

MADISON'S LUMBER REPORTER

Publisher
KetaDesign Productions

Editor
Kéta Kosman

Market Analyst
Earl Heath

Annual Subscription Prices
E-mail/Fax: C\$389
Discounts available for multiple
subscriptions
Published 50 times a year

www.madisonsreport.com
madrep@shawcable.com
604 984-6838

PO Box 2486 Vancouver, BC
V6B 3W7 Canada

In Canada, add GST or HST
ISSN 0715-5468

Printed in Canada © 2014

All material contained within is the property
of KetaDesign Productions Inc. Reproduction
or retransmission is expressly forbidden.



News & Updates

BC Logger Fatality

British Columbia RCMP in conjunction with the BC Coroner's Service and Worksafe BC responded to a logging accident that claimed the life of a 35 year Nelson, BC, man Tuesday morning.

At approximately 8:30 AM police were call to the accident which took place near the Smallwood Forest Service Road. It appears the man was struck by tree which took his life, the exact cause of how the tree stuck the man, is yet to be determined. Workplace BC and the BC Coroners Service have assumed responsibility for the investigation at this point. The name of the man has yet been released.

US wood pellet exports double in 2013

Wood pellet exports from the United States nearly doubled last year, from 1.6 million short tons (approximately 22 trillion Btu) in 2012 to 3.2 million short tons in 2013, said a new report by the Energy Information Administration (EIA) reprinted by Penn Energy Friday. More than 98 per cent of these exports were delivered to Europe, and 99 per cent originated from ports in the southeastern and lower Mid-Atlantic regions of the country.

Wood pellets are traditionally manufactured from residue that results from wood processing activities, but they can also be produced from unprocessed harvested wood. Wood pellets are used as a residential heating fuel and can also be used for commercial heating and power generation applications.

As recently as 2008, the US Forest Service estimated that approximately 80 per cent of US wood pellet production was consumed domestically. However, due to strong demand growth in Europe, wood pellet exports have been the driving factor in the growth of domestic wood pellet production in recent years. CONT'D PAGE 7

House Prices, US

Home prices in 20 US cities rose at a slower pace in the year ended in March as the housing market began to weaken at the start of 2014.

The S&P/Case-Shiller index of property values increased 12.4 percent from March 2013, the smallest 12-month gain since July, after rising 12.9 percent in the year ended in February, a report from the group showed Tuesday.

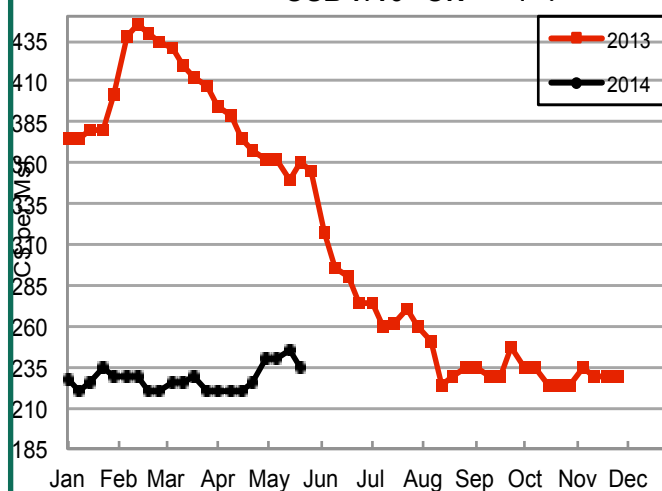
Still-tight lending standards for some Americans and a rise in mortgage rates since mid-2013 have slowed demand, limiting the ability of sellers to keep asking even higher prices. CONT'D PAGE 7

India Wood Demand

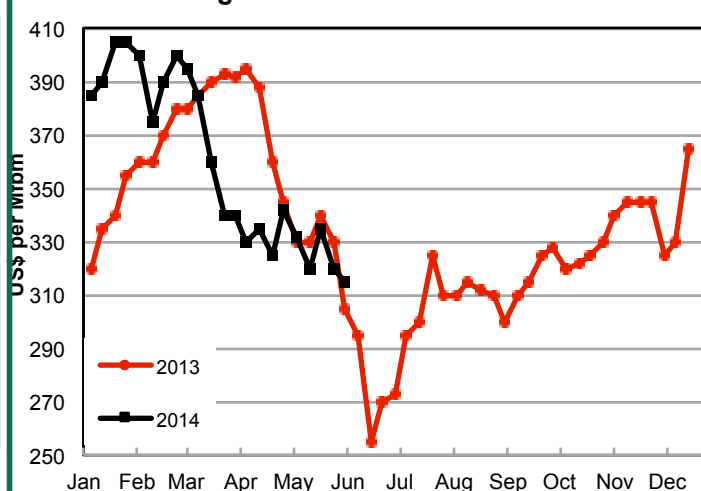
At the recent Council of Forest Industries (COFI) Conference, in Kelowna, BC, Madison's learned that at the beginning of April Myanmar banned timber exports to India.

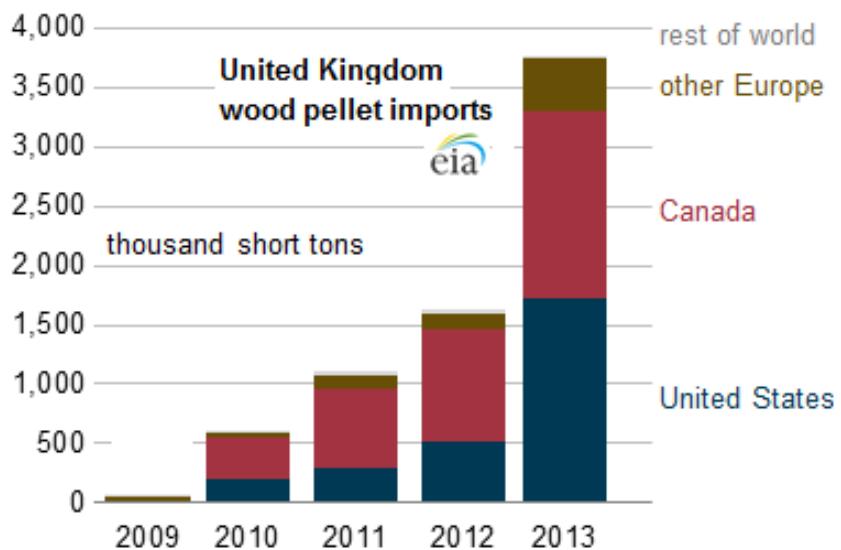
Myanmar is one of the largest resources of precious timber in the world, with forests full of premium wood such as teak and red sandalwood. CONT'D PAGE 9

OSB 7/16" ON



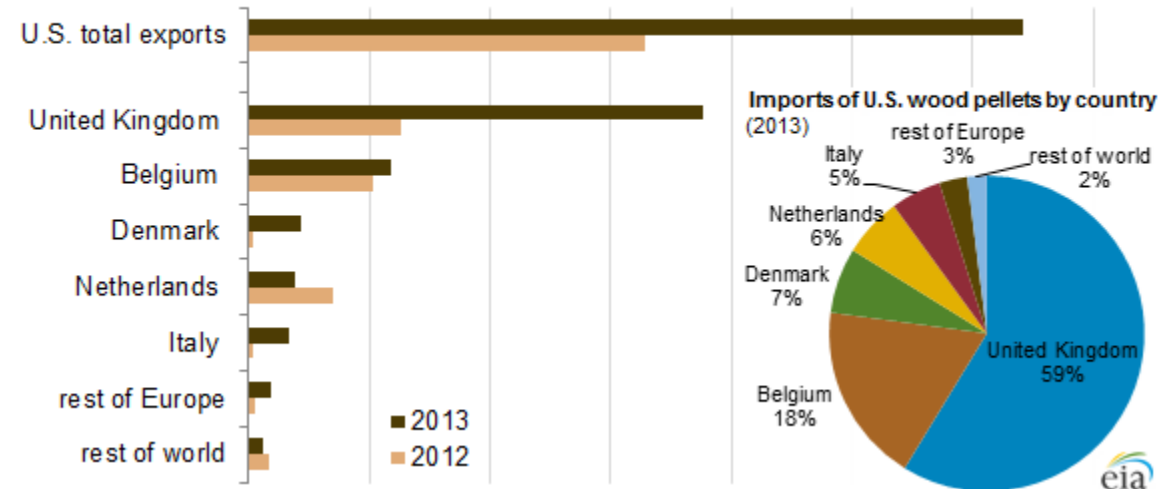
Douglas Fir Green Std&Btr 2x4



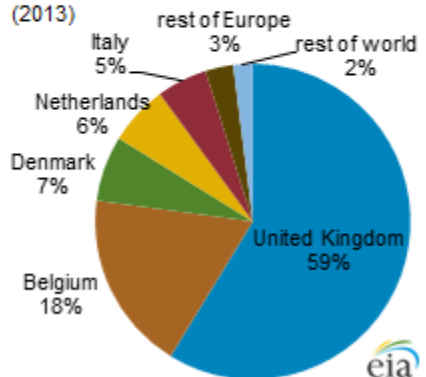


U.S. wood pellet exports by destination (2012 and 2013)

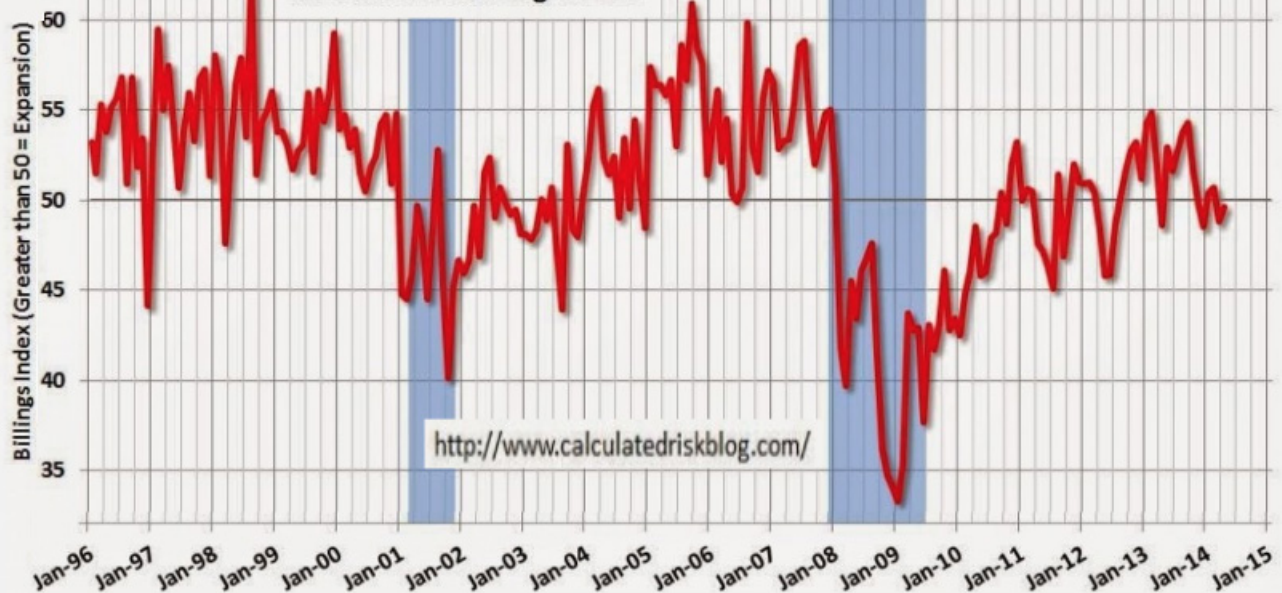
thousand short tons 0 500 1,000 1,500 2,000 2,500 3,000 3,500



Imports of U.S. wood pellets by country (2013)



Architecture Billings Index



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	338	346	-8	344	-6	312	+26
WSPF KD R/L 2x6	328	332	-4	332	-4	304	+24
WSPF KD R/L 2x8	346	347	0	338	+8	295	+51
WSPF KD R/L 2x10	380	380	0	370	+10	324	+56
WSPF KD PET 2x4 Stud	320	325	-5	315	+5	325	-5
WSPF KD PET 2x6 Stud	295	295	0	295	0	325	-30
Douglas Fir Green R/L 2x4	315	320	-5	342	-27	305	+10
Douglas Fir Green R/L 2x10	360	370	-10	380	-20	370	-10
ESPF KD 2x4 8ft Stud	425	427	-2	395	+30	420	+5
OSB Ontario 7/16" (CDN\$)	235	245	-10	225	+10	355	-120
CSplywood Toronto 3/8" (CDN\$)	410	406	+4	378	+32	343	+87

Weekly News

Wood Pellets, US

CONT'D FROM PG 2 Growth of US wood pellet exports has been concentrated in southeastern states, which have advantages in terms of abundant material supply and relatively low shipping costs to Europe. According to Bloomberg New Energy Finance, transportation accounted for a quarter of the delivered price of wood pellets from the Southeast to the Netherlands in mid-2013.

European countries, particularly the United Kingdom, are using wood pellets to replace coal for electricity generation and space heating.

In 2013, the top five importing countries of US wood pellets exports were all European: the United Kingdom, Belgium, Denmark, the Netherlands, and Italy, said the EIA. The United Kingdom accounted for the majority, at 59 per cent, of US wood pellet exports, and more than tripled its imports from the United States between 2012 and 2013.

The United Kingdom's wood pellet imports from all sources have grown from near zero in 2009 to more than 3.5 million short tons in 2013, said Penn Energy. Due to the United Kingdom's Renewables Obligation program, the operators of several large coal-fired power plants have either retrofitted existing units to cofire biomass wood pellets with coal or have converted to 100 per cent biomass.

The Drax power plant—rated at nearly 4,000 megawatts and the largest coal-fired power plant in the United Kingdom—is in the process of implementing plans to convert half of its six generating units to run solely on wood

pellets. The first of these three units entered service in 2013, while the remaining two conversions are planned for completion in 2015.

According to Eurostat, the United Kingdom is also a major importer of wood pellets from Canada and, to a lesser extent, from other European sources. Until 2013, Canada was the primary source of the United Kingdom's import supply.

US House Prices

CONT'D FROM PG 2 Tuesday's S&P/Case-Shiller report also included quarterly figures for the market nationally. Home prices covering all of the US climbed 10.3 per cent in 1Q from the same period in 2013.

Home prices adjusted for seasonal variations increased 1.2 per cent in March from the prior month. Unadjusted prices rose 0.9 per cent.

All 20 cities in the index showed a year-over-year gain, led by a 21.2-per cent climb in Las Vegas and a 20.9-per cent advance in San Francisco. Cleveland showed the smallest year-over-

year increase, with prices rising 3.9 per cent. The year-over-year gauge is based on records dating back to 2001.

Policy makers at the US Federal Reserve cited a potential "persistent slowdown" in housing as a downside risk for growth, according to minutes of the April 29-30 policy meeting.

Plum Creek Sells

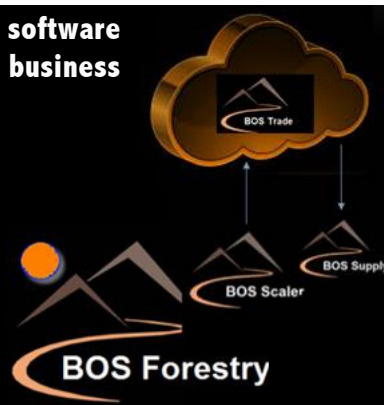
Plum Creek Timber is selling about 50,000 acres of its Wisconsin land, most of it in Adams and Wood counties, to Timberland Investment Resources, said Mark Doty, Plum Creek community affairs manager, to the Wisconsin Rapids Tribune Friday.

Plum Creek will continue to own about 11,000 acres in the state, with most of that land being committed to buyer purchase options in the two counties. The 11,000 acres is mostly made up of land Plum Creek has committed to selling to companies planning a large-scale dairy in Saratoga and a links-style golf course in Rome, Doty said.

BOS Scaler: Comprehensive scale site software that easily integrates with your core business and financial systems.

BOS Scaler exports log load scale data to the MoF and your Contract Management System. It also exports real-time data to BOS Trade, a B2B cloud portal that supports buying, selling and logging contract settlement with your regional Trading Partners.

bosforestry.com/bos-scaler/



India and Wood Products

Analysis

CONT'D FROM PG 2 Nearly 75 per cent of Myanmar's timber trade is illegal, accounting for an estimated US\$6 billion, according to the Myanmar Times. The majority of this timber has been exported to China, Thailand, and India — without processing.

In the last 14 years, 8 million cubic metres of wood was traded without the permission of the Myanmar Timber Enterprise

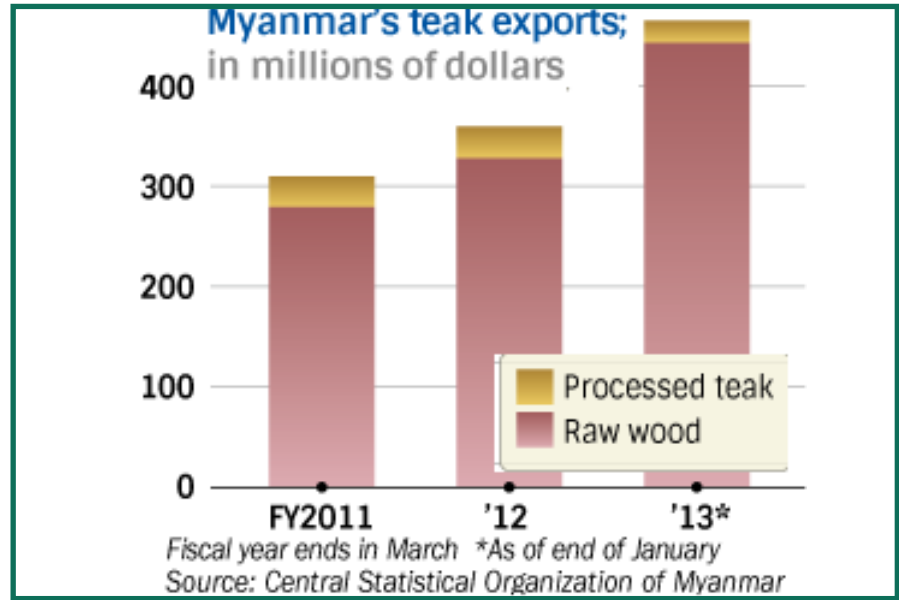
by **Kéta Kosman**

(MTE). The Central Statistical Organization estimates that Myanmar exported roughly US\$442 million of raw teak from April 2013 through January 2014, 40 per cent more than the full-year figure for fiscal 2012.

However, much teak has also been smuggled out of the country. Allegedly, almost US\$20 million of raw wood is smuggled across the border that Myanmar shares with China each year. Rumours that Chinese firms illegally cut down trees in Myanmar persist.

Over the last few months, the government has worked on deploying a newly minted forestry police force tasked with fighting the illegal logging and smuggling of timber and wildlife. Some 10,000 illegal loggers have been detained between December and March alone, a Ministry of the Environment official told Irrawaddy magazine.

Industry wisdom states that Myanmar's formerly uncatalogued and uncounted trees will simply be broken into cants. In the end export volumes will likely be the same, industry experts explained to Madison's, except will be documented with the government.



Despite a Sino-Myanmar agreement to halt the illegal timber trade reached at the end of 2012, two million cubic metres of logs were shipped through Ruili – China's main border crossing – during the first 10 months of 2013, according to data collected from traders, said the South China Morning Post Thursday.

An estimated three-fourths of Myanmar's timber exports – worth about US\$5.7 billion – have gone undeclared since 2000, according to the Washington DC-based environmental protection advocacy group, Environmental Investigation Agency. That group said up to 70 per cent of that timber crossed the Chinese border illegally.

At COFI, Zoish Bengali, BC Forestry Innovation Investment (BCFii) representative for India, explained that wood supply (this includes timber, logs,

and lumber) is 95 million cubic metres annually. When supply for domestic forests and plantations are combined, India is still at a 17 million cubic metres a year wood deficit.

India imported a little over 6 million cubic metres of logs in 2013, according to the Global Trade Atlas, with a little less than 1 million cubic metres coming from Myanmar.

Canadian softwood lumber exports to India for 2013 amounted to US\$10 million, according to Global Trade Atlas, while that from Germany exceeded US\$24 million.

BCFii is projecting that India's softwood lumber imports could approach 2 million cubic metres annually by 2030.

According to Forestry Innovation Consulting India's April 2014 report to BCFii, the size of the wooden-door market in India is about 35 billion Rupees, or C\$644 million.

Bengali also stressed door, and furniture, making as the future source of demand for significant BC softwood lumber exports to India.

The custom-made door segment accounts for 75 per cent of total door demand, while readymade doors amount to only 25 per cent.

Door manufacturers in India want 2x4 to 2x12 R/L dimensions in the 2-inch width, and 2x5, 2x6, and 2x7 R/L dimensions in the 2.5- and 3-inch widths. Coastal species like hemlock, western red cedar, Douglas fir, and yellow cedar could easily substitute the tropical timber and exotic species traditionally used in India, according to industry players and BCFii.

Domestically these boards are re-sawn, ripped and/or cross-cut, to produce the dozens of parts needed to make doors.

