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News & Updates

Weyerhaeuser, Conifex Report

Bolstered by strong wood product and timber sales, Weyerhaeuser Company, out of Federal Way, WA, August 1 reported 2Q 2014 earnings of US\$280 million from operations of US\$2 billion. Net earnings were US\$234 million, or 40 cents per diluted share. This compares with net earnings of US\$183 million, or 33 cents per diluted share, for 2Q 2013, and US\$143 million, or 24 cents per diluted share, for 1Q 2014. **CONT'D PAGE 7**

Interfor Selected for US Biomass Fuel Program

Interfor, based in Vancouver, BC, said one of its Oregon sawmills has been selected to participate in a federal program in the United States encouraging the production of biomass, according to Clean Tech Canada Thursday.

Interfor's sawmill in Gilchrist, OR, southeast of Portland, was chosen by the head of the US Department of Agriculture to participate in the Biomass Crop Assistance Program (BCAP), an initiative that will see it take deliveries of biomass to use in its biomass-fuelled kilns.

The BCAP strategy was launched to "reduce US reliance on foreign oil, improve domestic energy security, and reduce carbon pollution, while expanding markets for agricultural products made in rural America."

The program provides incentives to farmers and landowners "to establish, maintain and harvest biomass for heat, power, bio-based products, and biofuels."

Interfor's Gilchrist facility is one of 36 energy facilities across the US chosen to accept biomass through BCAP. **CONT'D PAGE 7**

BC State of the Forest 2013

BC's forest sector manufacturing sales increased in 2013, with many product prices increasing substantially compared to 2012, according to the BC Ministry of Forests, Lands and Natural Resource Operations "State of the Forests" report released this week.

The US economy continued to gradually improve, as seen in the employment status and housing market, and this was reflected in higher forest sector exports to the US.

China continued as the second largest export market for BC's forest sector and helped to make up for lower US demand.

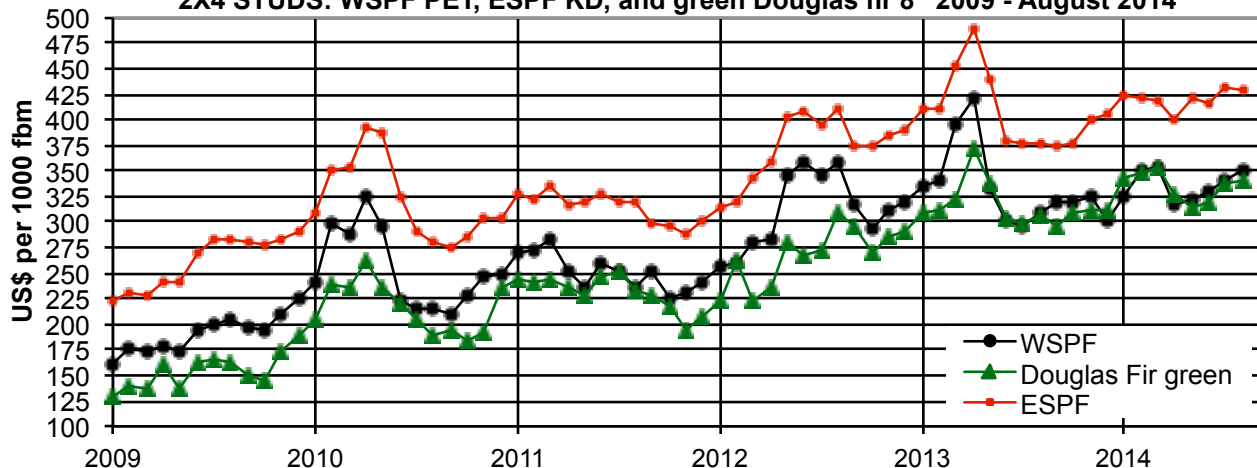
Employment remained relatively steady in the BC forest sector, achieving a small increase in 2013. **CONT'D PAGE 6**

China Earthquake Rebuilding

An earthquake in China Sunday, of 6.1-magnitude, in a mountainous farming region of Yunnan province has killed 615 people as of Thursday with another 114 missing. This follows the devastating 2008 earthquake in Sichuan province, of 7.8-magnitude, when more than 69,000 people died and more than 18,000 remain missing. Almost 5 million people were made homeless by that tragic event.

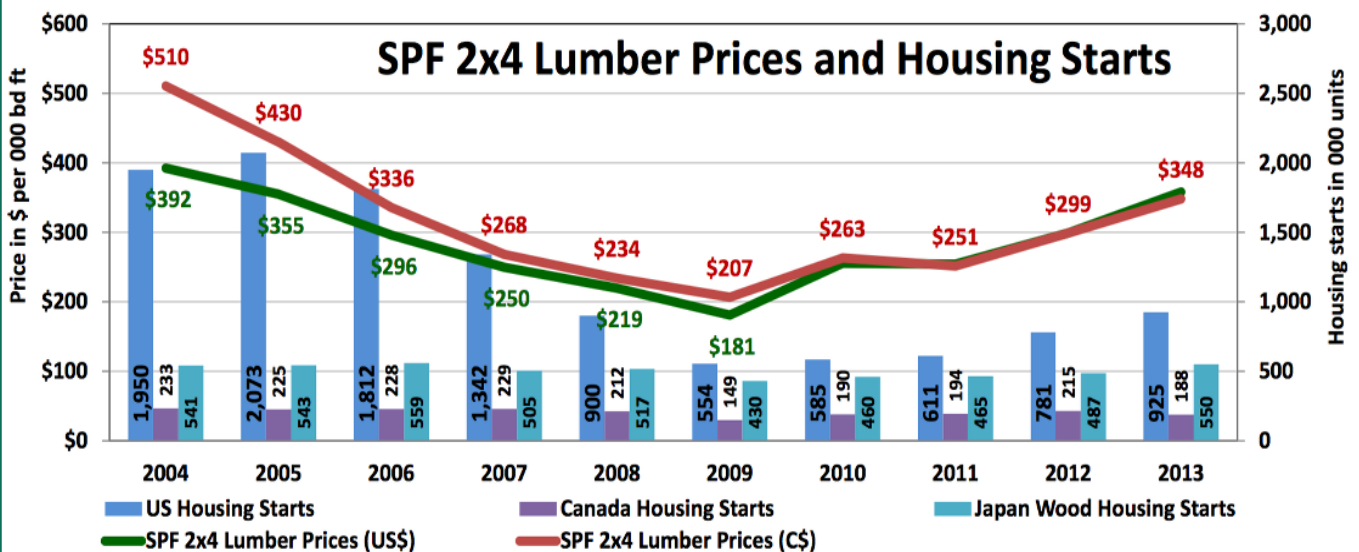
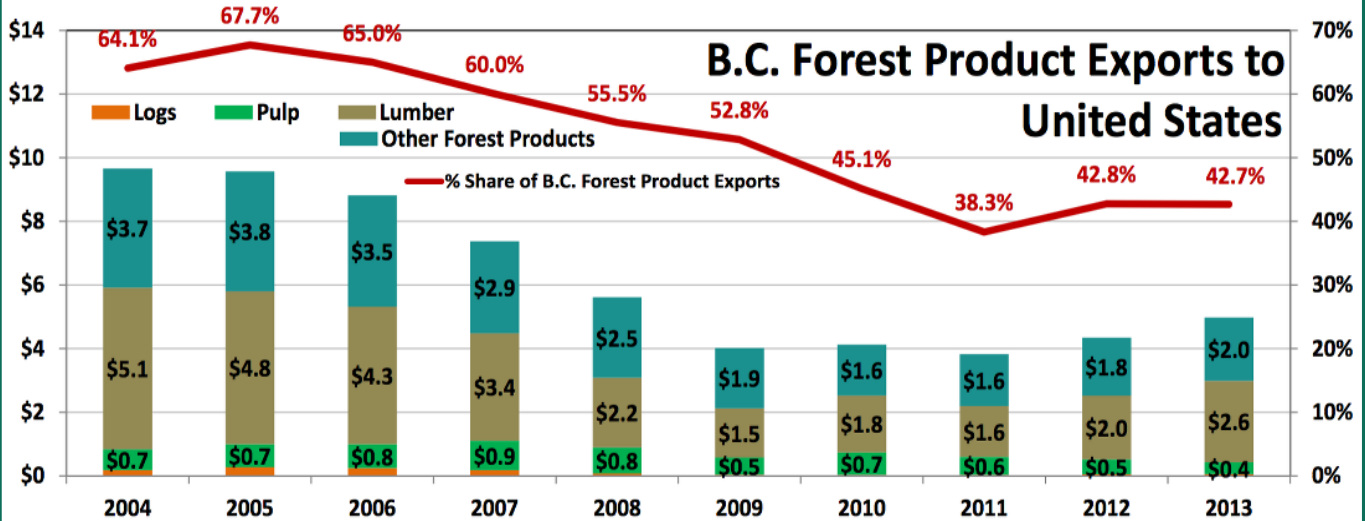
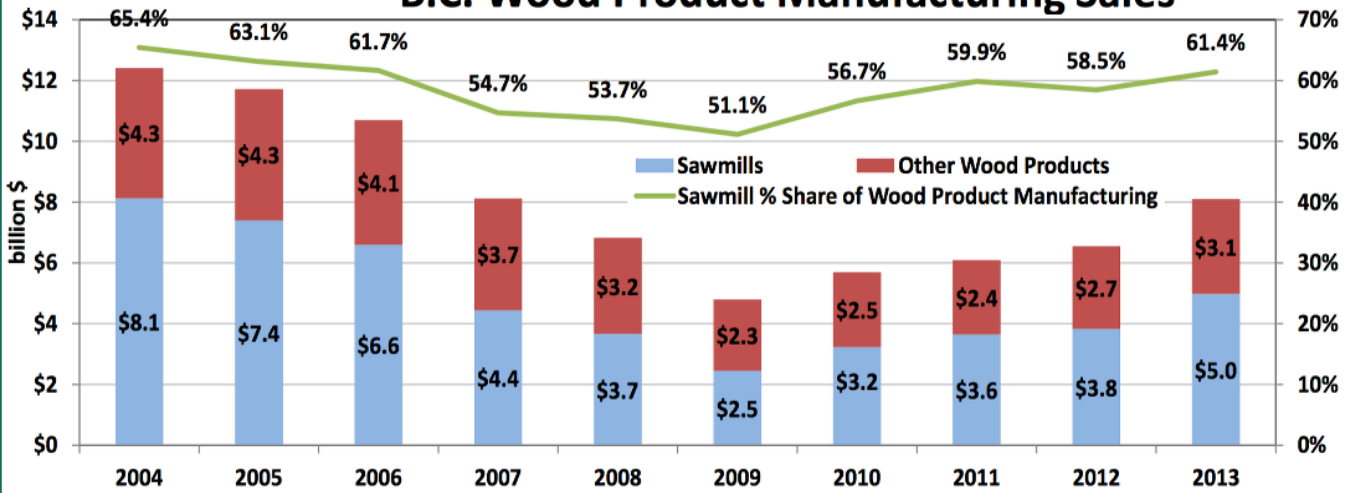
The earthquake this week has renewed discussion about building practices in China. **CONT'D PAGE 9**

2X4 STUDS: WSPF PET, ESPF KD, and green Douglas fir 8' 2009 - August 2014



BC State of the Forest: 2013

B.C. Wood Product Manufacturing Sales



SOURCE: BC Ministry of Forests, Lands and Natural Resource Operations

Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	358	354	+4	346	+12	328	+30
WSPF KD R/L 2x6	360	356	+4	350	+10	310	+50
WSPF KD R/L 2x8	354	354	0	346	+8	318	+36
WSPF KD R/L 2x10	394	396	-2	384	+10	380	+14
WSPF KD PET 2x4 Stud	350	340	+10	330	+20	315	+35
WSPF KD PET 2x6 Stud	355	345	+10	325	+30	280	+75
Douglas Fir Green R/L 2x4	350	348	+2	323	+27	315	+35
Douglas Fir Green R/L 2x10	380	368	+12	335	+45	405	-25
ESPF KD 2x4 8ft Stud	430	430	0	420	+10	385	+45
OSB Ontario 7/16" (CDN\$)	225	220	+5	225	0	250	-25
CSplywood Toronto 3/8" (CDN\$)	492	492	0	414	+78	398	+94

Weekly News

More Quarterly Results

CONT'D FROM PG 2 During 2Q, average selling prices for engineered wood products increased. Weyerhaeuser officials expect comparable earnings from the Wood Products segment in 3Q. During 2Q, sales volumes increased due to continued steady demand for domestic and Chinese export logs. Earnings from disposition of non-strategic timberlands increased by US\$20 million compared with 1Q.

Conifex Timber, out of Vancouver, BC, reported Wednesday net income of \$2 million for the 2Q 2014 compared to net income of \$1.6 million for the previous quarter and net income of \$2.4 million for the 2Q 2013.

The Company recorded consolidated operating income of \$4.4 million for the 2Q 2014 compared to \$2.8 million in the previous quarter, and \$3.3 million in the 2Q 2013.

Lumber segment operating income improved by \$1 million over the previous quarter and \$0.7 million over the same quarter last year. The Company recorded a foreign exchange translation loss of \$0.8 million for the 2Q 2014 and \$0.2 million in the 2Q 2013 compared to a translation gain of \$0.2 million in the previous quarter.

Interfor Biomass Fuel

CONT'D FROM PG 2 Under BCAP, the department has annual mandatory funding of US\$25 million to make payments for 50 per cent of the cost of establishing a new, perennial energy crop, annual maintenance payments for a crop as it matures until harvest (up to five years for herbaceous crops or up to 15 years for woody crops), and matching payments for mitigating

the cost of harvesting and transporting agriculture or forest residues to an end-use facility.

Eligible biomass materials that qualify for BCAP matching payments include agriculture and crop residues and forest residues removed directly from public forest land.

Ineligible materials include conventional crops like barley, corn, grain sorghum, oats, rice, wheat, some oilseeds, peanuts, dairy products and sugar, and secondary agricultural or forest residues that are the result of processing.

Resolute Seeks

Resolute Forest Products, out of Montreal, QC, and the world's largest newsprint maker, is seeking to reduce its reliance on the low-grade paper by expanding its Canadian solid wood-products business into the US.

Already North America's fifth-largest lumber producer, Resolute has been assessing potential opportunities to buy or construct US lumber mills, Chief Executive Officer Richard Garneau said last week in a telephone interview with Bloomberg Wednesday.

EACOM Reopens

A northwestern Ontario sawmill officially re-opened Tuesday after being shuttered for more than five years, said CBC.

The Eacom Timber Corporation has spent the last several months retrofitting the mill in Ear Falls, ON.

By the middle of the month, more than 50 people will be working on the first shift, general manager Harrison Wicks said. Over 150 people applied for the jobs.

Wicks said there will be another round of hiring for a second shift that he expects to start early next year. That will bring the number of sawmill workers to about 100.

When the mill closed five years ago, the effects were devastating. Some former workers are now returning to the mill.

Wicks noted the mill has been retrofitted to be more efficient, so it's meant to "withstand the lowest ... prices in the downturn."

If the economy or the price of lumber goes down, the mill is expected to be "a low-cost producer," he said.

The mill will produce dimensional two-by-fours, two-by-sixes, and two-by-threes.

Sherwood Celebrates . . .

"After 60 years of business, Sherwood Lumber is stronger than ever thanks in no small part to our incredible customers and dedicated staff. Starting Wednesday, we are commemorating this milestone with celebrations throughout all our offices and product offers for each region.

Join in the celebration!"

Calendar

September 2014

Who Will Own the Forest? 10
September 16 - 18 - Portland, OR
<http://wwotf.worldforestry.org/wwotf10/>

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

Rebuilding in China

Earthquake

Sunday's earthquake injured more than 1,800. About 12,000 homes collapsed in Ludian, a densely populated county located around 366 kilometres northeast of Yunnan's capital, Kunming, China's official Xinhua News Agency reported Thursday.

Many of the homes that collapsed in Ludian, which has a population of about 429,000, were old and made of brick, Xinhua said, adding that electricity and telecommunications were cut off in the county.

Yunnan Information Daily, a Kunming newspaper, reported Monday that a three-story police station in Longtoushan had collapsed, burying at least four police officers, who were confirmed dead. Upon reading this, some commenters on Weibo, China's version of Twitter, questioned why a police station in an earthquake-prone region would not have been built to tougher standards.

Other government buildings in Longtoushan, including a middle school, collapsed or were heavily damaged, according to Chinese news agencies People's Daily and Xinhua.

Earthquakes have been a sensitive topic for China's ruling Communist Party since the 2008 disaster in Sichuan, said the Belleville News-Democrat also Monday. In the days after the 2008 quake, the government attempted to suppress reports that lax building standards and inspections had contributed to the fatalities, including the deaths of hundreds of children in collapsed school buildings.

As of Monday evening, the government had not taken down comments on Weibo questioning why some local government buildings in the earthquake zone had collapsed.

While damage to infrastructure is inevitable with high magnitude earthquakes, China's notoriously slack construction standards have heightened casualty rates in previous earthquakes, none more so than in the Sichuan earthquake in 2008, according to the Asian Correspondent Thursday. Of the casualties from the Sichuan earthquake, 5,000 of were schoolchildren who died when their shoddy school building collapsed in on them. The number of schools that crumbled so feebly during that quake, while government buildings remained standing, has been blamed on the corruption and mismanagement of local officials. These shortcomings at the local

government-level, along with the swindling of donations by the China's government-run Red Cross charity during the rescue operation, exposed broader issues within the internal running of the states.

Reports from Yunnan after Sunday's quake claim that most homes destroyed were those of farmer's huts made from wood and stone, yet China Daily released a report stating that in the Zhaotong area of Yunnan 134 schools collapsed as a result of the quake, which they have defended as being built prior to 2000. Fortunately, the quake hit during the school holidays, but it is hard not to feel in light of this revelation that the government's incompetence and lack of diligence toward their citizen's lives is as strong as it was six years ago in Sichuan.

The need for China to invest in schemes such as earthquake damage prevention is evident from a recent earthquake report that has recorded 15 earthquakes over a magnitude of 5.5 that have struck China in the past seven years, said the Asian Correspondent.

Questions are also arising about China's rush to build big dams in its southwestern mountains, especially in the wake of a number of smaller quakes since the water level was raised last year at the Xiluodu hydropower station, which lies about 100 miles north of the epicentre of Sunday's quake, according to the Washington Post Wednesday.

Large reservoirs are known to put pressure on Earth's crust and can cause quakes, although the link is often hard to establish definitively. China's dash for hydropower, linked to soaring energy needs, has been the subject of much criticism, especially because many of the dams are being built in regions of "high or very high seismic hazard."

There are 25 dams planned or under construction on the Jinsha River, a 1,400-mile tributary of the Yangtze River that runs through Zhaotong.

Fan Xiao, chief engineer in the Sichuan Geology and Mineral Bureau, said that more than 2,000 small quakes had been detected since the water level increase at the Xiluodu dam in October and that a magnitude 5.3 temblor was observed near the hydropower station in April.

The official Xinhua News Agency reported this week that a huge lake has formed as a result of landslides caused by Sunday's earthquake, containing close to 50 million cubic metres of water. The lake is near an un-

der-construction hydropower station and threatens seven other stations downstream.

The World Bank visited various destroyed sites following the 2008 earthquake and reported that water, electricity, and gas systems were largely paralyzed and telecommunications and transportation severely disrupted. General infrastructure was also overwhelmingly damaged, with approximately 7,444 schools, 11,028 medical institutions, and 34,125 kilometres of highways devastated, in a region that was already among the poorest and most vulnerable in China.

The overall direct economic loss was estimated to be RMB 845 billion (US\$130 billion).

Under the auspices of the World Bank-financed Wenchuan Earthquake Recovery Project, the agency concluded a review of China's national master plan for rehabilitation and reconstruction of the earthquake and six sector-specific recovery plans in May 2012. This includes lessons learned from the Chinese and international experiences in earthquake reconstruction and policy recommendations to further improve reconstruction efforts.

Overall, about 41,130 projects for reconstruction and rehabilitation were undertaken, 99 per cent of which were completed within a two year period, said World Bank. This was largely made possible thanks to the innovative measures such as a partnership scheme set up among provinces – basically, the Central Government paired up each affected county with an unaffected province, which then worked to provide financial and technical assistance for reconstruction and restoration.

These provinces in turn worked to raise awareness among their population and industrial sectors of the needs of the affected provinces they were assisting. In this way, civil society was also massively mobilized. In total, over RMB 949 billion (US\$146 billion) were invested for reconstruction.

Further, the earthquake provided an opportunity to reconstruct all public-service facilities in the affected areas with high seismic standards and modern equipment, said World Bank. Some RMB108 billion (US\$16.6 billion) were spent in these facilities, including investments in medical and sanitation facilities and social management. Schools and hospitals are now fully restored and reconstructed, as are social welfare houses, elderly homes, community service centres, and village activity centres.