

MADISON'S LUMBER REPORTER

Publisher
KetaDesign Productions

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Annual Subscription Prices
E-mail/Fax: C\$389
Discounts available for multiple
subscriptions
Published 50 times a year

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PO Box 2486 Vancouver, BC
V6B 3W7 Canada

In Canada, add GST or HST
ISSN 0715-5468

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News & Updates

More Quarterly Results, Lumber Producers

Tembec, Resolute Forest Products, Norbord, Canfor, and Canfor Pulp this week all released quarterly financial results.

As well, Weyerhaeuser Company reported on April 26 net earnings of US\$144 million for 1Q 2013, compared with net earnings before special items of \$9 million for the same period last year. Net sales for 1Q 2013 totalled US\$2 billion, compared with net sales of \$1.5 billion for 1Q 2012.

Tembec Inc Tuesday posted a net loss of \$26 million in 2Q 2013, compared to a net loss of \$14 million in the same quarter last year. Consolidated sales for the quarter were \$407 million, unchanged from the previous year.

Resolute Forest Products reported also Tuesday a net loss of \$5 million in 1Q 2013, compared to a net income of \$23 million in the same quarter last year. Excluding \$33 million of special items, net income for the quarter was \$28 million. Excluding special items of \$16 million, net income in 1Q 2012 was \$7 million. [READ MORE](#)

Sawmill Openings, Investments

Resolute Forest Products announced Tuesday it will reopen its Gatineau, QC, operation in June as a lower cost operation with just one paper machine and a co-generation power plant. Only 130 workers will be employed. That plant was closed in August 2010, laying off 330 employees. The newsprint will be sold in North American and overseas.

No severance was paid to the workers in 2010 when the mill closed because the company was restructuring and under creditor protection, according to the *Ottawa Business Journal*. [READ MORE](#)

Fires at Lumber Production Facilities

A fire Monday at Domtar's Dryden, ON, mill is under investigation.

The fire was reported between the 4th and 5th floors of the building, burning in the equipment.

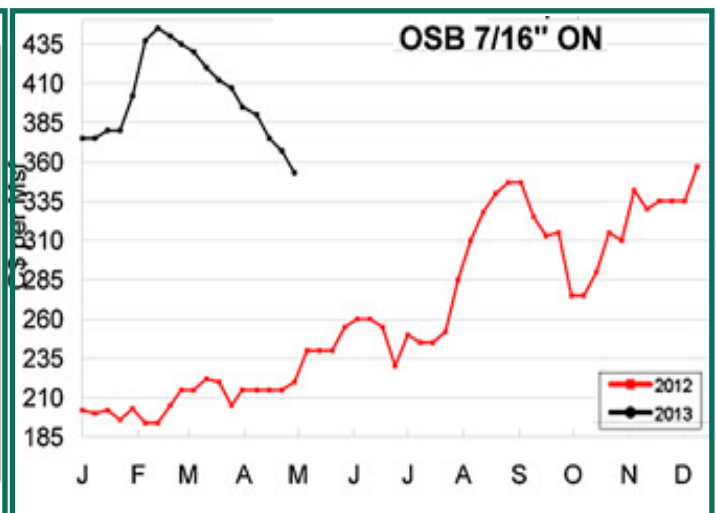
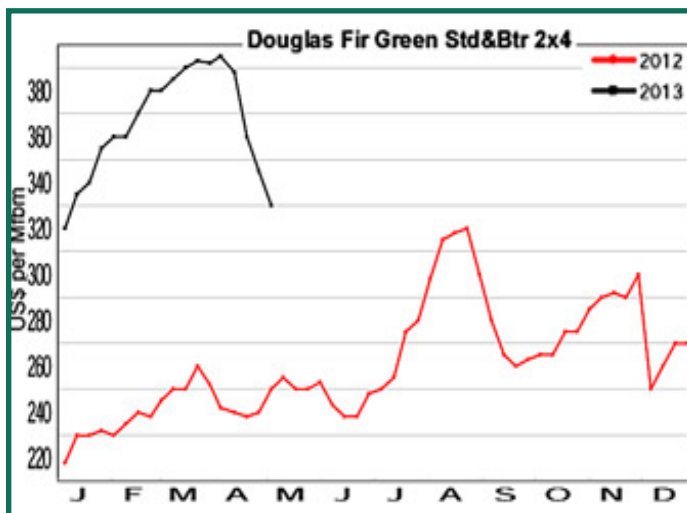
"It was product burning, combustible materials inside of the equipment of the machinery on the fourth and fifth floors of the seven story building. It was contained to the equipment and extinguished by the mill fire crews," Dryden fire chief Ken Kurz said.

The fire was extinguished within 45 minutes.

There was a fire in Interfor's waste wood piles at its Castlegar sawmill in British Columbia Wednesday. High winds in the afternoon caused smoke to cover the Castlegar/Robson area. Fighting the fire proved difficult due to the winds. [READ MORE](#)

Hardwood Plywood Imported to US from China

A new anti-dumping duty on Chinese hardwood plywood imports into the US was announced this week by the US Commerce Department. Put together with the countervailing duty announced in February, importers of that commodity must now pay a combined 44.77 per cent duty. [READ MORE](#)



Canada Wood Group Updates

Japan Economy, Housing & Lumber Shipments

In January and February 2013, Canadian Spruce-Pine-Fir exports to Japan increased 12 per cent compared to the same time one year ago, to 126.6 million board feet (fbm) said Shawn Lawlor, Director, Canada Wood Japan, on the Canada Wood Group blog Tuesday. February SPF shipments totalled 64.1 million fbm compared to 57.2 million fbm a year prior. At the end of February, the value of SPF exports to Japan increased 23 per cent to C\$69.4 million.

China Economy, Housing & Lumber Shipments

BC softwood lumber export volume to China as of the end of February 2013 was 1.21 million cubic metres, a 6 per cent increase over the same period in 2012, said Fred Spoke, Managing Director, Canada Wood China, on the blog Monday. BC softwood lumber export value for this period was \$201.6 million, a 36.4 per cent increase over this period in 2012.

The value level is not surprising due to the high global rates for lumber, explained Spoke. Somewhat surprising was the increase in volume as major importers have been complaining about the price and at the same time worrying about availability of SPF in particular. The next two to three months results will show whether the price point has been reached where China will import less.

Japan's Log & Lumber Imports: 2012

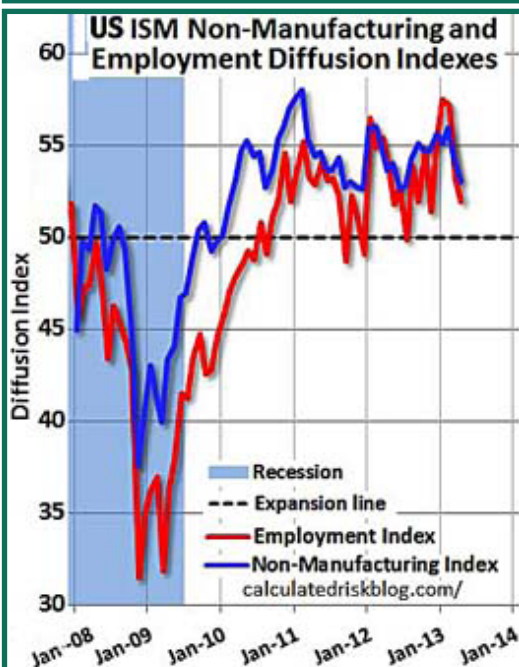
	QUANTITY (cubic metres)	VALUE (Yen)	CHANGE over 2011
CANADA			
Lumber	2,325,707	65,825,851	-0.6%
Logs	1,307,334	23,253,296	-4.9%
UNITED STATES			
Lumber	425,694	17,502,823	-4.8%
Logs	1,812,731	36,562,693	+7.5%
RUSSIA			
Lumber	776,477	26,295,405	-11.1%
Logs	272,634	4,490,868	-20.2%
CHINA			
Lumber	180,688	18,838,627	-18.9%
Logs	2,006	138,648	-19.1%

SOURCE: Japan Lumber Journal

The Chinese property market has seen a big revival since 3Q 2012, Spoke detailed. Strong sales drove housing prices up rapidly in major cities. On March 1, the State Council issued stricter rules designed to curb escalating home prices. While the central government has not set a firm timeline for the imposition of the measures, the new policy triggered a wave of panic among potential buyers and sellers. There was a huge surge of transactions in the second-hand housing market throughout March.

Amid expectations of continued price increases, the central government rolled out updated measures on March 1, 2013 to further tighten control of the property market. Among those measures, a proposed 20-percent tax on capital gains from home transactions surprised the market most. The previous transaction tax was only 1 to 2 percent of the sale price.

On April 15, 2013, the National Bureau of Statistics (NBS) released its national accounts for the first quarter of 2013, continued Spoke. Growth in 1Q 2013 came in at 7.7 per cent year-over-year, which was below the market expectation of 8 per cent. The quarterly, seasonally adjusted data released by the NBS reinforces the economy's weak momentum: growth dropped to 6.6 per cent in Q1 from over 8 per cent in the previous three quarters.



US ISM Mfg Index : April 2013

Economic activity in the US non-manufacturing sector grew in April for the 40th consecutive month, say the nation's purchasing and supply executives in the latest *Non-Manufacturing ISM Report On Business*, released Thursday.

"The NMI registered 53.1 per cent in April, 1.3 percentage points lower than the 54.4 per cent registered in March. This indicates continued growth at a slightly slower rate in the non-manufacturing sector.

The Non-Manufacturing Business Activity Index registered 55 per cent, which is 1.5 percentage points lower than the 56.5 per cent reported in March, reflecting growth for the 45th consecutive month.

The New Orders Index decreased by 0.1 percentage point to 54.5 per cent, and the Employment Index decreased 1.3 percentage points to 52 per cent, indicating growth in employment for the ninth consecutive month.

The Prices Index decreased 4.7 percentage points to 51.2 per cent, indicating prices increased at a slower rate in April when compared to March.

According to the NMI, 14 non-manufacturing industries reported growth in April."

Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	352	365	-13	408	-56	300	+52
WSPF KD R/L 2x6	350	362	-12	398	-48	292	+58
WSPF KD R/L 2x8	344	350	-6	378	-34	290	+54
WSPF KD R/L 2x10	372	375	-3	410	-38	330	+42
WSPF KD PET 2x4 Stud	360	405	-42	470	-110	340	+20
WSPF KD PET 2x6 Stud	380	420	-40	440	-60	325	+55
Douglas Fir Green R/L 2x4	330	345	-15	395	-40	250	+80
Douglas Fir Green R/L 2x10	380	390	-10	420	-40	315	+65
ESPF KD 2x4 8ft Stud	465	480	-15	505	-40	400	+65
OSB Ontario 7/16" (CDN\$)	362	375	-13	407	-45	215	+147
CSplywood Toronto 3/8" (CDN\$)	353	367	-14	394	-41	353	0

1Q Financial Results

CONTINUED Norbord Inc Wednesday reported earnings of \$67 million in 1Q 2013, compared to break-even results in the same quarter of last year.

Canfor Corp reported Wednesday a net income attributable to shareholders of \$61.9 million for 1Q 2013, compared to a net loss of \$18.01 million for 1Q 2012. Canfor reported operating income of \$100 million for the 1Q 2013, more than double the \$49 million recorded for 4Q 2012.

Meanwhile, Canfor Pulp Products reported also Wednesday a net income of \$10.9 million in 1Q 2013. This result can be compared to a net income of \$10 million in the same quarter last year. The operating income for 1Q was \$19 million – up \$6.9 million from the operating income reported in the previous quarter.

Investment in Sawmills, Reopenings

CONTINUED West Fraser Mills' Chetwynd Forest Industries is continuing on with Phase 2 of a \$35 million upgrade to its sawmill in Chetwynd, BC, the company announced Monday. The sawmill is being upgraded from a one million board feet per day average up to 1.365 million a day.

With the increase in productivity, two-shifts will be maintained at the mill, with additional hours for the planer.

Idaho Timber will reopen a sawmill in Coughatta, LA, later this year with 90 jobs, paying an average US\$32,000 annually, plus benefits, company and state officials said Wednesday.

Idaho Timber, based in Boise, ID, will make a US\$3.5 million capital investment to refurbish and reopen the northwest Louisiana mill by 3Q.

Weekly News

The site closed in 2008 as a result of the national recession. Idaho Timber LLC recently purchased the facility from Hood Industries. The sawmill will produce radius-edge decking, dimension lumber and other timber products crafted from southern yellow pine.

The Louisiana Economic Development department estimates the Coughatta mill project will result in an additional 289 new indirect jobs. The project is also expected to create 50 construction jobs.

Sawmill Fires

CONTINUED Two helicopter with bucket crews were brought in to assist and the fire at Interfor's Castlegar, BC, wood waste pile was extinguished by midnight. The cause of the fire is unknown. Fire Chief Gerry Rempel said the fire is not being treated as suspicious. No one was injured and structures were damaged.

A fire which erupted Wednesday in a shed at Sierra Pacific Industries' Quincy, CA, sawmill destroyed one building and damaged the plant's electrical system, temporarily closing all operations.

The flames were in a metal building between the sawmill's co-generation plant and a series of large Pacific Gas & Electric Co transformers, said Robbie Cassou, Quincy fire chief. Firefighters contained the damage to the shed, which was gutted by fire, Cassou said.

The fire, which caused hourlong power outages throughout the Quincy area, left the sawmill without electricity.

The cause of the fire is under investigation.

California Wildfires

A huge Southern California wildfire carved a path to the sea and burned on

the beach Friday, but firefighters got a break as gusty Santa Ana winds turned into breezes.

The wind-whipped fire erupted Thursday in the Camarillo area, damaging 15 homes and a cluster of recreational vehicles in a parking lot. About 2,000 Ventura County homes remained threatened and evacuations remained in force Thursday night although the fire line edged southwards toward Malibu. It was about 32 kilometres from that coastal enclave at daybreak.

Temperatures remained high, but humidity levels were expected to soar as cool air moved in from the ocean and the Santa Anas retreated.

The 15.5 square-mile (39 square kilometres) blaze was only 10 per cent contained on Friday, and the work of more than 900 firefighters, aided by air tankers, was just beginning.

There's still a chance of "explosive fire spread" before winds begin tapering off in the afternoon and cooler weather begins to kick in, said Curt Kaplan, a National Weather Service meteorologist in Oxnard.

"It has grown throughout the night," Ventura County fire spokesman Tom Kruschke said. "The fire has been coming down canyons all along Pacific Coast Highway and that's where we've been concentrating a lot of our effort."

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/>

China Hardwood Plywood

US Import Duty

An investigation was commenced in the US last autumn when six domestic companies, that represent a small fraction of the global plywood market but who collectively comprise 80 per cent of the US hardwood plywood market, led a campaign to disrupt the imported wood market by alleging “unfair” trade practices of hardwood plywood imported from China. This commodity is used by American manufacturers to produce kitchen and bath cabinetry as well as recreational vehicles, furniture, flooring, boats, panelling, store fixtures, shipping containers, and other products.

by Kéta Kosman

On September 27, 2012 the case was filed with the US International Trade Commission (ITC) by these US hardwood plywood manufacturers. The petition filed alleged that margins of approximately 310 per cent in antidumping duties (AD duties) and an unstated per cent of countervailing duties (CV duties) could be imposed as early as December 2012 and March 2013 respectively, or earlier if the government makes duties retroactive.

In 2012, imports of hardwood and decorative plywood into the US from China were an estimated US\$747.9 million, representing about one-third of the total consumed in the US, according to the Commerce Department.

The initial phase of the investigation moved quickly. Questionnaires were sent to relevant companies and were due by October 11, 2012. The ITC held a conference on October 18 in Washington DC on the subject.

This week the US Department of Commerce released its ‘Preliminary Determination in the Anti-Dumping Investigation’ on hardwood plywood imported from China. The US government found that all individually-investigated exporters did not engage in “dumping”, or unfair pricing.

The Commerce department announced a preliminary AD duty of zero per cent on the two individually-investigated respondents in China. However, Commerce refused to apply a zero per cent to the remaining exporters who were fully cooperative. Instead, Commerce used an average that included a penalty duty normally reserved for non-cooperative companies. The resulting average duty, 22 per cent, applies this penalty to US

manufacturers’ purchases of hardwood plywood from these fully cooperative exporters. The China-wide rate – which is applicable as a penalty to non-cooperative companies – is set at 64 per cent.

This week’s AD determination is preliminary and a thorough review of the process and methodology behind the 22 per cent rate will take place in the coming weeks before a final determination is made. Rates could, and likely will, adjust up or down, said both the International Wood Products Association (IWPA) and the American Alliance for Hardwood Plywood (AAHP) Wednesday in their respective press releases.

The new AD will go into effect this week and, combined with an existing 22 per cent CV duty the Department imposed in February, will result in a total 44.77 per cent duty on applicable imported plywood.

Chinese hardwood plywood importers like Shelter Forest International, an American company that manages the global supply chain for TigerPLY hardwood plywood, used by thousands of US manufacturers, and organizations such as the Kitchen Cabinet Manufacturers of America have long maintained that the highly specialized hardwood plywood imported from China is not available from US manufacturers and therefore poses no threat to them.

Another American company, Hardwoods Distribution Inc, issued a press release Wednesday saying that approximately 14 per cent of its total sales in 2012 was product that would have fallen within the scope of this US trade action.

Madison’s spoke to Greg Simon, Co-Chair at the AAHP, a recently-formed coalition of US based companies that rely on a unique form of hardwood plywood imported from China, and Jeff Grimson, legal counsel at Mowry & Grimson, in a phone interview Thursday.

“On March 14, US importers of hardwood plywood from China started paying the CV duties,” explained Simon. “On May 3 these new AD duties will come into effect, bringing the total tax to more than 44 per cent.”

Madison’s found the method the Commerce department used to come up with the duty confusing so enlisted the help of US trade specialists for explanation. It seems the US government policy when determining petitions against China is that all applicable companies are “non-market”, which means government controlled and/or subsidized. In this case the three companies chosen as mandatory respondents in the CV duty case and

the two factories investigated in the AD case, were all found to be independent and not subsidized. In the CV case, 101 companies requested to be investigated and wanted to co-operate but were never given the chance.

“Apart from the three respondents in the CV case and the two in the AD case, every other company was given the penalty rate,” Grimson detailed. “American importers must now pay the CV and AD duties until the next opportunity to be heard, which is November.”

If representatives for the AAHP win in that round the money collected will be returned. If not, more duties will be collected while the case moves through the system.

“We are fairly optimistic we can present our views clearly, and are eagerly looking forward to the opportunity to show the Commerce department that these duties should not be applied,” said Grimson. “Applying a 22 per cent duty to a co-operating industry is contrary to law, in our opinion, and we feel we can get that message across to Commerce.”

ITC data for 2011 puts US imports of hardwood plywood from China at 1,535 million square feet, or US\$707 million, and 749 million square feet, or US\$391 million, in the first six months of 2012.

Another troubling aspect of the initial petition is that it is aimed at hardwood plywood but deliberately does not exclude softwood plywood. It seems the petitioners avoided specifying hardwood or softwood plywood, but when asked by the Commerce department said the petition included hardwood, softwood, and bamboo plywood. At the moment the legal definition of the petition includes hardwood and softwood. Volumes of softwood plywood from China into the US are small, approximately ten per cent of that of hardwood. However, US imports of softwood plywood from Canada and Chile are huge compared to the hardwood plywood currently being penalized.

“The petition was deeply flawed from the beginning, in our opinion,” said Simon. “There are already significant downstream effects of these duties. US manufacturers and end-users are outraged, they can’t compete with ready-to-assemble cabinetry and other wood products from China when the supply of their main material is cut off. The small and even the large cabinet companies in the US are being hurt, there are already tremendous negative effects on jobs and manufacturing in the US.”

The Commerce Department is scheduled to make final determinations in July.