

MADISON'S LUMBER REPORTER

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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

US Housing Starts

Housing starts in the US jumped in April and building permits hit their highest level in nearly six years, offering hope that the troubled housing market could be stabilizing.

The Commerce Department said Friday groundbreaking increased 13.2 per cent to a seasonally adjusted annual pace of 1.07 million units, the highest level since November 2013.

Starts rose by a revised 2 per cent in March. They had previously been reported to have gained 2.8 per cent.

Last month, groundbreaking for single-family homes, the largest segment of the market, rose 0.8 per cent to a 649,000-unit pace. Starts for the volatile multi-family homes segment surged 39.6 per cent to a 423,000-unit rate.

Permits to build homes jumped 8 per cent to a 1.08-million unit pace in April.

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Housing Starts, Japan

According to the Ministry of Land, Infrastructure, Transport and Tourism, Japan's housing starts in March were 69,411 units, down 2.9 per cent from the same month in the previous year, said the Japan Lumber Journal Thursday. This marked a year-on-year reduction for the first time in 19 months. Seasonally adjusted annual rate was 896,000 units, which went below the 900,000-unit mark for the first time since January 2013.

Total floor area decreased in the wake of the previous month to 5,915,000 square meters, down 6.2 per cent. As a result, total housing starts in the 2013 fiscal year were 987,254 units, up 10.6 per cent from the previous fiscal year. CONT'D PAGE 7

US Freight Tonnage

US freight carload traffic rose 5.6 per cent for the week, measured against the comparable week in 2013, while US intermodal volume was up 7.7 per cent, the Association of American Railroads reported Thursday. Total US weekly rail traffic was up 6.6 per cent compared with a year ago.

Seven of the 10 carload commodity groups AAR tracks on a weekly basis posted increases, including grain, up 29.7 per cent, and nonmetallic minerals and products, up 13 per cent. Declining commodities were led by chemicals, down 2.2 per cent.

Meanwhile, Trucking remains the dominant US mode of freight transportation, hauling 69.1 per cent of freight last year totaling 9.7 billion tons, with both figures up from a year earlier, American Trucking Associations reported Monday.

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Log and Lumber Trade Globally

New data on lumber and log imports and exports in various regions around the world are examined.

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JAPANESE HOUSING STARTS

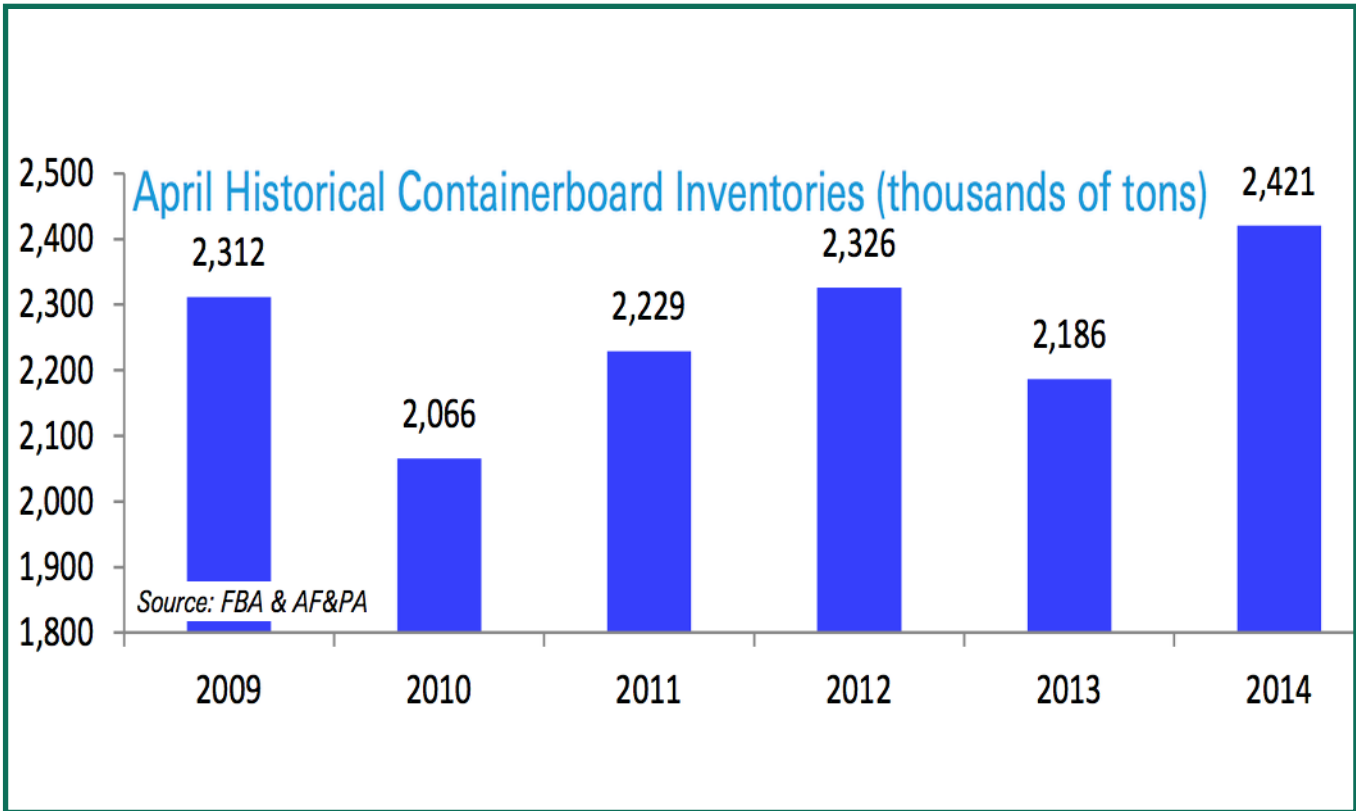
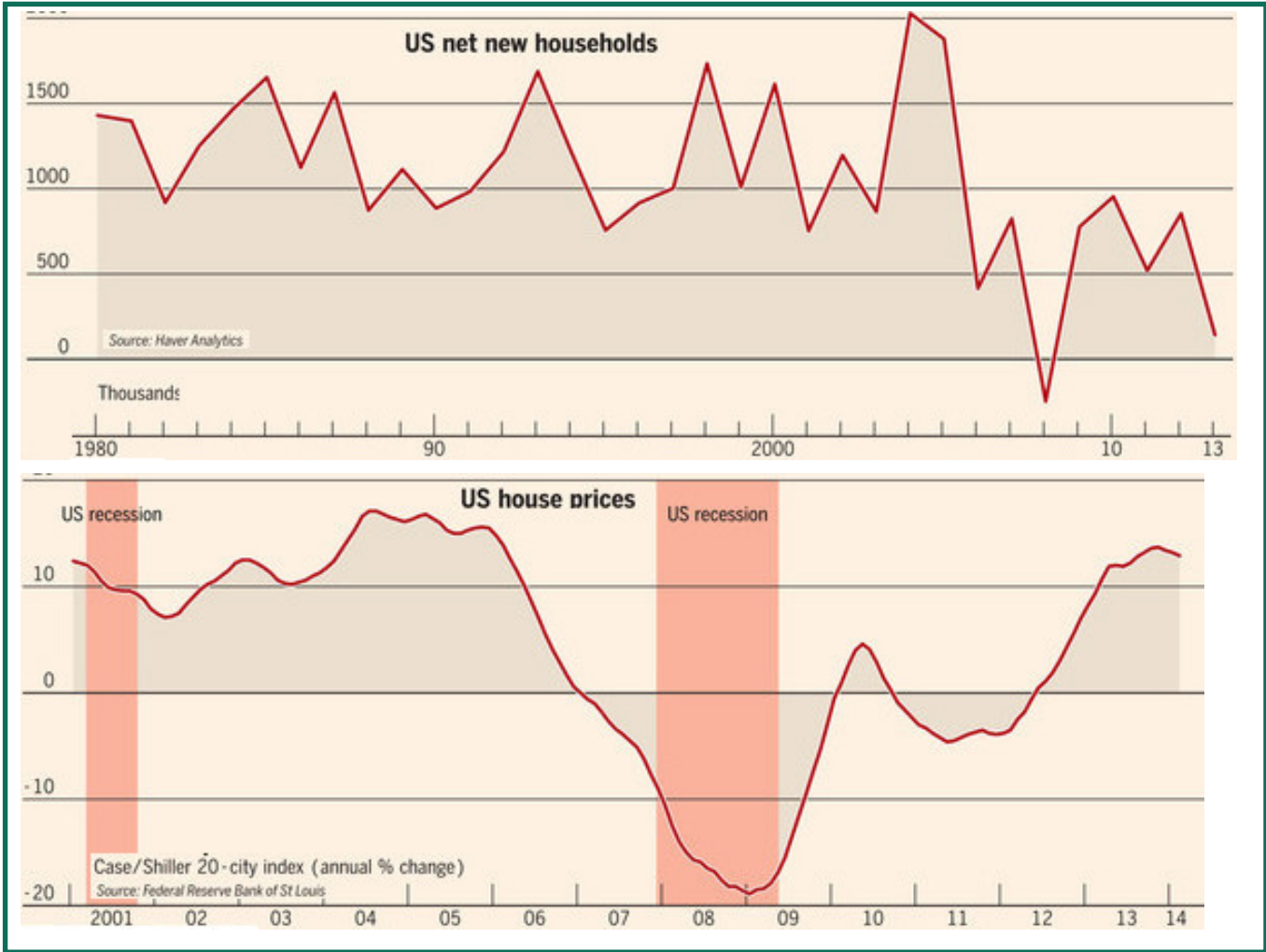
Month	TOTAL	Non-Wood	Wood	%Wood
Mar-14	69,411	32,515	36,896	53
Feb-14	69,689	32,932	36,757	53
Jan-14	77,843	37,644	40,199	52
Dec-13	89,578	38,073	51,505	57
Nov-13	91,475	36,671	54,804	60
Oct-13	90,226	37,009	53,217	59
Sep-13	88,539	39,421	49,118	55
Aug-13	84,343	36,442	47,901	57
Jul-13	84,459	37,939	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

Source: Japan Wood-Products Information and Research Center

U. S. HOUSING STARTS

	Apr-14	Mar-14	Apr-14	Mar-14
Starts			Permits	
Actual	94,900	80,000	Actual	96,500 83,700
SAAR*	1,072,000	947,000	SAAR*	1,080,000 1,000,000
1 Unit	649,000	644,000	1 Unit	602,000 600,000
2-4 Units	(s)	(s)	2-4 Units	25,000 28,000
5+ Units	413,000	289,000	5+ Units	453,000 372,000
Starts by Region			Permits by Region	
Northeast	139,000	108,000	Northeast	112,000 136,000
Midwest	216,000	152,000	Midwest	164,000 162,000
South	486,000	479,000	South	539,000 456,000
West	231,000	208,000	West	265,000 246,000

*Seasonally adjusted annual rate.



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	346	346	0	335	+11	340	+5
WSPF KD R/L 2x6	332	332	0	320	+12	340	-4
WSPF KD R/L 2x8	342	342	0	340	+2	326	+19
WSPF KD R/L 2x10	380	380	0	385	-5	355	+30
WSPF KD PET 2x4 Stud	320	315	+5	310	+10	340	-15
WSPF KD PET 2x6 Stud	295	295	0	290	+5	360	-55
Douglas Fir Green R/L 2x4	335	332	+3	335	0	330	-5
Douglas Fir Green R/L 2x10	380	380	0	388	-8	380	-5
ESPF KD 2x4 8ft Stud	420	405	+15	380	+40	465	-20
OSB Ontario 7/16" (CDN\$)	240	240	0	220	+20	363	-110
CSplywood Toronto 3/8" (CDN\$)	406	390	+16	382	+24	359	+54

Weekly News

Housing Starts, US

CONT'D FROM PG 2 The pick-up in construction was driven by growth in construction of multifamily homes, which were up by nearly 43 per cent.

Permits for single-family homes rose 0.3 per cent to a 602,000-unit pace.

Permits for multi-family homes soared 19.5 per cent to a 478,000-unit rate in April.

Compared to the same month a year ago, housing starts were up by 26.4 per cent in April. Building permits saw a more modest 3.8 per cent year-over-year increase.

Japan Housing Starts

CONT'D FROM PG 2 By construction method, new starts of prefabricated houses increased for the 19th consecutive month to 10,598 units, up 11.3 per cent and total housing starts in fiscal 2013 reached 149,756 units, up 11.7 per cent, according to Japan Lumber Journal. Those of 2 x 4 houses in March decreased for the first time in 19 months with 8,612 units, down 8.3 per cent.

However, the total in fiscal 2013 marked the record high with 120,520 units, up 9.1 per cent.

US Freight and Truck Data

CONT'D FROM PG 2 Trucking's percentage of US freight volumes was up from 2012's total of 68.7 per cent, and tonnage rose from 9.4 billion tons a year earlier, according to ATA's latest "American Trucking Trends."

The trucking industry collected 81.2 per cent of total US freight revenue last year, up from 80.7 per cent in 2012, ATA said.

Canadian freight rail traffic also fared well during the week ending May 10. Canadian freight carload moves rose 10.3 per cent, while Canadian intermodal volume rose 14.7 per cent. In similar fashion, Mexican freight carload traffic for the week rose 7.4 per cent compared to year-ago levels, while Mexican intermodal volume registered comparatively modest, but still positive, gains, up 2.3 per cent.

Combined North American rail volume for the first 19 weeks of 2014 totalled 7,100,856 carloads, up 1.1 per cent measured against the comparable period in 2013. Combined North American intermodal volume was up 5.2 per cent.

Rising cargo rates are giving truckers confidence to expand fleets and replace tractors averaging a near-record age of 9.6 years. While 1Q US economic growth came to a near standstill, gross domestic product is expected to expand 2.5 per cent this year, according to the median forecast of 94 economists surveyed by Bloomberg, topping 2013's 1.9 per cent rise, and accelerate to a 3.1 per cent rate next year.

Even with winter storms disrupting highway travel, 1Q truckload shipping volumes rose 4.9 per cent and rates climbed 1.2 per cent, according to consultant FTR Associates.

North American truckers placed net orders for 90,289 large trucks in the three months ended in March, 35 per cent more than a year earlier and the fastest such pace since early 2006.

Containerboard Inventories

The American Forest & Paper Association and the Fibre Box Association

Wednesday released April 2014 US box shipment and box plant/containerboard mill inventory data. In April, total inventories in US containerboard mills and box converting plants fell by 92,000 tons compared to the 53,900-ton 10-year average decline seen during the month of April between 2004 and 2013.

At 2.421 million tons, overall mill/box-plant system inventories are 3.6 per cent above their 10-year April average of 2.336 million tons.

Looking at weeks of supply, overall inventories would last 4.1 weeks, the highest weeks of supply for April since 2007's 4.1 weeks of supply. Over the last 10-years, April has averaged 3.8 weeks of supply, meaning that both on an absolute level and a weeks of supply basis there is slightly more than average inventory in the system.

April box shipments were up 3.5 per cent year-over-year on an average week basis. This is a marked improvement from levels seen through 1Q 2014 where shipments were flat year-over-year and down 1.6 per cent on an average week basis.

Calendar

June 2014

Maritime Lumber Bureau 74th AGM
June 3 to 5, 2014 – Halifax, NS
http://www.mlb.ca/upcoming_events.html

BioEnergy Conference & Exhibition
June 11 to 13, 2014 – Prince George, BC
<http://www.bioenergyconference.org>

Global Log and Lumber Markets

Latest Data

A purported 'herd mentality' in China has brought prices of radiata pine softwood logs for May in New Zealand down sharply. Some industry watchers think the drop is a 'short term blip'.

New Zealand "eastern seaboard log inventories have suddenly risen to close to five million cubic metres. This represents about four months' supply at the current consumption levels, causing more than a few nervous twitters," according to NZ Farm Forestry Market Report for May 2014.

Figures from Statistics New Zealand show that the value of New Zealand log exports went from NZ\$1.6 billion in 2012 to NZ\$2.4 billion in 2013, accounting for 42 per cent of the nation's forestry product exports by value, compared with just three per cent in 1993.

In 2013 New Zealand exported 16.6 million cubic metres of logs putting the country up with the top three softwood log exporters in the world, and the largest log exporter to China. The value of log exports to China increased in value from NZ\$1b in 2012 to NZ\$1.7b dollars in 2013.

Meanwhile, interest.co.nz said Thursday, "Dramatic fall in export log prices in May — Radiata pine falls by 13.6 per cent — [was] caused by herd buying patterns in China, recovery expected."

"April's relatively small reduction in export log prices was followed by much larger reductions in May — some prices down as much as NZ\$25/JAS cubic metre. In just two months, export log prices lost 14 months of prior month on month gains."

Madison's has heard reports from various sources since early 2014 about dramatic increases in log inventories at ports in China.

Elsewhere, Japan's Forestry Agency has released summarized import results of wood for 2013, according to Japan Lumber Journal Thursday. The annual import value of wood increased for the first time in two years to 1,216 billion yen, up 27.3 per cent from the previous year, or the first record exceeding one trillion yen in five years. The value converted into US dollars amounted to US\$12,445 million, up 4 per cent.

For the annual volume, Japan imported 7,498,000 cubic metres of lumber, up 14.3 per cent; 4,556,000 cubic metres of logs, up 1 per cent; and, 3,026,000 cubic metres of plywood, up 2.2 per cent.

Of import volume, European lumber exceeded that of North American for the first time. European lumber imports were 3,194,000 cubic metres, up 31.1 per cent.

North American lumber imports increased 4.2 per cent from the previous year to 2,829,000 cubic metres. Canada had a 30 per cent share of the Japan's import value of lumber, and was the second-largest exporter with 136.8 billion yen, up 37.2 per cent, says Japan Lumber Journal via the Japan Forestry Agency.

Canada's forestry exports shrank in March by 8 per cent, according to Export Development Canada (EDC) Tuesday. A 19 per cent gain in sales of logs and wood sales could not compensate for a 8.5 per cent drop in pulp and paper alongside an 8.6 per cent decline in building and packaging materials.

British Columbia forest products exports in May dropped 3.6 per cent, making it the weakest contributor to that province's revenue that month.

Still with the EDC, strong BC forestry sector growth will push total provincial international exports to an 8 per cent growth rate this year and 7 per cent in 2015, according to a forecast released also Tuesday.

The forecast said the forestry sector — the largest BC exporter with about 35 per cent of the provincial total — will grow by 15 per cent this year and 10 per cent in 2015.

"Chinese demand alone could grow to over \$600 million annually," said EDC chief economist Peter Hall in a statement. "The sector's ability to overcome those capacity constraints will be key to export growth in this sector."

US housing starts are expected to surpass 1 million for the first time since 2008. This year should see 1.2 million starts, the report said, and 2015 will reach 1.4 million, detailed EDC.

In Europe, Finnish exports of softwood lumber and planed products in February 2014 were roughly 8.3 per cent lower than the previous year, at a total of 545,000 cubic metres, said EUWID Thursday. Whereas exports to buyers in Europe remained practically unchanged at 245,000 cubic metres, deliveries to buyers outside Europe fell by 14 per cent to roughly 300,000 cubic metres. Within Europe the foreign trade figures show wide variations in development.

Exports to the UK fell by over 18 per cent to 49,000 cubic metres and those to Germany by 10 per cent to 36,000 cubic metres, whereas growth was registered in deliveries to the Netherlands, up 11 per cent, and Estonia, up 14 per cent.

Outside Europe, the negative development registered in the preceding months continued unchanged, said EUWID.

