

MADISON'S LUMBER REPORTER

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News & Updates

New Forestry Plan, New Brunswick: Irving Invests

In obviously related news, JD Irving announced Friday two more major investments in its forestry operations, pledging to pump a total of \$38 million into sawmill operations in Chipman, NB, and a centre in Doaktown.

The announcements followed Thursday's commitment by the New Brunswick government to increase the allocation of softwood the forest industry will be able to cut on Crown land.

The company will also invest \$23 million in its Grand Lake Timber Sawmill, beginning this autumn.

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Canada Housing Starts

Canadian housing starts rose more than expected in February, data released on Monday showed.

The seasonally adjusted annualized rate of housing starts rose to 192,094 units last month from an upwardly revised 180,481 in January, the Canada Mortgage and Housing Corp said.

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Port Metro Vancouver "Action Plan"

The federal and BC governments and Port Metro Vancouver announced late a 14-point plan to resolve an ongoing strike by container-truck drivers they say has severely impacted the national economy. The port is now expected to consult with the industry and plans to implement the reforms by June 15.

Among the 14 points is a promise by the port to "commit to terminating legal actions" not related to criminal activity and rescind licence suspension that are not related to criminal activity.

The federal government said it will adjust by 10 per cent and within one month the regulated trip rates for drivers and will expedite a review of wages and fuel-surcharge rates and implement the results by mid-2015.

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Trade Deal : Canada-Korea

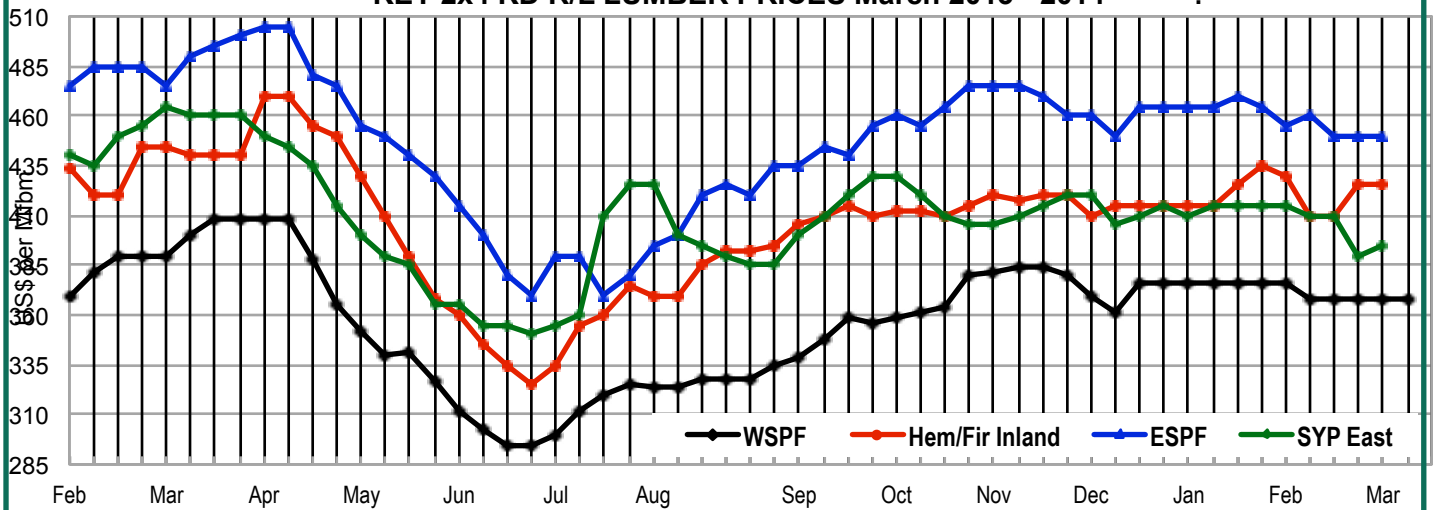
The Canada-Korea Free Trade Agreement concluded in Seoul on Tuesday by Prime Minister Stephen Harper and South Korean President Park Geun-hye, has both countries pledging to eliminate duties on 98 per cent of all goods. More than nine years and 14 bargaining rounds in the making, the deal offers what Harper called an open door "to the lucrative Asia-Pacific market for Canadian businesses." For Seoul, it is the latest in a free-trade network that includes the United States, the European Union and Australia that is positioning South Korea as a potent new trade hub in northern Asia.

Tariffs of 1 per cent to 10 per cent will be eliminated on lumber and pulp. In 2012, the sector contributed \$20.2 billion to Canada's GDP. The deal stands to lift Canada's GDP by \$1.7-billion, federal officials calculate.

Some watchers say this deal is simply a reaction, because after US and EU deals with South Korea, Canada's trade with the country dropped by about a third, or US\$1.5-billion. Exporters hope to regain that ground once the legal paperwork is drafted and presented to Parliament.

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KEY 2x4 KD R/L LUMBER PRICES March 2013 - 2014



New Forestry Plan: New Brunswick

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The New Brunswick government is increasing the amount of softwood the forestry sector can take from Crown land by 20 per cent under the province's new forestry strategy.

It's expected to result in the harvesting of an additional 660,000 cubic metres.

"It's about putting more boots in the woods and the mills," with about 500 new forestry jobs and 1,200 construction jobs predicted, said Premier David Alward.

The industry is also expected to invest about \$600 million, the government said.

The forest industry in New Brunswick is worth more than \$1.45 billion annually and more than 22,000 people in the province rely directly or indirectly on forestry, said Alward.

Under the new plan, called Putting our Resources to Work: A Strategy for Crown Lands Forest Management, Crown licensees will be held more accountable for achieving specified outcomes from their harvest and management activities.

The government will develop a "results-based framework" in co-operation with the licensees, which could save the government millions of dollars annually.

The province has committed \$1 million to police the strategy.

The anticipated investment by industry will result in an increased need for wood from private wood lot — about 250,000 cubic metres.

The overall timber objective is now about 3.9 million cubic metres of spruce and fir from Crown lands.

First Nations will be allocated an additional 30,000 cubic metres of softwood fibre.

The province says it will maintain the annual hardwood harvest at 1.8 million cubic metres.

For its part, Irving says this will result in 16 new jobs at its sawmill, 96 direct construction jobs and 49 indirect construction jobs.

Also, in the woodlands division, the investment will create the equivalent of 39 full-time direct jobs, including season jobs, and 27 indirect jobs.

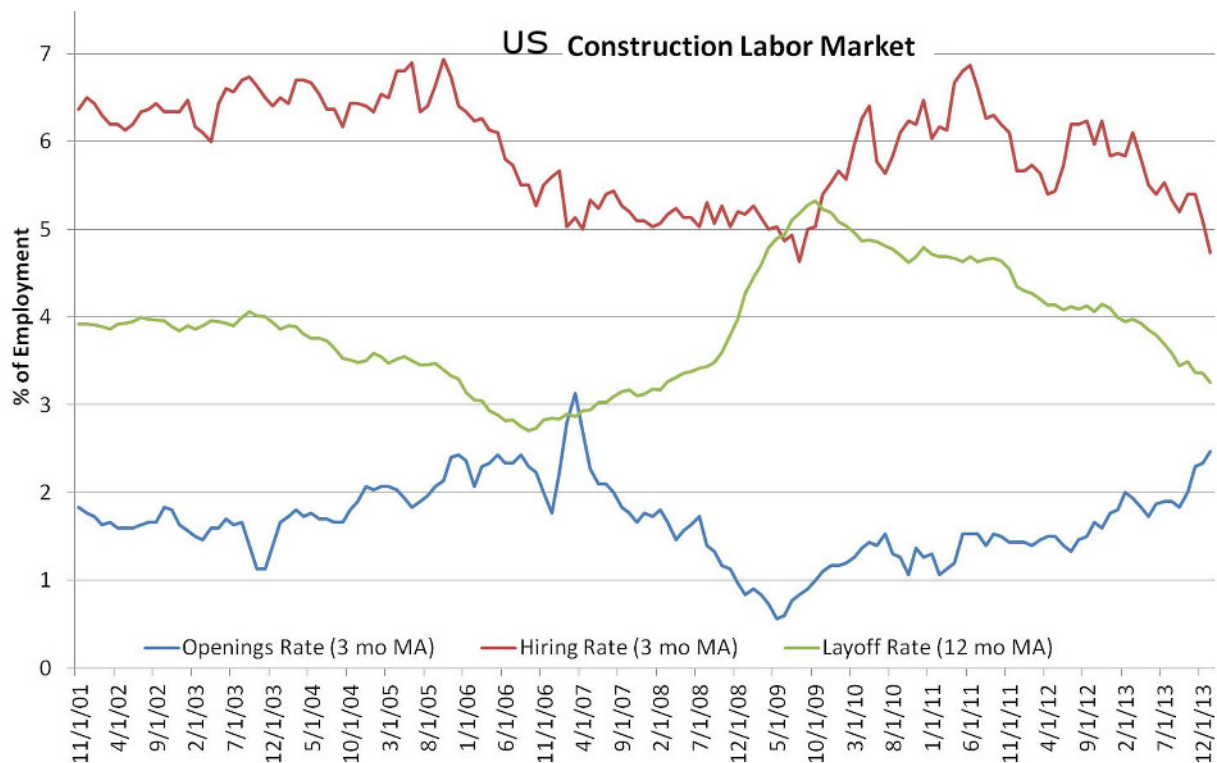
In Doaktown, Irving is putting \$15 million into the White Pine Centre of Excellence.

Work in Doaktown will begin in the spring of 2015, creating 78 direct jobs in construction and 40 indirect construction jobs.

Forty new jobs will be created in the woodlands division along with 28 indirect jobs.

The improvements are designed to create a 10 per cent increase in lumber yield for the company.

On Thursday, Irving announced \$450-million in upgrades to its Irving Pulp & Paper mill in Saint John, NB.



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	368	368	0	368	0	408	-40
WSPF KD R/L 2x6	354	354	0	354	0	394	-40
WSPF KD R/L 2x8	338	338	0	338	0	378	-40
WSPF KD R/L 2x10	400	400	0	406	-6	404	-4
WSPF KD PET 2x4 Stud	350	350	0	350	0	400	-50
WSPF KD PET 2x6 Stud	305	305	0	310	-5	400	-95
Douglas Fir Green R/L 2x4	385	395	-10	375	+10	390	-5
Douglas Fir Green R/L 2x10	445	452	-7	420	+25	410	+35
ESPF KD 2x4 8ft Stud	395	390	+5	405	-10	460	-65
OSB Ontario 7/16" (CDN\$)	225	220	+5	230	-5	430	-205
CSplywood Toronto 3/8" (CDN\$)	374	386	-12	402	-28	402	-28

Weekly News

Housing Starts, Canada

CONT'D FROM PG 2 The quantity of new homes on which construction began exceeded forecasts even though starts of detached houses in urban areas actually fell 2.4 per cent, to 59,126 units, and starts declined in the Prairies and British Columbia.

Starts of homes with multiple units (largely condos) in urban centres rose by 13.3 per cent in February, to 116,458 units. Urban starts were stable in Ontario, and higher in Quebec and Atlantic Canada.

Urban starts increased by 7.5 per cent to 175,584 in February. Multiple urban starts surged by 13.3 per cent to 116,458, while single-detached urban starts decreased by 2.4 per cent to 59,126.

Trucker Strike, Vancouver

CONT'D FROM PG 2 Each of the proponents of the plan have committed to doing something to bring the truckers back to work. The port has promised to make changes to its truck licensing system. The province has vowed to assist in the collective bargaining process and bring in a mediator if necessary. The plan also demands that "fuel surcharge must be paid to drivers and this will be enforced through increased provincial audits."

In exchange for these commitments, the port and the governments expect action from the truckers: "The work stoppage of the last two weeks has resulted in severe impacts [...] we expect an immediate and full return to work by truck drivers."

Trucking union representatives at Unifor said Friday morning they were

reviewing the document, while for their part the more than 1,000 non-unionized truckers said at press time Friday they had not yet been contacted about this development.

The striking truckers are not employed directly by the port. They are either independent contractors or sub-contractors working for trucking companies.

Vancouver's port moves more than \$170 billion worth of goods each year. Trucks transport about half the containers that move in and out of the port. The rest are moved by rail.

The 14-points can be viewed here:

<http://www.trucknews.com/news/governments-take-action-to-end-work-stoppage-at-port-metro-vancouver/1002962215/?&er=NA>

Ainsworth, LP Adjust Timing

Ainsworth Lumber, based in Vancouver, BC, and Louisiana-Pacific, out of Nashville, TN, announced Tuesday that as a result of continued discussions, they have amended the previously announced timing agreements with each of the Canadian Competition Bureau and the Antitrust Division of the U.S. Department of Justice. The companies will provide 14 days written notice before closing LP's acquisition of Ainsworth, unless the CCB and the DOJ confirm in writing that closing may proceed within a shorter period.

Stella Jones Reports

Montreal, QC's, Stella-Jones earned \$19.7 million, or 29 cents per diluted share, for the three-month period end-

ed December 31, the company announced Friday. This compared to \$16.5 million, or 25 cents per share, in the same period a year ago.

Sales increased to \$211.9 million, from \$159.3 million a year earlier.

The sales included \$49.3 million from McFarland Cascade Holdings acquired in November 2012 and \$4.1 million from the Pacific Wood Preserving Companies purchased a year later. Excluding these contributions and the currency gain, sales decreased \$6.7 million.

For the year, Stella-Jones earned \$92.5 million, or \$1.34 per diluted share, compared with \$73.1 million, or \$1.13 per diluted share, in 2012. Revenue came in at \$970.1 million, versus \$717.5 million a year earlier.

West Fraser Acquires

West Fraser Timber, out of Vancouver, BC, has acquired Travis Lumber Co's sawmill and lumber manufacturing operations based in Mansfield, AR, the company announced Monday. In 2013, Travis Lumber's sawmill produced more than 100 million board feet of lumber. West Fraser said it plans to invest additional capital in the mill and grow capacity to approximately 150 million board feet.

Calendar

April 2014

Council of Forest Industries Annual Convention

April 4-5 – Kelowna, BC

<http://www.cofi.org>

Canada-Korea Trade Deal

Lumber Exports

CONT'D FROM PG 2

Canada exported \$503.8 million worth of wood and forestry products to Korea in 2012, according to a federal government press release Tuesday, representing 13.7 per cent of Canada's total exports to that country. Canadian wood exports to Korea alone were worth \$166.7 million in 2012, representing 33 per cent of Canada's overall wood and forestry exports to Korea. In

2012, Korea ranked fourth as an export destination for Canadian wood products. Globally, Korea imported approximately \$6.3 billion in wood and forestry products in 2012.

Fifty per cent of Canadian exports to South Korea are from BC, that country is BC's fourth-largest trading partner behind the US, China, and Japan. Exports from BC to South Korea were worth an annual average of \$2.17 billion from 2010 to 2012.

BC exported 29.6 thousand cubic metres of softwood lumber to Korea in 2011, according to BC Forestry Innovation Investment, 30.5 thousand cubic metres in 2012, and 23.8 thousand cubic metres in 2013. This compares to 13,604 thousand cubic metres exported to the US in 2013.

Korea remains highly dependent on wood product imports as over 90 per cent of wood products consumed there are imported.

Overall, home construction in Korea remains at a lower level than in recent years, but starts of single-family homes (where wood-frame construction is most established) have increased every year since 2008. However, multi-family residential construction is an opportunity for exporters if stringent fire and sound insulation requirements can be met.

The Korean wood industry relies on imports from over 100 countries for more than 80 per cent of its consumption, according to a USDA Foreign Agricultural Service report prepared in 2012 for the US-Korea bilateral trade deal. Among these countries, about 85 per cent of the total value of all imports comes from only 10 countries. Over the past year the total value of Korean wood imports increased by 12 per cent to US\$2,574 million. In 2011, US wood exports to Korea totalled US\$206 million, slightly less than US\$209 million in 2010, but still ranking fifth overall.

In recent years, China emerged as the biggest wood supplier to Korea, followed by New Zealand, Canada, and Malaysia. Wood imports from China in 2011 totalled US\$564 million, which accounted for 23

per cent of total imports and an increase of 37 per cent compared to the previous year. In addition, imports from New Zealand totalled US\$380 million; Canada, US\$263 million; and Malaysia, US\$258 million.

Korean lumber imports for 2011 increased by 32.5 per cent to US\$437 million. The largest supplier for lumber in the Korean market is Canada followed by Chile, Russia, and China, while the US ranked the seventh. Chile accounted for 66.5 per cent of increase; New Zealand, 54 per cent; Canada, 30 per cent, and China 30 per cent.

A construction downturn in Korea has added to the risk of the nation missing the government's 2.7 per cent growth forecast amid patchy demand for exports and near-record household debt, according to Bloomberg August 4, 2013.

"South Korea's property market is sinking slowly, sapping the growth potential of the economy," said Oh Suk Tae, a Seoul-based economist at SG Securities. "Given the large share of household wealth in real estate and the heavy reliance on mortgages, consumers will continue to scrimp on spending unless property prices make a sustained upswing."

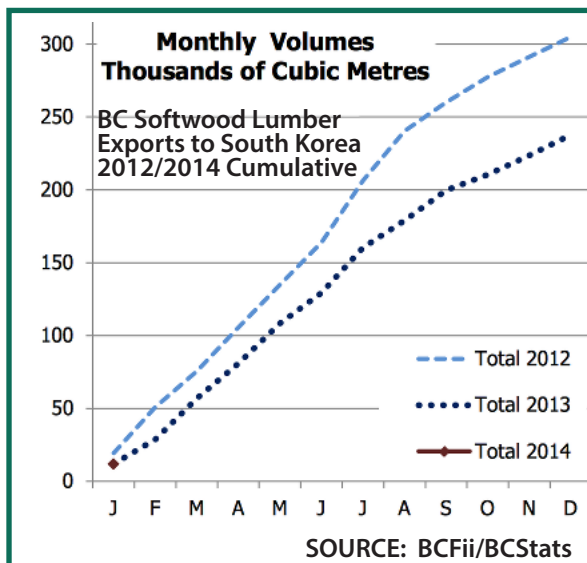
The weak housing market adds to challenges for Asia's fourth-biggest economy.

The government has been discussing how to cut housing purchase taxes to "normalize" the property market, and will prepare steps by the end of August to be submitted to parliament, according to a joint statement by the finance, land and public administration ministries on July 22, 2013.

At the time, construction in South Korea was sputtering. Residential building permits fell 24.4 per cent in the first half of 2013 from a year earlier while housing starts dropped 19.2 per cent, according to land ministry data released July 28, 2013.

The KOSPI 200 Construction sub-index has lost 22 per cent this year, steeper than a 3.7 per cent slide in the Kospi Index.

More recently, however, shares of South Korean construction companies are skyrocketing on the back of simmering signs of housing market recovery, eased regulations, and a series of



massive overseas orders, with the boom expected to continue for the time being, analysts said February 21 to Yonhap News.

The sector's stock index measuring players' market capitalization stood at 138.34 points at the time, compared with a yearly low of 121.36 on January 27.

Just a few months ago, their share prices hit near rock bottom as investors were turned away by their poor profits and cloudy earnings outlook.

For the past few years, the local construction segment was decimated as players struggled with high-risk property development projects, money-losing overseas projects, and unsold homes, which in turn severely hurt their profitability.

Analysts said the nation's housing market is set to rebound from a deep trough as eased regulations, rapid adjustment of home prices, and low interest rates would increase leeway to purchase a home.

The nation's construction ministry said it would move to ease regulations on rebuilding dated apartments, which analysts say is one of the key parts of measures under review by the government to boost domestic demand.

"Boosting housing prices is key to propping up domestic demand as some 70 per cent of households' assets are real estate," said Lee Jae-man, an analyst at Hana Daetoo Securities. "Also, housing prices are showing a modest recovery, which would help boost builder's profitability down the road."

Government data show sales of homes have more than doubled to 58,846 in January from a year earlier, indicating a recovery in the local property market. The January figure also marks a 37 per cent rise from the five-year average. The sharp increase was in part attributed to increased tax incentives.

SOURCE: BCFii/BCStats