

MADISON'S LUMBER REPORTER

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News & Updates

US Housing Starts, Builder Sentiment

Led by a 26 per cent drop in the volatile multi-unit category, June housing starts in the US declined by 9.9 per cent from a month earlier to a seasonally adjusted annual rate of 836,000 units. Compared to one year ago, total US housing starts in June are up 10.4 per cent and permits are up 16.1 per cent.

In a report released Wednesday, the Commerce Department said building permits fell by 7.5 per cent, due to a 21 per cent drop in multi-unit building. That was the sharpest drop in more than two years.

New building of single-family units was essentially flat compared to May.

Home builders, meanwhile, believe the US housing market is strengthening. The National Association of Home Builders said Tuesday that its housing-market index surged six points to a reading of 57 in July. That marked the third straight month of rising confidence in the market for newly built single-family homes. The index is now at its highest level since January 2006, near the height of the housing boom. [READ MORE](#)

BC Forest Practices Board Report

Inspections of forestry operations on public land in British Columbia have dropped to one third of the number carried out three years ago, meaning government has little idea whether companies are complying with environmental laws, the Forest Practices Board says.

"The board is concerned that, with the steep drop in inspections, licensees' activities may not be inspected enough, particularly harvesting and road activities that pose a high risk of harm to resource values," said the Board, which acts as BC's independent forestry watchdog.

"Inspections hold licensees accountable and help maintain high standards on the ground. If licensees' activities are not inspected, the public's confidence in the effectiveness of government's oversight may be diminished," the report says. [READ MORE](#)

Canada Wholesale Trade

Canadian wholesale sales rose 2.3 per cent to \$50.3 billion in May, the largest rate of growth since the beginning of 2011, said Statistics Canada Thursday. The increase was largely due to higher sales in the agricultural supplies industry and the food industry.

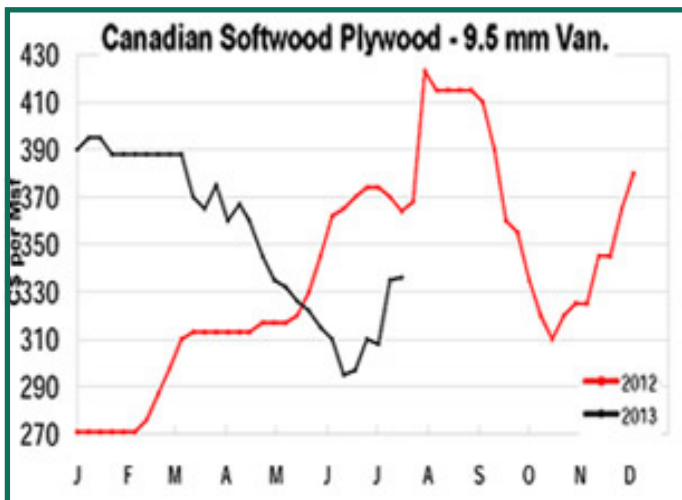
In volume terms, wholesale sales were up 2.4 per cent. Sales increased in all subsectors in May. The miscellaneous subsector and the food, beverage and tobacco subsector accounted for more than 70 per cent of the growth.

Inventories were unchanged at \$61.8 billion in May, after rising 0.5 per cent in April.

Declines, mainly in the miscellaneous subsector, down 2.1 per cent and the machinery, equipment and supplies subsector, down 1.5 per cent, were offset by 1.7 per cent increases in the personal and household goods subsector and the motor vehicle and parts subsector. [READ MORE](#)

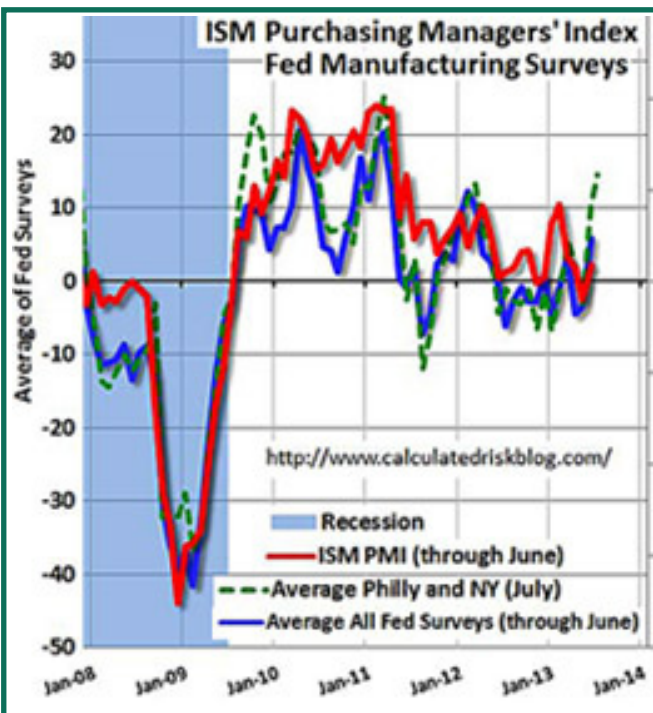
Softwood Lumber Board July News

The Softwood Lumber Board updates members on latest developments in the July newsletter. [READ MORE](#)



	Jun-13	May-13		Jun-13	May-13
Starts			Permits		
Actual	80,400	88,100	Actual	83,300	94,900
SAAR*	836,000	928,000	SAAR*	911,000	985,000
1 Unit	591,000	595,000	1 Unit	624,000	620,000
2-4 Units	(s)	(s)	2-4 Units	26,000	27,000
5+ Units	236,000	322,000	5+ Units	261,000	338,000
Starts by Region			Permits by Region		
Northeast	94,000	107,000	Northeast	107,000	101,000
Midwest	126,000	136,000	Midwest	146,000	153,000
South	424,000	482,000	South	453,000	510,000
West	192,000	203,000	West	205,000	221,000

*Seasonally adjusted annual rate.



US July Business Outlook Survey : Manufacturers

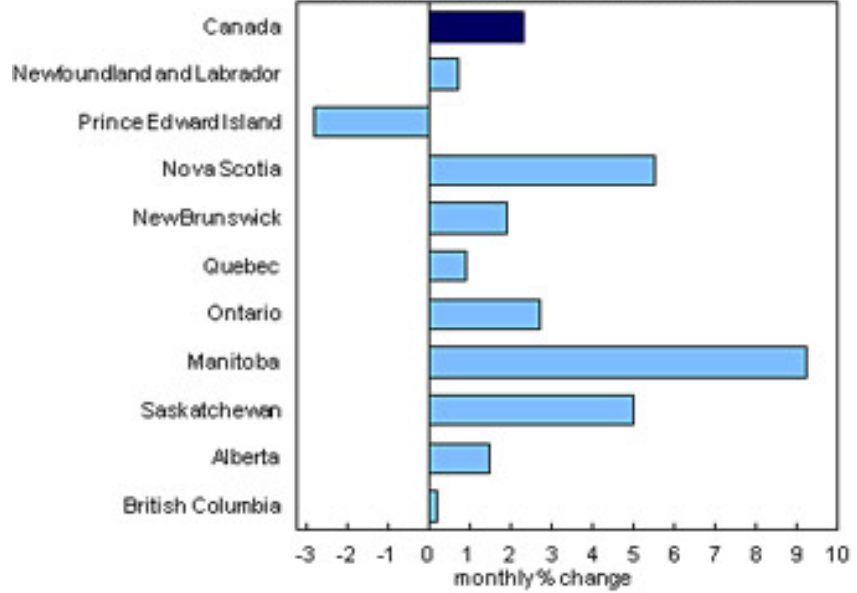
Manufacturing firms responding to the Federal Reserve Bank of Philadelphia's July *Business Outlook Survey* indicated that regional manufacturing conditions improved this month. All of the survey's broadest current indicators were positive, and most showed improvement from last month.

The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, increased from 12.5 in June to 19.8, its highest reading since March 2011. Thirty-seven percent of firms reported increased activity this month, greater than the percentage reporting decreased activity (17 percent).

The shipments index increased from 4.1 in June to 14.3.

Labour market conditions showed a notable improvement this month. The current employment index, at 7.7, registered its first positive reading in four months. Eighteen per cent of firms reported increases in employment while 10 per cent reported decreases.

Canada Wholesale Sales by Province



Starts and Housing Market Index

SOURCE: NAHB Eye on Housing



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	320	312	+8	295	+25	295	+25
WSPF KD R/L 2x6	290	280	+10	278	+12	291	-1
WSPF KD R/L 2x8	286	290	-4	288	-2	309	-23
WSPF KD R/L 2x10	345	320	+25	324	+21	361	-16
WSPF KD PET 2x4 Stud	300	285	+15	290	+10	350	-50
WSPF KD PET 2x6 Stud	275	265	+10	285	-10	355	-80
Douglas Fir Green R/L 2x4	325	300	+25	270	+55	275	+50
Douglas Fir Green R/L 2x10	285	365	+20	350	+35	290	+95
ESPF KD 2x4 8ft Stud	380	370	+10	370	+10	395	-15
OSB Ontario 7/16" (CDN\$)	261	260	+1	390	-29	245	+16
CSplywood Toronto 3/8" (CDN\$)	372	372	0	335	+37	417	-45

Weekly News

Housing Starts, Construction, US

CONTINUED New housing starts in the US were down in all four regions in June, with big declines in the Northeast, South and the Midwest.

The interest on a 30-year, fixed-rate mortgage was 4.51 per cent as of Thursday, more than a percentage point higher than the level in early May. Rates are still low historically, but some people in the real-estate industry fear that if rates continue to rise significantly, home sales will slow and be a drag on the broader economy.

Meanwhile, total US private residential construction spending increased to a seasonally adjusted annual rate of US\$328.6 billion in May 2013, the fastest pace of residential construction since October 2008, said the National Association of Home Builders' *Eye on Housing* blog July 11. The reading is 1.2 per cent above the positively revised April estimate and 22 per cent higher over a year ago.

All three components of residential construction spending registered gains. New multifamily construction spending showed the largest increase, rising 2.5 per cent since April and 51.7 per cent since May 2012. Demand for multifamily remains strong, with real rents up 1.1 per cent over the past year.

Spending on new single-family homes increased to an annual rate of US\$166.3

billion, a rate unseen since August 2008. On a year-over-year basis, new single-family construction spending increased 33.2 per cent.

Breaking the decline that started in January 2013, home improvement spending also registered gains, the NAHB said. Remodeling spending increased to an annual rate of US\$124.2 billion, 1.9 per cent above the April reading, 7 per cent above the year ago, but still below the spending rate registered during the first quarter of 2012.

Forest Practices Board Release

CONTINUED The Board found that over the past several years, "there's been a fairly significant reduction in the inspections of those kinds of activities. It's down to about one-third (compared to three years earlier). Government is still doing lots of inspections, but they're including a broader range of things (including non-forestry inspections)."

The non-forestry activities inspectors are now involved in, the report said, include inspecting dams, recreation activities and illegal structures like cabins and docks.

"For the year ending March 31, 2012, the number of inspections of forest and range activities was about 5,000, which is 58 per cent of all inspections but only a third of the inspections done three years

ago (2009)," the report, entitled Monitoring Licensees' Compliance with Legislation, noted.

The report noted that for range activities, issues were often resolved informally with ranchers and officers' attention was diverted to other agencies requesting assistance.

The Board is recommending improvements to how government records industry compliance.

Wholesale Trade, Canada

CONTINUED Wholesalers in Ontario contributed the most to the national increase, said StatsCan. Ontario registered a 2.7 per cent rise in wholesale sales.

Sales rose 9.2 per cent in Manitoba, mainly as a result of higher sales in the agricultural supplies industry, which accounts for almost a quarter of the province's wholesale sales.

The only decline occurred in Prince Edward Island, where sales were down 2.8 per cent.

Calendar

September 2013

Who Will Own the Forest? 9

September 17 to 19 – Portland, OR

<http://wwotf.worldforestry.org/wwotf9/>



Softwood Lumber Board Update

Program Committee

(Reprinted from the Softwood Lumber Board's latest newsletter, July 16)

Since its inception, the Softwood Lumber Board (SLB) has been committed to transparency. The SLB's goal is to create new consumption of softwood lumber products and increase market share and profitability across the softwood lumber industry. Given the need to deliver measurable outcomes for the industry, the SLB focuses on a few well-developed initiatives

by Keta Kosman

rather than funding many small, unrelated projects that

lack the scale and scope to have a real impact on the consumption of appearance and structural softwood lumber products.

In 2012, its first year of operations, the SLB's available revenue was not sufficient to undertake programs until July. At that time, the SLB began funding several well-developed initiatives that would have otherwise had to curtail activity and initiated research to support the launch of several new programs. These new programs are expected to hit their strides in 2013 or 2014.

With only six months of programming in 2012, the SLB ended the year with a significant carry forward. Combined with 2013 assessment revenue, the SLB will have US\$14,246,712 available in 2013. In addition to its funded programs, the SLB currently has US\$2.25 million available for other programs, which will target non-residential, mid- and high-rise construction and retail initiatives as soon as research is completed and programs are developed.

The SLB takes its mandate to grow markets for softwood lumber products very seriously. To direct as much funding as possible to programs, the SLB has kept its overhead costs, including salaries and

Board operating expenses, to less than 6% of funds available in 2013. Further, the program is not supported by taxpayer dollars; the SLB reimburses the USDA approximately US\$150,000 annually for its oversight costs.

After just 12 months of funding programs, we are starting to see positive impacts from the SLB's strategic investment in softwood lumber market development. By promoting softwood lumber's value proposition directly to design professionals and decision-makers, the SLB and its funded programs are putting softwood lumber firmly back on the table with its competitors and converting projects and entire firms to wood. Wood offers viable solutions to the economic and environmental challenges of the built environment, making it a superior choice.

To maximize efficiency, the SLB ensures that our funded programs complement and reinforce one another and that together they address all segments of the consumer end of the softwood lumber value chain. Thus, the American Wood Council creates new opportunities for wood and protects existing ones within U.S. building standards; reThink Wood raises broad awareness of opportunities and gets softwood lumber back in the conversation of specifiers; and WoodWorks transforms these conversations into action by working directly with architects, engineers, and developers to convert projects to wood-based building systems. In addition, the SLB supports the National Frame Building Association to promote wood in post-frame buildings and low-rise construction. The SLB's strategic funding has enabled each program partner to expand its reach and to undertake exciting new initiatives to protect and expand opportunities for using wood in an increasing array of building types.

One of SLB's most significant and exciting investments in its first year has been a tall wood building research project, undertaken with noted architecture firm Skidmore, Owings & Merrill LLP. While it is unlikely that tall wood buildings will become the norm in the near term, this research project and a growing, broader interest in tall wood buildings will break down barriers in the minds of regulators, developers, designers, and ultimately the public about

"The SLB's strategic funding has enabled each program partner to expand its reach and to undertake exciting new initiatives to protect and expand opportunities for using wood."

what is possible with wood. The existence of tall wood buildings will dismantle traditional assumptions about the strength, combustibility, longevity, and applications of wood products. Over time, this will result in considerably more wood

buildings in the six- to 12-story range. There is already a clear shift in the mindsets of many thought leaders within the building sectors. The SLB's role is to accelerate the process and convert thoughts and ideas into action.

Beyond its funded projects, the SLB is also working with top research and communications firms to develop retail-focused messaging to promote the benefits of softwood lumber directly to consumers and address barriers to purchase. This effort will benefit all softwood lumber products but particularly those in the treated wood and appearance lumber business.

During the past six months, the SLB has made progress in developing credible, relevant, and transparent performance metrics for each program in which we invest—a first for industry-funded initiatives. This will enable the SLB to report on both soft and hard metrics for each program, using indicators specifically tailored to each program's unique objectives and target audiences. The SLB's dashboards will continue to be refined and improved as we work toward quantifying the combined impact of all SLB-funded programs by the end of 2013.

The SLB's efforts and the dedication of industry professionals are raising wood's profile to a level not seen in decades, particularly among the design community. Wood's competition is taking notice, and now concrete masonry is pursuing a check-off and the metal industry is unveiling new marketing measures to enhance its brand identity.

The SLB and its funded programs are committed to sustaining wood's momentum and pushing wood's agenda forward, including by expanding the reach of our programs and the SLB overall. Why? Because increased awareness of softwood lumber's value proposition and its role in the modern economy is essential to protecting and growing wood's market share.

