

# MADISON'S LUMBER REPORTER



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## News & Updates

### Nova Scotia Lumber Producer Gets Loan Guarantee

Nova Scotia Business Inc (NSBI), the province's Crown-owned business development agency, Thursday authorized a \$1.5 million loan guarantee to assist Ledwidge Lumber of Enfield in establishing a new private-sector line of credit.

Ledwidge Lumber produces lumber for housing construction and specialty products, with the capability of producing up to 100 million board feet of lumber products annually.

Company President Douglas Ledwidge said they have grown their family business over 70 years.

"Recently we've made our own investments in a new planer facility, an efficient and environmentally friendly dry kiln system that runs on wood shavings, and a new saw line," Ledwidge explained. "A long-term relationship with a financial institution is important for our company's growth strategy."

Ledwidge Lumber is one of the province's oldest family-run sawmills, producing stud lumber for housing construction and specialty products. The company can produce up to 100 million board feet of lumber and value-added lumber products annually.

### Western Forest Products, Interfor, Resolute Report

Western Forest Products Thursday announced results for the 2Q 2014 with adjusted EBITDA of \$40.9 million, compared to adjusted EBITDA of \$32.8 million for the 1Q 2014 and \$44.9 million for the 2Q 2013. The Company reported revenue of \$296.2 million for the 2Q 2014, compared to \$246 million for the 1Q 2014 and \$262.3 million for the 2Q 2013.

Net income for the 2Q 2014 was \$29.2 million, \$0.07 per diluted share, compared to a net income reported for the 1Q 2014 of \$23.6 million, \$0.06 per diluted share, and a net income reported in the 2Q 2013 of \$35.5 million, \$0.07 per diluted share.

Western reported adjusted EBITDA of \$40.9 million for the 2Q 2014, an \$8.1 million improvement over the prior quarter and a \$4 million decline from the 2Q 2013.

Interfor Corp reported, also Thursday, 2Q 2014 net earnings of \$21.6 million, or \$0.32 per share, and EBITDA of \$47.3 million, excluding the impact of one-time items including the restructuring and impairment charges related to the permanent closure of its Beaver-Forks operation announced the same day. Inclusive of these charges, net earnings in the quarter were \$7.4 million or \$0.11 per share.

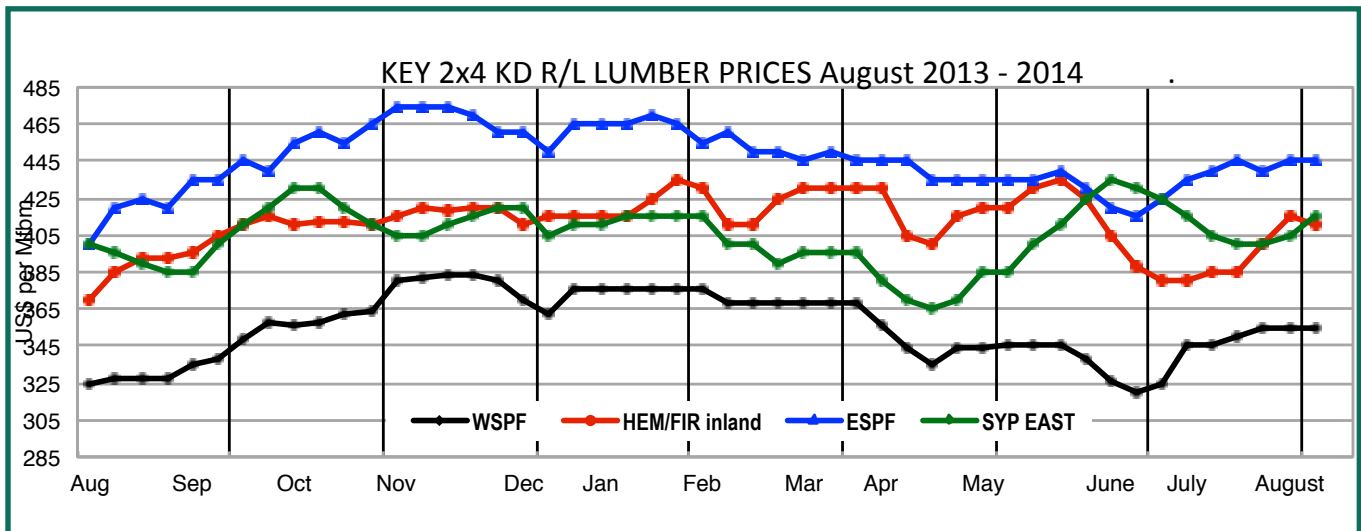
Interfor's lumber production in 2Q was a record 582 million board feet, up 18 per cent from the prior quarter. This growth reflects the addition of the Perry and Preston sawmills in March 2014, and higher operating rates at the Company's BC Interior and US Southeast operations.

CONT'D PAGE 7

### Construction Materials Prices : 2014

Current prices of construction materials in the US are examined, as well as the latest building producer price indexes.

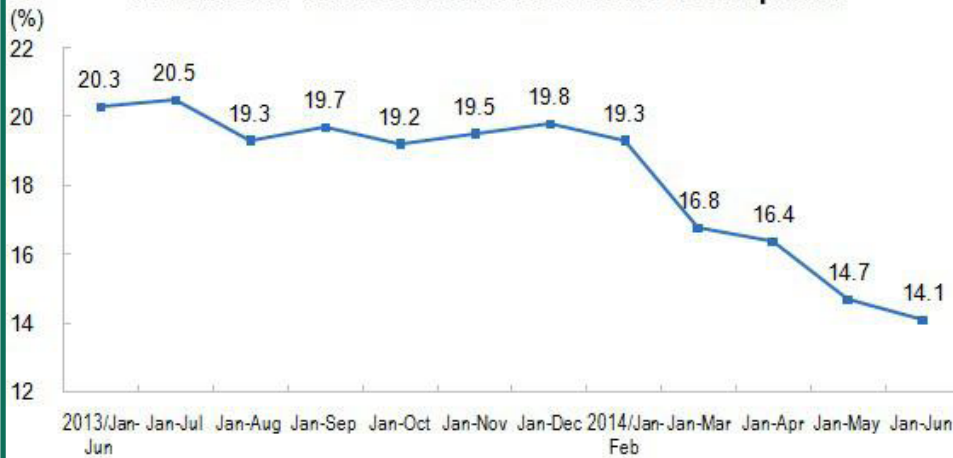
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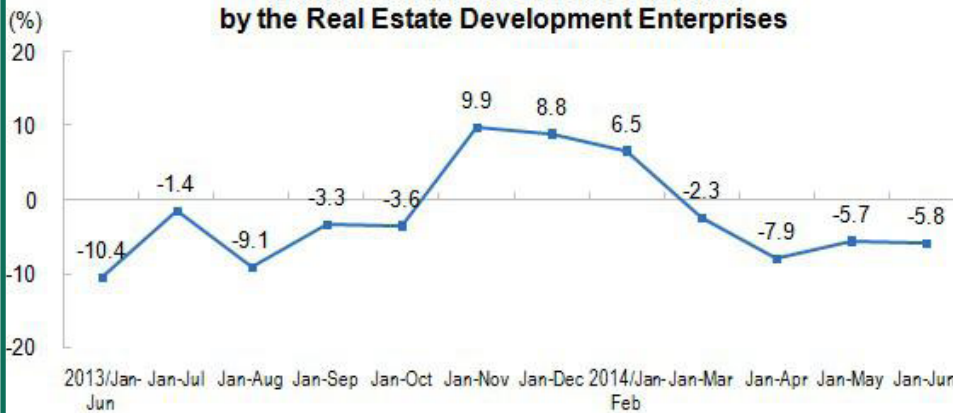
# China Timber News

SOURCE: National Bureau of Statistics of China

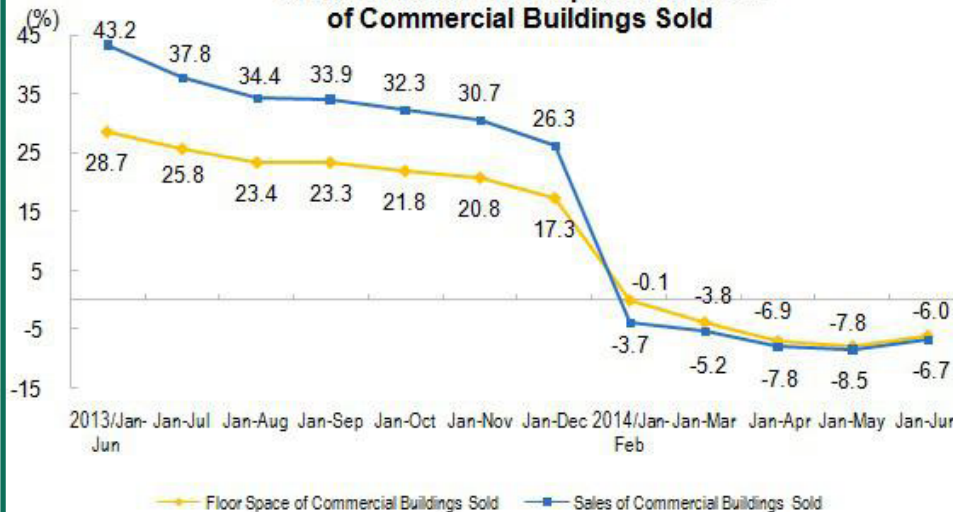
### Growth Rate of Investment in Real Estate Development



### Growth Rate of Land Area Purchased by the Real Estate Development Enterprises



### Growth Rate of Floor Space and Sales of Commercial Buildings Sold



## China National Real Estate Development and Sales in June 2014

*The completion of real estate investment*

The total investment in real estate development in the first six months of 2014 was 4,201.9 billion yuan, a nominal increase of 14.1 per cent year-on-year (actual increase was 13.1 per cent after deducting price factors), 0.6 percentage points lower over the first five months, said the National Bureau of Statistics of China July 17.

Of this, the investment in residential buildings was 2,868.9 billion yuan, up by 13.7 per cent, 0.9 percentage points lower, and accounted for 68.3 per cent of real estate development investment.

### Sales of Commercial Buildings

In the first six months of 2014, the floor space of commercial buildings sold stood at 483.65 million square metres, a year-on-year decrease of 6 per cent, and the pace of decrease narrowed 1.8 percentage points over the first five months. Of the total, the floor space of residential buildings decreased 7.8 per cent, office building decreased 2.8 per cent, and buildings for business use increased 7.7 per cent.

The sales of commercial buildings amounted to 3,113.3 billion yuan, a decrease of 6.7 per cent, and the pace of decrease narrowed 1.8 percentage points over the first five months. Specifically, the sales of residential buildings went down by 9.2 per cent, office buildings down by 12.1 per cent, buildings for commercial business up by 9.8 per cent.

### Sources of Funds for Real Estate Development Enterprises

In the first six months of 2014, the sources of funds for real estate development enterprises reached 5,891.3 billion yuan, up by 3 per cent year-on-year, 0.6 percentage points lower over the first five months. Specifically, the domestic loans stood at 1,129.3 billion yuan, increased 14.1 per cent, foreign investment stood at 18.6 billion yuan, down by 20.6 per cent, self-raising funds stood at 2,381.0 billion yuan, up by 10.1 per cent, and other sources stood at 2,362.4 billion yuan, down by 7.2 per cent.

## Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	354	354	0	324	+30	324	+30
WSPF KD R/L 2x6	356	362	-6	324	+32	304	+52
WSPF KD R/L 2x8	354	354	0	336	+18	310	+44
WSPF KD R/L 2x10	396	402	-6	374	+22	345	+51
WSPF KD PET 2x4 Stud	340	340	0	330	+10	310	+30
WSPF KD PET 2x6 Stud	345	345	0	300	+45	280	+65
Douglas Fir Green R/L 2x4	348	345	+3	295	+53	310	+38
Douglas Fir Green R/L 2x10	368	360	+8	330	+38	299	-31
ESPF KD 2x4 8ft Stud	430	430	0	410	+20	380	+50
OSB Ontario 7/16" (CDN\$)	220	225	-5	220	0	260	-40
CSplywood Toronto 3/8" (CDN\$)	492	483	+9	394	+98	387	+105

## Weekly News

### Quarterly Results

CONT'D FROM PG 2 Interfor's record lumber sales of 628 million board feet were driven primarily by the increase in sales from the Company's US Southeast operations and by the draw-down of lumber inventories from 1Q.

Resolute Forest Products Thursday reported net income for the 2Q 2014, excluding special items, of \$19 million up from net income, excluding special items, of \$18 million in the 2Q 2013.

Resolute's Sales were \$1.1 billion in the quarter, down \$16 million from the 2Q 2013.

The Company recorded an operating loss of \$8 million in the 2Q, compared to operating income of \$3 million in the year-ago period. Overall pricing was essentially unchanged in the quarter, as the 8 per cent increase in market pulp prices was offset with lower average

transaction prices in newsprint, specialty papers and wood products.

### Canfor Buys

Canfor Corporation announced Friday the purchase of the operating assets of Balfour Lumber and Beadles Lumber. The transaction includes two sawmills located in Thomasville and Moultrie, GA, in an area with a high quality and sustainable fibre supply. The Balfour and Beadles mills produce quality southern yellow pine lumber and the operations have a combined capacity of 210 million board feet after reflecting planned near term capital. The purchase is structured with 55 per cent being acquired in January 2015 and the balance after a two year period.

### Interfor Closes

Interfor plans to close two Washing-

ton State facilities and consolidate production in Port Angeles, WA, the timber company announced Thursday.

The closure affects 52 workers at the Beaver sawmill and another 35 at the Forks planer mill.

Interfor's West End mill and planer, which work hand in hand, have been on hiatus for about a month. A curtailment of the Beaver-Forks operation was phased in beginning June 27.

Employees were told Thursday that the closure was being made permanent.

"It's really about so many factors, like market conditions for finished products and timber supply problems for that mill," said Karen Brandt, director of public affairs for in Vancouver, BC.

Interfor plans to increase capacity and optimize operations at the Interfor Pacific mill just west of Port Angeles, which employes about 120, Brandt said.

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# Construction Materials Prices

## May 2014

Total construction spending in the US edged higher for the third straight month in May, as solid increases in private nonresidential and public construction outweighed a downturn in residential projects, according to Census Bureau data released July 1 and analyzed by the Associated General Contractors of America (AGC). Association officials cautioned that the pickup in highway spending is in jeopardy of reversing sharply unless policy makers act urgently to shore up the federal Highway Trust Fund.

Construction put in place totalled US\$956 billion in May, 0.1 per cent above the upwardly revised April total and 6.6 per cent higher than in May 2013. For the first five months of 2014, total spending rose 8.2 per cent from the January-May 2013 total.

Private residential construction spending in May retreated 1.5 per cent from April, when homebuilders may have put in extra hours to make up for adverse winter weather in many regions. The May total was 7.5 per cent above the May 2013 level, representing an 11 per cent increase in single-family spending, 31 per cent for multifamily and a 2.4 per cent decline in improvements to existing housing.

The US Department of Labor Statistics (BLS) released data July 16 also showing that overall prices of construction materials are on the rise in America. Prices increased by 0.1 per cent in June and are up 1.9 per cent from one year ago.

Said Associated Builders and Contractors (ABC) Chief Economist Anirban Basu, "Recent monthly gains have been modest—0.1 per cent in June and unchanged in May; however, the surprisingly upbeat economic news from China (Chinese GDP grew 7.5 per cent in 2Q), along with a slew of large construction starts in specific regions of the US, suggest that prices may continue to rise—albeit modestly—through the second half of 2014."

Crude energy materials prices climbed 1.2 per cent in June and are 6 per cent higher than one year ago, according to ABC's Construction Economic Update.

Natural gas prices fell 1.5 per cent in June and have now fallen in three of the past four months.

Materials with price increase:

- Softwood lumber prices advanced 2.3 per cent and are 7.3 per cent higher than one year ago.

- Concrete products prices increased 0.4 per cent in June and are up 3.5 per cent on a yearly basis.

- Steel mill products prices rose 0.5 per cent for the month and are 4.1 per cent higher than one year ago.

Materials with a bit of a decline:

- Prices for prepared asphalt, tar roofing, and siding declined 1 per cent for the month and are down 6.6 per cent on a year-over-year basis.

- Fabricated structural metal product prices remained flat for the month but have increased 1.3 per cent on a year-over-year basis.

- Iron and steel prices declined 0.2 per cent in June but are up 4.6 per cent from the same time last year.

- Natural gas prices shed 1.5 per cent in June but are 12.9 per cent higher than one year ago.

Cement prices in the US declined 0.2 per cent in July, while structural steel prices held steady in the month, according to Engineering News Record (ENR) July 28.

The BLS' producer price index for cement slipped 0.1 per cent in June, checking strong increases totaling 4.9 per cent during the previous three months, said ENR. The Producer Price Index (PPI) for cement prices was 5.6 per cent above a year ago. The June PPI for ready-mix concrete was up 4.3 per cent for the year.

Structural-steel prices held steady in July, according to ENR's 20-city average price for wide-flange, channel, and I-beams. The average price for the three products is 1.2 per cent below a year ago. The BLS' producer price index for structural metal products fell 0.2 per cent in June, following May's 0.3 per cent decline.

Elsewhere, the PPI for final demand increased 0.3 per cent, not seasonally adjusted (0.4 per cent seasonally adjusted), in June and 1.9 per cent over 12 months, the BLS reported July 21. The AGC found that final demand includes goods, services, and five types of nonresidential buildings that BLS says make up 34 per cent of total construction.

The PPI for final demand construction, not seasonally adjusted, rose 0.1 per cent in June and 3.3 per cent over 12 months. The overall PPI for new nonresidential building construction—a measure of the price contractors say they would charge to build a fixed set of five categories of buildings—rose 0.1 per cent for the month and 3.4 per cent since June 2013.

Three building PPIs were flat in June: new warehouse construction, industrial buildings, and schools, said the AGC.

The PPI for inputs to construction—an average of the cost of all materials used in construction plus items consumed by contractors, such as diesel fuel—rose 0.1 per cent in June and 1.9 per cent over 12 months. Major construction materials with notable one- or 12-month price swings included: lumber and plywood, down 0.1 per cent since May and 9.7 per cent compared to June 2013; hot-rolled structural shapes, down 0.3 per cent for the month and 9.4 per cent for the year; insulation materials, unchanged from May and down 9.3 compared to June the previous year; and gypsum products, up 3.0 over May and 7.1 year-on-year.

