

# MADISON'S LUMBER REPORTER



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



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In Canada, add GST or HST  
ISSN 0715-5468

Printed in Canada © 2014

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## News & Updates

### Sawmill Fire

Fire broke out at Godfrey Lumber Yard in Statesville, NC, Thursday night. Local firefighters reported a large fire upon arriving at the scene, and say that several county fire departments were called in to assist with the blaze.

The Sheriff's Office says the fire reignited early Friday morning.

It was an approximately 100-by-150-foot building which burned. The building is used to create logs for log homes, and it was filled with equipment as well as lumber and sawdust.

After the fire sprang back up Friday, heavy equipment was brought in to remove the siding from the building to extinguish any remaining hot spots. Crews used a backhoe to tear down the wall. The building and its contents were totalled in the fire.

### British Columbia New Fire Fighting Planes

BC has a new weapon in its battle against the hundreds of wildfires that destroy large swaths of the province's forests every summer. It's a fleet of skimmer airtankers, an amphibious aircraft that can skim water and continue fighting a fire without having to return to base.

Said superintendent of the provincial airtanker program Michael Benson and fire information officer Kevin Skrepnek to Vancouver Sun Friday, "BC acquired four new Air Tractor AT-802F "Fire Boss" amphibious airtankers this spring ahead of the summer fire season. They are operated under contract by the Conair Group and put the province's fleet of aerial firefighting resources at 24 aircraft. The Fire Boss is like a mini version of the Martin Mars water bomber, the largest piston-powered propeller-driven aircraft in the world. Capable of working as a land-based aircraft or as a float plane, the Fire Boss can skim water from nearby water sources to continue fighting a fire without having to return to base."

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### Trade Data : Canada and US

The US trade deficit shrank 5.6 per cent to a seasonally adjusted US\$44.39 billion in May from April, the Commerce Department said Thursday. Exports increased 1 per cent to US\$195.46 billion, the highest level on record. Imports fell 0.3 per cent to US\$239.85 billion.

In Canada the May trade deficit slimmed to \$152 million, from the revised C\$961 million in the previous month, Statistics Canada said also Thursday.

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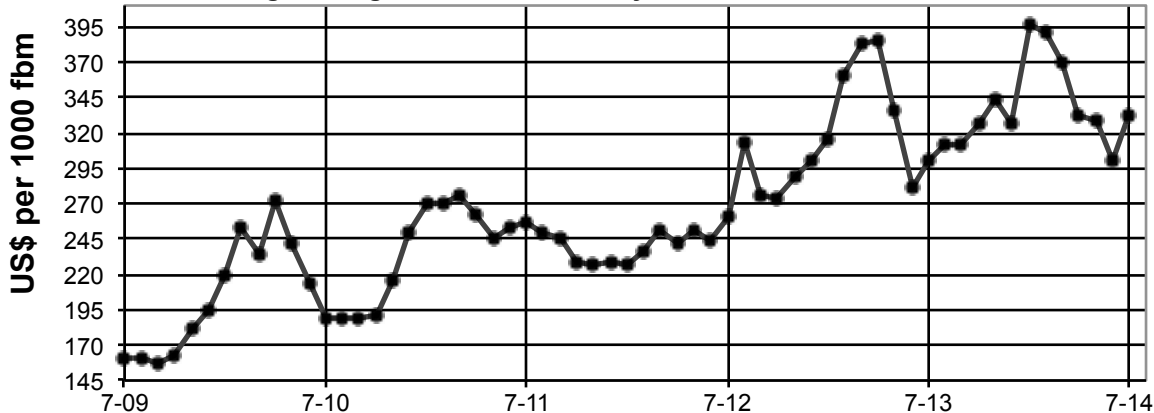
### US Housing Market : Jan - June 2014

New data on US housing inventory, home prices and sales, and distressed mortgages was released this week.

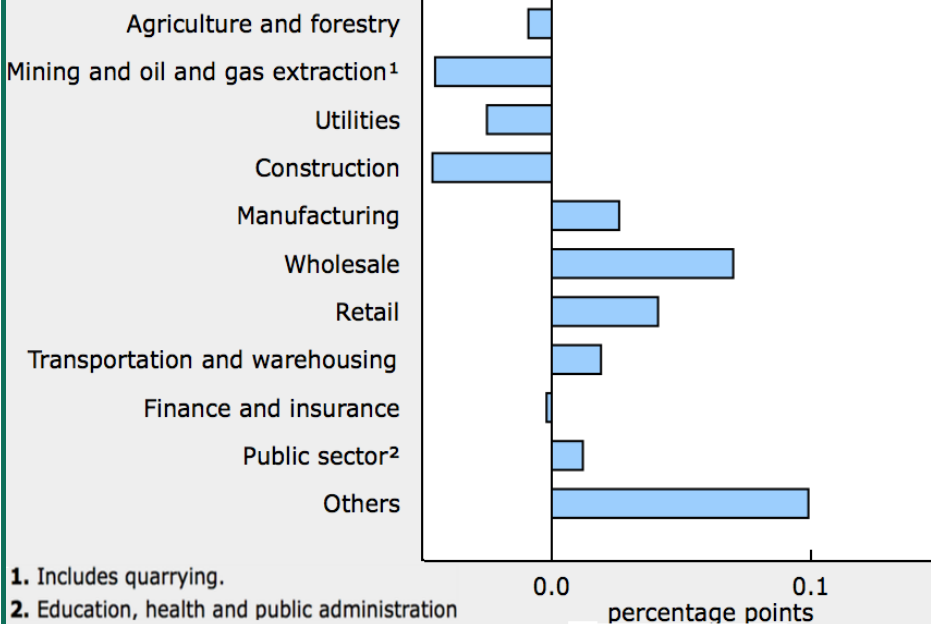
Mixed messages from US housing data released in June are being studied by home buyers, sellers, and industry experts. Mid-year releases issued from the National Association of Realtors, S&P/Case Shiller, Trulia, and other housing analysts show that the housing recovery is on track. Other reports issued simultaneously indicate that the US housing recovery has slowed. Both are accurate; signals are mixed.

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Douglas Fir green 2x4 #2&Btr July 2009 to 2014



**Main industrial sectors' contribution to the percent change in gross domestic product, April 2014**  
**All industries**



SOURCE: Statistics Canada

**Canada Gross Domestic Product**

Canada's real gross domestic product grew 0.1 per cent in April, the same pace as in March.

The output of service industries increased 0.3 per cent in April, led by wholesale and retail trade. Notable increases were also recorded in accommodation and food services as well as professional services. The public sector (education, health and public administration combined) edged up. The finance and insurance sector was unchanged in April.

The output of goods-producing industries fell 0.3 per cent as a result of declines in all major sub-sectors except manufacturing. There were notable declines in mining and oil and gas extraction, construction and utilities, while manufacturing was up.

**Construction down**

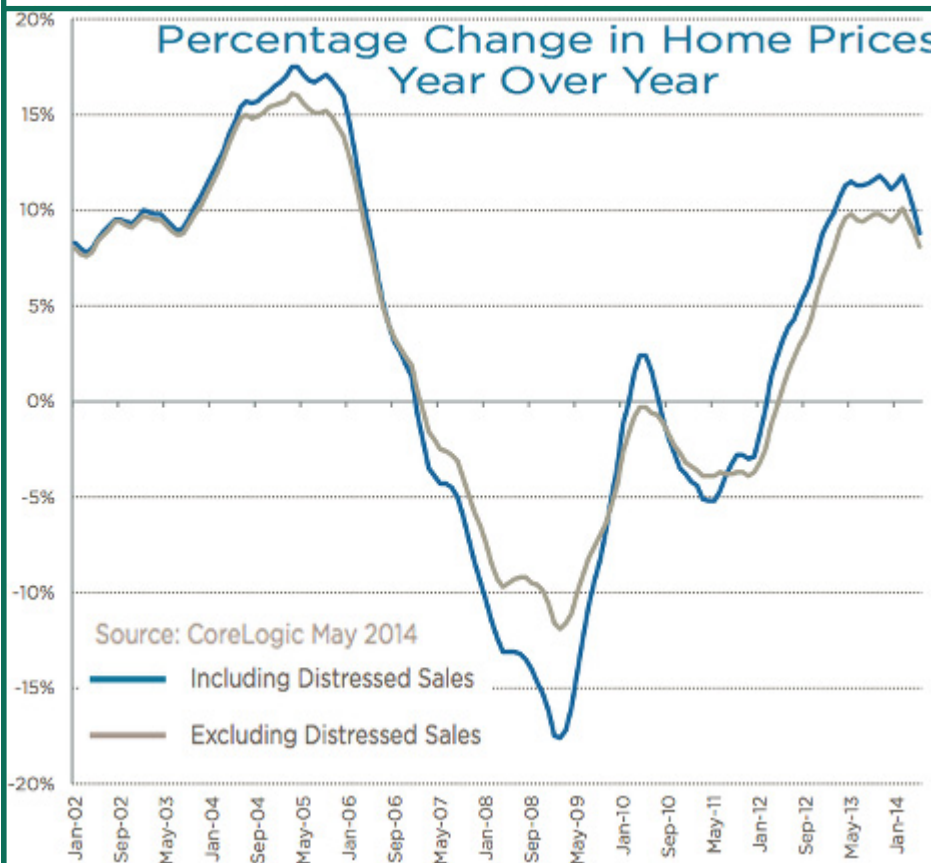
Construction declined 0.6 per cent in April, with all major components (residential and non-residential building, engineering and repair work) decreasing. Declines were most notable in residential building and repair construction.

The output of real estate agents and brokers increased 3.0 per cent in April, up for a third consecutive month, as activity in the home resale market rose.

**Manufacturing output increases**

Manufacturing output rose 0.2 per cent in April, a fourth consecutive monthly increase. Durable-goods manufacturing was up 0.4 per cent, mainly as a result of gains in fabricated metal products, computer and electronics products as well as machinery. In contrast, primary metal and non-metallic mineral products manufacturing declined.

Non-durable goods manufacturing was unchanged in April. The increase in manufacturing of plastic and rubber products was offset by declines in manufacturing of food and chemical products.



## Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	346	346	0	346	0	300	+46
WSPF KD R/L 2x6	352	350	+2	332	+20	270	+82
WSPF KD R/L 2x8	346	346	0	347	-1	280	+66
WSPF KD R/L 2x10	392	384	+8	380	+12	328	+64
WSPF KD PET 2x4 Stud	335	330	+5	325	+10	273	+62
WSPF KD PET 2x6 Stud	325	325	0	295	+30	273	+52
Douglas Fir Green R/L 2x4	340	323	+17	320	+20	295	+45
Douglas Fir Green R/L 2x10	345	335	+10	370	-25	360	-15
ESPF KD 2x4 8ft Stud	435	420	+15	427	+8	370	+65
OSB Ontario 7/16" (CDN\$)	225	225	0	245	-20	275	-50
CSplywood Toronto 3/8" (CDN\$)	414	414	0	406	+8	338	+76

## Weekly News

### New Wildfire Bombers, BC

CONT'D FROM PG 2 The Fire Boss can load up to 3,025 litres of water in 12 to 15 seconds, and be back on its way to the fire line in less than 30 seconds.

Early last month the new airtanker fleet went on its first mission to support ground crews fighting a fire near Schroeder Creek north of Kaslo, BC. The planes dropped 222,361 litres of water and foam, and the fire was contained in 75 minutes. It's an inexpensive means of delivering water, at about seven cents a litre. With the Fire Boss, firefighters can decide to use water and foam, which is much safer if the fire is near people's homes.

### Trade Data, Canada & US

CONT'D FROM PG 2 Increased exports south of the border led to Canada's trade surplus with the US widening in May to \$4.8 billion from \$4 billion previously, while the deficit with other countries narrowed slightly.

Total exports in the month rose 3.5 per cent to \$44.17 billion with volumes up 4.2 per cent and prices down 0.7 per cent. Shipments of passenger cars and light trucks jumped 15.7 per cent, the most in nearly two years as production resumed following maintenance work at some factories. As a result, overall exports of motor vehicles and parts increased 9.8 per cent to \$6.62 billion, the highest level since May 2007.

Exports of energy products were up 3.4 per cent to \$10.9 billion due to increased shipments of refined petroleum as production at some refineries returned to normal after maintenance work.

Consumer goods exports rose 4.4 per cent to a record \$4.76 billion, on the back of higher shipments of pharmaceutical and medical products and food, mainly red lentils and yellow peas.

Imports were up for the fourth consecutive month, rising 1.6 per cent to \$44.32 billion as volumes rose 2.4 per cent and prices fell 0.8 per cent.

Imports of metal ores and non-metallic minerals surged 44.5 per cent, reflecting increased purchases of gold bullion.

Meanwhile, Thursday's Commerce data showed signs that demand is accelerating in two of America's largest export markets, Europe and China, where weak growth has hobbled the US and global recoveries. Exports to the European Union were up nearly 4 per cent in May, on a non-seasonally adjusted basis, driven by a surge in buying from the U.K., the Netherlands, Spain and Ireland.

Sales to China, where economists fear growth could continue to decelerate, were up more than 2 per cent to US\$9.2 billion.

Petroleum played a large role in narrowing the May deficit. By one measure petroleum imports touched an 18-year low. Average daily imports of crude oil, 6.9 million barrels, were the lowest since March 1996. Meanwhile, U.S. petroleum exports hit the highest level of 2014.

When excluding petroleum, the trade gap expanded.

### Logs Seized

YaoRun Wood, a Chinese log export company that has been dealing millions of dollars of wood out of Terrace, BC, has had its log piles seized for a

third time in under a year due to suspicion it is altering log marks, according to Terrace Standard Tuesday.

Previous seizures took place because YaoRun had fallen behind on its stumpage payments to the provincial government.

This time "the seizure was conducted on June 20 due to the alleged removal and alteration of marks on logs for export," said a statement from the provincial forests, lands and natural resources ministry.

"There are no fines associated with this seizure. However, YaoRun could lose its export permit if the log marks are proven to have been removed/altered," the ministry statement continued.

Currently the YaoRun yard, which it's been leasing from the city since January 2013 for \$10,000 a month, has fewer logs stored there compared to the last year and according to a statement from YaoRun it is currently "looking for a new log yard".

Compliance and enforcement officers placed notices of seizure on approximately 7,500 cubic-metres of wood at the YaoRun yard.

## Calendar

### September 2014

Who Will Own the Forest? 10  
September 16 - 18 – Portland, OR  
<http://wwotf.worldforestry.org/wwotf9/>

Alberta Forest Products Association  
71st AGM  
September 25 - 27 – Jasper, AB  
<http://www.albertaforestproducts.ca>

# US Housing Market

## Mid-2014 Data and Analysis

Moderate slowdown is seen as positive.

Dr. Jed Kolko, Trulia chief economist explains, "Sales are picking up but prices are slowing down, and both of those are a good thing."

Key performance indicators show that inventory is tight in a lot of markets, however, prices rose less than expected. In fact, prices rose at the single slowest pace since March 2013. Foreclosures are down 40 per cent year-over-year, which is good news, as that's a necessary part of housing recovery.

The housing market is fundamentally sounder than it has been in years. The number of homes entering foreclosure per quarter is back down to the pre-crisis levels of 2005-2006, notes international economist of Deutsche Bank Securities. Distressed home sales accounted for only 11 per cent of sales in May, down from 18 per cent a year earlier.

Capital Economics, CoreLogic, and Barclays predict that average housing prices will continue to rise at eminently sustainable mid to high single-digit percentage rates for the coming year.

Peter Coy, writing in Bloomberg Businessweek's global economics section Thursday, says recent measures of housing activity are reason to call off the housing-bubble alert.

US house prices rose in 2012 and 2013 at a pace as extreme as anything seen during the disastrous housing bubble of the last decade. But Coy says CoreLogic's measurement of house-price growth dropping below double digits, to 8.8 per cent, from May 2013 to May 2014 is a healthy correction.

Supporting his upbeat outlook on housing, Coy points out the history demonstrating that home buying is more sensitive to the health of the job market than to interest rates. Thursday's June jobs report by the Bureau of Labor Statistics – showing that the US economy added over 200,000 jobs for the fifth consecutive month – should be very encouraging news indeed.

Meanwhile, CoreLogic announced Tuesday that home prices in May were up 8.8 per cent from a year earlier. That's still a big gain, but CoreLogic Chief Economist Mark Fleming notes in a report that it's almost 3 percentage points lower than the growth rate seen three months earlier, and it's the lowest annual change in 18 months.

"We are still under-building compared to population growth," homebuilding analyst Stephen Kim of Barclays wrote in a recent report. From a low of 554,000 in 2009, annual housing starts reached 927,000 last year, and Barclays predicts they will rise by 200,000 annually, reaching 1.7 million by 2017.

For its part, nonresidential construction spending expanded in May for the second consecutive month (based on revised data), according to a Tuesday release from the US Census Bureau. Nonresidential construction spending rose 1.1 per cent on a monthly basis in May

and has increased 6.4 per cent on a year-over-year basis. Spending for the month totalled US\$596.2 billion on a seasonally adjusted, annualized basis. Additionally, nonresidential construction spending for April was revised upward from US\$570.6 billion to US\$589.9 billion.

"Nonresidential construction spending is now at its highest level since October 2009, though that does not account for the cost of inflation," said Associated Builders and Contractors Chief Economist Anirban Basu in a release Tuesday. "Today's release helps confirm that the winter decline in nonresidential construction spending was largely due to unusually harsh weather as opposed to shifting economic fundamentals."

On the other hand, there are also fewer people owning homes. The national homeownership rate fell to a seasonally adjusted rate of 65 per cent in the first quarter, the lowest level in 19 years, according to Zillow Chief Economist Stan Humphries Monday. The household formation rate is also sluggish as younger people have been living with their parents longer. In the first quarter, new households formed at roughly one-third the normal pace.

Most new households are turning to rent, which has been rising despite the drop in home values. Since 2000, rents have grown by 52 per cent, twice the pace of wage growth over the same time. Currently, in 90 large metro markets, renters are spending more than 30 per cent of their income on rent.

Perhaps the most interesting data comes from the Japan Maritime Center, which announced total US imports from Asia of furniture and building materials and plastics used in construction rose

to 971,678 standard containers in the first four months of this year, compared with 914,042 a year earlier, said Bloomberg Wednesday.

Thanks to the US housing boom, Asian manufacturers are shipping the most furniture and building materials by containers in seven years.

"The increase in shipments to the US is a plus for the container line business," Ryota Himeno, an analyst at Barclays Securities Japan said by telephone to Bloomberg. "It's one of the positive signs that the marine industry has been waiting for."

by Kéta Kosman

2005-2006, notes Torsten Slok, chief

