

# MADISON'S LUMBER REPORTER

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## News & Updates

### Wildfires

Ignited by lightning strikes on hot and tinder dry forests, more than a dozen large wildfires are raging throughout the Pacific Northwest of the United States and up into British Columbia Friday.

In Oregon and Washington alone, more than 310,000 acres were ablaze as of yesterday (July 17), according to the Northwest Interagency Coordination Center. That's an area more than twice the size of the city of Chicago.

An image acquired by NASA's Aqua satellite Thursday provides a broad geographic overview of the region. There are obvious wildfire complexes in Oregon and Washington and extending up into British Columbia, where plumes of smoke can be seen streaming from fires there.

More than 70 per cent of Oregon is now in drought, according to the latest report of the US Drought Monitor, issued also Thursday. Temperatures in the Northwest overall have recently averaged 8 to 12 degrees F above normal, with highs in the 90's and 100's. **CONT'D PAGE 7**

### Housing Starts, US

US home construction fell 9.3 per cent in June, a surprising sign of weakness for a sector that has struggled to maintain momentum over the past year.

Housing starts sank last month to a seasonally adjusted annual pace of 893,000, the weakest showing since September 2013, the Commerce Department said Thursday. It was the second-straight monthly drop and was driven by a nearly 30 per cent decline in the South.

Other parts of the country posted increases. The report showed that the path to recovery for the housing industry remains bumpy.

Despite that report, several recent signs have pointed to the housing market regaining its footing. Sales of previously owned homes, the broadest measure of housing demand, rose in May to the highest level since October, and sales of newly built homes that month rose to the highest level in six years. **CONT'D PAGE 7**

### Oregon Timber Harvest

In 2013, Oregon's timber harvest rose to 4.2 billion board feet, marking four consecutive years of increase from the recession low of 2.72 billion board feet in 2009 said the Oregon Department of Forestry Thursday.

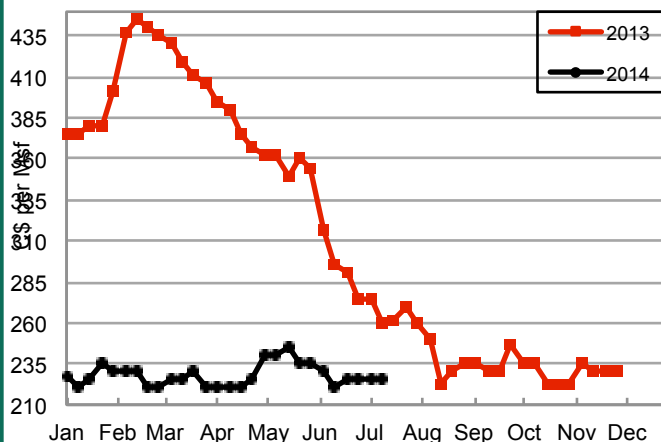
Timber harvest increases can be attributed to a strong export market for Oregon logs in 2013, coupled with a domestic market recovery, particularly in housing.

Whether this trend will continue for the 2014 harvest is uncertain due to housing forecasts being revised to lower numbers and a sudden cool-down in the export market that occurred during the second quarter of 2014. **CONT'D PAGE 7**

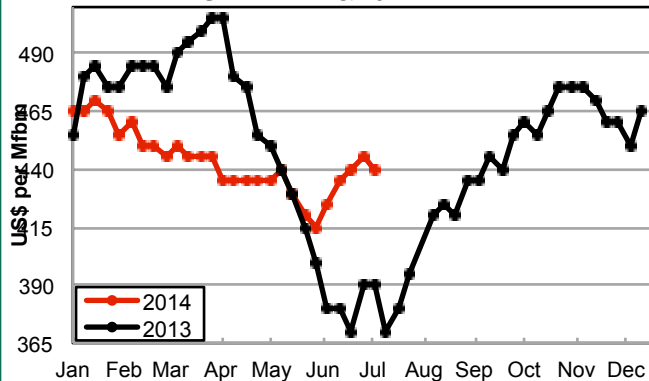
### New Developments in Value-Added Wood Products

An update on products made from veneers, as well as mass-timber building and new designations of CLT and LVL. **CONT'D PAGE 9**

OSB 7/16" ON

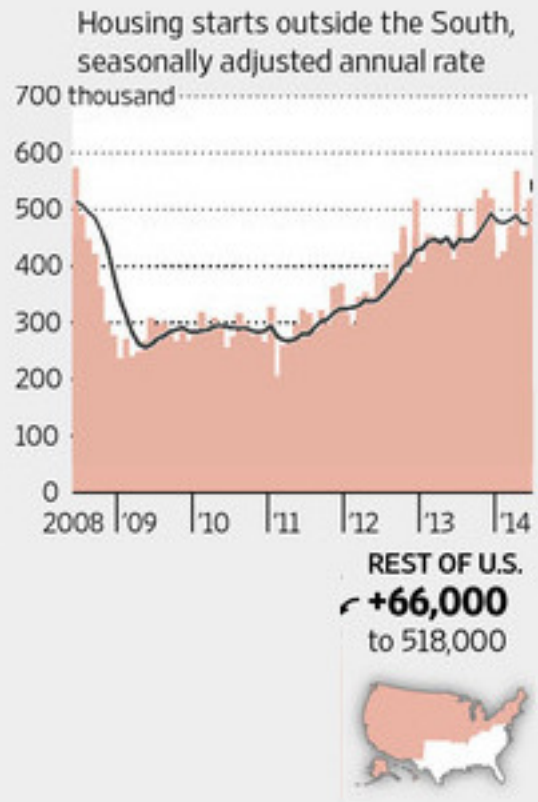
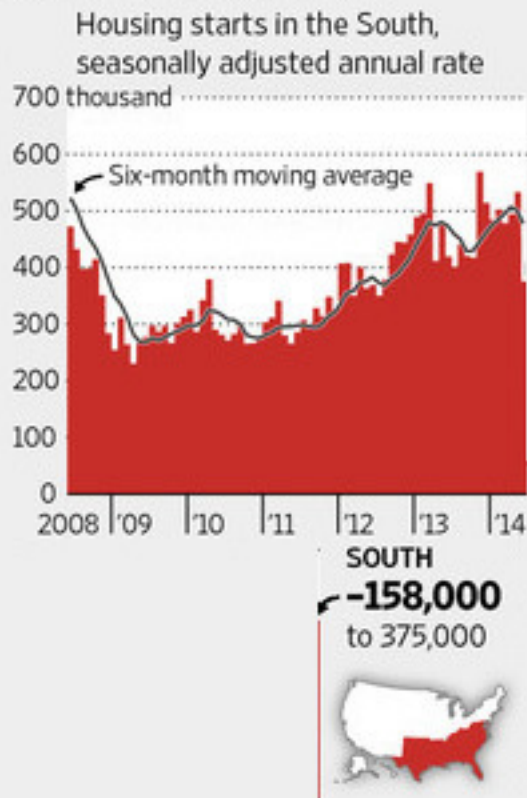


ESPF KD #2&Btr 2x4



# Heading South?

U.S. housing starts fell 9.3% in June, but would have risen if not for a 30% slide in the South.



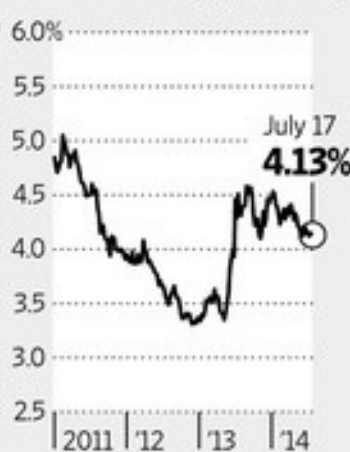
SOURCE: Wall Street Journal

Other signs point to a steady outlook, as permits are up, mortgage rates are coming down and builders are optimistic.

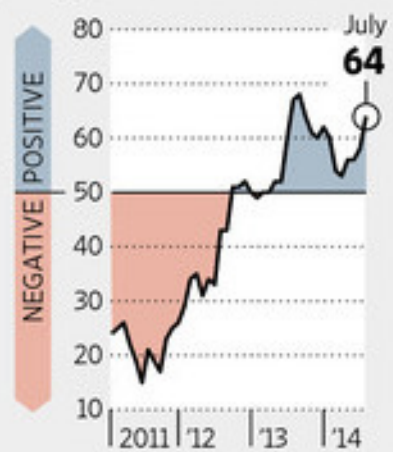
U.S. single-family permits, seasonally adjusted annual rate



Average rate for a 30-year fixed-rate mortgage, weekly



Home-builder's outlook for single-family sales in the next 6 months



Sources: Commerce Department (housing starts and permits); Freddie Mac via the Federal Reserve Bank of St. Louis (mortgage rate); National Association of Home Builders (confidence)  
The Wall Street Journal

## Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	354	350	+4	326	+28	320	+34
WSPF KD R/L 2x6	360	362	-2	324	+36	290	+70
WSPF KD R/L 2x8	354	350	+4	342	+12	286	+68
WSPF KD R/L 2x10	402	394	+8	380	+22	345	+57
WSPF KD PET 2x4 Stud	345	345	0	320	+25	300	+45
WSPF KD PET 2x6 Stud	335	330	+5	305	+30	275	+60
Douglas Fir Green R/L 2x4	340	340	0	330	+10	325	+15
Douglas Fir Green R/L 2x10	345	345	0	335	+10	285	+60
ESPF KD 2x4 8ft Stud	430	435	-5	415	+15	380	+50
OSB Ontario 7/16" (CDN\$)	225	225	0	235	-10	261	-36
CSplywood Toronto 3/8" (CDN\$)	447	426	+21	407	+40	372	+75

## Weekly News

### Wildfire Season

CONT'D FROM PG 2 Conditions in Washington state are not as dry as they are in Oregon. Even so, half of the state is abnormally dry, and 33 per cent is experiencing moderate to severe drought.

Two significant wildfires and one smaller one are visible in the image of British Columbia above, acquired also by the Aqua satellite Thursday. The Eutsuk Lake Fire is currently estimated at 3,576 acres by the British Columbia Wildfire Management Branch.

To the east are the two much larger fires. First is the Chelaslie River Fire estimated at 32,124 acres. And still farther east is the Euchiniko Lakes blaze, currently at 17,297 acres.

According to the three-month outlook from the US Climate Prediction Center, the odds are better than even that Oregon and Washington, as well as California, Nevada and parts of Arizona, Utah, Idaho and Montana, will experience above normal temperatures. And for much this region, drought conditions are expected to persist through at least the end of October.

### US Housing Starts

CONT'D FROM PG 2 The pace of American construction for May was revised lower, showing a 7.3 per cent decline, that month, compared with an initially reported 6.5 per cent decrease, the Commerce Department said.

New applications for building permits, a bellwether of future construction, declined 4.2 per cent in June from the prior month to a pace of 963,000, the lowest figure since January.

The decline in construction was driven by a 9 per cent drop in single-family

homes and a nearly 10 per cent drop in apartments and condominiums homes with at least two units.

There were two small bright spots in the data, as permits for single-family homes were up 2.6 per cent from the prior month and housing starts were up 7.5 per cent from a year earlier.

### Timber Harvest, Oregon

CONT'D FROM PG 2 "This was the first harvest above four billion board feet in seven years," said principal economist Brandon Kaetzel in the agency release Thursday. "And represents a 12 per cent increase over the 2012 harvest of 3.75 billion board feet."

Approximately 49 per cent, or 30.2 million acres, of Oregon is forested. Federal forestlands account for 60 per cent of these forestlands, industrial forestlands for 19 per cent, family forestland owners own 15 per cent, state-owned forests comprise three per cent, and all other forestland owners (counties, Tribal, etc), three per cent.

The largest increase in harvest came from non-industrial private forestlands where harvests increased 61 per cent to 511 million board feet from the 2012 total of 318 million board feet.

"This is most likely due to small forestland owners taking advantage of higher prices as a result of a still strong export market in 2013," Kaetzel said.

The harvest on industrial forestlands rose from 2.56 billion board feet in 2012 to 2.75 billion board feet in 2013, for an eight per cent increase in harvest.

Harvests on Native American forestlands increased five per cent from 2012 to 2013, rising from 63 million board feet in 2012 to a total of 66 million board feet in 2013.

### West Fraser Reports

West Fraser Timber Wednesday reported lower year-over-year earnings in 2Q despite an increase in sales revenue.

The Vancouver-based softwood lumber producer says net income in the quarter was \$74 million, or 87 cents per share, compared with \$109 million, or \$1.27 per share, in the comparable 2013 period.

Revenue rose to \$1.05 billion from \$900 million in 2Q 2013 and from \$809 million in 1Q of this year as increased shipments in its lumber operations were offset by lower prices.

Ex-items, earnings came in at \$66 million, or 77 cents per share, in 2Q, compared with adjusted earnings of \$107 million of \$1.25 per share in the year-earlier period.

The company said shipments of lumber increased sharply in 2Q, but that both SPF and SYP prices declined.

Meanwhile, log costs are expected to trend higher in B.C. as competition for purchased wood increases but lumber productivity and cost reductions throughout the company's sawmills are expected to continue to improve over the next few quarters, it said.

## Calendar

### September 2014

Who Will Own the Forest? 10  
September 16 - 18 - Portland, OR  
<http://wwotf.worldforestry.org/wwotf10/>

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

# Lumber Remanufacturing Value-Added Wood Products

An article this week in the *Globe and Mail* piqued Madison's interest to discover the latest technologies and developments in manufacturing higher-value and value-added solid wood products.

An established skateboard manufacturer in Ontario has come up with a way to work veneers to make a totally new kind of skateboard.

"His innovative woodworking technique – called 'pinching' – could change the shape of the skateboard and furniture industries," said the *Globe and Mail* Wednesday.

Ted Hunter, owner at Roarokit Skateboard out of Toronto, ON, "found a way to 'pinch' layers of wood veneer to make them ripple like the surface of the ocean, all while strengthening the product and still preserving the flat, rideable side of the board.

Quite different than the conventional process, which requires inserting pieces of veneer to make wood strips hold the contours."

Madison's reached out to Hunter this week for details but couldn't get in touch before press time.

Madison's will continue to cover this interesting development; the supply of logs suitable only for veneers continues to multiply in many North American regions. At the same time, emerging markets — especially in Asia — expect wooden items to be made from veneers.

Elsewhere, Universal Forest Products credited the sales of value-added products for improved 2Q 2014 profits this week.

"The people of this company did the right things to drive sales and increase profitability to meet our strategic goals: they created a better product mix of value-added sales and enhanced operational efficiencies, driving success in the second quarter," said the company's quarterly financial results Wednesday.

Value-added wood products include unfinished strip flooring, mouldings, dimensioned components, S4S, and many others.

Still in the US, exports of softwood pressure-treated lumber, a key value-added item promoted by the Southern Forest Products Association (SFPA), reached an all-time sales record of US\$79 million in 2013, the agency said Monday. Exports have jumped sharply to regions targeted by the association's international market development efforts, and are continuing to rise this year.

Total export sales of American softwood lumber nearly doubled in the past five years the SFPA said, reaching US\$1.1 billion, the highest level in 16 years.

Aside from smaller items like furniture, veneers can also be used to make engineered building materials like glue-laminated or cross-laminated timber (CLT).

Some of the new designations can get confusing. For example, cross-banded LVL (LVL-C), whereby some LVL members are made with a few laminations laid up at right angles to enhance the strength of the member, is one such innovation, according to Architecture and Design Australia July 6. CLT panels with LVL outer layers, which give

the product greater structural capacity with the same slab depth, are also available.

Hollow-core CLT floor and wall systems are yet another example of new developments. A hollow core takes the weight out of the panels whilst still allowing large spans. These types of systems are being developed into 'sandwich panels', where insulating materials are incorporated into the panels for external walls, roof sections and the like, said Architecture and Design.

Floor cassette systems are made up of a number of parts. The first is the timber floor trusses, or the joists within the cassette, with truss webs to be made of either timber or a V-shaped metal web. On top of the floor cassette is the flooring system, which is typically a yellow tongue particleboard.

Insulation can also be prefabricated into the floor system, as can strongbacks or lengths of timber that run across the joist to give it additional stability.

"As an upper-storey flooring system, the floor cassette system can be used in multi-storey buildings or the first floor of a residential project. It can be used in conjunction with CLT, which would be the wall system, or with LVL, which can be used within the floor truss itself to achieve better performance and longer spans," explained Australian floor cassette system manufacturer Pryda's Simon Healey.

The floor cassettes are lighter than reinforced concrete so mobile cranes can be employed to install the cassette panels, and they offer flexibility in design with longer spans and the ability to use the panels for all floor assembly types simply by varying the panel thickness. This system can be used to complement CLT.

