

MADISON'S LUMBER REPORTER

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News & Updates

Leading Economic Index, US

The index of US leading indicators unexpectedly declined in March for the first time in seven months, a sign the world's largest economy will cool.

The Conference Board's gauge of the outlook for the next three to six months fell 0.1 per cent in March after climbing 0.5 per cent in the prior two months, the New York-based group said Thursday.

Sawmill Worker Casualty, Log Truck Driver Fatality

A mill worker who died Wednesday afternoon at the Redwood Empire Sawmill in Cloverdale, near Santa Rosa, CA, was trying to clear a jam in an automated tree debarking machine when he became entangled in some equipment and was killed, authorities said.

A logging truck driver was killed in British Columbia on April 8. The death is the second direct harvesting fatality of 2013 in British Columbia.

The Cloverdale Fire Protection District responded to the fatal incident at the mill on McCray Road around 1 pm Wednesday, Battalion Chief Rick Blackmon said to the *Press Democrat*.

The Sonoma County coroner's office has identified the worker as 43-year-old Raul Samano Lule of Ukiah. Lule was pronounced dead minutes after firefighters were dispatched to the McCray Road mill. He was found near a conveyor belt in the main sawmill of the facility, Blackmon said.

Details of the incident remained unclear Thursday. The California Division of Occupational Safety and Health was investigating the workplace death.

Company officials from Redwood Empire, a division of Pacific States Industries, in San Jose, CA, did not respond to inquiries beyond issuing a statement saying they were "deeply saddened" by Lule's death. [READ MORE](#)

US Housing Starts

US homebuilders broke the one million mark in March for the first time since June 2008 said the US Commerce Department Tuesday. The overall pace of homes started rose 7 per cent from February to March, to a seasonally adjusted annual rate of 1.04 million.

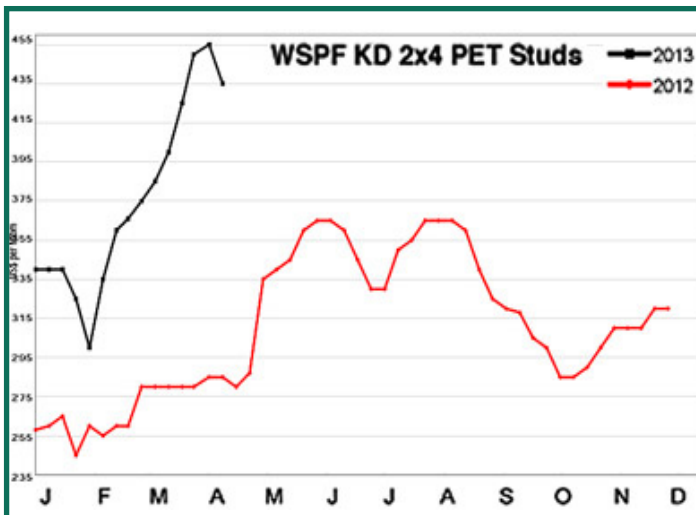
Apartment construction led the surge, jumping nearly 31 per cent to an annual rate of 417,000, the fastest pace since January 2006.

By contrast, single-family home building, which makes up nearly two-thirds of the market, fell 4.8 per cent to an annual rate of 619,000. That was down from February's pace of 650,000, the fastest since May 2008. The government said February's pace was a sharp 5.2 per cent higher than it had previously estimated.

Applications for building permits declined 3.9 per cent to an annual rate of 902,000. It was down from February's rate of 939,000, which was also nearly a five-year high. [READ MORE](#)

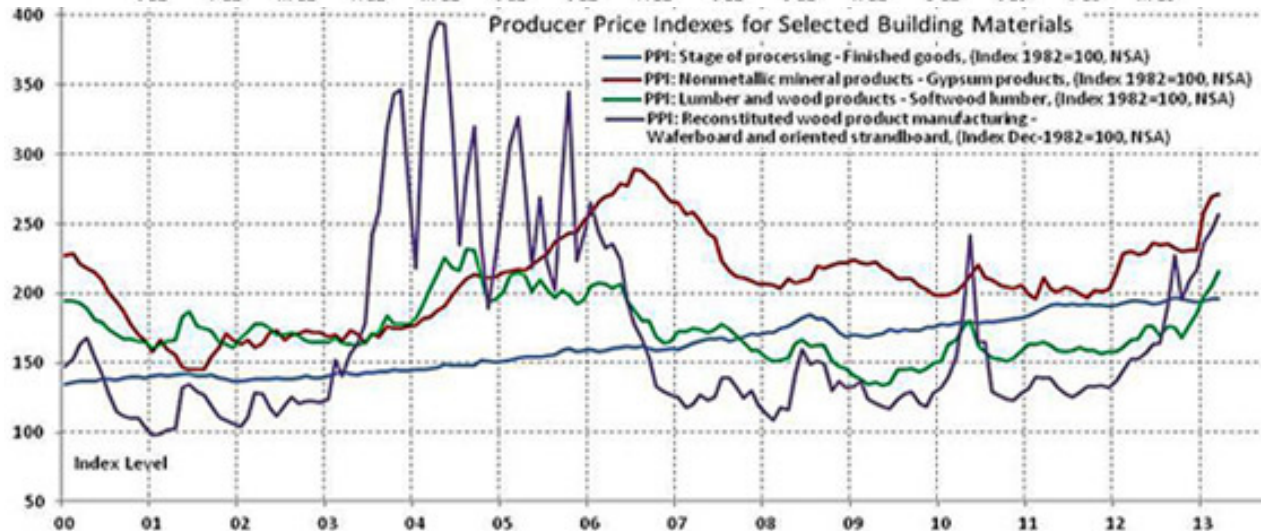
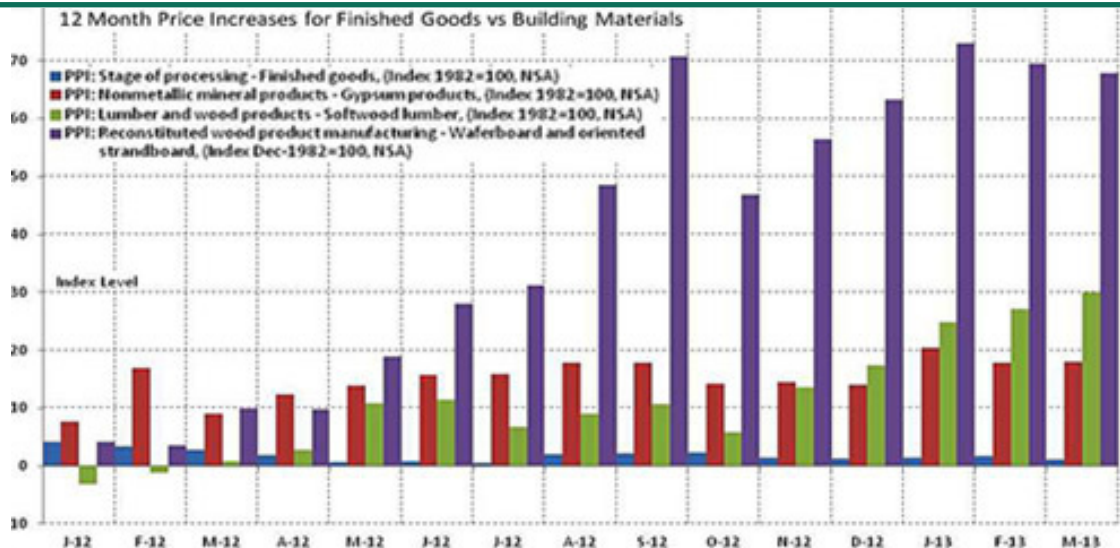
US Forest Service Addresses Forest Health

Discussions this week in Washington, DC, lead by two groups of Western state leaders, could result in more funding for forest health on federal lands. [READ MORE](#)



	Mar-13	Feb-13		Mar-13	Feb-13
Starts			Permits		
Actual	85,800	66,300	Actual	75,100	66,000
SAAR*	1,036,000	968,000	SAAR*	902,000	939,000
1 Unit	619,000	650,000	1 Unit	595,000	598,000
2-4 Units	(s)	(s)	2-4 Units	24,000	33,000
5+ Units	392,000	309,000	5+ Units	283,000	308,000
Starts by Region			Permits by Region		
Northeast	98,000	104,000	Northeast	101,000	81,000
Midwest	149,000	136,000	Midwest	142,000	145,000
South	560,000	505,000	South	452,000	482,000
West	229,000	223,000	West	207,000	231,000

Seasonally adjusted annual rate.



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	388	408	-20	408	-20	280	+108
WSPF KD R/L 2x6	375	394	-19	394	-19	288	+87
WSPF KD R/L 2x8	362	374	-12	374	-12	272	+90
WSPF KD R/L 2x10	390	408	-18	408	-18	318	+72
WSPF KD PET 2x4 Stud	435	465	-30	425	+10	287	+148
WSPF KD PET 2x6 Stud	435	465	-30	405	+30	300	+135
Douglas Fir Green R/L 2x4	360	388	-28	393	-33	238	+122
Douglas Fir Green R/L 2x10	395	418	-23	415	-20	250	+145
ESPF KD 2x4 8ft Stud	495	505	-10	495	0	350	+145
OSB Ontario 7/16" (CDN\$)	390	395	-5	420	-30	215	+175
CSplywood Toronto 3/8" (CDN\$)	382	402	-20	395	-13	350	+32

Weekly News

BC Truck Logger Fatality

CONTINUED The BC logging truck driver was fatally injured while attempting to cut free a log that was not positioned properly in the load. After using a chainsaw to buck a section of the log free, the remainder of the log swung around and struck the driver.

This incident occurred on West Thurlow Island, which is located east of Campbell River.

The incident is under investigation.

A Forest Industry Safety Alert has been issued by BC Forest Safety Council.

Housing Starts, US

CONTINUED March's pace of homes started was nearly 46 per cent higher than in the same month in 2012.

Housing construction fell 5.8 per cent in the Northeast but gained in the rest of the country, led by a 10.9 per cent rise in the South. It rose 9.6 per cent in the Midwest and 2.7 per cent in the West.

And construction firms have stepped up hiring in recent months. They added 18,000 jobs in March and 169,000 since September, according to the US Labour Department.

Corner Brook Receives Loan

The government of Newfoundland and Labrador is giving Kruger's Corner Brook Pulp and Paper a \$90 million loan.

The loan won't kick in until new contracts are in place for all the union at the mill.

"Corner Brook Pulp and Paper is a key employer and a strong contributor to our economy. The mill is important not only to the west coast, but the entire province.

Government has clearly stated that we will provide support only when negotiations for a new contract are concluded for all eight unions at the mill," said provincial Natural Resources Minister Tom Marshall.

The loan will be used by Kruger to address challenges in the industry.

The provincial government has invested \$58 million in Corner Brook Pulp and Paper from 2004 to 2012 in various projects. This amount does not include Power Purchasing Agreement sales of \$65 million which provides a source of revenue for the paper mill.

BC Election: Forestry Platforms

The provincial election in British Columbia kicked off this week, with both major parties giving some indication of their forestry platforms.

NDP Leader Adrian Dix has released a multimillion dollar election plan that he believes will help grow and improve B.C.'s forest industry, but critics say the proposal makes promises that will be hard to keep.

In Prince George, BC, Monday, Dix announced the five-point forestry plan that would see \$310 million invested in the industry over five years if his party wins the election in May.

The NDP leader announced his government would invest in skills training, to improve forest health, to expand global markets for B.C. lumber and to cut raw log exports, while it reinstates a jobs protection commissioner.

The BC Liberal Party immediately criticized the plan, saying it lacks policy details.

The Liberals also place forest health as a top priority but have delayed needed inventory work until the beetle epidemic is over. The resulting inventory will then be more accurate, the Liberals say. The Liberals also brought in tighter controls on log exports in January.

The Liberals intend to continue with their current forestry strategies, said Steve Thomson, minister of Forests, Lands and Natural Resource Operations this week.

Catalyst Paper Announces . . .

Catalyst Paper's President and CEO, Kevin Clarke, will step down from his position later this spring.

Clarke told the company that with the company's recent restructuring completed successfully, now is the right time for a leadership transition.

"Kevin steered Catalyst through a pivotal three years and the Board of Directors extends its appreciation to him," said Chairman Les Lederer.

Clarke will continue in his role for an interim period through June 2013 to assist in a smooth transition. He plans to return to his home in New York State. A search for his successor is underway.

Calendar

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/>

US Forest Service to Address Forest Health

Forest Management and Restoration

The Integrated Resource Restoration program, a major US Forest Service (USFS) pilot program which treated some 800,000 acres of federal forestland in 2012, exceeded or met its goals in almost every performance category, a USFS press release said April 8.

by Kéta Kosman

The program decommissioned 738 miles of roads, enhanced 933 miles of stream habitat, and resulted in the sale of more than 850,000 cubic board feet of timber. The program was initiated to help protect forests from catastrophic wildfire in 2012, and improve the condition of three major watersheds in the interior West.

But leaders of Western states say the program does not go far enough and are campaigning for more action from the Forest Service.

The Western Governors Association, lead by Utah Governor Gary Herbert, asked the federal government Tuesday for expanded resources to protect national forests from bark beetle infestations, susceptibility to wildfires, and other threats to the ecosystem. They favour enlisting the timber industry in the effort.

The governors asked Agriculture Secretary Tom Vilsack to form a "forest industry task group" to find ways for private loggers to help manage the forest and lessen the government's workload. For example, loggers might help remove dead branches and trees that can easily ignite, while marketing salvageable wood. The governors said more needs to be done to prevent problems before they spread and grow more costly.

According to the governors, in 2010 the forest service used just 30 per cent of its budget for forest management, down from nearly 70 per cent three decades ago. Currently, most of the agency's budget pays for fire suppression, administrative support, and research. Meanwhile, sequestration has eaten away at the USFS's firefighting resources, which the agency says it must cut by 37 per cent.

On Tuesday, USFS Chief Tom Tidwell told a US Senate committee the agency will lose 500 firefighters and 75 fire engines and have less money to spend on aircraft.

The USFS says it has spent more than US\$100 million each year to combat the bark beetle epidemic. Since 2009, the bee-

ties' reach has diminished by nearly 60 per cent, according to the agency's data.

On April 11 the National Association of Home Builders (NAHB) added its voice to the discussion by urging Congress to support draft legislation unveiled by House Resources Committee Chairman Doc Hastings (R-WA) that would require the USFS to actively manage its commercial forest lands and increase timber production on federal lands.

Testifying on behalf of NAHB before the House Natural Resources Subcommittee on Public Lands and Environmental Regulation, Justin Wood, vice president of construction for Fish Construction NW, based in Portland, OR, said that the legislation would benefit rural communities and boost harvesting on federal lands by requiring the federal government to implement active forest management plans. With lumber one of the most volatile-priced building materials and a major component in home construction, Wood also pointed out that proper federal forest management policies are tied to affordable housing.

NAHB research shows lumber and wood products account for 15 per cent of the cost of construction for a single-family house. Lumber prices soared as the housing recovery gained momentum in 2012. For example, prices of oriented strand board, are up 92 per cent since last April, said the NAHB. Framing lumber is also seeing price increases upward of 28 per cent, according to the NAHB.

These higher costs drive up the cost of construction, which in turn, drives up the price of a new home. This is of particular concern in the affordable housing sector, where relatively small price increases can have an immediate impact on low- to moderate-income home buyers.

"NAHB research shows that for every US\$1,000 price increase for a median priced new home, over 232,000 households can no longer afford that home," said Wood. "Federal forests supply a mere 2 per cent of the wood used by the forest products industry, and it is important for Congress to take a deep look into what barriers the Administration is facing in pursuit of increased harvesting on federal lands."

Chuck Ray, of *WoodWorking.net*, wrote in a piece Thursday, "the good news for the lumber producers, and the bad news for lumber users, is just getting started.

"Softwood lumber is currently over the inflation-adjusted price, which means that particular market is stronger now than it was in 1995. [. . .] However, prices are still well below the inflation-adjusted rate, which would be around US\$512/mbf today. That means that the structural grades

are still not as high in real dollar terms as they were in 1995. Which also means that they could, and should naturally, go higher still."

"One thing is for sure...with all the other prevailing conditions mentioned above, if the housing market continues any kind of increasing trend at all, lumber prices must surely break through and establish new historical highs. It all depends on the global economy. If things continue to hold up, lumber companies will do very well, perhaps turn in historical profits for a few years. And lumber users will increasingly feel the pinch in the cost of raw material," detailed Ray.

Meanwhile, in Colorado, the past failure of the timber industry has usually been blamed on the USFS making fewer trees available in light of environmental resistance to logging. While the beetle-kill epidemic and catastrophic wildfires may have taken some of the edge off the latter concern, forest industry experts are now more worried that cuts to the Forest Service's budget may hinder making wood available through forest management.

Nancy Fishing, the Colorado timber coordinator for the InterMountain Forest Association, estimates that US\$150 million has recently been invested by the new owner of the Montrose timber mill, now known as Montrose Forest Products, and the mill in Saratoga, WY, owned by Saratoga Forest Management, which has historically handled much of the wood harvested in North Park, CO. Saratoga was mothballed for five years, and the Montrose mill hasn't been operating even close to capacity for about that long, as well, said Fishing to the *Aspen Business Journal*.

Elsewhere, the Idaho state Land Board on Tuesday approved a 2014 plan calling for harvesting 249 million board feet — the highest logging level in decades. Annual timber cutting on state endowment land has been fixed at 247 million board feet for several years, but next year's plan includes a one-time adjustment due to various factors in certain regions of the state, according to *Spokesman-Review* via the *Idaho Press-Tribune*. Idaho's 2002 timber plan volume was 175 million board feet.

The 2014 plan won approval of some of Idaho's biggest sawmills and wood products companies. Tom Biltonen of Bennett Lumber says the state's timber sale program is a key driver of the company's long term viability.

"About 1 million acres of that land is forested, and that generates about US\$50 million in income," said Dave Groeschl, state forester and deputy director of forestry and fire at the Idaho Department of Lands, referring to the financial returns of timber sales and commercial interests that are generated for Idaho public schools.