

MADISON'S LUMBER REPORTER



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News & Updates

US Housing Starts

Home construction in the US surged in July. Housing starts climbed almost 16 per cent last month to an annual rate of 1.093 million units, the Commerce Department said Tuesday. That marked the highest level of construction since November, driven by a pronounced rise in new apartments.

Home construction rose 22 per cent in the year through July, and a rise in applications for building permits last month suggests further gains this year.

Tuesday's report showed that starts on single-family homes, which reflects the bulk of the market, climbed 8.3 per cent in July from June.

Construction of multifamily units—mostly condominiums and apartments—rose 33 per cent to a pace of 423,000 units, the highest level since January 2006.

The report also indicated the building industry will probably consolidate gains in coming months as permits for future projects advanced 8.1 per cent to a 1.05 million pace, about in line with the current level of starts. The gain reflected the most applications for single-family dwellings since November. CONT'D PAGE 7

Housing Starts, Japan

After dropping since April due to a new consumption tax, housing starts in Japan increased in June by 11.8 per cent compared to May, to 75,727 units, according to Japan Lumber Reporter Friday. Seasonally adjusted starts were 883,000 units.

June starts were down 9.5 per cent compared to the same month one year ago.

Japan's Ministry of Land, Infrastructure and Transport commented in the data release that, compared to the same period in 2012, starts were increasing.

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Southern Pine Lumber Exports: June 2014

USDA's Foreign Agricultural Service reported Friday exports of Southern Pine to be approximately 41.2 million board feet (MMbf) during June 2014. This volume represents an increase of just 2 per cent above the same month last year. But collectively, the first half of this year has recorded a hefty increase of 22 per cent when compared with the first six months of 2013.

Softwood lumber imports to the US during June were just over 1.12 billion board feet (Bbf), up 23 per cent from the volume imported during June of 2013. Year-to-date softwood imports are up 9 per cent when compared with last year.

Canada shipped the great majority into the US during June.

US Wood Products Imports from Canada: Rail and Truck

More glowing data on Canadian and US cargo and freight volumes, building on last month's strong showing as detailed in your Madison's Lumber Reporter July 11, is out this week by the AAR and from the ATA's For-Hire Truck Tonnage Index.

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JAPANESE HOUSING STARTS

Month	TOTAL	Non-Wood	Wood	%Wood
Jun-14	75,757	33,378	42,379	56
May-14	67,791	30,808	36,983	55
Apr-14	75,286	35,251	40,035	53
Mar-14	69,411	32,515	36,896	53
Feb-14	69,689	32,932	36,757	53
Jan-14	77,843	37,644	40,199	52
Dec-13	89,578	38,073	51,505	57
Nov-13	91,475	36,671	54,804	60
Oct-13	90,226	37,009	53,217	59
Sep-13	88,539	39,421	49,118	55
Aug-13	84,343	36,442	47,901	57
Jul-13	84,459	37,939	46,520	55

Source: Japan Wood-Products Information and Research Center

U. S. HOUSING STARTS

	Jul-14	Jun-14	Jul-14	Jun-14
Starts			Permits	
Actual	101,000	90,500	Actual	97,100
SAAR*	1,093,000	945,000	SAAR*	1,052,000
1 Unit	656,000	606,000	1 Unit	640,000
2-4 Units	(s)	(s)	2-4 Units	30,000
5+ Units	423,000	318,000	5+ Units	382,000
Starts by Region			Permits by Region	
Northeast	144,000	100,000	Northeast	120,000
Midwest	164,000	218,000	Midwest	179,000
South	511,000	396,000	South	515,000
West	274,000	231,000	West	238,000

*Seasonally adjusted annual rate.

Residential Recovery

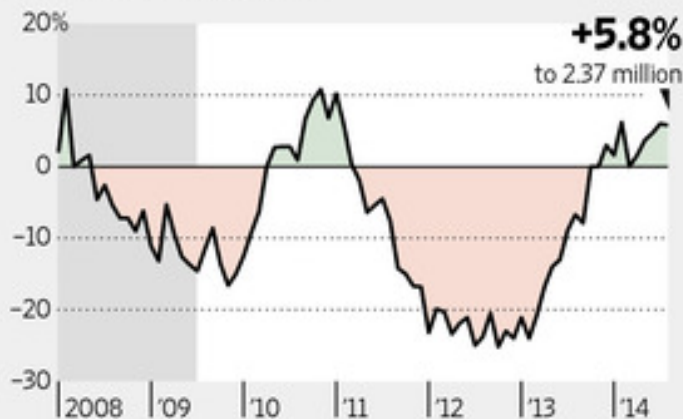
While still slower than last year, existing-home sales continued to climb in July.

Existing-home sales, seasonally adjusted annual rate

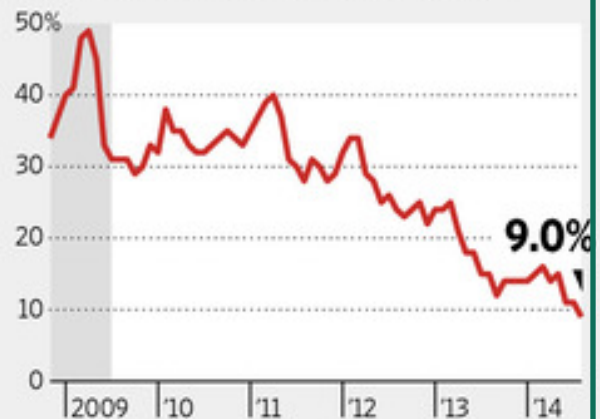


And inventories rose even as the share of distressed sales fell, a sign that more traditional owners may be testing the market.

Existing-home inventory
Change from a year earlier



Share of sales classified as distressed
Includes both foreclosures and short sales

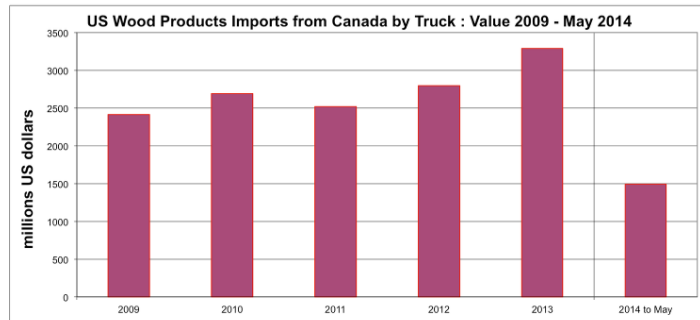


Source: National Association of Realtors (inventory and sales via the Federal Reserve Bank of St. Louis)

The Wall Street Journal

Madison's Weekly Slideshares: <http://www.slideshare.net/KetaKosman>

US Wood Products Imports from Canada by Truck and KEY 2x4 LUMBER PRICES vs. US Trucking Company Shares



2013 total US imports of Canadian wood products VALUE: US\$3.5 billion

2013 total US imports of Canadian wood products VOLUMES: 4.6 million metric tonnes

From April 2014 to May 2014, the VALUE of Canadian wood products entering the US by Truck was essentially flat (US\$329.5 million and US\$326.6 million respectively).

From May 2013 to May 2014, the VALUE of Canadian wood products entering the US by Truck rose by 8.21 per cent (US\$304.4 million and US\$329.5 million respectively).



Madison's Weekly Lumber Key Prices Table

www.madisonsreport.com

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
Prices are in U.S. dollars per 1,000 fbm (net FOB mill)							
WSPF KD R/L 2x4	364	364	0	350	+14	328	+36
WSPF KD R/L 2x6	372	374	-2	362	+10	312	+60
WSPF KD R/L 2x8	370	364	+6	350	+20	318	+52
WSPF KD R/L 2x10	394	394	0	394	0	380	+14
WSPF KD PET 2x4 Stud	360	360	0	345	+15	310	+50
WSPF KD PET 2x6 Stud	365	355	+10	330	+35	280	+85
Douglas Fir Green R/L 2x4	360	360	0	340	+20	312	+48
Douglas Fir Green R/L 2x10	385	377	+8	345	+40	405	-20
ESPF KD 2x4 8ft Stud	445	440	+5	435	+10	370	+75
OSB Ontario 7/16" (CDN\$)	225	225	0	225	0	223	+2
CSplywood Toronto 3/8" (CDN\$)	492	492	0	426	+66	398	+94

Madison's Weekly Lumber News

Housing Starts, US

CONT'D FROM PG 2 From a year ago, home construction in the US was up 21.7 per cent.

Construction of multifamily projects such as condominiums and apartments rose 28.9 percent to an annual rate of 437,000, the most since January 2006 and the second-strongest since February 2000.

Three of four regions showed an increase in groundbreaking last month, led by a 44 percent jump in the Northeast to the highest level since July 2008. Starts rebounded 29 percent in the South and climbed 18.6 percent in the West.

In other news, sales of previously owned homes rose to their highest level in 10 months.

Sales of existing homes increased 2.4 per cent from June to a seasonally adjusted annual rate of 5.15 million, the National Association of Realtors said Thursday. July sales were down 4.3 per cent from a year earlier, when sales peaked for 2013 before a jump in mortgage rates threw the housing recovery off track. July was the fourth consec-

utive month sales rose from the prior month.

Japan Housing Starts

CONT'D FROM PG 2 The number of new units built for owners increased by 11.5 per cent compared to May, but were still below 30,000 each month since the start of this year, said the Japan Lumber Reports.

The rate of units built for sale experienced similar changes, but new building of rental units continued active.

Wooden Health Facility, Belgium

A new nursing facility complex in Belgium, at 7,000 square metres the largest in the country, will be built using lumber from Japan's Nice Lumber, according to Japan Lumber Reports Friday.

The four-storey wooden building will have 50 rooms for the nursing home and 16 units for rental.

The project is expected to use 890 cubic metres of wood. The total cost is estimated at 15 million Euro, says the Reports.

Coldstream Lumber Operating

Operations at Coldstream Lumber, based in Coldstream, BC, are back up and running nearly a week after a fire ripped through the company's kiln building. The 40 employees were back at work Monday, said GlobalNews.

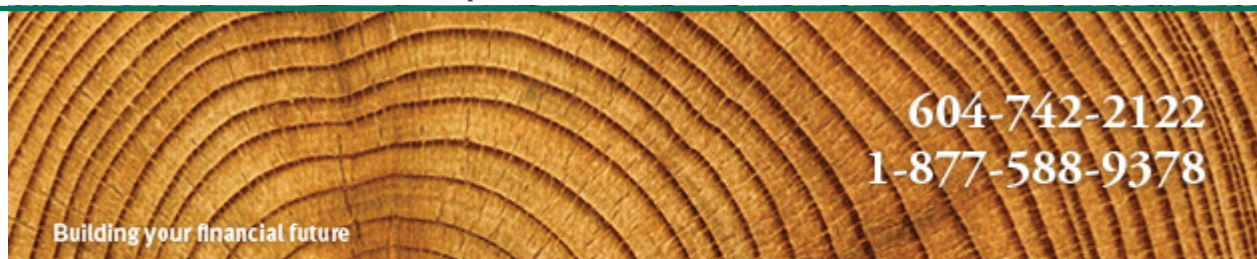
Both of the company's kilns were destroyed in the fire. Coldstream Lumber president, John Lee new kilns were purchased, but are yet to be up and running.

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>



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North American Transportation

Rail and Truck

The Association of American Railroads (AAR) Thursday reported increased total combined US weekly rail traffic for the week ending August 16, 2014; at 575,000 carloads and intermodal units which is up 4 per cent compared with the same week last year.

Others forecasts gains will average about 4 per cent to 5 per cent this year as the pace of economic growth favours the cost savings that come with service that takes about two days longer, Bloomberg explained Wednesday.

For the first 33 weeks of 2014, US railroads reported total combined US traffic of 18 million carloads and intermodal units, up 4.7 per cent from last year.

US gross domestic product expanded at a 4 per cent annualized rate in the three months ended June 30 after contracting

2.1 per cent in 1Q, Commerce Department figures show, said Bloomberg Wednesday.

Continued improvement in factory output, especially automotive manufacturing, helped drive US truck tonnage up in July, the American Trucking Association (ATA) said. The ATA For-Hire Truck Tonnage Index rose 1.3 per cent in July from June, and 3.6 per cent year-over-year.

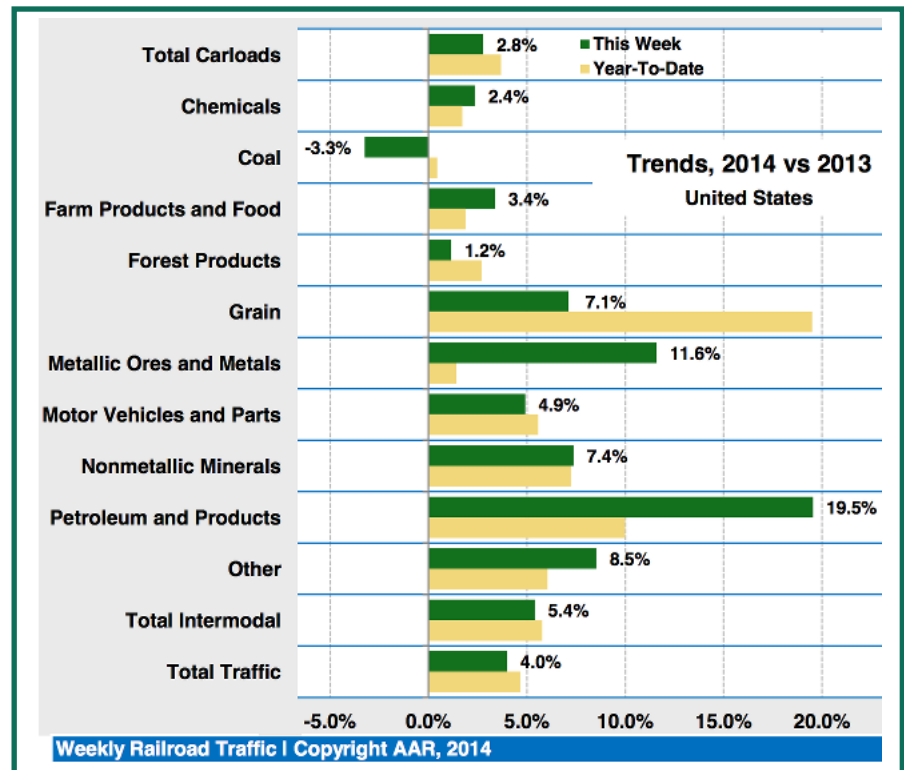
"After a surprising decrease in June, tonnage really snapped back in July," ATA Chief Economist Bob Costello said in a statement Tuesday. "This gain fits more with the anecdotal reports we are hearing from motor carriers that freight volumes are good."

Compared with July 2013, the seasonally adjusted index increased 3.6 per cent, the largest year-over-year increase in three months, up from June's 2.3 per cent year-over-year gain. Year-to-date, compared with the same period last year, tonnage is up 2.9 per cent.

The tonnage increase may originate in many places and sectors of the economy, including a 15.7 per cent increase in housing starts in July from June. Residential housing starts jumped 21.7 per cent year-over-year last month, the US Commerce Department said Tuesday.

Strong containerized imports also help fill truck-trailers on the inland leg of the supply chain.

In 2013, the trucking industry moved 69.1 per cent of all domestic



shipments, up from 68.5 per cent the previous year. By 2024, that share is projected to increase to 70.8 per cent. Data from the American Trucking Association also indicates that truckload volumes should grow by 3.2 per cent annually through 2018, according to Bloomberg Tuesday.

Perhaps most telling, Norfolk Southern Railway Chief Marketing Officer Donald Seale told investors on July 23, during the railroad's second-quarter earnings call, that rates on a domestic container service jointly offered with Union Pacific Railway would rise 3 per cent on average September 1, after transcontinental rates increased 4 per cent on June 1. The two business segments account for 17 per cent of NS's domestic intermodal business.

"As truck capacity tightens, we anticipate continued volume growth and pricing opportunity in our domestic network," Seale said.

As well, this week Union Pacific detailed in its Capital Update: At the start of 2014 the railway announced a capital plan of US\$3.9B which was later increased to US\$4.1B in May. The additional US\$150M was added specifically for equipment acquisitions (including 29 more locomotives) as well as additional capital investment targeting the northern region of the railroad; and, UP will also be increasing its Train, Engineer and Yard employees by 1,900 between August 2014 and

January 2015. This is more employees than we have historically hired during any calendar year.

And in its Centerbeam Update, so important to lumber shippers, the railway said: Orders for this week are 58 per cent higher than the same week last year and 16 per cent higher than last week; We anticipate orders for next week to be similar to this weeks; and, We still have a couple hundred cars in soft storage as needed.

As with lumber producers, finding staff is becoming increasingly difficult for transport companies.

The ATA estimates that the US is short 30,000 truck drivers. Factors driving the shortfall include regulations, relatively low pay, and the fact that fewer young people are interested in getting into the profession.

According to a study cited by the ATA, 90 per cent of carriers said they couldn't find enough drivers that met department of transportation (DOT) criteria.

At the end of July, Swift Transportation, the largest truckload carrier in North America, complained of a truck driver shortage in its Q2 earnings release. "We were constrained in the truckload and (central refrigerated systems) segments by the challenging driver market. Our driver turnover and unseated truck count were higher than anticipated," according to the press release.

The company says it will now invest in drivers and that it will spend more on wages.