

# 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

### Wildfires

Raging forest fires erupted with a vengeance across North America as deteriorating timber conditions in the back country and extended dry weather combined this season.

Potentially record-high temperatures this weekend threaten to complicate fire-fighting efforts in Washington State, where five wildfires already are raging. Hot and dry weather forecast could exacerbate the 28-mile Mills Canyon Fire and lead to additional wildfire outbreaks, officials warn. The coming heat wave could bring temperatures in the triple digits, National Weather Service's Matt Fugazzi told The Seattle Times.

Several hundred firefighters are working to contain the fire in Chelan County near Entiat, WA, which has threatened more than 200 homes and damaged a few structures. A spokesperson for fire operations, Laurie Dowie, said Friday to ABC News that residents of about 40 homes have been told to evacuate.

In Canada, a fast-moving wildfire in northeastern British Columbia is expected to double in size and is keeping about 200 oil-and-gas workers out of evacuated camps.

The Red Deer Creek fire southeast of the mining community of Tumbler Ridge, BC, was sparked by a lightning strike on Sunday, grew to 650 hectares on Tuesday, and now covers 5,000 hectares, or about 50 square kilometres.

The province's Wildfire Management Branch said Thursday to CTV News that 80 firefighters are tackling the flames. **CONT'D PAGE 7**

### Canada Housing Starts

The Canada Mortgage and Housing Corp reported Wednesday that the seasonally-adjusted annualized rate of housing starts rose to 198,185 last month from a downwardly revised 196,993 units in May, which was originally reported as 198,324.

The bounceback in 2Q followed a slide of nearly 10 per cent in 1Q, when cold temperatures and icy conditions sideswiped builders. **CONT'D PAGE 7**

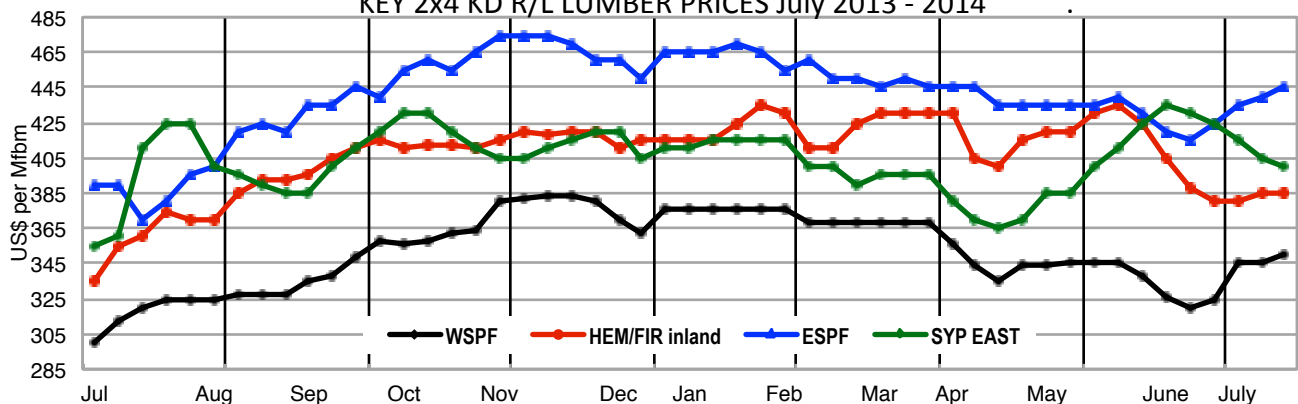
### Housing Starts, Japan

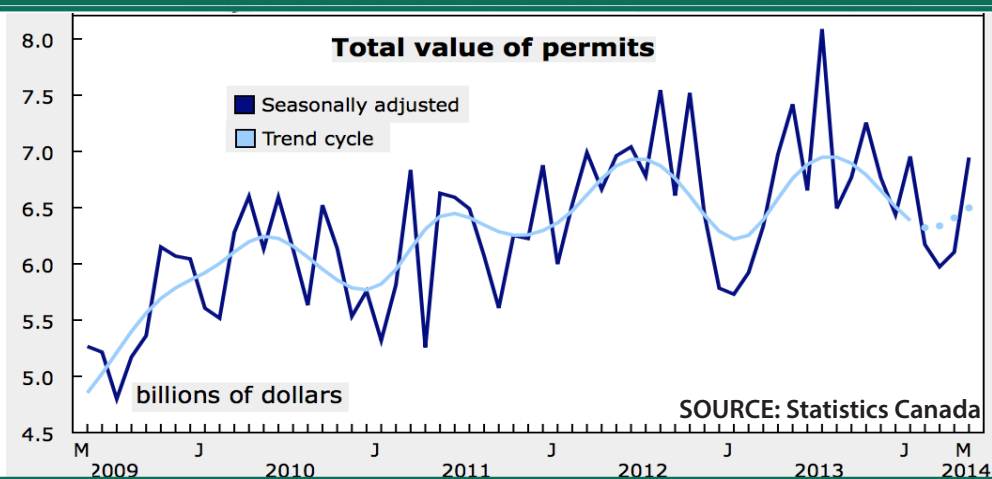
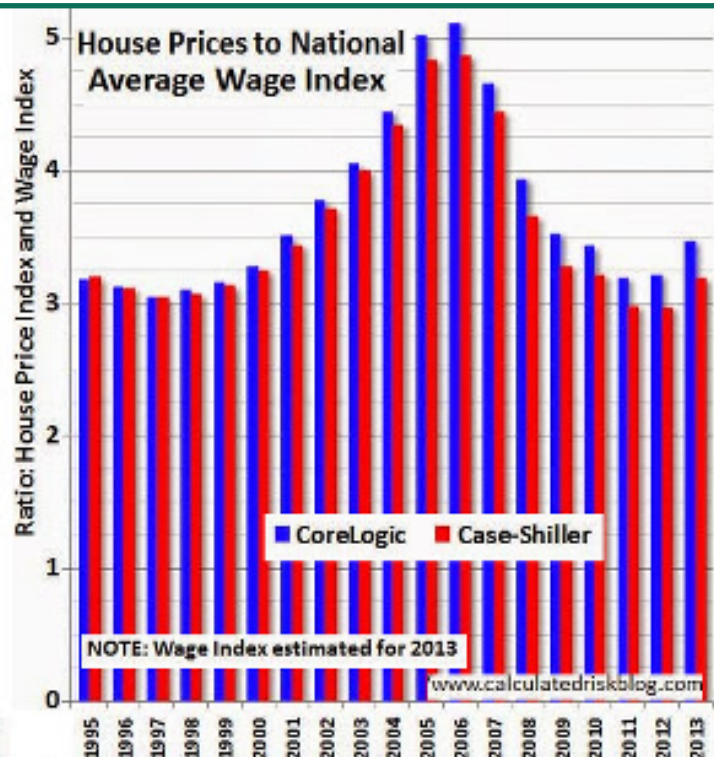
Total housing starts in Japan for May were 67,791 units, a 15 per cent drop over May last year, according to Japan Lumber Reports Friday. May starts represented a drop of 7,495 units from April's 75,286 new starts. On a seasonally-adjusted basis, starts dropped down to 872,000 units. **CONT'D PAGE 7**

### North American Rail and Truck Volumes

The latest data out of Canada and the US for freight volumes of forest products on the roads and railways provides a good picture of the state of solid wood transportation so far this year. **CONT'D PAGE 9**

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





### Japan Wood supply and demand in 2013

| Demand by use                |                 | Volume | '13/'12 |
|------------------------------|-----------------|--------|---------|
| <b>Lumber</b>                | Domestic supply | 12,068 | 106.5   |
|                              | Import          | 16,534 | 112.2   |
|                              | Total demand    | 28,592 | 109.7   |
| <b>Wood chip and pulp</b>    | Domestic supply | 5,177  | 97.5    |
|                              | Import          | 25,176 | 98.0    |
|                              | Total demand    | 30,363 | 97.9    |
| <b>Plywood</b>               | Domestic supply | 3,255  | 125.1   |
|                              | Import          | 7,977  | 103.7   |
|                              | Total demand    | 11,232 | 109.1   |
| <b>Other industrial wood</b> | Domestic supply | 627    | 138.1   |
|                              | Import          | 3,063  | 108.6   |
|                              | Total demand    | 3,690  | 112.7   |
| <b>Total</b>                 | Domestic supply | 21,117 | 107.3   |
|                              | Import          | 52,790 | 103.5   |
|                              | Total demand    | 73,867 | 104.6   |
| Self-sufficiency rate        |                 | 28.6%  |         |

Volume : 1,000 cbms

Comparison : % SOURCE: Japan Lumber Reports

### Japan Wood Demand and Supply 2013

The Forestry Agency disclosed the total demand for wood was 73.9 million cubic metres in Japan for 2013, a 4.6 per cent improvement over 2012, says the Japan Lumber Reports.

Of that, demand for lumber was 28.6 million cubic metres, an increase of 9.7 per cent, while plywood demand stood at 11.2 million cubic metres, up 9.1 per cent from the previous year.

Total wood imports rose by 3.5 per cent, to 52.8 million cubic metres, while domestic supply increased by 7.3 per cent, to 21.1 million cubic metres.

The Agency also noted, "Obviously log supply for lumber and plywood was so busy that removal of forest residue was way behind."

## Key Prices

|                                | This Week | Last Week | Change | Month Ago | Change | Year Ago | Change |
|--------------------------------|-----------|-----------|--------|-----------|--------|----------|--------|
| WSPF KD R/L 2x4                | 350       | 346       | +4     | 338       | +12    | 312      | +38    |
| WSPF KD R/L 2x6                | 362       | 352       | +10    | 338       | +34    | 280      | +82    |
| WSPF KD R/L 2x8                | 350       | 346       | +4     | 346       | +4     | 290      | +60    |
| WSPF KD R/L 2x10               | 394       | 392       | +2     | 380       | +14    | 320      | +74    |
| WSPF KD PET 2x4 Stud           | 345       | 335       | +10    | 320       | +25    | 285      | +60    |
| WSPF KD PET 2x6 Stud           | 330       | 325       | +5     | 295       | +35    | 265      | +65    |
| Douglas Fir Green R/L 2x4      | 340       | 340       | 0      | 315       | +25    | 300      | +40    |
| Douglas Fir Green R/L 2x10     | 345       | 345       | 0      | 360       | -15    | 365      | -20    |
| ESPF KD 2x4 8ft Stud           | 435       | 435       | 0      | 425       | +10    | 370      | +65    |
| OSB Ontario 7/16" (CDN\$)      | 225       | 225       | 0      | 235       | -10    | 260      | -35    |
| CSplywood Toronto 3/8" (CDN\$) | 426       | 414       | +8     | 410       | +16    | 372      | +54    |

## Weekly News

### Wildfire Season

CONT'D FROM PG 2 An open fire ban is in effect starting this Friday in the Prince George Fire Centre, with the exception of the Fort Nelson Fire Zone, said the BC Wildfire Branch Thursday.

The prohibition will remain in effect until September 30 and does not ban campfires that are a half-metre high by a half-metre wide or smaller.

Meanwhile, access to some forested areas north of Banff, AB, has been temporarily restricted by Alberta's Environment and Sustainable Resource Development Friday morning due to a wildfire in the area. It prohibits all access in the affected area north of Banff and west of Rocky Mountain House.

Officials say the wildfire covers over 5,600 hectares of land.

### Housing Starts, Canada

CONT'D FROM PG 2 The CMHC report showed single-unit starts rose 0.9 per cent while multiple-units, typically condominiums, rose 0.1 per cent. Canada's condo market has cooled since 2012 after a multi-year boom, and is widely expected to cool further as unsold inventory comes onto the market.

June's strength in housing starts was led by the prairie provinces which are benefiting from a booming resources sector and where an influx of workers has meant a shortage of housing in several cities.

Starts declined in Quebec, Ontario and British Columbia, and were up in the small Atlantic market.

### Japan Housing Starts

CONT'D FROM PG 2 Japan's Ministry of Land, Infrastructure and

Transport data shows that units built for owners declined by 22.9 per cent, to 22,288 units, said Japan Lumber Reports.

These drops are influenced by Japan's consumption tax increase in April 2013, the government agency said.

New construction of wood-based units in May dropped to 36,983, from 40,035 the previous month.

### Southern Pine Lumber Exports: April

This year continues to be a robust one for exports of Southern Pine lumber, as the Southern Forest Products Association said in the press release received by Lesprom Network. USDA's Foreign Agricultural Service reported exports of Southern Pine to be approximately 44.3 million board feet (MMbf) for April 2014. This volume represents an increase of 26 per cent above the same month last year, and a solid year-to-date increase of 43 per cent when compared with the first four months of 2013.

Offshore shipments during April roughly break down as follows: 24.1 MMbf dressed, 9.1 MMbf rough, and 11.1 MMbf treated lumber.

Softwood lumber imports to the US during April were just over one billion board feet (Bbf), down 2 per cent from the volume imported during April of 2013. Year-to-date softwood imports are up 3 per cent when compared with last year. Canada shipped the lion's share into the US during April.

### Canada Building Permits

Canadian municipalities issued building permits worth \$6.9 billion in May, up 13.8 per cent from April, said

Statistics Canada Monday. This followed a 2.2 per cent rise in the previous month. The increase in May resulted primarily from higher construction intentions for commercial buildings in Ontario and Manitoba, as well as multi-family dwellings in British Columbia. The total value of permits has been on a slight upward trend since the beginning of 2014.

Gains were posted in every province in May, except Quebec and Nova Scotia. Ontario, British Columbia and Manitoba registered the largest increases.

Construction intentions for residential dwellings rose 9.5 per cent to \$4.1 billion in May, the third consecutive monthly increase. Higher residential construction intentions were registered in eight provinces, led by British Columbia, followed by Ontario and the other western provinces.

In the non-residential sector, the value of permits rose 20.8 per cent to \$2.8 billion. Gains were posted in seven provinces, led by Ontario and Manitoba. Quebec, Saskatchewan and Nova Scotia posted declines following large increases in all three provinces in April.

## Calendar

### September 2014

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

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

# North American Freight Data

## Wood Products

Freight volumes are expected to keep increasing this year with trucking capacity to continue tightening – a recipe that should result in freight rate hikes for the industry by as much as 5 to 8 per cent before 2014 is over, says a report commissioned by the US Council of Supply Chain Management Professionals and sponsored by Penske Logistics. This report was unveiled at the National Press Club in Washington, DC, June 17 at the 25th annual State of Logistics, said Fleet Owner magazine.

Overall, truck tonnage increased 6.1 per cent in 2013, which is much higher than revenue figures would seem to indicate.

For its part, the Shippers Conditions Index pulled back a point to negative of 7.7 points for April. This one month change does not signal any real improvement in trucking capacity, analysts agreed.

“The index remains in low territory reflecting the 98-99 per cent readings for truck capacity utilization, with little relief in sight until the next recession,” Eric Starks, President of FTR Transportation Intelligence, said. “Freight growth should remain strong through the balance of the year and the rate shippers pay for truck freight will continue to rise.”

Transportation of North American dimension lumber products this May was generally stable over 2013, the latest data from Canada and the US demonstrates.

Canadian railway carloadings of lumber increased by 10 per cent in the first four months of 2014, from 37,969 cars in

2013 to 42,154 cars this year, according to Statistics Canada June 26.

Meanwhile, the Association of American Railroads (AAR) Thursday reported increased US rail traffic for the week ending July 5, 2014, of 270,731 total carloads, which is up 9.4 per cent compared with the same week last year. Total US weekly intermodal volume was 227,097 units, up 10.5 per cent compared with the same week last year. Total combined US weekly rail traffic was 497,828 carloads, and intermodal units were up 9.9 per cent compared with the same week last year.

Carloads of forest products on the rails in America that week were 10,789 units, up 5.5 per cent from the same week last year, while year-to-date carloads of forest products were 301,167 units, a 2.4 per cent increase.

Canadian railroads reported 77,193 carloads for the week, up 12.4 per cent, and 57,349 intermodal units, up 12.9 per cent compared with the same week in 2013, said AAR. For the first 27 weeks of 2014, Canadian railroads reported cumulative volume of 2,111,569 carloads, up 0.3 per cent from the same point last year, and 1,504,099 intermodal units, up 6.3 per cent from 2013.

For overall North American (Canada, US, Mexico) forest products rail traffic for the week ended July 5, 2014, carloads were 17,908 units, up 3.3 per cent compared to 2013 said AAR.

Cumulative year-to-date North American forest products carloads were 498,698 units, a 0.9 per cent decrease over the same time last year.

In America the freight logistics sector continued to strengthen in June, with both shipment volumes and expenditures rising once again according to the latest Cass Freight Index, said Trucking Info Tuesday. The freight expenditures index rose

4.2 per cent in June to 2.76, a record high. June 2014 freight spending was 12.1 per cent higher than a year ago and is up 15.6 per cent since the beginning of 2014.

June shipment volumes increased 2.4 per cent to the highest level since November 2007. Volumes were 6 per cent higher than a year ago and are up 15.8 per cent since the beginning of 2014.

“Construction and manufacturing activities, both drivers of demand for transportation services, have been rising for several months,” said Rosalyn Wilson, supply chain expert, who provides analysis for the report.

She noted the Institute for Supply Management’s Purchasing Managers Index slipped just slightly from 55.4 to 55.3 during June, but there was strong growth in the manufacturing of autos and construction equipment. New orders rose 3.5 per cent, indicating that demand for transportation should remain strong for the next several months.

On the roads, TransCore Link Logistics’ Canadian freight volumes rose 2 per cent in May, marking a 31 per cent improvement year-over-year, said Truck News June 17. The TransCore Canadian Freight Index measures volumes from about 5,000 Canadian trucking companies.

In May, cross-border postings accounted for 69 per cent of total load volumes. Cross-border loads originating in Canada rose 70 per cent year-over-year while loads originating in the US were up 10 per cent over last May.

TransCore reported intra-Canada load volumes comprised 25 per cent of total May volumes, and were up 34 per cent compared to last May.

The index showed continued tight capacity, with truck levels remaining low relative to the same period last year. Equipment postings were up 4 per cent month-over-month, but were down 10 per cent compared to last May.

