

MADISON'S LUMBER REPORTER

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News & Updates

Madison's Timber Preview

This week's issue of *Madison's Timber Preview* examines the latest shenanigans with funding of the US Forest Service. Between the massive expenditures on recent forest fires in the US and government efforts to recall already-distributed moneys due to the sequester, timber-dependent states are quite in an uproar.

Contact us any time for a subscription to this worthwhile and timely information.

BC Steelworkers Issue Warning

The United Steelworkers Wood Council issued a release late Tuesday:

"Talks between the United Steelworkers and Canadian Forest Products have stalled after meeting briefly on Tuesday morning in Vancouver. As a result of this impasse, the BC Interior Bargaining Committee [. . .] will be asking their members for a mandate to back-up their demands at the bargaining table.

Negotiations between the USW and Canfor will resume later in September."

Bob Matters at the USW explained to *Madison's* in a phone interview Thursday, "We will get a mandate from our members to take into our next meetings; either negotiations will work toward an agenda or action will be taken very quickly."

Affected would be Canfor's northern Interior BC operations.

A representative from Canfor told *Madison's* in a phone interview Thursday that the company prefers "not to negotiate in public. However, bargaining is ongoing and we remain optimistic."

US ISM Manufacturing Index : August

Manufacturing activity in the US expanded at the fastest rate since April 2011 in August, fuelling optimism over the US economic recovery, industry data showed on Tuesday.

In a report, the Institute for Supply Management said its index of purchasing managers rose to 55.7 in August from a reading of 55.4 in July.

On the index, a reading above 50.0 indicates industry expansion, below indicates contraction. [READ MORE](#)

Canada's International Merchandise Trade

Canada's trade deficit more than doubled to \$931 million (US\$887 million) in July, reflecting deep-seated exporter challenges such as uncertain foreign markets and a strong Canadian dollar.

The deficit, the 19th in a row, was far greater than the \$350 million shortfall forecast by analysts. Statistics Canada, which issued the data on Wednesday, revised June's deficit to \$460 million from an initial \$469 million.

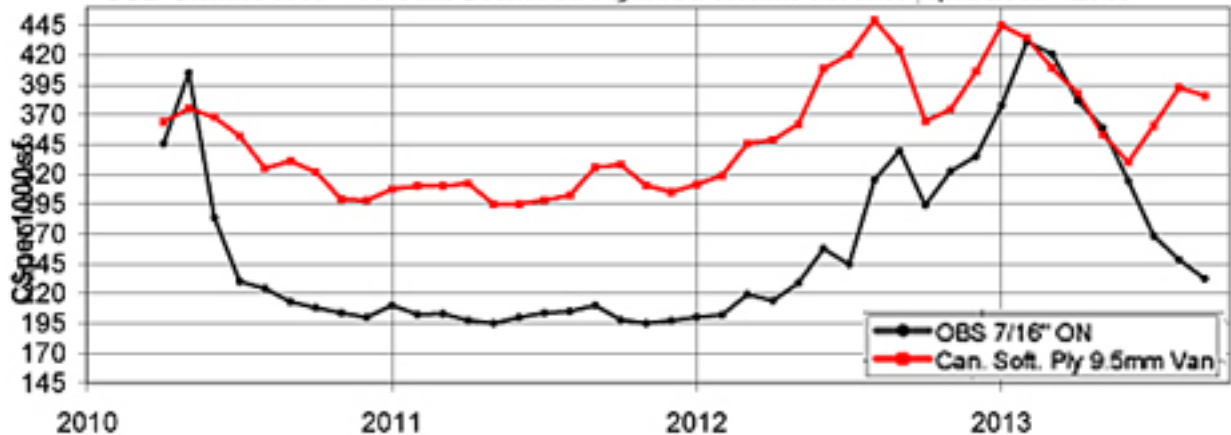
Overall imports grew by 0.6 per cent on higher shipments of metal ores and basic and industrial, chemical, plastic, and rubber products.

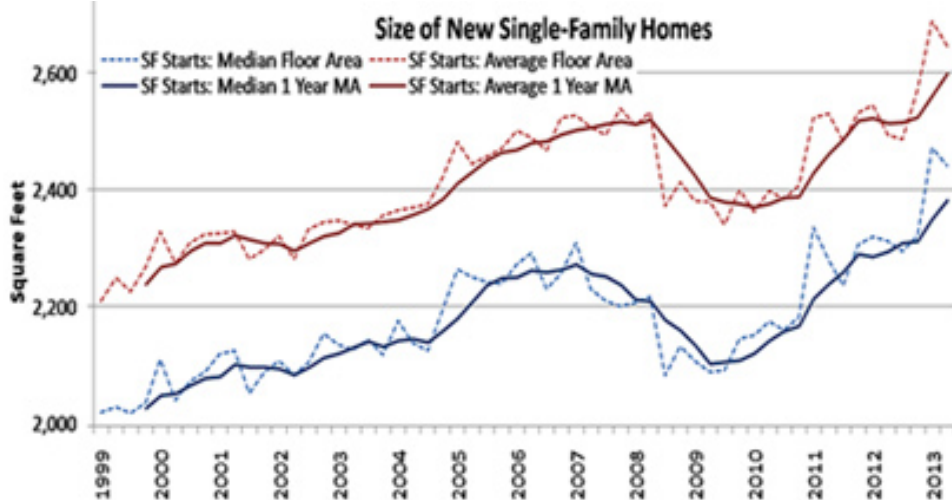
Exports fell by 0.6 per cent on lower shipments of aircraft as well as unwrought precious metals and their alloys. [READ MORE](#)

US Home Building Data and Expectations

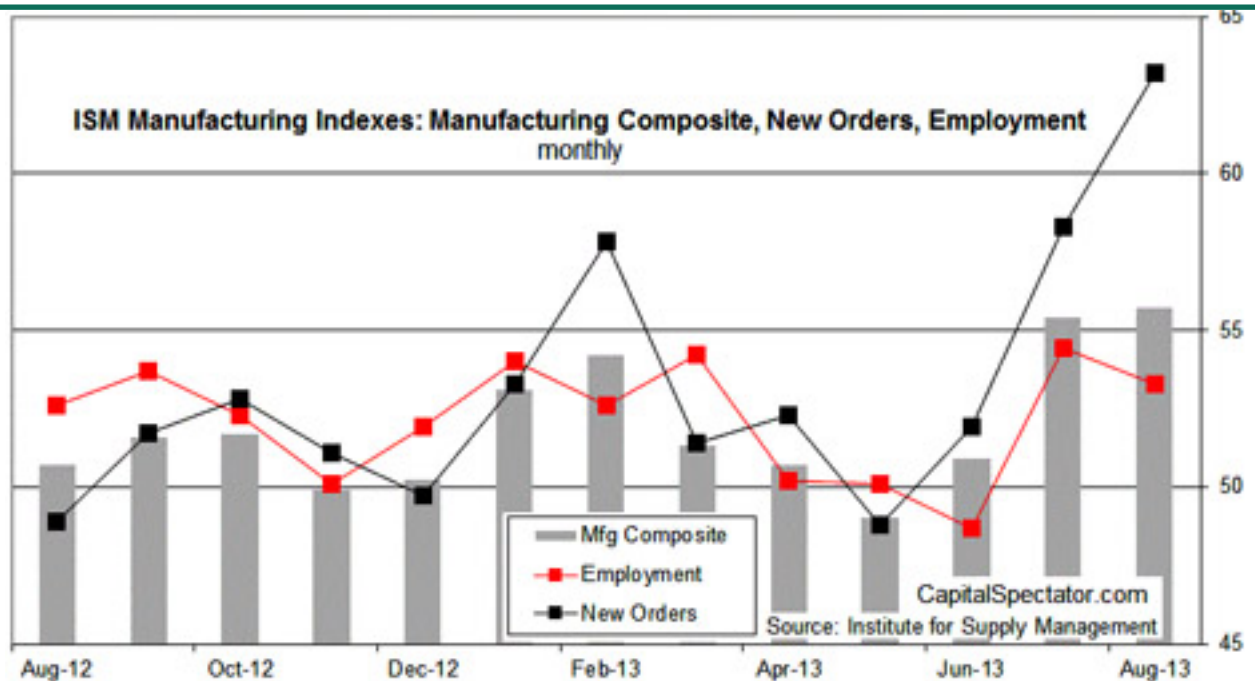
Recent information released by real estate analysts Trulia and CoreLogic, as well as projections by the National Association of Home Builders are examined. [READ MORE](#)

OSB Ontario 7/16" vs Can. Softwood Plywood 9.5mm Toronto April 2008 - 2013





SOURCE: NAHB Eye on Housing



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	335	328	+7	324	+11	312	+23
WSPF KD R/L 2x6	316	312	+4	304	+12	324	-8
WSPF KD R/L 2x8	325	318	+7	310	+15	308	+17
WSPF KD R/L 2x10	424	400	+24	345	+79	360	+64
WSPF KD PET 2x4 Stud	310	305	+5	310	0	325	-15
WSPF KD PET 2x6 Stud	275	275	0	280	-5	340	-65
Douglas Fir Green R/L 2x4	300	310	-10	310	-10	300	0
Douglas Fir Green R/L 2x10	410	410	0	399	+11	300	+110
ESPF KD 2x4 8ft Stud	370	375	-5	375	-5	400	-30
OSB Ontario 7/16" (CDN\$)	235	230	+5	260	-25	347	-112
CSplywood Toronto 3/8" (CDN\$)	385	390	-8	387	-5	441	-59

Weekly News

Manufacturing Index, US

CONTINUED The report showed that the ISM index of manufacturing prices rose to 54.0 last month from 49.0 in July. The New Orders Index registered 63.2 in August, while the Employment Index fell to 53.3 from 54.4 in July.

Canada Trade Deficit

CONTINUED Export volumes dropped by 1.7 per cent, which David Madani, Canadian economist at Capital Economics, said added to concerns that Canada was not fully benefiting from a gradually improving US economy.

"With export competitiveness challenges likely to persist, the Bank of Canada's export-led recovery could face significant delays," he said in a note to clients.

Exports to the United States, which comprised 75.1 per cent of all Canadian exports in July, grew by 0.8 per cent to \$29.45 billion but are still well below the all-time high of \$34.24 billion in July 2008.

July imports from the United States advanced by 2.7 per cent to hit a record \$26.27 billion. As a result, the trade surplus with the United States shrank to \$3.17 billion from \$3.62 billion in June.

The cumulative trade deficit for the first seven months of the year was \$5.67

billion, the second highest January-July shortfall on record after the \$7.63 billion posted in 2012.

Louisiana Pacific Acquires Ainsworth

US forestry giant Louisiana-Pacific said Wednesday it plans to buy Vancouver-based Ainsworth Lumber for US\$1.1 billion, according to a joint statement by the two companies.

Louisiana-Pacific said it will pay \$3.76 per share for all of the remaining common shares in the Canadian lumber company, resulting in an approximate 30 per cent premium over the company's closing price of \$2.89 on Sept. 3.

Shares in Ainsworth closed up five Canadian cents, or 1.73 per cent, at \$2.94 Wednesday on the Toronto Stock exchange.

Louisiana-Pacific said the deal also means it will assume all of Ainsworth's debt.

According to the statement, the combined companies generated approximately \$2.5 billion U.S. in sales in the last 12 months ended June 30, on a pro forma basis.

Ledcor Opens Mill

Decades after the last sawmill left the Chilliwack, BC, area, Ledcor Resources and Transportation is nearing completion on a new \$18 million mill that will produce low-end wood products called cants des-

igned for Asian markets, according to the *Chilliwack Times* Friday.

With construction on the mill nearly complete, the operation added a second shift of unionized workers last week.

At a media event Thursday, Ledcor Resources and Transportation CEO Dave Lede told workers, "We're going to prove to you that you can make more money than any other sawmill worker in the province."

The mill takes whole logs and turns them into cants—long, square pieces of wood milled from spruce, pine, fir and hemlock. The rest of the log is then used to manufacture wood chips and hog fuel.

COFI Announces . . .

The Council of Forest Industries (COFI) Board of Directors announced this week the appointment of James Gorman as President and Chief Executive Officer effective September 23, 2013.

Gorman brings extensive public policy and senior management experience to his new role. He most recently served the Government of British Columbia as the Deputy Minister of Advanced Education and prior to that as Deputy of Education (K-12) and the BC Public Service Agency.

Gorman has a Masters Degree in Political Science from McGill University and a Bachelors Degree from the University of British Columbia.



Housing Data, US Home Sales, Prices, Inventory

Just as home building numbers in the US seem to be truly improving, several analysts are weighing in on the pace of recovery.

John McMalcom at *US Business Review* wrote Thursday, "The prices of homes in the US have risen sharply, and they are between 7 and 12 per cent higher than they were 12 months ago. Over the same period, home sales increased by over 15 per cent and the number of foreclosures fell about 32 per cent. One of the main factors driving the housing recovery is a more accommodative monetary policy, which includes the purchasing of

by Kéta Kosman

mortgage-backed securities by the Federal Reserve.

Lower mortgage rates and returns on financial assets, as well as mortgage programs such as HARP and HAMP, are also contributing significantly to the rise in home sales."

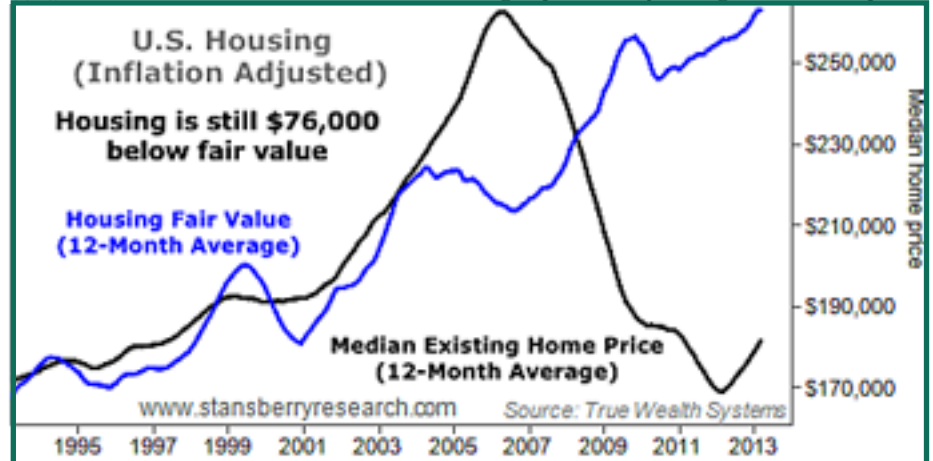
One factor that may slow down the increase in home sales is the dwindling supply of homes for sale. The number of existing homes for sale decreased from 2.4 million a year ago to 2.28 million in July.

Trulia, an online marketplace for home buyers, sellers, renters, and real estate professionals, said Thursday that asking home prices in August rose 11 per cent compared to 2012 and 1.2 per cent compared to July. However, a closer look at the quarterly changes in asking home prices reveals a downward trend that's much less volatile than the monthly changes suggest. Quarter-over-quarter, asking home prices rose 3.1 per cent in August, down from 3.2 per cent in July and 4 per cent in April. And this downward slope will likely continue as mortgage rates rise, inventory expands, and investor interest declines, Trulia says.

"The [mortgage] rate spike since early May has raised the cost of a mortgage by more than 10 per cent, but rising rates aren't the whole story behind the price slowdown," said Jed Kolko, Trulia's Chief Economist. "Expanding inventory and declining investor interest have helped cool prices, too. At the same time, mortgage credit has finally started to expand, and the economy continues to strengthen – both of which boost housing demand and offset some of the dampening effect of rising rates."

For its part, CoreLogic said Tuesday that US home prices, including distressed sales, increased by 12.4 per cent in July 2013 from a year earlier, marking the 17th consecutive month of year-over-year home price gains, and posting the highest annual price gain since February 2006. Excluding distressed sales, home prices increased by 11.4 per cent year-over-year. Home prices nationwide remain 17.6 per cent below their peak of April 2006.

Looking forward, CoreLogic expects home prices to rise in August by 12.3 per cent.



Home Depot CEO Frank Blake told *Bloomberg* Thursday that rising home prices this year will spur renovation spending, helping the retailer even as increasing mortgage rates put pressure on the US housing recovery.

The Atlanta-based company will continue to benefit this year from a surge in business from private equity firms and other investors fixing up properties and renting them out, Blake said. The chain operates a unit catering to these customers, who favour products that are durable and easy to replace, Blake added.

For these buyers, "style isn't your top consideration," he said. Their mindset is to turn around the investment "in a couple of years."

Elsewhere, it seems a shortage of buildable lots in the US is one of the major factors slowing a solid housing recovery, according to the latest survey by the National Association of Home Builders released Wednesday.

In the survey, 59 per cent of builders reported low supply of lots, an increase from 43 per cent in September last year.

Responding to special questions on the survey for the NAHB/Wells Fargo Housing Market Index in August, 59 per cent of builders reported that the supply of lots in their markets was low or very low, the largest low supply percentage since NAHB began periodically asking builders the ques-

tion in 1997. Moreover, this lot shortage has emerged against the backdrop of a housing recovery that is still modest by historical standards. To this point, housing starts have recovered from a low of 550,000 in 2009 to an annual rate of just under 900,000. This after averaging 1.5 million a year from 1960-2000, without ever plunging below 1 million until 2008.

The shortages of lots tend to be in the most desirable, "A" locations, where 34 per cent of builders said supply was very low. This compares to 18 per cent for lots in "B" locations and 12 per cent in "C" locations.

The lower number of available lots has translated to higher prices for builders, NAHB reports. The survey found 34 per cent of home builders said the price of developed A lots was higher than last year. Higher lot prices eventually mean high home prices for buyers, which are expected to stay on their recent upward trend.

