Companies, designers, manufacturers and marketers of railroad freight car equipment in North America and Europe, announced that it received new orders in January, February, and March for 5,400 railcar units valued at approximately US\$575 million. Greenbrier also sold double-stack intermodal platforms, box wagons, and various types of covered hopper wagons, while it secured orders for 700 automotive-related rail vehicles for North America, and open and closed carriers for Europe.

As well, the size of the North American revenue-earning freight-car fleet increased 1 per cent in 2012, but still didn't return to pre-recession levels, said Railinc's annual "*North American Freight Railcar Review*" Wednesday.