

MADISON'S LUMBER REPORTER

Publisher
KetaDesign Productions
Editor
Kéta Kosman
Market Analyst
Earl Heath

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www.madisonsreport.com
madrep@shawcable.com
604 984-6838
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News & Updates

Labour Negotiations Move to Southern Interior

The United Steelworkers' Wood Council has put its ongoing mediation with Canfor "on hold" a rep told *Madison's* Thursday, although the union has not yet asked the mediator to "book out".

In the meantime, USW and Interior Forest Labour Relations Association (IFLRA) are scheduled to talk October 23 and 24. IFLRA negotiates for employers in the Southern Interior region of British Columbia. Member companies include Tolko, West Fraser, and Weyerhaeuser.

Canada Housing Starts

The Canadian housing market continues its optimistic trend, with housing starts rising 5.3 per cent in September to 194,000 units on an annualized basis, according to the Canada Mortgage and Housing Corp Tuesday. That's an improvement on the 183,964 starts in August, with most regions of Canada seeing an increase in construction activity.

Starts for single family homes were up 1.4 per cent to 63,535 units across the county. Statistics Canada's figures for building permits, released Monday, show the value of residential building permits was down 5.4 per cent to \$3.9 billion in August with the number of multi-family dwelling permits down substantially. [READ MORE](#)

Housing Starts, Japan

Japan's total housing starts for August was 84,343 units, an 8.8 per cent increase over one year ago and the 12th consecutive month of improvements, according to the *Japan Lumber Reports*.

Seasonally adjusted, new home building was 960,000 units. [READ MORE](#)

2013 US Foreclosures Drop Compared to 2012

RealtyTrac Thursday released its *US Foreclosure Market Report* for September and for 3Q 2013. It shows foreclosure filings - default notices, scheduled auctions and bank repossessions - were reported on 131,232 US properties in September, a 2 per cent increase from the previous month but a 27 per cent decrease from a year ago.

September was the 36th consecutive month with an annual decrease in US foreclosure activity.

September numbers helped drop 3Q foreclosure activity to the lowest quarterly level since 2Q 2007. There were a total of 376,931 US properties with foreclosure filings in 3Q 2013, down 7 per cent from the previous quarter and down 29 per cent from 3Q 2012 - the biggest annual decrease since 2Q 2011.

One in every 348 housing units in the US had a foreclosure filing during the quarter, said RealtyTrac. [READ MORE](#)

Log Volumes, Lumber Exports, US Politics

Recent data shows that North American lumber production and exports for the first seven months of 2013 were improved over 2012. As the business of timber harvesting and lumber manufacturing winds down for the year, operators in the US worry about getting into the forest while their government remains shutdown. [READ MORE](#)

CANADIAN HOUSING STARTS

Actual and Seasonally Adjusted Annual Rates

	September 2013		August 2013	
	Actual	SAAR	Actual	SAAR
Canada, all areas	17,559	193,637	16,289	183,964
Canada, urban ctrs > 10,000	15,451	177,240	14,318	169,964
Canada, singles, urban centres	5,838	63,535	5,506	62,643
Canada, multiples, urban centres	9,613	113,705	8,812	107,322
Canada, rural areas	2,108	16,397	1,971	13,999
Atlantic region, urban centres		9,022		6,951
Quebec, urban centres		31,716		29,943
Ontario, urban centres		51,808		68,482
Prairie region, urban centres		49,061		39,339
British Columbia, urban centres		29,633		25,250

Source: Canada Mortgage and Housing Corporation

JAPANESE HOUSING STARTS

Month	TOTAL	Non-Wood	Wood	%Wood
Aug-13	84,343	36,442	47,901	57
Jul-13	84,459	37,939	46,520	55
Jun-13	83,704	36,230	47,474	57
May-13	79,751	36,751	43,000	54
Apr-13	77,894	34,133	43,761	56
Mar-13	71,456	31,819	39,637	55
Feb-13	68,969	33,242	35,727	52
Jan-13	69,289	31,982	37,307	54
Dec-12	75,944	32,392	43,552	57
Nov-12	80,145	34,396	45,749	57
Oct-12	84,251	37,883	46,368	55
Sep-12	74,176	31,159	43,017	58

Source: Japan Wood-Products Information and Research Center

Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	358	356	+2	338	+20	292	+66
WSPF KD R/L 2x6	338	338	0	324	+14	307	+31
WSPF KD R/L 2x8	336	344	-8	328	+8	298	+38
WSPF KD R/L 2x10	450	450	0	424	+26	350	+100
WSPF KD PET 2x4 Stud	325	325	0	315	+10	285	+40
WSPF KD PET 2x6 Stud	295	295	0	280	+15	295	0
Douglas Fir Green R/L 2x4	320	325	-8	310	+10	265	+55
Douglas Fir Green R/L 2x10	466	440	+26	418	+48	310	+156
ESPF KD 2x4 8ft Stud	375	375	0	375	0	365	+10
OSB Ontario 7/16" (CDN\$)	235	247	-12	235	0	275	-40
CSplywood Toronto 3/8" (CDN\$)	371	390	-19	373	-2	380	-9

Weekly News

Housing Starts, Canada

CONTINUED Only Ontario saw a decline of 18 per cent in housing starts because of a steep drop in building in the Toronto area. There were 25,000 starts in Toronto in September, down from over 40,000 the previous month and 39,800 a year earlier.

In most urban areas, multi-unit projects such as condominiums and townhouses experienced growth, with starts rising 4.3 per cent across the country in September to 177,240 units. Multi-dwelling starts had fallen steeply in August, in response to a softening in condo prices.

Japan Housing Starts

CONTINUED Observers were surprised that August housing starts in were up, given "torrential downpours in the Western part of Japan", says *Japan Lumber Reports*. The looming consumption tax increase was credited for current buyer enthusiasm.

New starts of owners units were 31,379, an 11.2 per cent improvement over August 2012. Detached units built-for-sale increased by 11.3 per cent to 11,983.

Starts of wood-based units similarly increased by 11.4 per cent, to 47,901 units.

US Foreclosure Rates

CONTINUED "The September and 3Q foreclosure numbers show a housing market that is haltingly returning to health," said Daren Blomquist, vice president at RealtyTrac. "In a healthy housing market foreclosures are rare but streamlined while still protecting the rights of the homeowner. While foreclosures are clearly becoming fewer and farther between in most markets, the increasing time it takes to foreclose is holding back a more robust and sustainable recovery."

Canadian Trade : August

Canada's merchandise imports grew 2.1 per cent in August, while exports were up 1.8 per cent, Statistics Canada said Tuesday. As a result, Canada's trade deficit with the world went from \$1.2 billion in July to \$1.3 billion in August.

Imports grew to \$41.1 billion, led by energy products, aircraft, and other transportation equipment and parts. Overall, volumes rose 1.2 per cent and prices were up 0.9 per cent.

Exports increased to \$39.8 billion, as volumes grew 1.4 per cent and prices edged up 0.4 per cent.

Exports to the United States increased 1.9 per cent to \$30.1 billion, their highest value since December 2011.

Ear Falls to Restart

A new long-term labour deal between EACOM Timber and Unifor has resulted in EACOM formally announcing this week that it will re-start the Ear Falls, ON, sawmill in the spring.

The sawmill has been idled since December 2009, the height of the US housing crash.

The Ear Falls sawmill will produce more than 150 million board feet of stud lumber annually, with up to 125 Unifor members at the sawmill site and up to 175 more Unifor members in log harvesting and hauling operations in the Trout Forest.

The new contract, in place from the 2014 spring start-up until May 1, 2022, features wage increases of 20 per cent over the eight years, according to the Fort Frances Times Thursday.

It also includes a new DC Pension plan, a \$750 annual tool allowance for trades, a \$200 boot allowance, \$275 for prescription eye glasses, and one additional stat holiday.

There is strong language related to seniority, layoffs, postings, bumping, and contracting out.

Universal Acquires . . .

Universal Forest Products announced Wednesday an agreement, through one of its subsidiaries, to acquire some assets of SE Panel and Lumber Supply. Financial terms of the transaction have not been disclosed.

SE Panel and Lumber Supply is a South Daytona, FL-based distributor of Olympic Panel overlay concrete forming panels and commodity lumber products. Key end markets served include concrete forming and construction industries.

The transaction is anticipated to be complete by mid-Nov 2013. Universal Forest Products will gain from easy accessibility of the acquired assets to end markets served, especially the southeastern region of the United States.

Stella Jones Buying . . .

Stella-Jones is further expanding its North American network for supplying utility poles and railway ties with the purchase of wood treatment facilities in Oregon, Nevada, and Arizona for US\$57 million, including US\$24 million in working capital, the company announced Tuesday.

The acquisition of the Pacific Wood Preserving Companies is expected to close in November and be funded primarily from existing credit facilities and a US\$7-million vendor note.

The transaction includes a wood concentration yard in Texas but excludes operations in Bakersfield, CA.

The acquired companies had US\$52.4 million of sales in the past fiscal year, about five per cent of Stella-Jones' projected fiscal 2013 revenues.

Politics and Lumber Exports North America

This extended US government shutdown has begun to affect that country's exports, while Bank of Canada economists warn that Canadian export volumes will likely drop in 4Q 2013.

According to the *Wall Street Journal* Wednesday, "The US government's partial shutdown is beginning to gum up trade, with companies unable to gain approval to import or export computer gear, lumber, steel and other products [. . .] All pesticide imports to the US have been halted, according to the Environmental Protection Agency, which must approve them but has had more than 90 per cent of its staff furloughed. Some US technology companies can't fill overseas orders."

Other US government departments besides those in trade are affected by the shutdown. Logging operations became a victim of the federal government budget impasse after the US Forest Service (USFS) suspended timber contracts on federal lands throughout the nation. According to the USFS, 2.5 billion board feet of timber was harvested from 150 national forests in 2012, a 2.5 per cent increase over the 2.44 billion board feet cut in 2011. The USFS says loggers have taken 2.8 billion board feet out of federal forest in the first three quarters of 2013.

In an October 3 letter to regional foresters, Craig Bobzien, Acting Director of Forest Management at the USFS, directed timber sales contracting officers to send notices to 450 logging operations "to delay or suspend operations until notified otherwise."

Logging has been shutdown on 150 national forests nationwide. The loggers were given seven days to finish cutting and hauling out logs on sites where they have already been working.

The logging suspension will eventually impact mills that make wood products. In Montana, the eight mills affected derive eight to 14 per cent of their logs from public lands.

Scott Kuehn, president of the Montana Wood Products Association, told *Land and Timber Talks* Wednesday, "It's a big deal for all of us. This is our final big push before the snow comes. We're all scrambling. We all can't just move to private or state lands in order to get by."

Steve Brink with the California Forestry Association said about a dozen of his group's members will be affected by the

suspensions, although, so far, none have received shutdown notices from the contract officers who control the timber sales, according to *ProSales* Tuesday.

Brink says it's difficult to determine the cost of the shutdown on logging companies. "Every woods contractor's situation will be different as far as cost," he says. "Many would do their erosion control this week, and then pull their equipment out, go to another job, and not come back this season when the suspension is lifted."

Meanwhile, Bank of Canada Senior Deputy Tiff Macklem said Tuesday that Canadian growth forecasts need to be pulled back, "We are now expecting growth in the third and fourth quarters of this year to be in the 2 per cent-2.5 per cent range before strengthening next year as the rotation to exports and investment gains momentum."

The Bank of Canada had previously forecast growth of 3.8 per cent for 3Q of this year and 2.5 per cent the following quarter, said the *Financial Post* October 1. However, the new adjustments followed a weak 1.7 per cent increase in 2Q 2013, which was still much better than the 1 per cent reading the bank had originally expected.

"[. . .] recovery in US housing, in particular, is creating new demand for Canadian exports of lumber and building supplies," continued Macklem. "Japan and Europe are in tentative recovery mode, even as China has slowed to a 'still-solid pace of 7.5 per cent, and confidence is growing.' Of concern, though, is increased financial volatility and weaker growth."

As for BC, that province's economic growth rate will drop from 1.8 per cent last year to a four-year low of 1.5 per cent for 2013 – dragged down by sluggish job growth, slowing housing investment and a dip in consumer spending, according to

RBC's latest provincial outlook.

But the forecast suggests that increasing exports and more capital spending on major projects next year will help the provincial economy rebound to a more robust 2.7 per cent growth rate in 2014. BC merchandise exports rose nearly five per cent in the first seven months of 2013, with wood-product exports surging 29 per cent – driven by stronger sales in the US and China. Exports of metals, machinery and equipment, natural gas, electricity and various food products also showed improvement.

"Wood product exports surged impressively by 29 per cent—driven higher by stronger sales in the US (up 51 per cent) and China (up 31 per cent)—although part this increase reflected a substantial rise in softwood lumber prices," says the RBC's Provincial Outlook September 2013 report.

By comparison, the latest Washington State Department of Natural Resources Economic and Revenue Forecast states:

Pacific Northwest log prices have also moved up sharply after being fairly flat for 2011 and most all of 2012. The price for a 'typical' DNR log delivered to the mill climbed dramatically to a nominal high of US\$587/mbf in April, the highest price since 2000. The log price has fallen off a bit in August to US\$564/mbf, mimicking the recent drop in lumber prices.

Projected timber sales volumes for fiscal years (FY) 2014-2017 are unchanged from the June Forecast. Timber sales volumes are now predicted to be 540 mmbf in FY 2014 and about 500 mmbf in each of the outlying years.

According to the Western Wood Products Association's latest *Lumber Track*, out Thursday, US softwood lumber consumption and exports for the first seven months of 2013 are:

US Softwood Lumber Exports (million board feet)

	7 months YTD				2Q 13	2Q12	% Chg
	2013	2012	% Chg	Y to Y%			
To China	178	147	20.8	167.6	68	48	42.3
To Japan	105	100	5.3	21.8	48	44	10.9
Total Lumber Exports	994	916	8.5	17.6	444	393	12.9

US Softwood Lumber Consumption (million board feet)

	7 months YTD				2Q 13	2Q 12	% Chg
	2013	2012	% Chg	Y to Y%			
Lumber Shipments	17,499	16,439	6.4	6.6	7,480	7,202	3.9
Plus Imports	6,696	5,655	18.4	8.3	3,016	2,434	23.9
Minus Exports	(994)	(916)	8.5	17.6	(444)	(393)	12.9
Apparent Consumption	23,200	21,177	9.6	6.7	10,052	9,243	8.8

SOURCE: Western Wood Products Association