

MADISON'S LUMBER REPORTER

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News & Updates

Madison's Timber Preview

The British Columbia government has just signed a new type of timber supply agreement with the Westbank First Nation, near Kelowna, BC. This week's issue of *Madison's Timber Preview* examines the latest changes and developments with access to the land base in BC.

Contact us any time to subscribe to this worthwhile and timely information!

State of Canada's Forests Report 2013

The State of Canada's Forests Report 2013 was tabled by Parliamentary Secretary Kelly Block, MP, in the House of Commons Wednesday. The report highlights the tangible results achieved through the Government of Canada's support for the forest sector, creating innovative products and technologies and expanding markets for existing and new products.

"This year's report confirms that Canada's forest sector is emerging from the economic downturn more diversified and energized than ever before. Canada's forest sector is providing exciting new products for the domestic and international markets, providing jobs for 234,000 Canadian workers and contributing \$19 billion to our nation's economy" said Joe Oliver, Canada's Minister of Natural Resources, in a statement.

"Our government has worked with industry and other governments to remove barriers to accessing new markets and to find innovative ways of using Canadian wood products. [...] The result of these combined efforts to expand markets will be felt throughout the entire forest sector and lead to more jobs." [READ MORE](#)

Japan Housing Starts

October housing starts in Japan were at 90,226 units, a 7.1 per cent increase over October 2012, according to the *Japan Lumber Reports* Friday. Housing starts have been on the increase for 14 consecutive months, and this is the first time monthly starts in Japan passed 90,000 units since October 2008. [READ MORE](#)

Sawmill Fire Quickly Contained

A fire that broke out at the Spearfish Forest Products sawmill in Spearfish, SD, Monday evening was contained to the planer building and an adjacent shavings bin but did not cause a significant amount of damage.

Firefighters responded in the afternoon to a report of a fire. [READ MORE](#)

US New Construction Trends : 2013

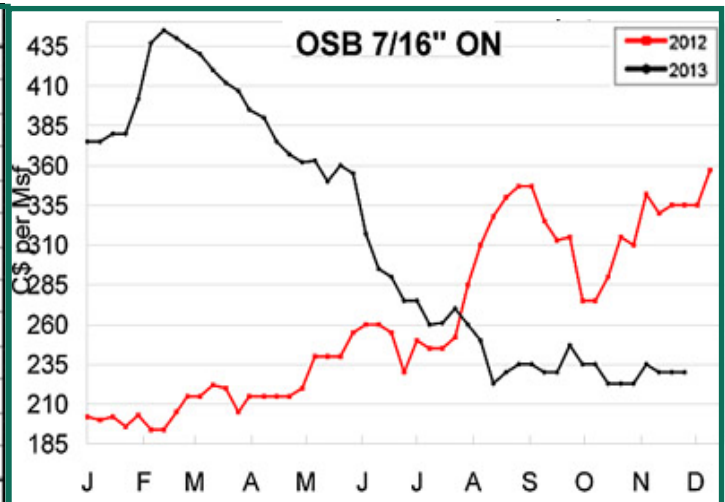
Permits for future US home construction rose to their highest in nearly 5-1/2 years in October and prices for single-family homes notched big gains in September, new data revealed Tuesday.

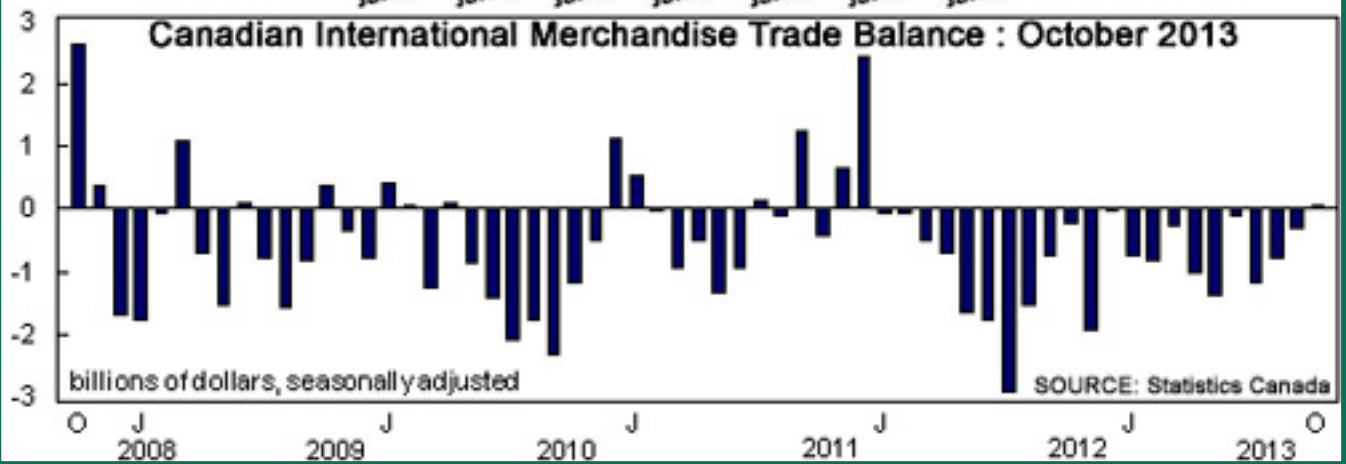
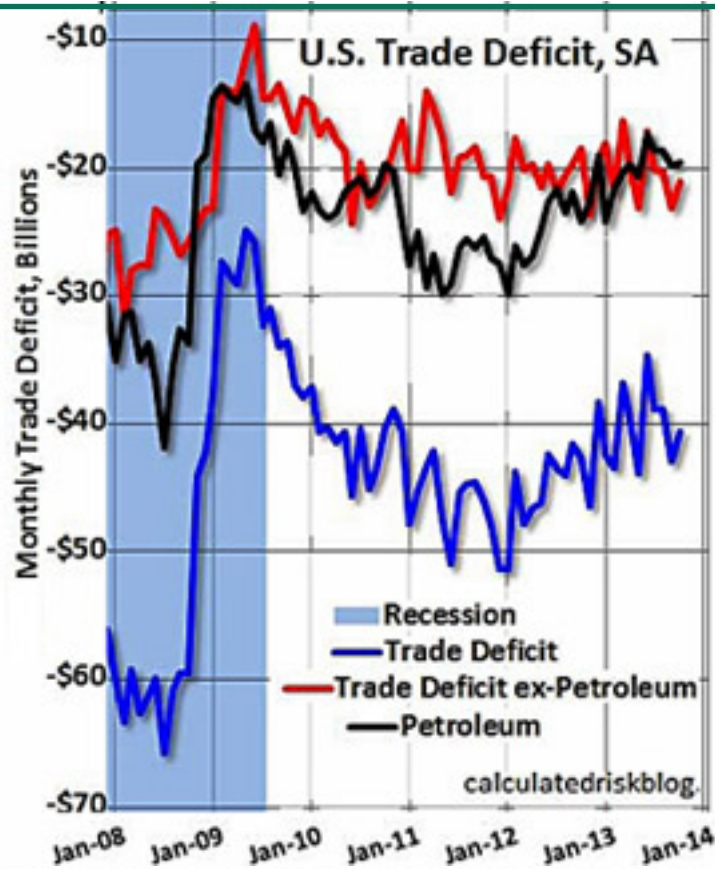
US building permits jumped 6.2 per cent to a seasonally adjusted annual rate of 1.03 million units, the highest since June 2008. Permits, which lead housing starts by at least a month, increased 5.2 per cent in September and were up 13.9 per cent from a year ago. [READ MORE](#)

JAPANESE HOUSING STARTS

Month	TOTAL	Non-Wood	Wood	%Wood
Oct-13	90,226	37,009	53,217	59
Sep-13	88,539	39,421	49,118	55
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

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	370	380	-10	382	-12	358	+12
WSPF KD R/L 2x6	352	360	-8	360	-8	368	-16
WSPF KD R/L 2x8	336	354	-18	358	-22	355	-19
WSPF KD R/L 2x10	438	454	-16	454	-16	364	+74
WSPF KD PET 2x4 Stud	310	325	-15	320	-10	320	-10
WSPF KD PET 2x6 Stud	305	315	-10	305	0	300	+5
Douglas Fir Green R/L 2x4	325	345	-20	340	-15	300	+25
Douglas Fir Green R/L 2x10	500	545	-45	525	-25	325	+175
ESPF KD 2x4 8ft Stud	375	375	0	380	-5	390	-15
OSB Ontario 7/16" (CDN\$)	230	230	0	223	+7	335	-105
CSplywood Toronto 3/8" (CDN\$)	386	386	0	378	+8	402	-16

Weekly News

State of Canada's Forests, 2013

CONTINUED Canada's forest industry, while enjoying thriving and growing markets in Asia and a rebound in US housing construction, could see its long-term supplies jeopardized, according to 2013 edition of Natural Resources Canada's annual report, *The State of Canada's Forests*, released Thursday.

"Canada's forests are undergoing significant changes as a result of a changing climate, including more frequent fire, drought, and disease and insect attacks," the report states.

"This increase in disturbances ... could impact Canada's supply of quality fibre in the long run, posing some risks to both industry transformation and sector competitiveness. Innovative, science-based policy solutions, mitigation strategies and forest management approaches will therefore be needed to help decision-makers at every level navigate the way forward."

Sawmill Fire

CONTINUED Tom Shaffer, general manager at Spearfish Forest Products said to the *Black Fish Pioneer* Tuesday morning, "We're still not 100 per cent sure on how or where the fire started.

Shaffer said the mill's employees responded quickly and the sprinkler system kicked in as it was supposed to. It still took firefighters about an hour to bring the fire under control, said Wallace White, the chief of the Spearfish Volunteer Fire Department.

"The part that was a little bit dicey was when (the fire) went up the blow pipe and to the shaving bins," Shaffer said.

The blow pipe takes shavings away

from the planer and to a bin where they can be loaded into trucks.

The planer that was damaged was about 30 years old.

First Assistant Fire Chief Eric Herdt said to the *Rapid City Journal* Tuesday, "Once on scene, we found fire on the outside of the planer building."

Herdt said the department responded with three chiefs, four engines, one ladder truck, one rescue unit, two water tenders and 25 firefighters. The fire started in a blower inside the planer building, then spread to sawdust bins on the exterior of the building, he said.

Spearfish Forest Products is owned by Neiman Enterprises Inc. of Hulett, WY. About 200 people are employed at that sawmill.

Housing Starts, Japan

CONTINUED On a seasonally adjusted basis, Japan housing starts were at 1.037 million units in October, says the *Japan Lumber Reports*.

New building of owner's units maintained the 30,000 level for five consecutive months. Wood based building was at 53,217 units, an 8.3 per cent improvement over October of last year. Of those wood framed units, 11,680 were 2x4 construction, a 4.7 per cent increase over one year ago.

Japan's Ministry of Land, Infrastructure and Transport commented that builders continue to have steady building plans for the future.

Canada Building Permits

Canadian municipalities issued building permits worth \$7.2 billion in October, up 7.4 per cent from September, Statistics Canada said Thursday. This followed a 4.1 per cent rise in the previous month.

The total value of permits showed a slight upward trend on the strength of eight monthly increases since the beginning of the year.

The increase in October resulted from higher construction intentions for both the residential and non-residential sectors, principally in Ontario.

Construction intentions in the residential sector posted their second straight monthly increase, rising 6.4 per cent to \$4.4 billion, the highest level since May 2013.

In the non-residential sector, the value of permits rose 9 per cent to \$2.8 billion, the sixth monthly increase since the beginning of the year.

Trade Surplus, Canada

Canada posted its first trade surplus in almost two years in October, although analysts were quick to note that the surprise reversal after a string of 22 consecutive deficits did not signal a long-awaited turnaround in the export sector.

The tiny \$75 million surplus, from a revised \$303 million deficit in September, was achieved primarily because of a 1.2 per cent decline in imports, Statistics Canada said Wednesday.

In fact, exports continued to struggle, dropping 0.3 per cent — 0.6 per cent in volume terms — during the month, as shipments of energy products, motor vehicles and parts, metal and non-metallic mineral products and aircraft and other transportation equipment and parts all fell.

Overall, exports dipped to \$40.5 billion in October and imports to \$40.4 billion.

The report came out on the same day that the Bank of Canada cited the weak performance of the Canadian export sector, along with low inflationary pressures, for its gloomy view that the economy won't return to full production capacity until the latter half of 2015.

US Construction, Housing

2013 Trends

A separate report showed the S&P/Case Shiller composite index of 20 metropolitan areas increased 13.3 per cent in September from a year ago, the strongest gain since February 2006. Prices were up 0.7 per cent in August.

Meanwhile, US new home sales recorded their largest monthly increase in more than 33 years in October, pointing to housing market volatility in response to a rise in mortgage interest rates in recent months.

Sales surged 25.4 per cent to a seasonally adjusted annual rate of 444,000 units, according to Commerce Department data on Wednesday, surpassing expectations of 425,000. Compared with October last year, new home sales were up 21.6 per cent.

Despite double-digit gains in new home sales across the country in the month, economists expect the numbers to be revised lower, particularly given the volatile nature of this data series.

Sales in September fell 6.6 per cent to 354,000 – the lowest level since April 2012 – from a downwardly revised 379,000 in August. The previous two months were also lower than initially reported.

One factor curbing sales is the tight stock of new home inventories. The month's supply of homes for sale fell to 4.9 in October, down 23.4 per cent from September. Even as supplies remain tight, the median price of a new home ticked 0.6 per cent lower from a year ago.

Among those calling for caution when examining these latest figures is Dave Kranzler, who wrote on Seeking Alpha Wednesday, "a careful analysis of today's report reveals serious weakness in new homes sales, beginning in July, and it shows fundamental problems with how the Census Bureau (CB) estimates monthly new home sales."

Kranzler points out that the number published for August - originally said to be 421,000 and a 14.1 per cent sequential increase over July - was revised down massively to 379,000. With this revision, the original report that showed an increase from July to August has now become a 2.9 per cent decline from the original July revision. But July's revised number was once again revised lower from 390,000 to 373,000.

Kranzler maintains that data for both August and September will similarly be revised downward, citing the average 25 per cent cancellation rate between the time new intentions are announced and actual

sales are completed.

For his part, Nicholas Pardini of Nomadic Capital Partners maintained Tuesday, "Since the middle of 2011, the US housing market made an intermediate bottom and started to rally again. However, this rally has very little fundamental backdrop, and was due to Quantitative Easing related pressure to hold down rates."

Pardini points to sellers increasingly needing to lower their asking prices in order to close a home sale.

However, according to Redfin November 6, the latest data reveals that, for the first time in seven months, price drops became less common in October, with price drops occurring on only 24 per cent of active listings. This marks a clear end to the seven-month rise in price drops, said the real estate market information provider. As home prices are now increasing at a less dramatic rate, sellers and agents are better able to price homes accurately without having to make adjustments later. Redfin analysts also expect price drops to be less common heading into autumn and winter months as home sellers tend to be in less of a rush at this time of year.

Elsewhere, total private residential construction spending in the US decreased slightly from the revised August

and newly released September figures to a seasonally adjusted annual rate of US\$326.9 billion in October 2013 according to Census estimates released Monday. The current reading is a 0.6 per cent decrease from the prior month and 17.8 per cent higher than a year ago.

Monday's release included September and October data for construction put in place. The September data release was delayed by the government shutdown. The September reading was a 1.7 per cent increase from August and 10.3 per cent higher than a year ago.

Total private residential construction spending was at a market low point of US\$228.5 billion in June 2009. Although spending improved for all categories, the figures are well below their respective peaks. Since market low points, total private residential construction spending is up 43.1 per cent, single-family 86.9 per cent, multifamily 163.6 per cent, and improvement-related spending 17.1 per cent.

Single-family spending registered a decrease of 0.6 per cent for the month. The home improvement category saw a decrease of 1.2 per cent for the month. The multi-family category saw a healthy increase of 2.2 per cent.

