

MADISON'S LUMBER REPORTER



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News & Updates

Funding for Canadian Forest Equipment Technology

The federal government needs to offer money, training and incentives to ensure a technological revolution in the forestry industry creates well-paid jobs at home rather than abroad, according to a new study Natural Resources Canada commissioned to find ways to support Canada's billion-dollar forestry-equipment sector.

Canada's traditional forestry products — softwood lumber and pulp-and-paper — have struggled in recent years, as American housing construction fell sharply after the 2008 global meltdown and as more consumers get their information digitally rather than on paper.

The bio-fuels and biomaterials industries, which provide new uses for wood fibre, offer fresh opportunities for Canadian producers to make up for the losses — but the high-tech equipment to produce them is increasingly coming from abroad.

The entire forest sector in Canada saw net operational losses in 2008 and 2009, and still has not recovered to pre-recession levels. Quebec alone has seen the loss of some 30,000 jobs since 2008.

A report by Groupe DDM says Ottawa and the provinces should start offering incentives for mills to buy Canadian technology rather than looking to foreign manufacturers.

The federal government also needs to provide more worker training, and to finance marketing campaigns to help sell these new high-tech Canadian products to more customers.

CONT'D PAGE 7

UK Rising Wood Imports

British imports of sawn and planed lumber have increased in value by 33 per cent, or almost EUR 50 million in the first two months of 2014, according to the latest figures provided by Eurostat. Imports from the European Union countries, which represent more than 90 per cent of all UK softwood lumber purchases, grew by 32 per cent as compared to January-February 2013.

Notably those from: Sweden, up 42 per cent; Finland, up 18 per cent; and, Latvia, up 51 per cent, the first three main UK suppliers.

Though with lower values, imports from Russia almost doubled in the period mentioned, while those from Canada rose by 43 per cent.

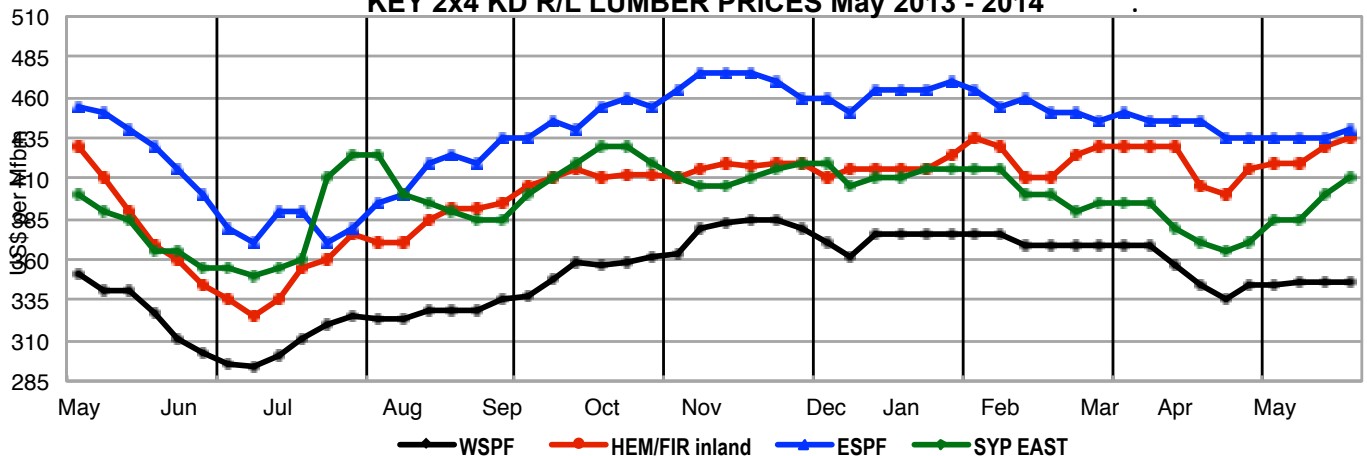
In terms of market shares, Sweden remains by far the largest softwood lumber supplier for the UK. In January-February 2014, Sweden delivered more than 50 per cent of all British imports, followed by: Finland, at 14 per cent; Latvia, 12 per cent; and, Ireland, 5 per cent.

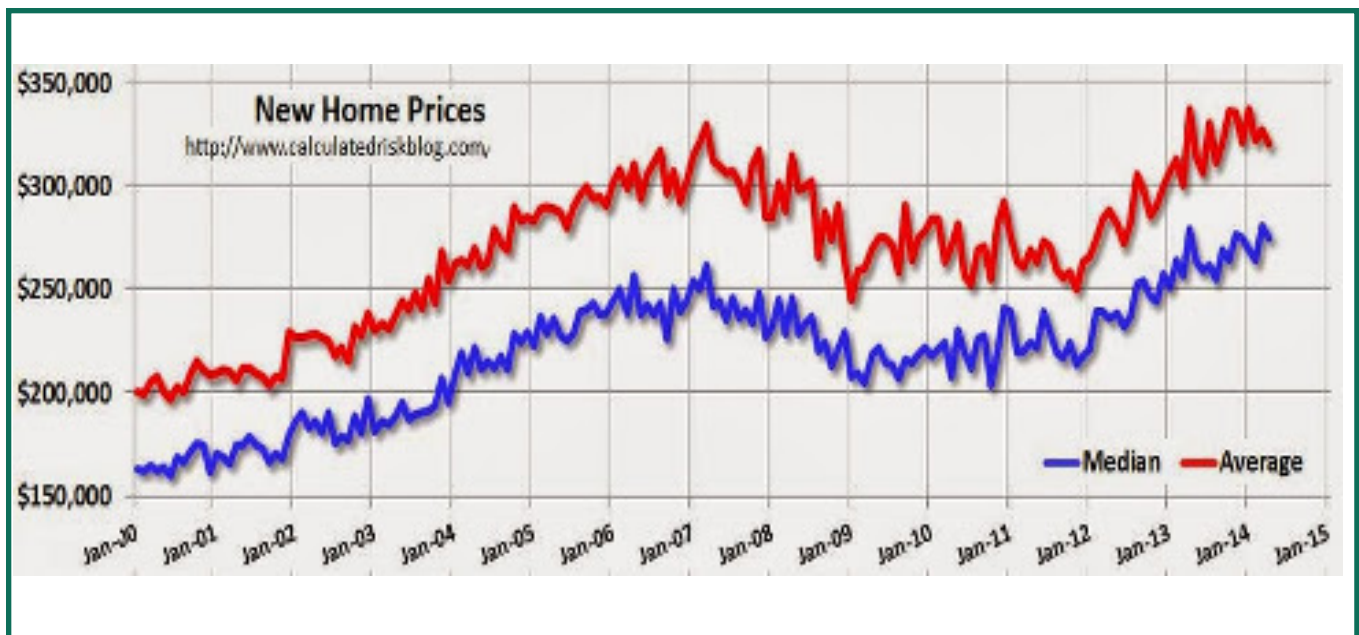
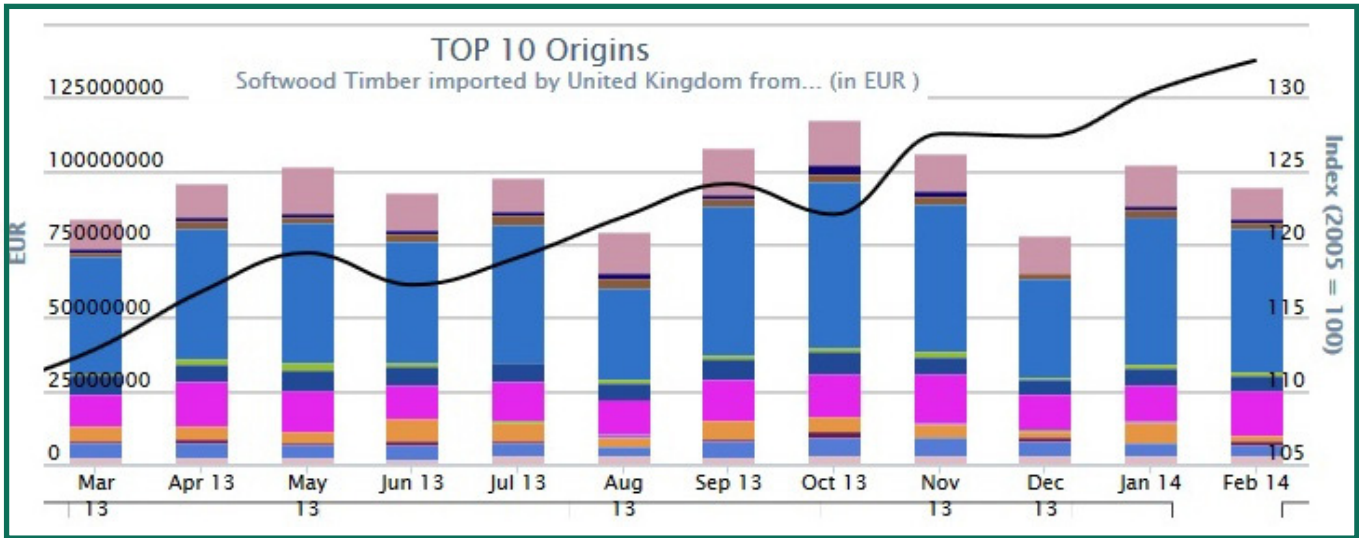
US Home Sales Data

The latest data on US home sales and house prices and expert opinion on this year's season are examined.

CONT'D PAGE 9

KEY 2x4 KD R/L LUMBER PRICES May 2013 - 2014





Scoreboard

	January - March 2014		January - March 2013		SALES 2013-14 (%)
	Sales (\$,million)	Earnings (\$,million)	Sales (\$,million)	Earnings (\$,million)	
Ainsworth	107.8	(15.3)	141.8	36.3	-24.0%
Canfor Corp	741.9	45.5	786.3	61.9	-5.6%
Cascades	994.0	1.0	914.0	(8.0)	+8.0%
Catalyst	273.9	(3.8)	247.1	(9.8)	+9.8%
Conifex	67.2	1.6	66.2	6.2	+1.5%
Domtar	1,395.0	39.0	1,345.0	45.0	+3.6%
Interfor	294.8	27.5	242.5	15.2	+17.7%
Norbord (US \$)	303.0	7.0	365.0	67.0	-17.0%
Resolute FP	1,016.0	(33.0)	1,074.0	(49.0)	-5.4%
Taiga FP (Dec 31)	264.1	(515)	247.7	364.5	+6.2%
Tembec (2Q)	362.0	(28.0)	407.0	(31.0)	-11.1%
Western Forest Products	246.0	23.6	223.8	22.8	+9.0%
West Fraser	809.0	72.0	863.0	67.0	+6.3%

Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	346	346	0	344	+2	326	+20
WSPF KD R/L 2x6	332	332	0	332	0	322	+10
WSPF KD R/L 2x8	347	342	+4	338	+8	312	+34
WSPF KD R/L 2x10	380	380	0	376	+4	334	+46
WSPF KD PET 2x4 Stud	325	320	+5	310	+15	335	-10
WSPF KD PET 2x6 Stud	295	295	0	290	+5	340	-45
Douglas Fir Green R/L 2x4	320	335	-15	325	-5	330	-10
Douglas Fir Green R/L 2x10	370	380	-10	370	0	390	-20
ESPF KD 2x4 8ft Stud	427	420	+7	390	+37	430	-3
OSB Ontario 7/16" (CDN\$)	245	240	+5	220	+25	360	-115
CSplywood Toronto 3/8" (CDN\$)	406	406	0	382	+24	348	+58

Weekly News

Forest Equipment Funding

CONT'D FROM PG 2 A copy of the \$76,000 study was obtained by The Canadian Press. There are an estimated 365 Canadian firms in the forestry-equipment manufacturing sector, employing more than 57,000 people and worth about a billion dollars annually.

Canada's traditional expertise is in sawmill-equipment manufacturing, but many firms have struggled in the wake

of the American housing downturn.

Even with recent improvements in housing construction south of the border, and rising demand from China, South Korea, India and elsewhere, the sector remains battered, according to the 38-page report.

"One of the Canadian anchor forest industries, the sawmill equipment manufacturers, finds itself in a dire situation, as their traditional customers, saw

mills, do not seem capable of investing and upgrading their assets."

"One of the reasons comes from the fact that lenders have been recently hurt by the sector and commercial credit has become hard to obtain."

The authors suggest Ottawa should help these struggling manufacturers get better access to bank credit.

A spokesperson for the department says officials are still reviewing the findings.

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US Building Season 2014 Lumber Demand

The inside word with forest product industry players this year is that hot US remodelling and DIY activity, as well as continued stable demand for industrials, are keeping North American lumber supplies lean. Many agree that — barring an extreme circumstance — lumber manufacturing volumes have stabilized and solid wood prices have found a floor.

A noticeable stocking-up by major lumber wholesalers and the big box stores about a month and a half ago had lumber traders buzzing about positive numbers for US building and renovations this year.

As we approach the US Memorial Day holiday, acknowledged as the unofficial start to summer holidays and outdoor housework, the next couple of weeks' retail lumber sales will provide indication of lumber demand for the rest of this season.

The latest US existing home sale data also suggest more stability for the long-suffering US real estate market.

US new home sales data for April was released Friday morning:

Newly built US home sales rose in April climbed 6.4 per cent from March to a seasonally adjusted annual rate of 433,000, the Commerce Department said Friday. March's rate was revised up to a 407,000 pace.

Friday's report included new seasonal adjustments for the sales pace for all months from January 2012. Those revisions showed that the rate of home purchases was slightly weaker in the second half of last year through February of this year than previously estimated. However, a Commerce Department economist said the new monthly figures didn't affect the overall sales estimate for 2013.

Sales of new single-family houses represent a small fraction of homes purchased in the US, but the report provides a more timely reading of the housing market than other measures because it tallies sales at the moment a contract is signed rather than at its closing.

Compared with a year earlier, sales of new homes were down 4.2 per cent. The median price of a home remained elevated at US\$275,800. That was down slightly from March, which was the highest on record.

Builders ramped up construction on new homes for the third straight month

in April, with project starts rising 13.2 per cent from the prior month, the Commerce Department said in a separate report last week. The increase was fuelled by a jump in multi-family homes, but construction of single-family houses rose as well. New applications for building permits, a sign of future construction, grew 8 per cent in April from the month earlier.

Previously owned US home purchases increased in April as a bigger supply of properties lured buyers and raised prospects for a stronger spring buying season.

The 1.3 per cent gain, the first this year, pushed sales to a 4.65 million annualized rate, National Association of Realtors data showed Thursday. The number of available properties climbed to an almost two-year high, helping slow the pace of price appreciation.

Much of the gains were concentrated in the volatile condominium market, which experienced growth of 7.3 per cent. Sales of single-family homes were up just 0.5 per cent last month. The latest numbers show home-buying running significantly below the 2013 pace, when 5.1 million existing homes were bought, well below the 5.5 million that is consistent with a healthy housing market.

A gain in home construction last month showed builders are responding to limited inventory at the same time mortgage rates retreat and lure prospective buyers.

Compared with a year earlier, purchases were down 7.3 per cent. The gain from a month earlier was limited to stronger results in the West and the South.

Investors accounted for 18 per cent of the home purchases last month, up from 17 per cent a month earlier. Seven of 10 investors paid cash. All-cash transactions accounted for about 32 per cent, about the same share as the last year, the report showed. First-time buyers represented 29 per cent of all transactions.

Sales of single-family homes increased 0.5 per cent to an annual rate of 4.06 million. Purchases of multifamily properties — including condominiums and townhouses — jumped 7.3 per cent to a 590,000 pace.

Potential buyers are starting to find relief in cheaper borrowing costs. The average rate on a 30-year, fixed mortgage fell to 4.14 per cent in the week ended Thursday, the lowest since October, according to Freddie Mac.

For April 2014, the housing inventory jumped 16.8 per cent, to 2.29 million existing homes. At the current sales

rate, this represents a 5.9-month supply of existing homes, according to the realtor's association, a full 15.6 per cent above March's supply.

The inventory of unsold homes on the market increased 6.5 per cent from a year-ago and the median home price increased at its slowest pace since March 2012.

The months' supply increased to 5.9 months, the highest since August 2012, from 5.1 months in March. Six months' supply is normally considered as a healthy balance between supply and demand.

As sales fell over the last 12 months, the median sales price increased 5.2 per cent, to US\$201,700.

The median time on the market fell for the fourth straight month, down seven days from March to 48. Compared to April 2013, houses spend an average of five days less on the market.

"Some growth was inevitable after sub-par housing activity in the first quarter, but improved inventory is expanding choices and sales should generally trend upward from this point," said Lawrence Yun, NAR chief economist, in today's press release. "Annual home sales, however, due to a sluggish first quarter, will likely be lower than last year."

Rection from some industry players according to StarTribune . . .

Deutsche Bank: Importantly, the inventory of homes for sale rose 18.6 per cent to 2.29M, thereby nudging the month's supply of homes on the market at the current selling rate to 5.9, which is a relatively healthy level of inventory.

Jonathan Smoke, chief economist, Hanley Wood: "For several months now I've been trying to highlight the fact that the total volumes are not nearly as important as the composition of what is being sold and who is buying. You can fret all you want about the total volumes being up or down, but the reality is that the residential real estate market is getting healthier and healthier each month. The health is reflected in the share of non-distressed, normal transactions continuing to rise; more and more consumers, not investors, are buying; and prices are remaining firm amidst continued demand relative to limited supplies.

Sterne Agee chief economist, Lindsey Piegza: "Housing activity remains tepid with the vast majority of sales in the multi-family unit space. After back-to-back months of declining sales at the start of the year, warmer spring weather hasn't been enough to create noticeable momentum in housing purchases, sentiment echoed yesterday by NY Federal Reserve President William Dudley.