

MADISON'S LUMBER REPORTER

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News & Updates

Wisconsin Logging Contractor Accused

A fire that damaged a 10-mile swath of forest land in Wisconsin's Douglas County in May caused at least US\$1 million in damage to timber, according to the company that owns most of the affected land this week.

The massive Germann Road fire damaged most of the 5,200 acres owned by Lyme St. Croix Timber, company executive Sean Ross said to the *Duluth News Tribune* Thursday. In total it consumed about 7,400 acres, destroyed 17 homes and forced dozens of people to evacuate their homes, the *Milwaukee Journal Sentinel* reported in May.

The logging company accused of causing Wisconsin's largest forest fire in three decades on Thursday disputed claims by the Department of Natural Resources that the company withheld information during the investigation.

Ross said Lyme St. Croix Timber is still trying to estimate the total costs, which he predicted would run into the millions. The estimate would include replanting costs, which usually run about US\$200 per acre, he said. [READ MORE](#)

Canada Housing Starts

Canada Mortgage and Housing Corp said Tuesday the pace of housing starts was down in August compared with the previous month but remained within the forecast range.

The monthly seasonally adjusted rate fell to 180,291 units last month, down from 193,021 in July. The six-month average also dipped to 187,197 units in August, from 187,324 in July. The August figure was the weakest housing start reading since April, when new homes were being built at an annualized rate of 175,922. [READ MORE](#)

Housing Starts, Japan

A report of Ministry of Land, Infrastructure, Transport and Tourism showed on August 30 that Japan's housing starts were 84,459 units in July 2013, according to the *Japan Lumber Reports* and the *Japan Lumber Journal*. That is a 12 per cent improvement compared with the same month in 2012. The figure marked the third consecutive month of double-digit increase, and showed a year-on-year increase for the 11th straight month since September 2012.

The seasonally-adjusted annual rate was 975,000 units. [READ MORE](#)

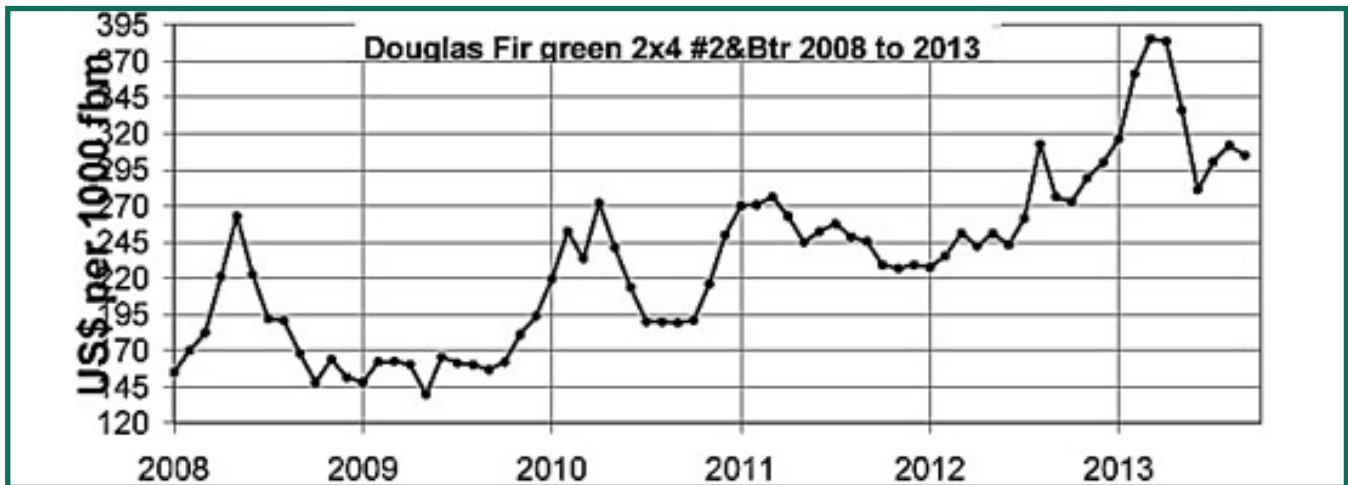
US Producer Price Index; Canada Capacity Utilization

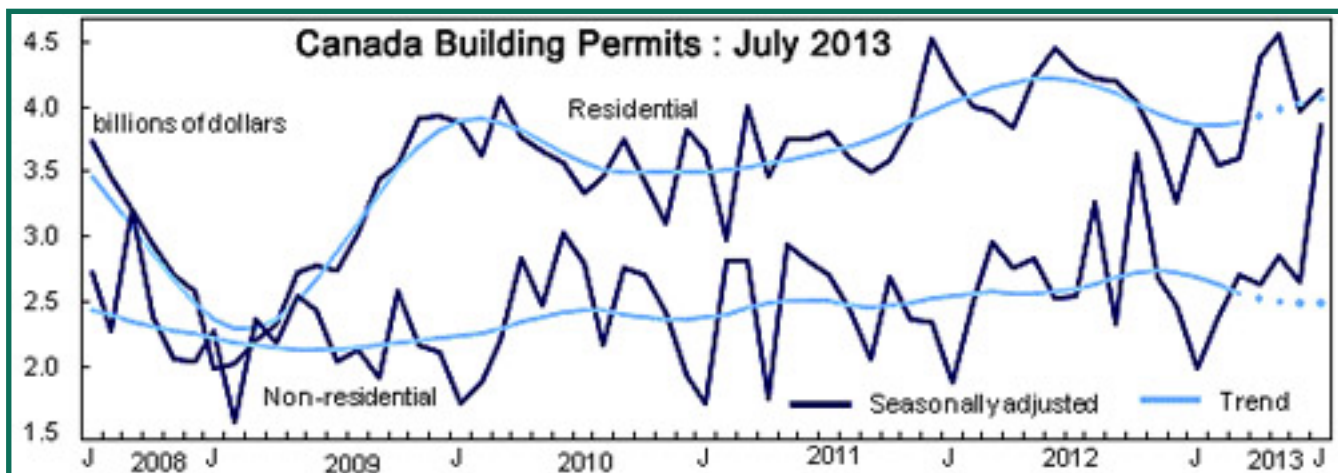
The US Bureau of Labor Statistics reported Thursday that Producer Prices rose 0.3 per cent during August. Over the last twelve months, prices rose 1.4 per cent vs the median of 1.3 per cent. Stripping food and energy costs, prices rose at an annual pace of 1.1 per cent, while coming in flat on a monthly basis.

Meanwhile, Canadian industries operated at 80.6 per cent of their production capacity in 2Q, down slightly from 80.8 per cent in 1Q, Statistics Canada said Friday. [READ MORE](#)

Japan Lumber Volumes

Even as reconstruction efforts following the 2011 Tohoku earthquake and tsunami in Japan, that county's economy seems to be expanding, according to the latest data out this week. [READ MORE](#)





Note(s): The higher variability associated with the trend-cycle estimates is indicated with a dotted line on the chart for the current reference month and the three previous months.

Canadian contractors took out building permits worth \$8 billion in July, up 20.7 per cent from June, Statistics Canada said Monday. The total value of building permits continued to trend upward on the strength of six gains in seven months.

The increase in July came mainly from higher construction intentions for commercial buildings in Ontario, Alberta, and Quebec.

Construction intentions for single-family dwellings rose 4.1 per cent in July to \$2.2 billion. The increase in July failed to offset the decline in June. Higher construction intentions were posted in six provinces, with Ontario and Quebec accounting for most of the national advance.

Building permits for multi-family dwellings rose 4.2 per cent to \$1.9 billion in July. The gain in July was the fourth increase in five months. Higher construction intentions for apartments and apartments-condominium projects in Quebec and Alberta contributed to the gain in July. Decreases were registered in five provinces, with British Columbia posting the largest decline, followed by Nova Scotia, a distant second.

Canadian municipalities authorized the construction of 17,504 new dwellings, 0.7 per cent less than in June. The decrease was attributable to multi-family dwellings, which fell 3.0 per cent to 11,193 units. Single-family dwellings increased 3.7 per cent to 6,311 units.

SOURCE: Statistics Canada

Japan Lumber Imports : Jan - June 2013

Total imports of European lumber to Japan for the first six months of this year were 1,590 million cubic metres, a 31.7 per cent increase over one year ago.

Imports of Canadian SPF lumber to Japan for the first half of 2013 were 783,800 million cubic metres, a 10.1 per cent increase over last year. This is the highest level of imports in seven years.

The value of these imports was 26.8 billion Yen, also the highest in seven years, and 61.2 per cent higher than the same time period in 2012.

These imports were particularly strong in 2Q this year, as higher export prices and a weaker Yen brought increased volumes.

The value of Canadian SPF imports to Japan increased by 72 per cent in 2Q 2013 compared to one year ago.

SOURCE: Japan Lumber Reports

Import of European Lumber

Volume : 1,000 cbms

(A)	Volume
2013	1,590
2012	1,208
2011	1,296
2010	1,014
2009	1,154

NOTE:

(A) is import trend, Jan - June, for past five years

(B) is import by source for past six months

(B)	Volume	'13/'12
Finland	502	132.4
Sweden	469	115.2
Austria	202	171.8
Rumania	184	131.1
Czech	72	151.9
Latvia	63	106.4
Germany	57	188.5
Estonia	23	156.9
Total	1,500	131.7

Import of Canadian SPF lumber

Comparison : %

Period	Volume	'13/'12	The value	'13/'12
Jan.-Jun.	783	110.1	26,800	161.2
June	138	103.8	5,477	178.5

Volume : 1,000 cbms Value : one million yen

Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	338	335	+3	328	+10	300	+38
WSPF KD R/L 2x6	324	316	+8	310	+14	318	+6
WSPF KD R/L 2x8	328	325	+3	318	+10	302	+26
WSPF KD R/L 2x10	424	424	0	380	+44	355	+69
WSPF KD PET 2x4 Stud	315	310	+5	315	0	320	-5
WSPF KD PET 2x6 Stud	280	275	+5	280	0	325	-45
Douglas Fir Green R/L 2x4	310	300	+10	315	-5	280	+30
Douglas Fir Green R/L 2x10	418	410	+8	405	+13	285	+133
ESPF KD 2x4 8ft Stud	375	370	+5	385	-10	400	-25
OSB Ontario 7/16" (CDN\$)	235	235	0	250	-15	347	-112
CSplywood Toronto 3/8" (CDN\$)	373	385	-9	398	-25	441	-68

Weekly News

Logging Contractor Disputes State Claim

CONTINUED Ray Duerr Logging of Rib Lake, WI, said a news release issued by the Department of Natural Resources this week contained "inaccurate and incomplete statements" and that the company has fully cooperated with authorities since the fire.

That company's attorney issued a statement responding to a news release from the DNR on Monday in which the agency said that it was seeking US\$600,000 from the logging company to pay for firefighting costs.

The fire was sparked in May when debris from a tree-cutting machine ignited in the machine's circulating blade, setting the arid ground ablaze.

An equipment operator tried to put out the small grass fire with a hand extinguisher and a bottle of water, and then used his tree-cutting machine to run over the flames, according to a report released this week by the state Department of Natural Resources. The operator told investigators he thought the fire was under control but it quickly spread at least 30 yards to a pile of wood that also caught fire.

The fire eventually burned an area 10 miles long and 1½ miles wide.

Ross said it was too early to say whether his company would seek damages from Duerr.

Housing Starts Canada

CONTINUED Housing starts in Canada's urban areas fell by 5.8 per cent from July's level, mostly because of fewer multiple-unit projects such as condos or apartments, the Ottawa-based federal Crown corporation reported Tuesday.

The report follows data out Monday which showed building permits hit record levels in July, mostly from robust strength in the commercial sector.

The CMHC data on Tuesday showed urban starts fell by 5.8 per cent in August to 163,102 homes, primarily a result of an 8.4 per cent decline to 104,704 units in the construction of multiple housing units, which includes condos and other multi-family dwellings.

Single urban starts eased a modest 0.9 per cent to 58,398.

Urban starts rose in Ontario, were little changed in Atlantic Canada, and fell in all other regions.

Japan Housing Starts

CONTINUED Housing starts in Japan of owner-occupied houses increased for the 11th consecutive month to 31,475 units, up 11.1 per cent, says the *Journal and Reports*.

Those of rental houses increased for the fifth month in a row with 31,012 units, a 19.4 per cent improvement. Built-for-sale houses showed the third consecutive month of growth with 21,361 units, up 4.3 per cent. Among those, condominiums, whose sales are brisk in urban areas, showed a slight increase with 9,977 units, up 0.6 per cent; and single-family houses marked the 11th consecutive month of increase with 11,305 units, up 8.4 per cent.

By construction method, housing starts of 2 x 4 houses both increased for the 11th month running with 9,939 units, an 8.5 per cent improvement. Especially, the total housing starts of 2 x 4 houses during January - July, of 64,523 units (up 16.5 per cent from a year earlier) showed a momentum which will exceed the annual total record high, of 108,000 units, marked in 2009.

By structure, starts of wooden houses were 46,520 units, and the proportion of wooden houses is 55.1 per cent, which is down 1.6 points from the previous month.

PPI United States; Canadian Industrial Capacity Utilization

In August, nearly two-thirds of the 0.3-per cent increase in the finished goods index is attributable to a 0.8-per cent rise in prices for finished energy goods, said the US Bureau of Labor Statistics Friday. Also contributing to the advance, the index for finished consumer foods climbed 0.6 per cent. Prices for finished goods less foods and energy were unchanged in August.

The index for finished goods less foods and energy was unchanged in August after nine consecutive increases. In August, higher prices for pet food and nonwood commercial furniture offset lower prices for motor vehicles.

Elsewhere, Canada's manufacturing sector operated at 79.2 per cent of its capacity in 2Q, 0.2 percentage points lower than in 1Q, said Statistics Canada Friday. The main factor in the decline was the primary metals industry.

In particular, declines in capacity use in oil and gas extraction and primary metals more than offset advances in transportation equipment manufacturing and chemical product manufacturing.

Capacity utilization fell in 9 of the 21 major manufacturing groups, which make up about 55 per cent of the manufacturing sector gross domestic product.

The capacity utilization rate was up in 11 industries, particularly transportation equipment manufacturing and chemical product manufacturing.

Japan Lumber Demand

Data

Japan's economy expanded faster in April-June than earlier reported, the Cabinet Office said Monday, according to a revised estimate showing a real annualized growth rate of 3.8 per cent. This thanks to higher spending on private and public investment. Japan's economy expanded 0.9 per cent from the previous quarter.

Looking ahead, construction and construction materials companies, real estate, and tourism are among sectors expected to benefit directly from Tokyo's role as host of the 2020 Summer Olympics. Japan's government estimates that the overall positive impact could top 4 trillion yen (US\$40 billion).

The government already is spending heavily on construction as part of its stimulus program, with significant sums allocated to public works left unspent. Economists say contractors are already stretched by reconstruction of areas in northeastern Japan that were devastated by the March 2011 earthquake and tsunami disaster.

Domestically in Japan, prices for lumber and wood climbed 12.3 per cent amid solid demand for housing materials, the Bank of Japan said Thursday. A BOJ official said price hikes were seen in a broad range of items, reflecting the bludgeoning of the yen and solid housing investment that has pushed up materials prices.

In yen terms, Japanese export prices gained 12.6 per cent from a year earlier, while import prices surged 17.6 per cent due to the weakening of the yen. On a contract currency basis, export prices fell 1.9 per cent and import prices fell 0.2 per cent.

Meanwhile, in the first five months of 2013, BC softwood exports to Japan increased by 10.3 per cent, to 1.1 million cubic metres, according to the Canada Wood Group August 2. The corresponding value of BC softwood exports increased 21.7 per cent to \$326.7 million. Over the same time frame, BC SPF shipments to Japan advanced 16.7 per cent, to 774,162 cubic metres, and the value of SPF shipments surged 44.7 per cent, to \$191.4 million, says Canada Wood Group.

At the same time, experts are calling for an increase in BC exports to Pacific Rim countries.

International merchandise trade statistics for BC show exports increased less than imports in July, increasing the trade deficit, BC's Central Credit Union said September 7. International exports

of goods originating in BC totalled \$2.7 billion, seasonally adjusted (SA), up \$52 million, or 2 per cent, from June. International imports of goods destined for the province totalled \$3.9 billion SA, up \$362 million, or 10.3 per cent. That left BC's international merchandise trade deficit at \$1.2 billion SA in July, up \$310 million, or 34.6 per cent, from June.

In the first seven months of 2013, exports totalled \$19.2 billion, unadjusted, up 4.9 per cent from the same period last year. Year-to-date imports totalled \$25.3 billion, up 3.5 per cent year-over-year. The trade deficit totalled \$6.1 billion year-to-July, down a slight 0.6 per cent compared to last year. So far this year, export growth has been led by forest products, ores, and minerals. This growth has been partly offset by lower exports of energy products.

Lumber production in British Columbia continued to rise in June, driven by sawmills in the northern interior region, Central 1 Credit Union said. Production totalled 2.58 million cubic metres SA, up 0.4 per cent from May.

Production increased 1.9 per cent SA in the northern interior region but declined 0.8 per cent SA in the rest of the province. In the first half of 2013, production totalled 15.48 million cubic metres in BC, unadjusted, up 3.4 per cent from the same period last year. Shipments totalled 14.94 million cubic metres, up 1.8 per cent year-over-year.

Year-to-date production is up 5.7 per cent from last year in the northern interior region and 1.7 per cent in the rest of BC. Looking ahead, forestry is one of the few industrial sectors with above average forecast growth, Central 1 said. Rising demand and prices are driven by increasing new home demand in the US and reconstruction efforts in Japan. Dollar volume output is rising more rapidly than quantity output since current US demand can largely be supplied by domestic suppliers.

Elsewhere, the Business Council of BC noted Thursday that more than 40 per cent of the province's merchandise exports last year were Asia-bound – up from 23 per cent just a decade ago. And, within the next five years, the tally could grow to 50 per cent.

As business council president Jock Finlayson argues, small, open economies like BC, lacking big internal markets, must rely on export-oriented companies to drive their economic and income growth.

To that end, BC Premier Christy Clark is planning a November trade mission to Japan, South Korea, and China. That trip

will be largely focussed on the subject of natural gas.

However, October 16 to 25 BC Minister of Forests, Lands and Natural Resource Operations, Steve Thomson will be leading a government, industry, and agency trade mission to Japan and China. This trip will be all about wood product's exports. There are expected to be 18 to 20 forest company CEOs and VPs in attendance with Thomson.

"This is about extending the long-term relationship between the BC and Japan industries," said Kevin Regan, Director of Corporate Relations at BC Forestry Innovation Investment (BCFii) to *Madison's* in a phone interview Thursday. "It's an effort to recognize the long partnership between BC and Japan in terms of wood exports."

It was the BC lumber producers who prompted the provincial and federal governments to put up extraordinary funding for reconstruction after Japan's Tohoku earthquake and tsunami in 2011. After gathering together \$500,000, BC's forest industry leaders convinced the governments of BC and Canada to each kick in \$2 million. Alberta quickly followed suit with an additional \$150,000.

Officials in Japan looked for proposals from local communities, then an industry-lead panel examined those proposals. The results were a just-completed public library in Natori, using \$725,000 of the Canadian funding. Also complete is Phase I of the new public market in Natori, which had been an important economic, commercial, and cultural centre, using \$1.5 million from the funding.

Turnout for the public market opening is estimated at 20,000, explained Regan.

"The Japanese are really thankful for our assistance," said Regan to *Madison's*.

On July 22, Shawn Lawlor of Canada Wood Japan was invited by the Sendai Chamber of Commerce to an appreciation ceremony for the Canada Tohoku Reconstruction Projects completed in Natori City, Miyagi. About 40 members of the Sendai Chamber of commerce were briefed on Canadian industry involvement in supporting reconstruction in Miyagi Prefecture.

Natori's mayor, Sasaki Iso, will be in BC October 2 for a 'meet and greet' with industry, Regan said. Iso will visit the BC Legislature and possibly some forest operations on Vancouver Island.

On October 4 there will be a forest industry reception held in downtown Vancouver, as part of this "feel good" mission, explained Regan.

" Lumber production in British Columbia continued to rise in June, driven by sawmills in the northern interior region. Production totalled 2.58 million cubic metres SA, up 0.4 per cent from May. "