

MADISON'S LUMBER REPORTER

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News & Updates

Madison's Notices . . .

Due to the unavoidable constraints of travel arrangements for the week of August 23, *Madison's Lumber Reporter* will be transmitted to subscribers by August 25. Please excuse the inconvenience.

Canadian Housing Starts

Canada Mortgage and Housing Corp said Friday total housing starts continued to be relatively stable in July. The federal agency estimates there were 17,993 actual starts in July, which gives a seasonally adjusted annual rate of 192,853 starts. That was slightly down from June's adjusted annual rate of 193,797 starts.

The agency says the annual rate of urban starts decreased by 2.1 per cent in July to 173,042 units, as both single and multiple urban starts declined.

Single urban starts decreased by 5.5 per cent to 58,731 units on an annual basis in July while the multiple urban starts segment essentially held steady at 114,311 units.

July's seasonally adjusted annual rate of urban starts rose in British Columbia and decreased in all other regions, including Atlantic Canada, Ontario, Quebec and the Prairies.

Meanwhile, contractors took out building permits worth \$6.6 billion in June, down 10.3 per cent from May and the first decrease in six months, said Statistics Canada Wednesday. Despite this decline, the total value of building permits continued to trend upward. [READ MORE](#)

North American Hardwood Lumber Exports

North American hardwood lumber exports slowed in July due to summer holidays, Ramadan, as well as ample supplies in some countries, which kept many international buyers off the market, resulting in the usual seasonal slowdown, according to *Weekly Hardwood Review* Thursday. Exporters found more price resistance when quoting new orders, particularly to China, where the spring spike in purchasing had elevated inventories.

Exporters believe underlying Chinese demand is still strong and that buyers are simply trying to hold off on purchasing long enough to force price reductions. [READ MORE](#)

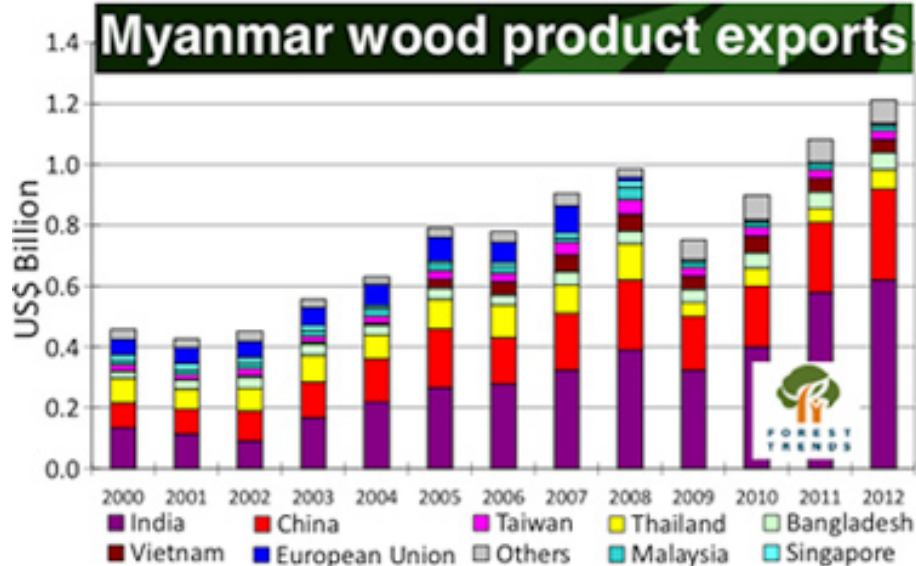
HMI Index Soars in 2Q

All components of NAHB's 55+ Housing Market Index showed major growth in the 2Q 2013, said the National Association of Home Builders Friday. Compared to 2Q 2012, both the single-family and the multifamily indices jumped 24 points: the single-family from 29 to 54 points, and the multifamily from 19 to 43 points. [READ MORE](#)

BC Spruce-Pine-Fir Exports to India Jump

A massive increase in the value of BC SPF exports to India in May and June have industry players buzzing this week. Given that 2x10 commodity prices fell in March and April, curiosity about a possible change in the product mix being sent to India from BC abounds. [READ MORE](#)





U.S. Hardwood Lumber Exports to Top 10 Markets, January—June 2013 (U.S. ITC and Weekly Hardwood Review)

Market	Volume (million BF)	Year-on-Year Change
China	301	+20.4%
Canada	133	+0.2%
Vietnam	76	+0.2%
Mexico	54	+4.9%
Italy	21	+4.0%
United Kingdom	16	-1.7%
Japan	14	-6.3%
Germany	10	-24.1%
Thailand	8	+11.0%
Taiwan	8	-2.1%
WORLD TOTAL	717	+7.5%

Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	324	324	0	312	+12	306	+18
WSPF KD R/L 2x6	304	304	0	280	+24	310	-6
WSPF KD R/L 2x8	310	310	0	290	+20	308	+2
WSPF KD R/L 2x10	360	360	0	320	+40	360	0
WSPF KD PET 2x4 Stud	310	310	0	285	+25	375	-65
WSPF KD PET 2x6 Stud	280	280	0	265	+15	375	-95
Douglas Fir Green R/L 2x4	310	310	0	300	+10	315	-5
Douglas Fir Green R/L 2x10	399	399	0	365	+34	305	+94
ESPF KD 2x4 8ft Stud	375	380	-5	370	+5	410	-35
OSB Ontario 7/16" (CDN\$)	260	260	0	260	0	310	-50
CSplywood Toronto 3/8" (CDN\$)	387	387	0	372	+15	446	-59

Weekly News

Building Permits, Canada

CONTINUED After three consecutive monthly increases, the total value of permits in the residential sector declined 12.9 per cent to \$4 billion in June, said StatsCan Wednesday. The value of residential building permits was down in nine provinces, led largely by Ontario, followed by Quebec and Alberta. Saskatchewan and the Northwest Territories showed the only gains in June.

Building permits for multi-family dwellings fell 18.8 per cent to \$1.8 billion in June, following three consecutive monthly gains. Lower construction intentions for apartments and apartments-condominium projects in Ontario, Quebec, Alberta and Nova Scotia contributed to the decline in June. Decreases were registered in nine provinces, with Ontario posting the largest decline, followed by Quebec.

Construction intentions for single-family dwellings decreased 7.4 per cent to \$2.2 billion in June, following two consecutive monthly increases. Lower construction intentions were posted in seven provinces with Ontario, Alberta and Quebec accounting for most of the national decline.

Hardwood Lumber Exports, North America

CONTINUED Despite the July

slowdown, Chinese market growth has been impressive in 2013, said *Weekly Hardwood Review*.

Year-to-date US hardwood lumber exports to China through June were 20 per cent higher than last year, and Red Oak shipments were 47 per cent higher. Several contacts said Vietnam slowed in July—in part due to buyers' expectations that prices normally fall off in the summer—while others say demand remained fairly strong.

US hardwood lumber exports to Southern Europe slowed in July, as summer holidays began. However, exports to the UK and Ireland were slightly better. While shipments to Germany were down 24 per cent through June, the economy is solid and business has since picked up. Several exporters and European buyers noted increased inquiries for post-holiday delivery, and some expressed guarded optimism about autumn.

US Housing Market Index: 2Q 2013

CONTINUED For the 55+ single-family index, presents sales climbed 24 points to 54, expected sales climbed 25 points to 60, and traffic of prospective buyers climbed 26 points to 48.

On the multifamily side, present sales rose 26 points to 44, expected sales rose 26 points to 46, and traffic of prospective buyers rose 19 points to 38. An index num-

ber above 50 indicates more builders view conditions as good than poor.

Wildfires

Wildfire season hit North America with full force this week.

Partial or full fire bans went into effect in British Columbia, Washington State, and Oregon this week. Collectively, the two largest fires in Oregon had burned nearly 50,000 acres (20,200 hectares) as of August 6, 2013, according to NASA Thursday.

As of 8 am Friday, the Salmon River Complex Fire in California had engulfed over 9,100 acres. The estimated containment date is still unknown as over 1,100 fire personnel enter day 10 of battling the blaze.

Around 50 structures remain threatened and the total cost of the fire to date is estimated at US\$6.6 million, according to a US Forest Service's press release Friday. That fire was 16 per cent contained.

While destructive to property and life, the 14,000-acre Black Forest wildfire in Colorado was relatively small for this year's western wildfire season. According to the National Interagency Fire Center statistics, the West Fork Complex Fire in Montana burned 109,615 acres, the Colocum Tarps Fire in the southeast region of Washington is at 80,881 acres, and the Moore Creek Fire in Alaska is 157,748 acres.



BC Lumber Exports to India

Huge Jump in Value of SPF for May and June

A sudden surge in the value of BC Spruce-Pine-Fir lumber exported to India in May and June, by 75.4 per cent, has prompted a conversation about that continually-developing, and important, new market for softwoods.

According to BC Stats data released Tuesday, the value of BC SPF lumber exports to India spiked from March, at \$653,975, to May, when it was \$2.66 million. The value then settled to \$2.27 million for June. This is interesting because volumes in May and June also jumped but to a smaller degree: 73.6 per cent.

The difference is puzzling because, according to veteran exporters from BC to India, 85 per cent of shipments have been plain old WSPF KD 2x10 R/L #2&Btr.

Prices on that commodity were falling in April and May so its strange that the value shot up by more than the volume in

by Keta Kosman

May and June. The

majority of western spruce lumber going into India is used for door parts, such as frames and panels.

Industry sources *Madison's* contacted Thursday said that, after a lull which began in February when prices started rising, they have only just started booking orders again, now that prices have stabilized. It is difficult to say yet, but some expectations are that those increased volumes may be maintained in the short term.

Others question the developing circumstance, pointing out that the rupee has been falling compared to the dollar, so one would expect Indian imports to drop rather than rise so sharply in such a short time frame.

To date there has been no discernible seasonality to India's importing of BC lumber, however there does seem to be a trend of bulk purchases over the course of a two-month period, in spring, followed by extended drops in buying. Some watchers believe the significant jump this year is a similar trend.

There are also suggestions that - while North American prices were skyrocketing earlier this year - customers in India turned to Europe for supply. That tide might be returning to this direction, now that commodity lumber prices from Canada and the US seem to have stabilized at lower levels than they were in March.

A contact at BC Forestry Innovation Investment mentioned to *Madison's* Thursday that Myanmar, previously a big supplier of hardwood logs to India, will be putting into effect a complete ban on raw log exports. This move is a bid to increase exports of higher-earning finished products. If buyers in India expect to soon find themselves without wood from traditional sources, perhaps they have started looking elsewhere. Like to the west coast of Canada.

Please see bar chart on Page 6 for breakdown of Myanmar timber exports to various countries.

On March 3, 2013, an EU Timber Regulation (EUTR) came into effect to stop the circulation of illegally logged wood in the European Union.

In view of the looming EUTR, on April 1, Myanmar announced a draft forestry law to ban the export of the country's raw, unprocessed logs. The law, drafted by the Ministry of Environmental Conservation and Forestry, aims to tackle deforestation and encourage foreign investment in wood processing mills.

Please refer to the March 1, 2013 issue of your *Madison's Lumber Reporter* for details about EUTR.

"The new law will shine a spotlight on the illegal logs that are leaving the country and will create more processing jobs," says Jack Hurd, Asia Pacific region deputy director of The Nature Conservancy.

Despite having a forest coverage of as much as 48 per cent, Myanmar is only earning US\$500 per ton of teak and hardwood, according to *Clean Biz Asia* April 2. Meanwhile, competitors like Malaysia benefits by US\$20,000 per ton, thanks to the its wood-processing sector, says *Clean Biz Asia*.

According to the Union of Myanmar Federation of Chambers of Commerce and Industry, earnings from teak log exports for the year were almost US\$284 million, while hardwood logs earned about \$273 million.

Myanmar's forest coverage was down to 24 per cent in 2008 from 51 per cent in 2005, and 57 per cent in 1962. The main causes of deforestation are excessive harvesting of trees, rampant illegal logging, increasing use of firewood, as well as a shifting cultivation system.

In addition, Under the Ministry of Forestry's Annual Allowable Cut framework, production of teak will decline by 15 per cent in the 2012-13 financial year, while hardwood will fall by 20 per cent, Minister for Environmental Conservation and Forestry U Win Tun said at a planning meeting in October 2012.

While the Ministry did not provide export figures, it said teak production also fell 15 per cent in 2011-12, while hardwood production fell 20 per cent. Local news agencies in Myanmar reported recently that the country exported 371,000 metric tonnes of teak and 1.789 million metric tonnes of hardwood in 2011-12.

Myanmar produces about 283,000 cubic metres of teak and 1.98 million cubic metres of hardwood annually, according to *Timber Design and Technology* February 1. In addition, the country is also a major exporter of teak in the world, taking up 75 per cent of the global market. It ships teak to China, India, and other regional countries.

