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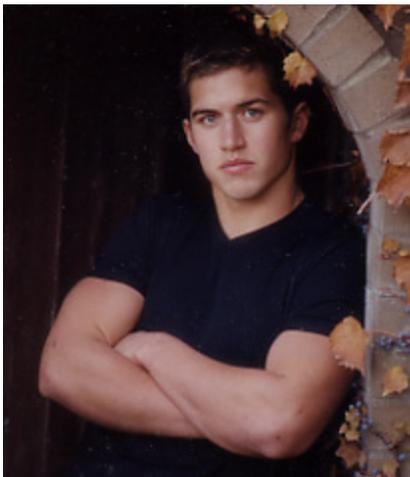
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Our Summer Go-to Guy, Levi Estes

We can't forget our 4-year lumberyard veteran and utility player Levi. For each of the last 4 summers, recently graduated Levi Estes has been helping in every imaginable project from fence building to delivering lumber to landscaping, doing an extraordinary job



on each task assigned! He is off this fall to school at Whitworth College in Spokane, WA where he has gotten a scholarship to play football.

Needless to say, we are proud of this exceptional staff who all will be very much missed when they move on..

It's Fall: We Advise That
You Get Your Order In Early
And Avoid the Rush!



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Our office interns: Shannon Edson, Shena Bannick and Sheena Hinkle

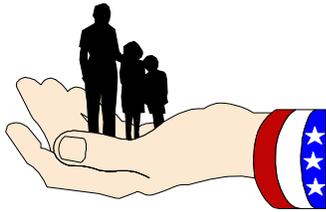
Our Girls of Summer

They have known each other since the beginning of grade school, they all drive VW's but most importantly they have been the core of the Bear Creek Lumber office staff all summer. Shannon is completing her third year, Shena her fourth, while Sheena has just started this year.

Bear Creek Lumber's summer intern program allows local high school students to train in a professional business environment while still in school. Many of the young people in the program have also worked during the school year in what is locally called Diversified Occupation (DO) or on-the-job training. They may work a full day every other day or several half days during the week. Sometimes they will only work 4 or 5 hours a week. Regardless, the training, in accounting, secretarial skills, sales and customer relations, is invaluable for any high school student, especially in a small rural community. The fulltime BCL staff appreciates the enthusiasm these young people bring, and their willingness to jump into small projects that others don't have time for. Their work helps carry us through the year.

Although they rarely work the same hours, sharing a week's workload between them, the girls take the responsibility for making sure all tasks are completed professionally and on time. They take their training seriously. When they leave, they are ready to enter the business world

Having graduated high school this June, Shannon is off to University of Arizona where she will study accounting. Shena and Sheena are seniors at Liberty Bell High School. Shena, while working part time, will be completing her associate's degree at the local community college through Washington State's Running Start Program, as well as earning her high school diploma. Sheena is a star athlete in three varsity sports, and has been approached to play college-level basketball in California after she graduates in 2003.



Timber Tariff Takes Toll On Neighboring Canada

Canadian sawmills have been forced to cut thousands of jobs since the United States imposed heavy tariffs on imported softwood lumber, over accusations Canada was dumping wood in the U.S. market. The long-standing dispute reaches far into the North woods where the Canadian timber industry has flourished for centuries. "It's a devastating blow," said Matt McGonigle, 43, a Vancouver Island saw filer who lost his job at a Doman Forest Industries mill. It shut down in April when the U.S. tariffs were announced. "It creates a lot of bitterness, a lot of anger," he said.

Canadian mills employ over 80,000 people, government figures show, and a prolonged battle over the U.S. duties could eliminate a quarter of those jobs or more, officials say. British Columbia, Quebec, and Ontario would be among the hardest-hit areas. "It's having a major effect. Over 300 small communities depend on the forestry industry," said Brian Payne, president of the Communications, Energy and Paper Workers Union of Canada. "If it drags on much longer you're going to see some significant cutbacks and indefinite closures."

In Quebec and Ontario, which rank second and third in Canadian exports, shipments dropped to half of last year's levels. Softwood lumber from pine, spruce, fir and hemlock trees is used to frame houses. Canada exports \$6.2 billion in softwood lumber a year to the United States, supplying about one-third of the American market. Softwood is a major component of their trade relationship, the world's largest.

Most U.S. timber is harvested from private land at market prices, while in Canada, the government owns 90 percent of timberlands and charges fees, called stumpage, for logging. The fee is based on the cost of maintaining and restoring the forest. U.S. timber companies contend that Canada's fees are artificially low, calling them subsidies that allow Canadian mills to sell wood below market value and avoid layoffs, even during slow times.

On May 22, the Bush administration slapped antidumping duties averaging 27 percent on softwood imports from four provinces, contending Canadian lumber imports threatened the U.S. industry. Canada has challenged the duties at the World Trade Organization.

World Trade Organization Ruling Sends Mixed Signals For Resolution

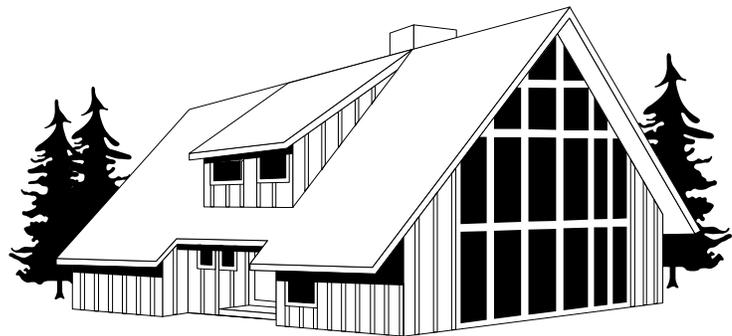
The World Trade Organization said in a preliminary ruling in the end of July, that the United States erred in approving stiff tariffs last year on imports of Canadian softwood lumber. Canada immediately claimed victory, saying the decision bodes well for Canadian efforts to block new tariffs imposed this spring that have led to thousands of layoffs at Canadian sawmills.

According to Canadian government figures released this month, softwood exports to the United States plunged by an average 25 percent between May 22 and June 28, forcing mills across the country to close or slow down. Coastal lumber companies have been hit hard, with 11 of 32 mills closed indefinitely and more than 3,100 workers laid off, said Les Kiss of the Vancouver-based Coast Forest and Lumber Association.

The Coalition for Fair Lumber Imports, which represents the U.S. industry, says Canadian subsidies exceed \$4 billion a year. "Canada is free to use subsidies to pursue its own policies as long as they are not injurious to our industry," said Faryar Shirzad, U.S. Assistant Secretary of Commerce for Import Administration.

Some in the United States oppose the U.S. duties. American Consumers for Affordable Homes, which represents home builders and their suppliers, said the U.S. tariffs increase the cost of new homes for Americans. Canada denies claims it is dumping lumber in the United States. Some critics also point out that the U.S. government spends \$600 million a year to support its own timber industry. "They can't compete with us and so they use trade rules to fight back," said John Allan, president of the British Columbia Lumber Trade Council. To Andre Lemay, a spokesman for Canada's Department of Foreign Affairs and International Trade, it comes down to the U.S. industry lobby and party politics. "What we're seeing is that basically it's an election year," Lemay said. "They're catering to a well-organized, loud group, but a very small group."

The United States prevailed in at least one crucial respect -- the WTO ruled that Canada's system of providing lumber producers with timber from public lands is a financial contribution, and therefore is subject to countervailing duties such as those imposed by the United States. The official called that aspect of the ruling "a victory for both the U.S. lumber industry and the environment." An industry group and some environmentalists agreed. "We are glad the WTO . . . did not upset what is obviously a necessary action by the U.S. to address the subsidized destruction of Canadian forests," said William Snape, a lawyer for the conservation group Defenders of Wildlife.



INDUSTRY NEWS



Simplifying Mortgage Shopping

U.S. 30- and 15-year fixed-rate mortgages fell to their lowest levels on record in the week ending July 26 as investors turned to treasuries in the face of severe stock market declines, leading to lower interest rates, Freddie Mac said Thursday. 30-year rates fell to an average 6.34 percent from 6.49 percent the previous week, while 15-year mortgages declined to 5.76 percent from 5.93 percent. One-year adjustable-rate mortgages also fell to an average 4.31 percent in the week —the lowest since 4.25 percent in the Feb. 25, 1994 week.

A year ago, 30-year mortgages averaged 7.03 percent, 15-year mortgages 6.58 percent, and the ARM 5.72 percent.

"Investors, concerned with the stock market, are putting more of their money into treasuries. This, in turn, drives down the cost of borrowing," Robert Van Order, Freddie Mac chief international economist, said in a statement. But Van Order said he does not expect mortgage rates to fall much lower. "For that to happen, the stock market would have to tumble even further than it already has," he said.

New-home sales hit record in June. New home sales rose 0.5 percent to a record 1.001 million unit annual rate.

Sales of U.S. existing homes fell 11.7 percent in June, the biggest drop since April 1995, a national real estate trade association said Thursday, as housing sales cooled from record levels hit in the first few months of the year. Sales of previously owned homes, the largest category of home sales, tumbled to a seasonally adjusted annual rate of 5.07 million units last month from a downwardly revised 5.74 million in May, the National Association of Realtors said. June sales were well below the expectations of analysts, who had forecast a 5.74 million annual pace. The median home sales price set a new record high of \$163,500 for the month.

The federal government has come up with a complex proposal to simplify mortgage shopping. If regulators adopt the proposal, mortgage shopping will become less confusing, starting next year. Closing costs will drop, saving consumers an estimated \$16.6 billion a year.

Mortgage shopping also could become more confusing because mortgage providers would have two ways to present deals to customers -- a new, easy-to-understand way with a guaranteed interest rate and closing cost, or a more simplified version of the existing complicated, and hard-to-understand way.

Here's how the easy-to-understand way would work: The mortgage shopper, could apply free at several places. Each would provide a two-page form spelling out the interest rate and guaranteed closing costs, with easily compared, "Guaranteed Mortgage Package Agreements," or GMPAs, for selecting the best deal. Only then does one pay a fee. The guaranteed price would roll most closing costs and fees into one lump sum. The lender would be prohibited from surprising the shopper with higher-than-expected fees at the closing table.

"After agreeing to the price of a house, too many Americans sit down at the settlement table and discover unexpected fees that can add hundreds, if not thousands, of dollars to the cost of their loan," Housing Secretary Mel Martinez said in a recent speech. "And at that point, they really have no other options. The borrower is faced with the impossible choice: Either hand over the extra cash and sign, or lose either the house or the funds needed to refinance."

This proposal, Martinez said, would do away with that dilemma. It would benefit consumers, agreed Susan Johnson, executive director of the Real Estate Services Providers Council. "By making the costs firmer, and by simplifying the disclosures, it has the potential of increasing shopping by homebuyers and people who refinance," she said.

Remodeling Demand Strong, Growing

Demand for residential remodeling services remains strong and should grow over the next decade, largely because of the relative age of the nation's housing stock, the National Association of Realtors(NAR) is predicting.

According to Carter Murdoch, principal economist for the Washington, DC-based NAR, current and future demand for remodeling should not be surprising given that the median age of the U.S. housing stock is 31 years old. Of the 115 million existing housing units in the U.S., some 83 million of them - or more than 72 percent - were built before 1980, Murdoch observed.

Most of the owner-occupied housing stock built before 1950 is concentrated in the Northeast and Midwest, while most of the units constructed during the 1970's building boom are located in the South and West. As a result, a large share of homes in the Sunbelt are now in the 25-30-year-old range - the threshold for increased spending on home improvements," Murdoch said.

Most remodeling barometers indicated a significant decline in the second half of 2001 - particularly in the fourth quarter - as consumers began to defer major housing renovations in the midst of the economic downturn. Growth in the home improvement activity is expected to resume this year, coinciding with improvements in the overall U.S. economy, with the Market growing at an inflation-adjusted rate of 2 to 3 percent for the next several years, most analysts predict.

A logo for Bear Creek Lumber. It features a stylized house shape with a brown outline. Inside the house shape, there are several green pine trees of varying heights and a central sun with rays. Below the house shape, the text "BEAR CREEK LUMBER" is written in bold, black, uppercase letters. Underneath that, the address "P.O. Box 669 Winthrop, WA 98862" and phone/fax numbers "(509) 997-3110 fax (509) 997-2040" are listed. At the bottom, the website "www.bearcreeklumber.com" is written in blue, lowercase letters.

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