

# MADISON'S LUMBER REPORTER

Publisher  
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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

Printed in Canada © 2013

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## News & Updates

### British Columbia Wildfire Tally

BC's Wildfire Management Branch said Thursday the province endured record dry spells with the potential for massive fires, but the season has ended on a positive note.

Spokesperson Kevin Skrepnek explained that while 1,800 fires were recorded in 2013, compared with 1,500 in 2012, a total of 170 square kilometres of woodland burned this year, compared with 900 square kilometres one year ago.

### China's Wood Demand Expectations : 2015

Official statistics from Chinese customs show a 11.34 per cent increase in log imports in the first six months of 2013 over the same period of 2012, *muyezhan.com* reported Thursday. Overall, China imported 25 million cubic metres of logs, in the period mentioned above, at a value of US\$5 billion.

Moreover, European countries made a breach on the Chinese market: according to Eurostat figures, Chinese imports of softwood timber from the European Union almost tripled in January-June 2013, reaching a value €107 million.

In the following years, Chinese demand of logs and softwood timber is expected to further rise and by 2015, the Chinese State Bureau of Forestry estimates a 50 per cent increase of wood supply deficit.

### Newfoundland Mill Closes Due to Log Shortage

Despite repeated warnings by local industry players over the past year about extreme difficulties sourcing logs in Canada's atlantic region, Sexton Lumber Co announced Tuesday its Bloomfield mill in northern Newfoundland will shut down for lack of logs.

That sawmill employs 79 workers.

The owner of the company says it has exhausted the existing log supply due to increased demand. Since Sexton supplies framing lumber to the province, building supply companies will soon have to import lumber from the Maritimes. [READ MORE](#)

### Canada Wood Group Updates

#### China Economic Update:

China's economy is showing clear signs of stabilization, helped by policy support and some improvement in global demand, said the Canada Wood Group Tuesday. And it is on track to meet the government's 2013 growth target of 7.5 per cent, the state statistics bureau said on Monday.

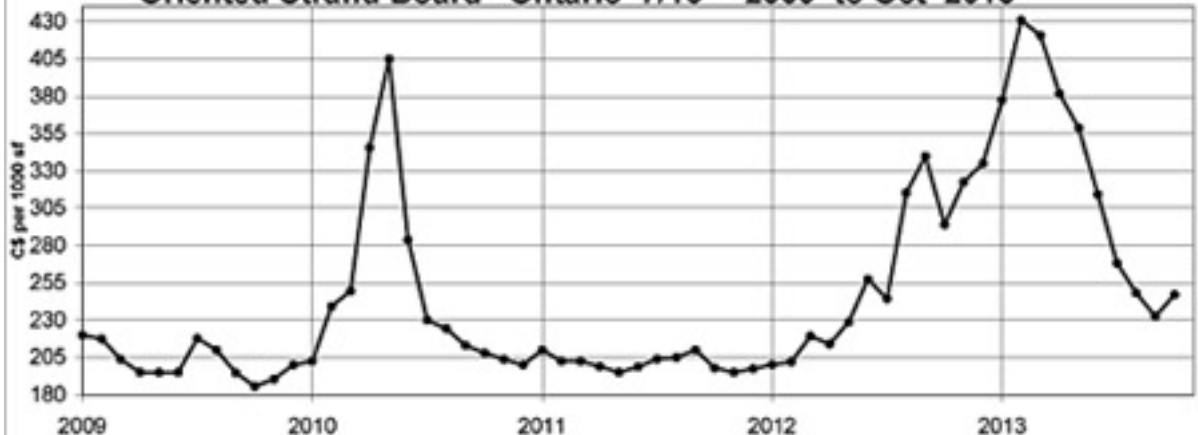
The issue of local government debt also remained under control, the National Bureau of Statistics said at a briefing organized by the foreign ministry.

A private factory survey last week reinforced signs of stabilizing in the economy in 3Q after the government took supportive measures, including scrapping taxes for small firms and accelerating investment in urban infrastructure. [READ MORE](#)

### North American Trade with Asia

As a flurry of annual APEC and ASEAN meetings happen next week, and negotiations continue for the Trans Pacific Partnership, national leaders of Canada and the US head to Indonesia, Singapore, and China to promote the import of goods from their respective countries. [READ MORE](#)

Oriented Strand Board Ontario 7/16" 2009 to Oct 2013



## Canada Industrial Product and Raw Materials Price Indices: August 2013

Canada's Industrial Product Price Index (IPPI) increased 0.2 per cent in August, mainly due to higher prices for primary metal products, Statistic Canada said Monday. The Raw Materials Price Index (RMPI) rose 0.9 per cent as a result of higher prices for crude oil and non-ferrous metals.

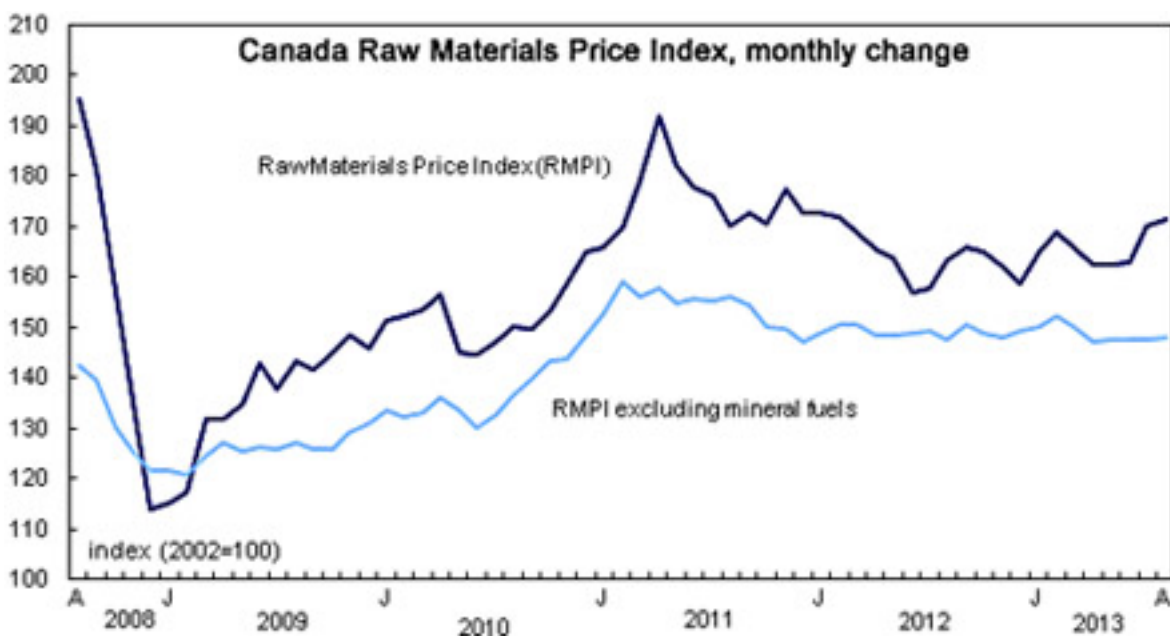
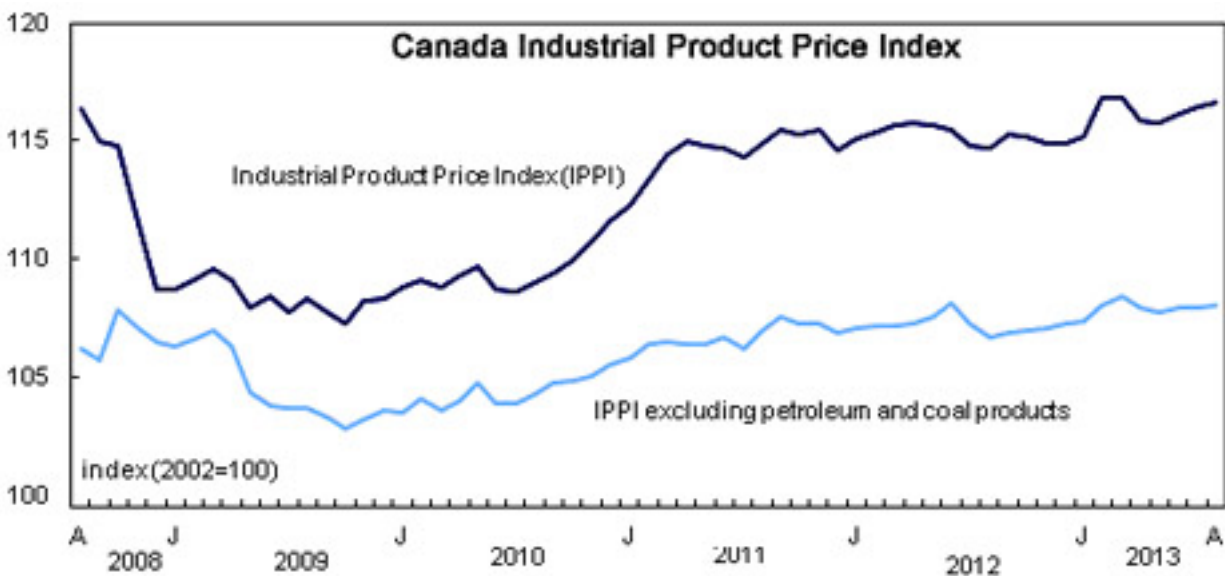
The increase of the index was mostly a result of primary metal products (+2.2%), which posted its first gain since February, attributable in part to positive signs of growth in China. To a lesser extent, lumber and other wood products (+0.5%) also contributed to the increase of the IPPI, mainly due to higher prices for softwood lumber (+1.1%).

The IPPI rose 1.7 per cent in the 12-month period ending in August, following a 1.4 per cent increase in July.

Compared with August 2012, the advance of the IPPI was mainly attributable to petroleum and coal products (+4.4%), specifically diesel fuel (+4.3%) and gasoline (+2.9%). The IPPI excluding petroleum and coal products was up 1.2% on a year-over-year basis.

Some Canadian producers who export their products report their prices in US dollars. Consequently, the 4.7 per cent year-over-year decrease in the value of the Canadian dollar relative to the US dollar may have had the effect of increasing the IPPI.

Among other commodity groups that contributed to the year-over-year advance were pulp and paper products (+3.6%), lumber and other wood products (+3.0%) as well as electrical and communication products (+3.3%).



## Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	356	359	-2	335	+21	290	+66
WSPF KD R/L 2x6	338	338	0	316	+22	309	+29
WSPF KD R/L 2x8	344	344	0	325	+19	299	+45
WSPF KD R/L 2x10	450	455	-5	424	+26	354	+96
WSPF KD PET 2x4 Stud	325	325	0	310	+15	300	+25
WSPF KD PET 2x6 Stud	295	295	0	275	+20	315	-20
Douglas Fir Green R/L 2x4	328	325	+3	300	+28	263	+65
Douglas Fir Green R/L 2x10	440	430	+10	410	+30	305	+135
ESPF KD 2x4 8ft Stud	375	375	0	370	+5	370	+5
OSB Ontario 7/16" (CDN\$)	247	230	+17	235	+12	275	-28
CSplywood Toronto 3/8" (CDN\$)	390	382	+8	385	+5	390	0

## Weekly News

### Sexton Lumber to Close for Six Weeks

CONTINUED Kevin Sexton said to the *Times Colonist* Tuesday that the provincial government is sitting on timber land at the former AbitibiBowater site in Grand Falls-Windsor, NL, that can be accessed.

The company asked the provincial government for a greater allocation of timber. According to the company, an extra 40,000 cubic metres would have been enough to keep the mill open.

"This request was denied as the timber resource is being held pending a final decision on the proposals submitted under the expressions of interest (EOI) process for the development of the timber resource formerly held by Abitibi-Bowater. There is annual volume of 280,000 cubic metres being held by the government for the EOI.

"This annual allocation has not been harvested since the closure of (the paper mill) in 2009," states a government press release.

The shutdown affects more than the mill's workers, the company notes. It will also mean the loss of the largest feed of pulp chips to Corner Brook Pulp and Paper, there will be less animal bedding for farmers, and less wood for pallet manufacturers.

Sexton says it will be at least four to six weeks before the mill can resume business.

### Canada Wood Group

#### China Economic Update Cont'd:

July data saw China's factory output grow at its fastest pace since the start of the year, and surprisingly strong trade data. China's annual economic growth

slowed to 7.5 per cent in 2Q, down from 7.7 per cent in the three months ending March 31 – the ninth such deceleration in the past 10 quarters.

#### Property/Construction Market

China's property market faces regional imbalance between supply and demand in the realty market has created rising housing prices and rentals in China's first- and second-tier cities like Beijing, Shanghai, Guangzhou, and Shenzhen.

New home prices in first-tier cities rose by 18 to 20 per cent year on year, while those in 35 third-tier cities rose by around 6 per cent on average.

#### Korea Economic Update:

South Korea's nominal GDP grew 2 per cent in 2012 to US\$1.13 trillion, up from US\$1.11 trillion in the previous year, said the Canada Wood Group Wednesday. This was the slowest growth in three years as exports and domestic demand remained weak amid the global slowdown, but is widely expected to grow around 2.7 ~ 2.8 per cent in 2013.

#### Housing Construction

Korea's housing starts in the first seven months of 2013 decreased 9 per cent to 49,803 buildings, from a year earlier's 54,742 buildings.

The number of wood building permits and wood building starts for the first seven months in 2013 also decreased, by 7.9 per cent to 6,782, and 5.7 per cent to 6,073 respectively, compared with the same period in 2012.

#### Lumber Shipments

BC softwood lumber export volume to South Korea for the first seven months of 2013 significantly decreased, by 22 per cent to 160,397 cubic metres, as compared to 206,262 cubic metres over the same period in 2012. Demand was widely affected by overall domestic housing market slump

and treated wood issue in Korea, and losing price competitiveness due to increased Canadian lumber prices. However, increased Canadian lumber prices compensated the decreased export volume gap, showing a 0.94 per cent increase in export value to \$40.63 million, as compared to \$40.25 million over the same period in 2012.

Although shipment volumes to Korea from European countries are still relatively small, European lumber volumes shipped to Korean wood market were more than three times higher this year than in the same period in 2012. January-August accumulative shipment from Austria was increased 357 per cent, from Germany 274 per cent, and from Finland 45 per cent compared with the same period in 2012. And the demand for wood products from these European countries is expected to go up in the coming years.

### G-P to Upgrade Dudley

Georgia-Pacific Thursday announced that it will invest approximately an initial US\$9 million at its Dudley, NC, lumber operations as part of a multi-phase increase in the mill's lumber production capacity and supporting infrastructure.

### Boise Cascade Announces . . .

Boise Cascade, out of Boise, ID, announced Tuesday that Al Cron, Manager of the company's Dallas Building Materials Distribution operation, has elected to retire at year end 2013.

"Al is an industry veteran who started with Boise Cascade in 1972," said President Stan Bell. "Al has been active in the Lumberman's Association of Texas, receiving both their Lumberman of the Year Award and their Lifetime Achievement Award."

# North American Trade

## With Asia

Just as large parts of the US government structure have gone into shutdown due to a stalemate in Congress over budget and health care legislation, officials from the US, Canada, and several Asian countries are embarking on delicate trade discussions.

The Conservative government of Canada said this summer “trade is the new stimulus” and is the best way to spur the economy, create jobs, and improve lagging productivity and competitiveness — without sinking public finances deeper into deficit.

Prime Minister Stephen Harper and some of his senior ministers left Thursday for the APEC Leaders’ Meeting in

by Kéta Kosman

Bali, Indonesia next week, before travelling to Singapore where he will participate in the first Canada-Association of Southeast Asian Nations (ASEAN) Business Council Forum, then to China for a bilateral visit. Minister of International Trade, Ed Fast, Thursday announced that he is headed to the 21st APEC ministerial, Trans-Pacific Partnership (TPP), and CEO summit meetings being held in Indonesia from October 3 to 6. He will then join the Prime Minister at the APEC meetings.

APEC’s 21 member economies account for almost 2.8 billion people, over half of the world’s GDP. In a speech two days ago, Tiff Macklem, the Bank of Canada’s senior deputy governor, said emerging markets now account for 80 per cent of global growth, but only 12 per cent of Canadian exports go directly to these nations.

Canada represents 0.9 per cent of total imports to Asia, according to figures published by the Asia Pacific Foundation.

China is now Canada’s second-largest trading partner and second-largest export market, with two-way trade valued at over \$70 billion in 2012. This is Minister Fast’s fourth visit to China and 13th visit to Asia since being named trade minister.

Twelve countries are currently participating in the TPP negotiations: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam. The TPP countries represent a market of more

than 792 million people and a combined GDP of US\$27.5 trillion, or nearly 40 per cent of the global economy, and one third of world trade. Some political leaders in the TPP, including US President Barack Obama, hope to conclude negotiations this year, although many trade specialists believe that may be too ambitious.

President Obama planned this week to embark on a multi-stop trip to Asia with the goal of concluding talks on a TPP trade pact, which is well on its way to becoming the largest Free Trade Agreement (FTA) in the world. But due to the government shutdown, two of those stops have been cancelled and the others are in question.

Still, the twelve countries involved will go on despite the President’s absence, and the potential economic impacts of the agreement are tremendous: the United States accounts for approximately US\$15.5 trillion, or almost 60 per cent, of TPP GDP.

With the wealth that China has amassed in becoming the world’s second largest economy, that country is now encouraging its companies to go global. Chinese cumulative investment in the US soared to US\$28 billion in 2012. This year it is on track to top US\$11 billion. By 2020, it is expected to rise to be between US\$1 trillion and US\$2 trillion.

Negotiations over the TPP have been held out of public view, making it the first-ever classification of a trade agreement, according to the Montreal-based Centre for Research on Globalization. The United States currently has 20 active free trade agreements in place, including major ones like NAFTA.

According to Public Citizen, while TPP information has been kept from the public, more than 600 corporate advisers have access to the treaty’s text — including companies such as Halliburton, Monsanto, the American Petroleum Institute, and Chevron.

To implement the TPP, the Obama administration seeks to gain “fast-track authority,” a provision under the Trade Promotion Authority that requires Congress to review an FTA under limited debate, in an accelerated time frame subject to a yes-or-no vote by a simple majority vote rather than a two-thirds vote, as required for the ratification of a formal treaty.

It is a cruel irony that one of the rea-

sons that Canada makes a fairly big deal out of the annual APEC summit is that it is the only Asian organization of which Canada is part. While the prime ministers of Australia and New Zealand will leave Bali for nearby Brunei, where they will join Barack Obama and Vladimir Putin for the arguably more significant Far East Summit, Harper will fly directly home.

Elsewhere, BC Premier Christy Clark is planning a November trade mission to Japan, South Korea, and China. Steve Thomson, BC Minister of Forests, Lands and Natural Resource Operations, will be leading forestry-specific trade mission Octo-

“ Emerging markets now account for 80 per cent of global growth, but only 12 per cent of Canadian exports go directly to these nations ”

ber 16 to 26, in partnership with the industry, with a focus on China, Japan, Korea, and India.

Doug Routledge, VP of Northern Operations at the Council of Forest Industries said to *Opinion 250* September 27, “The BC [forest] industry has been active in Korea, Taiwan, Japan, and China for a number of years. Those are the core Asia-Pacific markets for us. We’re diverting some of our resources from Korea to China at the moment, and it’s the just the nature of the Korean market right now.”

The Business Council of BC notes 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.

BC ranks eighth out of the 10 provinces in the value of its exports — \$15,534 per capita, compared with Alberta’s \$29,066 per capita.

One reason BC should learn to cozy up to China more is that, as the so-called Pacific Gateway province, we badly need to expand export activities, said Barbara Yaffe in the Vancouver Sun September 11.

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.

“Our (export) record is mediocre at best,” asserts Finlayson. “BC is far from being a standout performer.”