

MADISON'S LUMBER REPORTER



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News & Updates

Canada Forestry Funding Announcement

Canada's Minister of Natural Resources, Greg Rickford, Friday announced that a Call for Proposals is now open for companies to submit applications to benefit from the renewed Investments in Forest Industry Transformation (IFIT) program. The Harper Government announced funding of \$90.4 million with funding to be allocated to projects that support jobs and implement highly innovative commercial-scale technologies.

Minister Rickford also announced an investment of \$10 million through the IFIT program to support an innovative project with West Fraser Timber's Hinton, AB, pulp mill. West Fraser will build Canada's first commercial-scale plant to recover lignin from its pulp production stream based on patented technology developed by FPInnovations and NORAM Engineering.

As a result of this investment, the mill will be able to diversify its product line and become more resilient to changes in the marketplace while reinforcing jobs in the community.

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US New and Existing Home Sales: May

New single-family home sales in the US reached the highest pace in six years in May.

According to estimates from the Census Bureau and the Department of Housing and Urban Development released Tuesday, new home sales were at a seasonally adjusted annual rate of 504,000 in May, a gain of 18.6 per cent over a slightly downwardly revised April of 425,000. The May 2014 rate of sales is the highest since May of 2008 and is a significant increase from the winter low point for sales in March's 410,000.

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Canadian Industrial Product and Raw Materials Prices: May

The Industrial Product Price Index (IPPI) was down 0.5 per cent in May, mainly due to lower prices for energy and petroleum products, said Statistics Canada Friday. The Raw Materials Price Index (RMPI) declined 0.4 per cent, after edging up 0.1 per cent in April, mostly as a result of lower prices for animals and animal products.

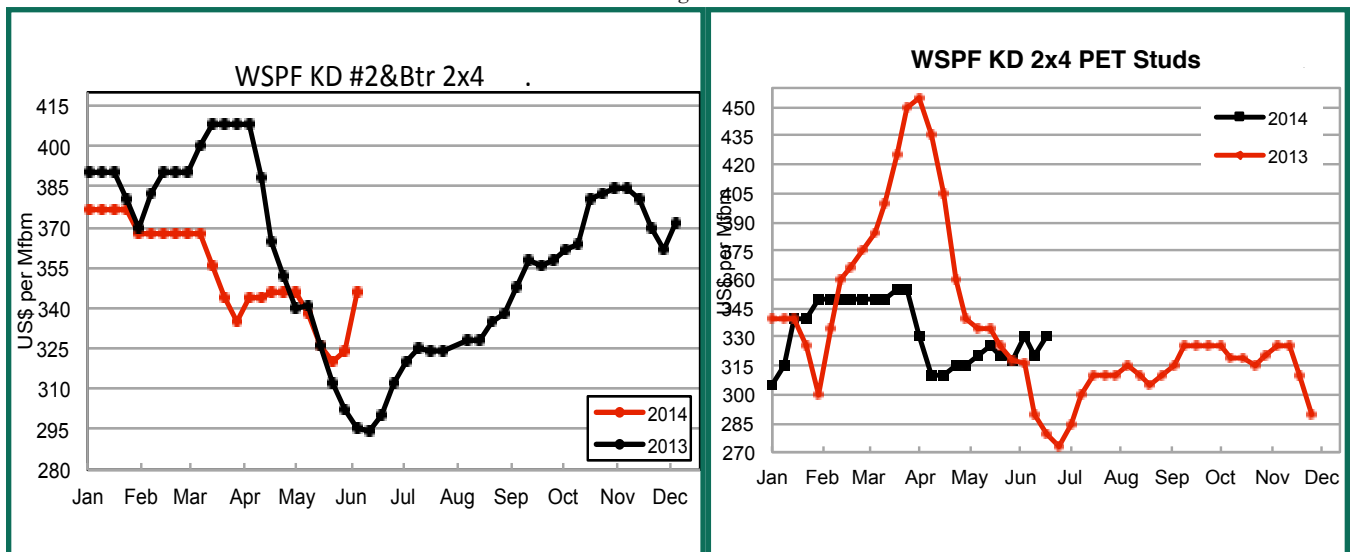
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Oregon Timber and Land Management Update

Earlier this year, authorities followed a pickup truck to a warehouse in Philomath, OR, and seized more than 13,000 pounds of salal, a leafy Northwest plant prized for its shelf life in floral arrangements. It is shipped to the East Coast and even to Europe, and the black-market operation was an example of the wealth that thieves take from public forests, law enforcement officers said to Associated Press Wednesday.

Damage to old-growth redwoods through a practice known as "burl poaching" is apparently impacting groves of the world's tallest trees in northern California and southwest Oregon.

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Recently Published in the Vancouver Sun Opinion Section:

BC's Independent Wood Processors Anxious About Future -- Russ Cameron

"There are two wood processing sectors in British Columbia:

The competitive sector: Buys wood fibre at arm's length on the open market; pays market prices for fibre; tend to be small family-owned community-based businesses; tend to be family-run (by owner); U.S. is by far the largest market; focus is on specialty products and services.

The non-competitive sector: Has exclusive rights to the harvest of non-competitive public timber; Price of fibre is determined administratively using formulas; Tend to be large consolidated publicly owned multinationals; Run by profes-

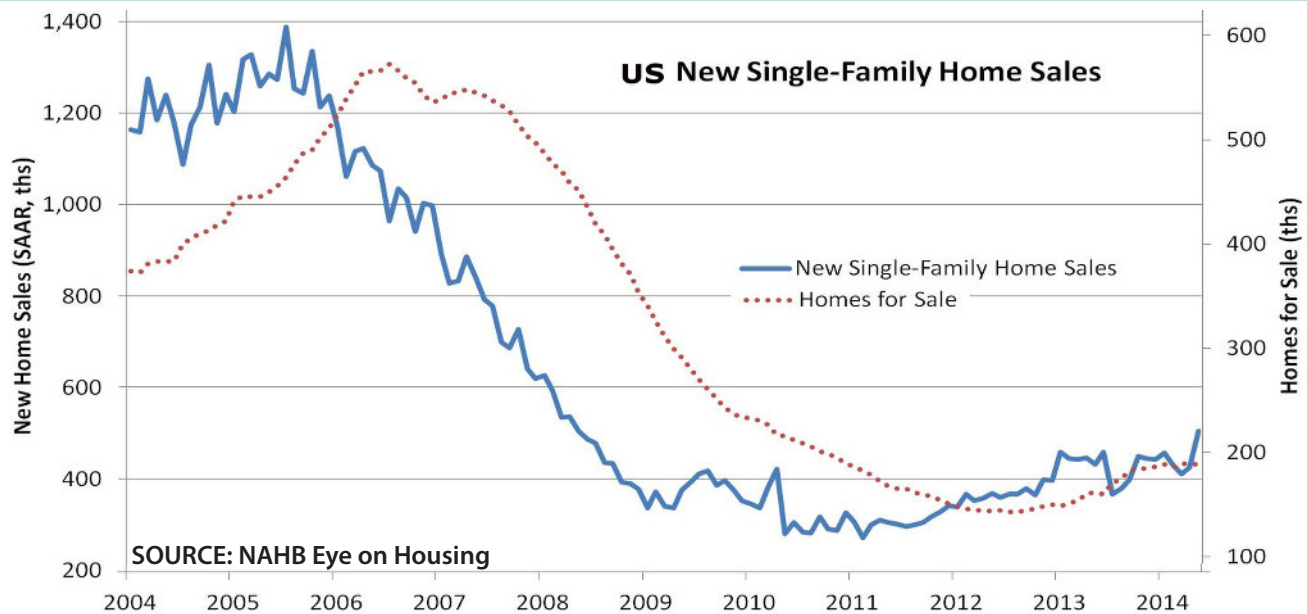
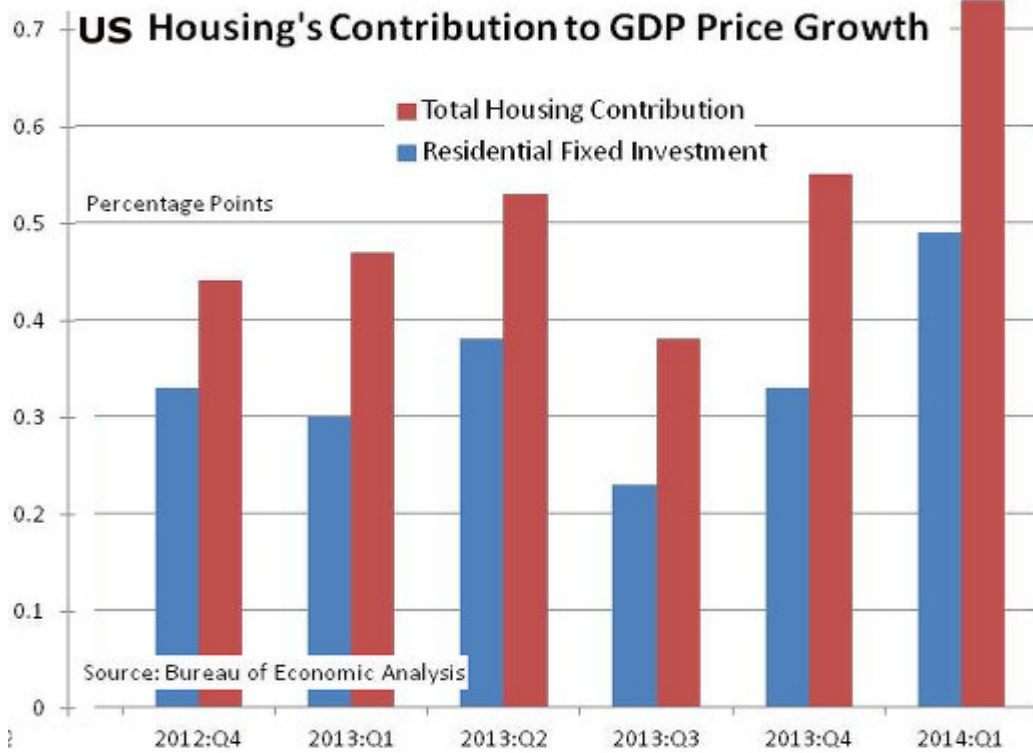
sional employees (by CEOs); Have access to global markets; Focus is on commodity products

Predictably, that sector acts in the interest of its shareholders in the disposition of the B.C. public's timber resource. The result is that B.C.'s competitive sector wood processors are being starved for wood fibre and forced out of business. In our case, of the 107 non-tenured, family owned, member companies we had in 2002, 52 have gone out of business.

Meanwhile, the non-competitive sector continues to "rationalize" its B.C. operations and has purchased more than 30 sawmills in the United States."

Cameron is president of the Independent Wood Processors Association

[CLICK to read full piece](#)



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	346	324	+22	346	0	294	+52
WSPF KD R/L 2x6	350	324	+26	332	+18	272	+78
WSPF KD R/L 2x8	346	336	+10	342	+4	282	+64
WSPF KD R/L 2x10	384	374	+10	380	+4	322	+62
WSPF KD PET 2x4 Stud	330	330	0	320	+10	280	+50
WSPF KD PET 2x6 Stud	325	300	+25	295	+30	275	+50
Douglas Fir Green R/L 2x4	323	295	+28	335	-12	273	+50
Douglas Fir Green R/L 2x10	335	330	+5	380	-45	340	-5
ESPF KD 2x4 8ft Stud	420	410	+10	420	0	355	+65
OSB Ontario 7/16" (CDN\$)	225	220	+5	240	-15	275	-50
CSplywood Toronto 3/8" (CDN\$)	414	394	+20	406	+8	335	+79

Weekly News

Canadian Forestry Funding

CONT'D FROM PG 2 The IFIT program has been successful in promoting economic growth, particularly in rural communities, by making targeted investments in capital projects that commercialize world-first or Canadian-first technologies in the forest products sector.

Home Sales, US

CONT'D FROM PG 2 As well, existing home sales rebounded from the winter quarter with the highest monthly increase in almost three years, boosting prospects for homebuilders, the National Association of Realtors reported Monday. Existing home sales increased 4.9 per cent in May, although that rally still left levels 5 per cent below the same period a year ago.

May 2014 total existing home sales were at a seasonally adjusted rate of 4.89 million units combined for single-family homes, townhomes, condominiums, and co-ops, up from 4.66 million units in April.

The bad news is that the first-time buyer share dropped to only 27 per cent, down from 29 per cent in April and May 2013. The historical average first-time buyer share is about 40 per cent. Tight lending conditions continue to buffet first-time buyers despite reports of easing standards, and a full recovery awaits their return.

Total existing housing inventory increased 2.2 per cent in May to 2.29 million homes. At the current sales rate, the May 2014 inventory represents a 5.6-month supply, down from a 5.7-month supply in April and down

from a 6-month supply a year ago.

The May median sales price for existing homes of all types increased to US\$213,400 from US\$201,500 last month and is 5.1 per cent above the May 2013 level. The median condominium/co-op price increased again to US\$212,300 in May, up from US\$205,500 in April, and is up 6.6 per cent from May 2013.

For their part, new home inventories were flat in May, holding at the 189,000 revised level for April. Months-supply fell to 4.5 given the increase in the sales rate. Total inventory levels have remained in the 183,000 to 190,000 range since September 2013.

In May, there was a 50 per cent monthly increase in sales of homes not yet begun construction, rising from 12,000 for the month to 18,000, said the NAR.

Producer and Raw Materials Prices, Canada

CONT'D FROM PG 2 The IPPI declined 0.5 per cent in May, following a 0.2 per cent decrease in April, said StatsCan. Of the 21 major product groups, 3 were up, 12 were down and 6 were unchanged.

The decrease of the IPPI was mainly attributable to lower prices for energy and petroleum products, down 1.3 per cent. Diesel fuel, down 3.2 per cent, light fuel oils, down 3.1 per cent, and motor gasoline, down 0.4 per cent were the main reasons for the decline in this commodity group.

Meanwhile, the RMPI decreased for the first time since November 2013. Of the six major commodity groups, three were down and three were up.

The decline of the RMPI was largely driven by lower prices for animals and animal products (-2.9%), down for the first time since December 2013. Lower prices for hogs (-9.1%) largely explained the decrease in this commodity group. To a lesser degree, fish, shellfish and other fishery products (-10.5%) also contributed to the decline in the animals and animal products group.

Logs, pulpwood, natural rubber and other forestry products (-0.6%) also pulled the RMPI downward, as prices for natural rubber (-6.1%) declined for a second consecutive month.

Canada Sawmill Production: April

Lumber production by Canadian sawmills increased 1.4 per cent in April from March, to 5,255.9 thousand cubic metres, according to Statistics Canada Friday. Compared with April 2013, lumber production declined by 2.9 per cent.

Sawmills shipped 4,970.2 thousand cubic metres of lumber in April, up 13.4 per cent from March.

Calendar

September 2014

Who Will Own the Forest? 10
September 16 - 18 - Portland, OR
<http://wwotf.worldforestry.org/wwotf9/>

Alberta Forest Products Association
71st AGM
September 25 - 27 - Jasper, AB
<http://www.albertaforestproducts.ca>

Oregon Timber

Burl Theft, Land Management Update

CONT'D FROM PG 2

Burl poaching, which involves cutting off knotty growths key to the tree's ability to reproduce and protect itself from disease, has become a serious problem in northern California's Redwood National and State Park system.

The burls appear at the base of redwood trees, where they send out sprouts. Their intricate grain is prized for furniture and decorations.

Timber Deputy Brandon Fountain of the Linn County sheriff's office said to Herald and News Tuesday he

stopped a suspect by Kéta Kosman a few weeks ago with 600 pounds of moss in his pickup. Forest deputies such as Fountain and a counterpart in Benton County, Brent Iverson, aren't alone in the woods. They're in contact with federal land managers and timber company workers.

They say people who want to harvest forest products should generally call the US Bureau of Land Management, US Forest Service, or Oregon Department of Forestry for information on permits. Some timber companies also will issue permits.

Iverson stressed that not everyone harvesting forest products is a crook.

The poaching has been a problem in Northern California's Redwood National and State Parks for years. Two men recently were convicted in a case there after rangers tracked slabs cut from a tree by chain saw to a redwood burl shop.

Similar poaching was found at Winchuck River on the Rogue River-Siskiyou National Forest near Brookings, OR, in a stand that represents the northernmost reach of coast redwoods.

The US Forest Service is investigating.

"We take damage to natural resources on national forest system lands very seriously and are investigating the theft of the burls," regional spokesperson Tom Knappenberger said in an email to AP. "This potentially is a felony violation."

A redwood tree can survive a burl being cut off, but the legacy of an organism that could be 1,000 years old is threatened, because the burl is where it sprouts a clone before dying. Sprouting from burls is the prevalent method of redwood propagation.

Eventually, that illegally harvested product was to make its way to a

national retailer for sale at \$9 for less than a pound.

"Think of the market value of that," Fountain said.

Still in Oregon, some changes to forest management are being announced as the state struggles to replace former timber revenues without raising taxes.

In early June, Oregon public land officials were considering selling the 93,000-acre Elliot State Forest. Management of the forest previously generated important funds for public schools, but environmental restrictions have strangled logging activities, resulting in the state losing money managing the forest, wrote Bonner Cohen, a senior fellow at the National Center for Public Policy Research, in Heartlander Magazine June 11.

Last year the Oregon Land Board lost US\$3 million managing the forest. In previous years, the 146-square mile Elliott State Forest regularly produced between US\$6 million and US\$8 million in revenues.

With the Elliott Forest no longer able to produce assets to help fund the state's public schools, officials are scrambling to find ways of meeting their fiduciary obligations. The State Land Board, which is composed of the governor, the state treasurer, and the secretary of state, decided last December to sell five parcels, totalling approximately 2,700 acres of the forest, to get a better idea of the value of the land in light of the restrictions on logging in the forest.

The Oregon Department of State Lands completed the controversial sale of three parcels of Elliott State Forest totalling 1,453 acres to Seneca Jones Timber and Scott Timber Wednesday, according to the Statesman Journal.

The Wednesday sale fetched US\$4.2 million despite the promise from environmental groups to file a lawsuit to halt logging over the alleged existence of federally protected marbled murrelets in the parcels.

The sale, which will benefit the Common School Fund, represents less than two per cent of the 93,000-acre forest near Reedsport, OR.

The East Hakki Ridge parcel was purchased by Seneca Jones Timber for US\$1.89 million, while Adams Ridge 1 was purchased by Scott Timber for US\$1.87 million. Benson Ridge was purchased for US\$787,000.

"It is well known that nothing really changes in government policy without a crisis. When the Oregon Land Board manages to lose US\$3 million on a US\$500 million asset in the same year that the S&P 500 index returned 32 per cent, that becomes a political crisis," said John Charles, president and CEO of the Cascade Policy Center also in Heartlander.

As well, the state agency responsible for governing Oregon's local land-use plans has come up with a new plan for itself, said the Register-Guard Wednesday.

The Department of Land Conservation and Development has two missions: to conserve farm and forestland, and to develop land for houses and jobs.

State law requires local governments to continually ensure they have sufficient land for houses and jobs.

The DLC's draft strategic plan starts with a goal to work with state agriculture and forestry experts to "ensure a sustainable land supply for Oregon's agricultural and forest industries."

