

MADISON'S LUMBER REPORTER

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News & Updates

US Housing Starts

Housing starts in the US fell 6.5 per cent in May to a seasonally adjusted annual pace of 1.001 million, the Commerce Department said Tuesday. That marked the first decline in four months.

The decline was broad-based across regions and type of construction. Single-family housing starts fell 5.9 per cent, while multifamily fell 7.6 per cent. April's surge in home building was revised down slightly to 12.7 per cent growth, from 13.2 per cent.

Newly approved applications for building permits, an indicator of future construction, fell 6.4 per cent in May to 991,000 on a sharp decline the volatile multi-family segment.

But in one bright spot, single-family permits jumped 3.7 per cent to 619,000, their fastest rate of increase since September 2012. Single-family construction represents the bulk of the housing market and is considered a better gauge of demand.

Some recent data points to strengthening activity. Housing starts grazed post-recession highs in April, while sales data for that month indicate buyers are coming back into the market. April sales of existing homes—which account for 90 per cent of the market—rose for the first time this year, while sales of new homes jumped 6.4 per cent.

CONT'D PAGE 7

China Purchasing Managers Index

In May 2014, China's purchasing managers index (PMI) for the manufacturing was released by the National Bureau of Statistics. The May PMI for the sector stood at 50.8, 0.4 points higher than in April. The May figure consolidated the growth trend for three consecutive months.

In terms of size of enterprises, the PMI for large-sized enterprises was 50.9 percent, slightly up month-on-month and in positive territory. The PMI for medium-sized enterprises was 51.4, again up on the previous month while the index for small-sized enterprises was still in negative territory at 48.8.

CONT'D PAGE 7

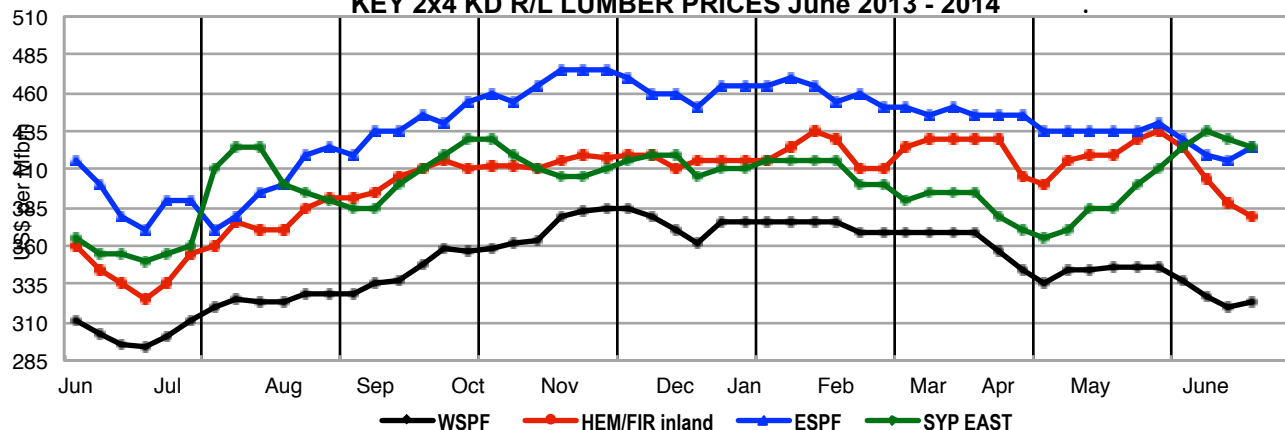
Wood Pellet Production and Demand Globally

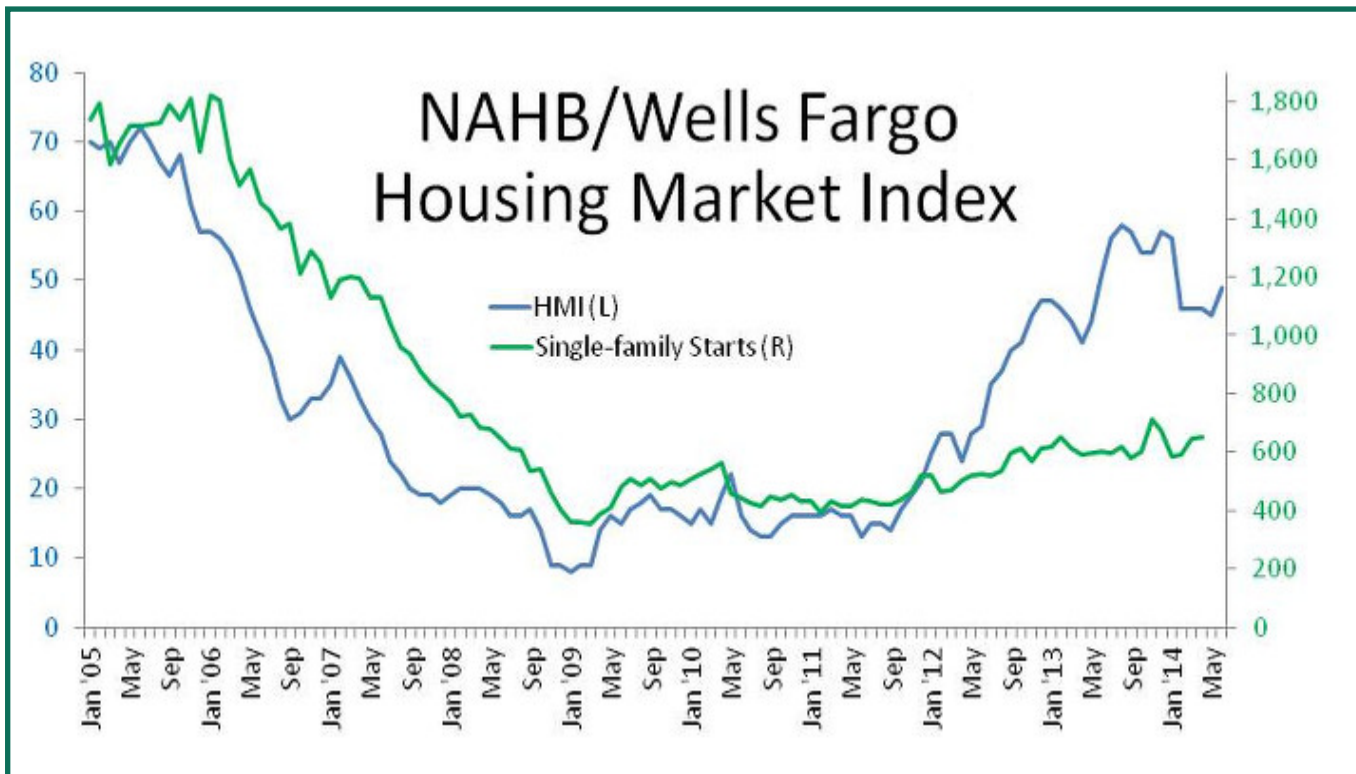
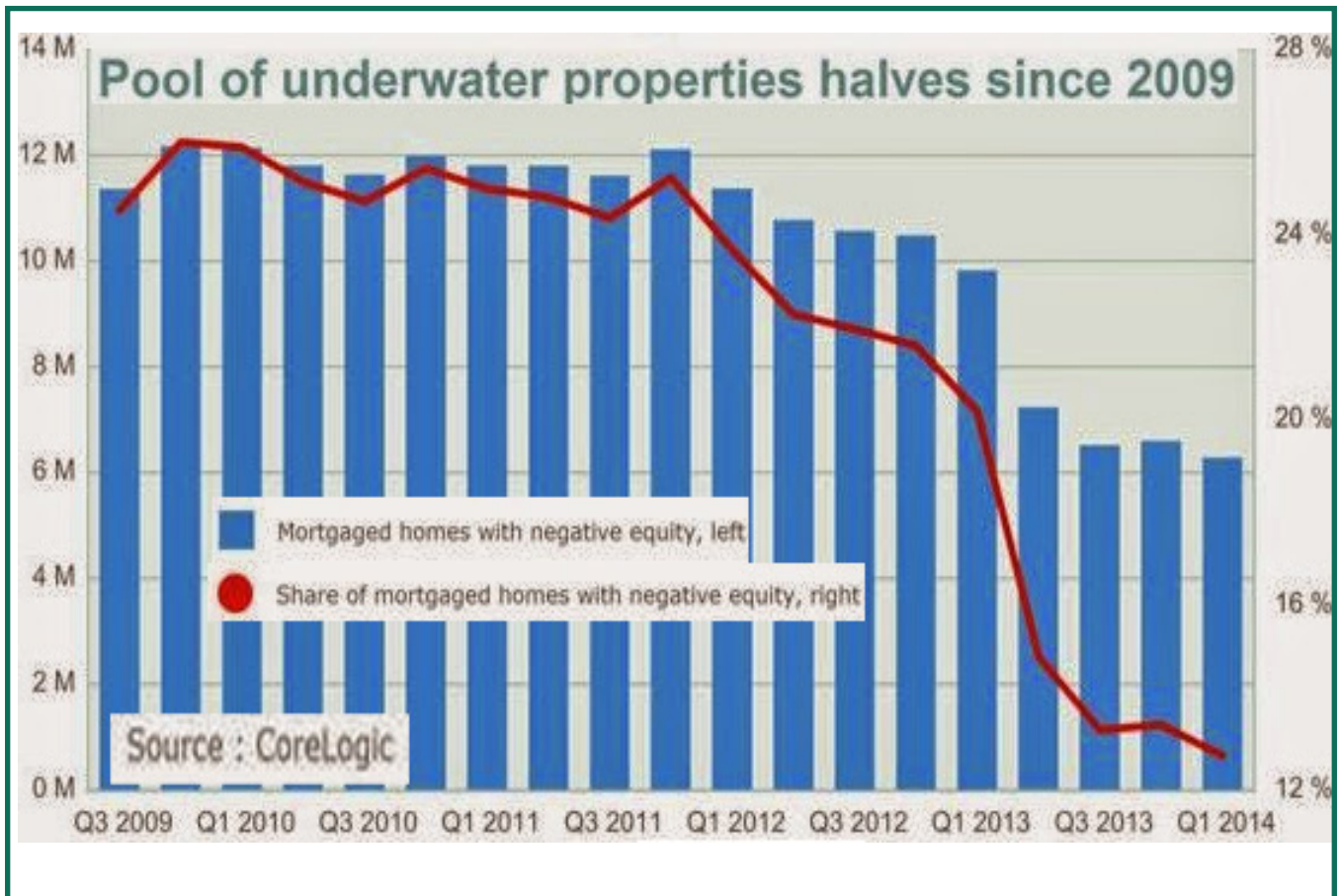
Recent reports from the US Energy Information Administration and the World Bioenergy Association show bioenergy production and wood pellet demand in Europe are rising sharply. As well, this week the USDA bioenergy program announced US\$14.5 million in funding available through the 2014 Farm Bill. Also, an international bioenergy conference in Prince George, BC, last week provides some of the latest information on biomass fuel production and residual fibre supply in British Columbia.

In the US, applications are now being accepted through USDA's Rural Development from companies that want to offset costs related to converting fossil fuel systems to renewable biomass fuel systems. And the National Institute of Food and Agriculture announced US\$2.5 million in grants to promote national energy security through development of bio-based fuels, biopower, and new bio-based products.

CONT'D PAGE 9

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





Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	324	320	+4	346	-22	295	+29
WSPF KD R/L 2x6	324	318	+6	332	-8	278	+46
WSPF KD R/L 2x8	336	336	0	342	-6	288	+48
WSPF KD R/L 2x10	374	374	0	380	-6	324	+50
WSPF KD PET 2x4 Stud	330	320	+10	315	+15	290	+40
WSPF KD PET 2x6 Stud	300	295	+5	295	+5	285	+15
Douglas Fir Green R/L 2x4	295	295	0	332	-37	270	+25
Douglas Fir Green R/L 2x10	330	335	-5	380	-50	350	-20
ESPF KD 2x4 8ft Stud	410	400	+10	405	+5	370	+40
OSB Ontario 7/16" (CDN\$)	220	230	-10	240	-20	290	-70
CSplywood Toronto 3/8" (CDN\$)	394	398	-4	390	+4	335	+59

Weekly News

Housing Starts, US

CONT'D FROM PG 2 Permits for multi-family housing tumbled 19.5 per cent to a 372,000-unit pace.

Elsewhere, sales of new and existing homes in the US will fall in 2014 for the first time in four years, the Mortgage Bankers Association said in a forecast Thursday.

The MBA lowered its outlook to 5.28 million homes -- a decline of 4.1 per cent from the previous year. The industry group also said mortgage lending for purchases would total US\$595 billion this year, down 8.7 per cent from 2013, and the first retreat in three years, according to today's MBA projection.

Rising home prices and stagnant wages make it difficult for Americans to get mortgages amid tight credit standards. The median price of an existing home gained 11.5 per cent last year, second only to the 12 per cent gain in 2005, the highest on record, according to the National Association of Realtors. The median U.S. household income rose less than 1 per cent in 2013, according to data from Sentier Research LLC in Annapolis, MD.

China PMI

CONT'D FROM PG 2 In summary, of the five sub-indices compris-

ing the PMI, three improved and two weakened:

- Production index: 52.8 up month-on-month;
- New orders index: 52.3 up month-on-month;
- Raw materials inventory index: 48.0 down on April;
- Employed person index: 48.2 down month-on-month;
- Supplier delivery time index: 50.3 up month on month; and,
- The new export and import indices reflecting foreign trade in manufactured goods were 49.3 and 49.0 respectively both in negative territory.

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Wood Pellet Update

Production and Demand

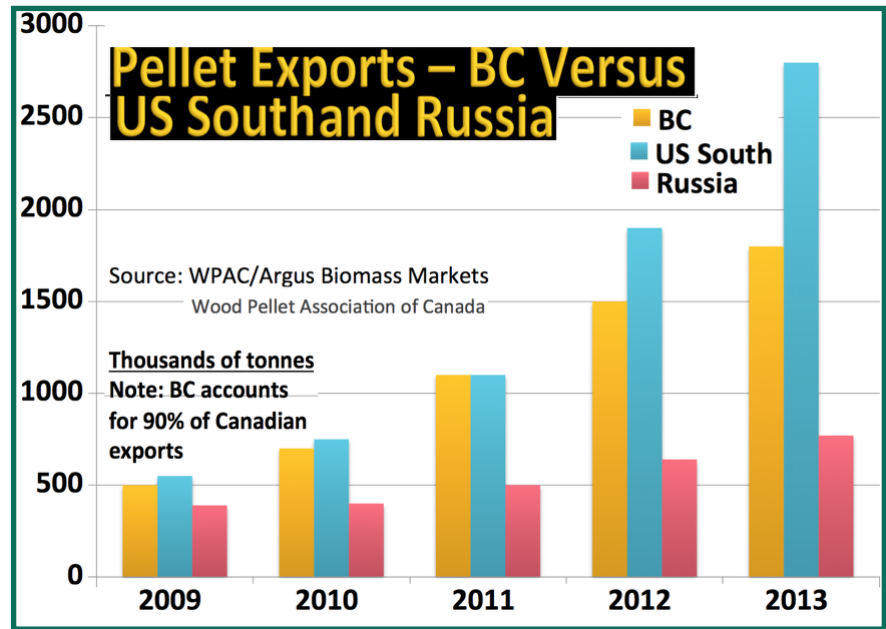
CONT'D FROM PAGE 2 A new service called the Bioeconomy Tool Shed will also be available to aid those starting a bio-energy business. Web-based tools and information are available on the production and conversion of biomass into products and fuel.

The USDA is also seeking applications for NIFA's Sun Grants program that encourages biorenergy and biomass research collaboration between government agencies, land-grant colleges and universities, and the private sector.

On June 12th the World Bioenergy Association released a report, titled "WBA Global Bioenergy Statistics 2014," that determined renewables contributed 18.3 per cent of the global energy mix, with bioenergy alone contributing approximately 14.1 per cent.

Globally, the report shows that that most bioenergy resources are used to produce heat. While 50 per cent of total global energy consumption from all sources goes to heat production, 92 per cent of bioenergy resources are used to generate heat. Alternatively, the report shows that while 20 per cent of gross energy consumption is electricity, only 3 per cent of bioenergy production goes to produce electricity. In addition, 30 per cent of gross energy production is used for transportation, while only 5 per cent of bioenergy is used in that sector.

On a global basis, solid biomass is used to generate 89 per cent of the bio-energy supply. Biofuels comprise 5 per cent of that, followed by wastes at 4 per cent and biogas at 2 per cent. Together



those resources equaled 54.9 EJ globally in 2011, said the WBA.

Elsewhere, wood pellet exports from the US nearly doubled last year, from 1.6 million short tons (approximately 22 trillion Btu) in 2012 to 3.2 million short tons in 2013. 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.

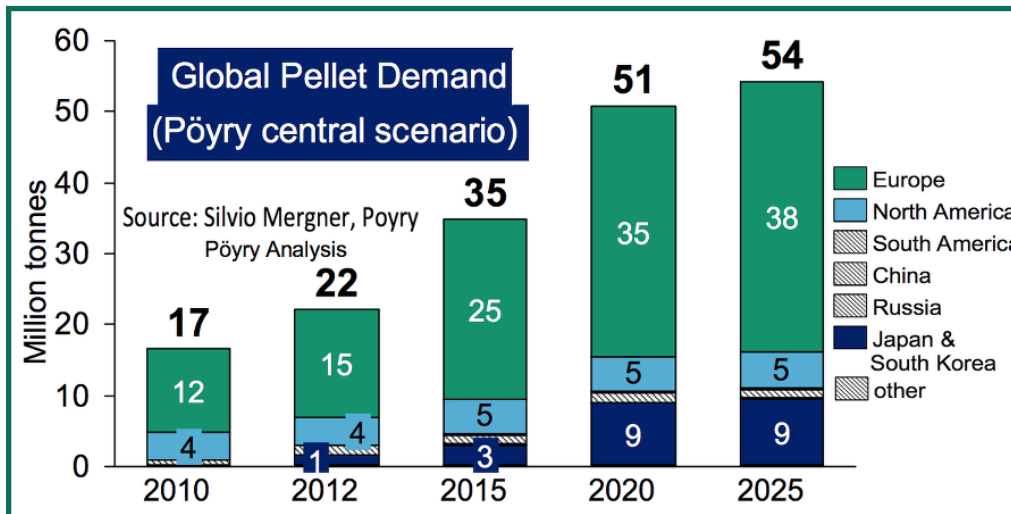
European countries, particularly the United Kingdom, are using wood pellets to replace coal for electricity generation and space heating. A principal driver in market activity is the European Commission's 2020 climate and energy package, binding legislation enacted in 2009 that implements the European Union's 20-20-20 targets. The 20-20-20 targets have three individual goals for 2020: to reduce EU greenhouse gas emissions by 20 per cent from 1990 levels, to increase the renewable portion of EU energy con-

sumption by 20 per cent, and to improve EU energy efficiency by 20 per cent.

In 2013, the top five importing countries of US wood pellets exports were all European: the United Kingdom, Belgium, Denmark, the Netherlands, and Italy.

However, Canadian wood pellet exports are lagging behind that of the US south, the Wood Pellet Association of Canada explained last week at the International Bioenergy Conference and Exhibition in Prince George, BC.

Canada and the US each exported just over 1 million tonnes of pellets in 2011, WPAC data shows. But by 2013 Canada had only exported approximately 1.7 million tonnes while US exports jumped to 2.8 million tonnes. Expectations are for another significant rise in US pellet exports this year. But those from Canada, which are 90 per cent supplied by BC, are growing at a much slower rate according to WPAC.



The ability for operators to secure long-term residual fibre agreements from the BC Ministry of Forests, whether independently or in conjunction with forest products companies, is critical for the burgeoning wood pellet industry in that province. During the most recent sitting of the BC Legislature was passed Bill 5, "Supplemental Forest Licence", which is an amendment to the Forest Act. Madison's will provide details on this new type of licence in an upcoming issue.