

MADISON'S LUMBER REPORTER

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News & Updates

Madison's Timber Preview

This week's issue of *Madison's Timber Preview* examines the latest moves in the US Congress to open up state and federal timberland in Oregon for harvesting. In particular, the ongoing O&C Lands debate is looked at.

Contact us anytime to subscribe to this important and worthwhile information!

Short-Term Timber Forecast : Japan

The Forestry Agency of Japan recently compiled the short-term forecast of the supply and demand for major timber for 3Q and 4Q 2013, according to the *Japan Lumber Journal*.

New housing starts for fiscal 2013 (April 2013 - March 2014) that were used as the base for the forecast were estimated to be 935,000 units, up by 11,000 units from 924,000 units, an estimate made 3 months ago, and also up by 4.7 per cent from the previous year.

The demand for the domestic lumber and imported lumber for 3Q (July - September) was forecast to increase from the same period in the previous year as the new housing start figures were strong. The demand for the domestic lumber and imported lumber for 4Q (October - December) was also forecast to be as firm as in 3Q and increase slightly from the same period in the previous year. It was projected that the demand situation for the timber would be good in response to the increase in the housing starts due to the rush demand before the increase in the consumption tax. [READ MORE](#)

3Q Financial Results

Forest companies reporting financial results this week were International Forest Products, Tembec Inc, CanWel Building Materials, and Western Forest Products. Resolute Forest Products released preliminary results Thursday.

Resolute reported a net loss of \$43 million in 2Q 2013 on sales of \$1.1 billion, compared with a net loss of \$17 million on sales of \$1.2 billion one year ago. [READ MORE](#)

US Pending Home Sales, Prices

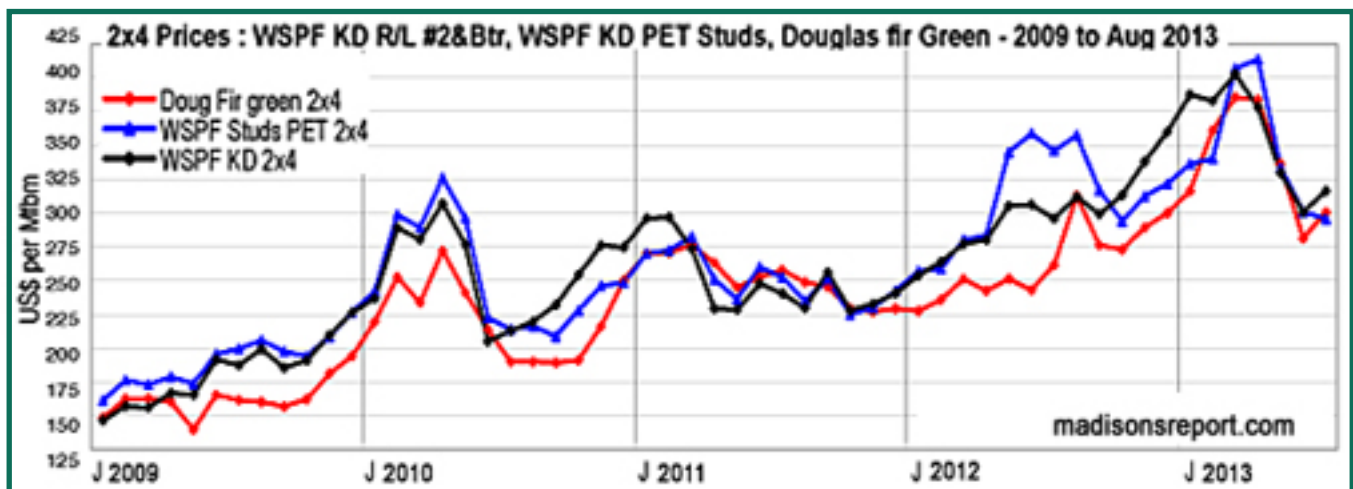
The National Association of Realtors said Monday its Pending Homes Sales Index, based on contracts signed last month, decreased 0.4 per cent to 110.9. May's index was revised down to 111.3 from a previously reported 112.3.

Compared to last year contracts were up 10.9 per cent.

Contracts were up in the West, but down in the Midwest and South. The index for the Northeast was unchanged. [READ MORE](#)

US Forest Service Timber Harvesting

Legislation passed the House this week in the US to allow access to timber harvesting on US Forest lands, particularly where forest fire danger to remote communities is extremely high. [READ MORE](#)



US Construction Spending

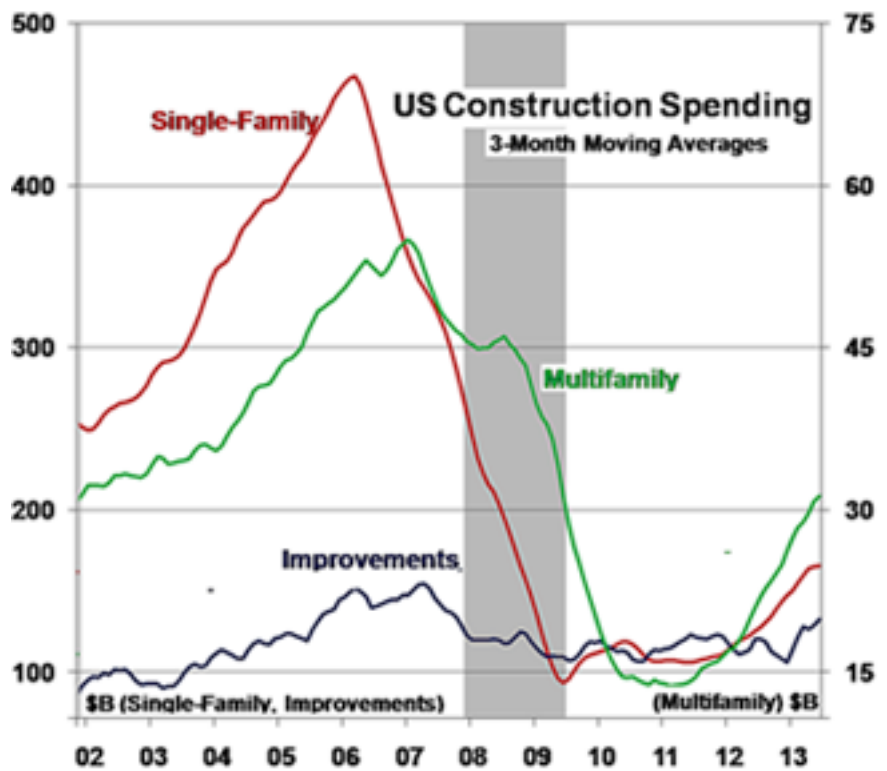
After recent positive data revisions, seasonally adjusted home improvement spending has shown growth during the spring of 2013. The current pace of improvement spending is the highest since 2007.

According to the current Census construction spending report, total private residential construction spending was effectively unchanged at a seasonally adjusted annual rate of US\$332.1 billion in June 2013. The May rate of US\$332.2 billion was the fastest pace since September 2008. The current reading is 18.1 per cent higher than a year ago.

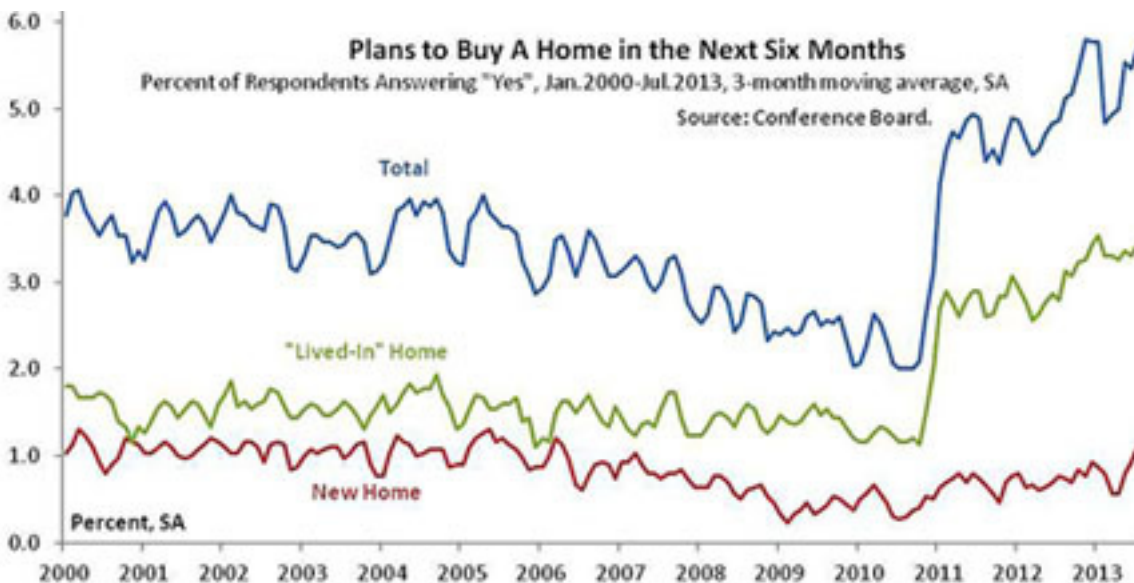
Single-family spending registered a slight decline (0.8 per cent) for the month, while the more volatile multifamily category was down 3.3 per cent in June.

The Census data concerning home improvement spending has changed markedly over the past few months. Post-revisions, on a 3-month moving average basis, the improvement category experienced weakness during the second half of 2012. In contrast, over the course of 2013 remodeling related spending is up 16.2 per cent.

Taken together, the data illustrate the degree to which residential construction activity is growing off cycle lows. Since market low points, total private residential construction spending is up 45.3 per cent, single-family 80.8 per cent, multifamily 136.9 per cent, and improvement-related spending 30.7 per cent.



SOURCE: National Association of Home Builders Eye on Housing blog



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	324	325	-1	300	+24	303	+21
WSPF KD R/L 2x6	304	300	+4	270	+34	301	+3
WSPF KD R/L 2x8	310	305	+5	280	+30	309	+1
WSPF KD R/L 2x10	345	345	0	328	+17	360	-15
WSPF KD PET 2x4 Stud	310	310	0	273	+37	375	-65
WSPF KD PET 2x6 Stud	280	280	0	273	+7	375	-95
Douglas Fir Green R/L 2x4	310	325	-15	295	+15	298	+12
Douglas Fir Green R/L 2x10	399	398	+1	360	+39	308	+91
ESPF KD 2x4 8ft Stud	380	380	0	370	+10	400	-20
OSB Ontario 7/16" (CDN\$)	260	270	-10	275	-15	285	-25
CSplywood Toronto 3/8" (CDN\$)	387	387	0	338	+49	437	-50

Weekly News

Japan Timber Forecast

CONTINUED With the demand forecast to be strong, the supply was also projected to increase from the previous year, says the Japan Lumber Journal. The supply of the North American lumber which is the major foreign lumber was projected to increase by 18.9 per cent in 3Q and by 4 per cent in 4Q. The supply of the European lumber was projected to increase by 11.9 per cent in 3Q and by 18.4 per cent in 4Q. The supply of Russian lumber products was also projected to increase by 10.1 per cent in 3Q and by 4 per cent in 4Q in response to the firm demand. However, as for the imported plywood for which the log situation in producing areas has been becoming increasingly severe, the increase in its supply was projected to be smaller than the domestic plywood.

Financial Results : 2Q

CONTINUED Western Forest Products Wednesday reported 2Q 2013 net income of \$35.5 million on sales of \$262.3 million, compared to a net income of \$10.4 million on sales of \$251.4 in 2Q last year.

Tembec, reporting it's 3Q, said Thursday it's consolidated sales were \$399 million, as compared to \$415 million in the same quarter a year ago. Tembec generated a net loss of \$4 million in the June 2013 quarter, compared to a net loss of \$5 million in the June 2012 quarter.

CanWel Building Materials Thursday reported revenues increased to \$210 million, compared to \$207 million in the same period in 2012. The increase in revenue relates primarily to higher sales of specialty and allied products and contribution from the acquisition of North American Wood Preservers LP. CanWel's sales in the quarter were made up of 57 per cent of construction materials compared to 58 per cent in the same period in 2012, with the balance resulting from specialty and allied products.

Home Sales, Prices, US

CONTINUED Lean inventories of cheaper properties and mortgage rates that have climbed about 1 percentage point since early May are making it harder for some Americans to purchase houses.

Elsewhere, US home prices jumped 12.2 per cent in May compared with a year ago, the biggest annual gain since March 2006. Home prices gained 1 per cent on a seasonally adjusted basis, according to the S&P/Case Shiller composite index of 20 metropolitan areas.

All 20 cities rose on a yearly basis, led by a 24.5-per-cent surge in San Francisco. Two cities – Dallas and Denver – reached record levels, surpassing their peaks reached during the housing boom. It was the first time any city has racked up a new all-time high, the survey said.

Without seasonal adjustment, prices rose 2.4 per cent in May and on a national

average they were back at their spring 2004 levels.

A tightening of inventory available for sale, fewer foreclosures, and buying from investors has helped push prices higher over the past year-and-a-half as the battered housing sector has gotten back on its feet.

But a potential hurdle has emerged recently in the form of higher mortgage rates, as borrowing costs have risen in the wake of the Federal Reserve's plan to start winding down its economic stimulus later this year if the economy progresses as expected.

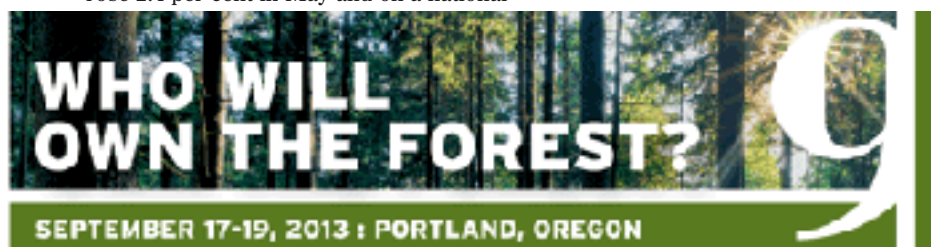
Still, rates remain low by historical standards and most economists do not expect them to derail the housing market.

May's home price data likely did not capture the rise in rates as the contracts to purchase would have been signed before rates began increasing, Bank of America-Merrill Lynch wrote last week.

Meanwhile, The rental vacancy rate continues to decline as the percentage of Americans who own homes continues to slip.

US Census Bureau housing data for 2Q released this week shows rental vacancies dropped to 8.2 per cent from 8.6 per cent a year ago. Rental vacancies were 10.6 per cent and higher in 2009 and 2010.

Home ownership dipped to 65 per cent, from 65.5 per cent in 2Q 2012. The highest level in recent years was 69.2 per cent in 2004.



USFS "Healthy Forests" Act

Forest Service to Speed Timber Harvest

Federal legislation that would improve forest health and assist rural economies advanced Wednesday in the US House of Representatives. Two bills were combined; to reduce the threat of wildfire, and to increase timber harvest revenues to schools and other local services, and cleared the House Natural Resources Committee.

US Representative Scott Tipton, R-CO, is the sponsor of HR818, which sets priorities to reduce fuels in forests in order to reduce the risk of fire. Tipton's bill directs the Forest Service to prioritize hazardous fuels reduction projects proposed by governors, affected counties and First Nations.

US Representative Steve Daines, R-MT, got two amendments attached to legislation intended during a House committee session on Wednesday.

The other bill, HR1526, sponsored by US Representative Doc Hastings, R-WA, addresses the shortfall in county revenue for schools and critical services caused by lack of timber harvest. Daines is one of 18 co-sponsors. The bill would require the Forest Service to produce at least half the sustainable yield of timber each year and share 25 per cent of its revenues with local county governments. It would also streamline National Environmental Policy Act and Endangered Species Act analyses of projects.

The Restoring Healthy Forests Act requires the US Forest Service to manage its timber land in order to generate revenue for schools and counties.

Please see the July 12 issue of your *Madison's Lumber Reporter* for background details.

To expedite locally based healthy forest projects, the Hastings-Tipton package builds on the positive streamlining procedures implemented under the bipartisan Healthy Forests Restoration Act of 2003.

"Our package would allow greater state and local involvement in wildfire prevention on federal lands in order to expedite hazardous fuels reduction projects and reduce litigation," Tipton said.

In 2012, 9.3 million acres burned, while only about 200,000 acres of timber were harvested. Several of the most destructive fires were in Colorado. This year, fires again struck the state, including the Black Forest and Royal Gorge fires and numerous other blazes in the Arkansas and Rio Grande watersheds.

"Time is of the essence and we cannot afford to wait for more fires and more devastation before Congress acts," Tipton said.

Legislation aimed specifically at boosting timber harvests on historic Oregon & California Railroad lands in Western Oregon was included in the sweeping federal forests bill. Please see this week's issue of *Madison's Timber Preview* for more information.

One amendment to the Restoring Healthy Forests for Healthy Communities Act requires that the US Forest Service give priority to forests bordering First Nations reservations in need of hazardous fuels reduction, in accordance with the Tribal Forest Protection Act of 2004. In a press release, Daines said the agency has failed to follow the earlier legislation, which has put tribal lands at risk from wildfires starting on adjacent national forests.

The second would give the Forest Service more authority to deny appeals

of projects it uses under its categorical exclusion rule. Categorical exclusions are intended for small-scale or repetitive actions that shouldn't need full-scale agency analysis before approval.

"Without this provision, decisions on important, low-impact projects conducted by the Forest Service which were once completed in five to 10 days will continue to be delayed by at least 30 days, and in some cases, up to 145 days," Daines said.

The bill passed the House Natural Resources Committee on Wednesday and is now headed for a vote before the full House of Representatives.

"As a fifth-generation Montanan, I know too well how devastating wildfires and the mismanagement of our national forests can be to our communities, our state's economy and the health of our forests," Daines wrote. "This bill will help create thousands of long-term jobs, protect our environment for future generations, allow tribes, local counties and states to have more input in forest management, and renew the federal government's commitment to our rural counties."

In Montana, money coming through the now-expired Secure Rural Schools funding from timber sales totaled US\$22 million in 2011. That included US\$1.8 million to Flathead County, US\$5 million to Lincoln County and US\$1 million to Mineral County.

"While much of our forests are suitable for harvesting, we still face community-threatening wildfires each summer and almost 10 per cent unemployment in Ravalli County," Ravalli County Commissioner Greg Chilcott said of Daines' amendments in an email. "There is much that can be done to better manage our forests, create jobs, and protect our communities from wildfires while assuring local governments have resources they need to best serve the public."

