

# MADISON'S LUMBER REPORTER

Publisher  
**KetaDesign Productions**

Editor  
**Kéta Kosman**  
Market Analyst  
**Earl Heath**

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www.madisonsreport.com  
madrep@shawcable.com  
604 984-6838

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V6B 3W7 Canada

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## News & Updates

### Alberta Forest Industry Trees Planted

Members of the Alberta Forest Products Association (AFPA) planted 65 million trees in forests throughout Alberta during the summer of 2014, the agency announced Wednesday. This works out to 16 trees for every person in Alberta and an average of more than two trees for every tree the industry harvested. In addition to long-term benefits, planting trees has a positive immediate impact on Alberta's economy.

### Canada Housing Starts

Canadian housing starts cooled more than expected in August, while the previous month was also revised slightly lower, data showed on Tuesday. A report from the Canada Mortgage and Housing Corp showed the seasonally adjusted annualized rate of housing starts slipped to 192,368 last month from a downwardly revised 199,813 units in July. The small drop brought the six-month moving average to 189,837, little changed in the last 12 months. **CONT'D PAGE 7**

### Housing Starts, Japan

According to the Ministry of Land, Infrastructure, Transport and Tourism, Japan's housing starts in July 2014 were 72,880 units, a 14.1 per cent drop from the same month in the previous year, and was below the result of the preceding year for the fifth consecutive month, said the Japan Lumber Journal Friday. **CONT'D PAGE 7**

### US Home Sales, Mortgages

US foreclosure activity jumped in August for the second consecutive month, industry firm RealtyTrac said on Thursday. Overall, 116,913 properties were at some stage of the foreclosure process, which includes foreclosure notices, scheduled auctions and bank repossessions, the group said. That pushed overall activity up 7 per cent from July. From a year ago, foreclosure activity was down 9 per cent. **CONT'D PAGE 7**

### Forest Management USA

Two American states are in the news this week with big moves in timberland management.

North Carolina State University (NCSU) plans to sell most of the Hofman Forest to a company that specializes in sustainable timber management.

Multiple media outlets reported Thursday that the Resource Management Service of Alabama, a Timber Investment Management Organization (or TIMO), will buy about 56,000 acres near Jacksonville, NC.

The originally announced buyer, Hofmann Forest LLC, plans to buy the remaining 23,000 acres.

The university said the agreement reinforces its commitment to keep Hofmann a working forest with continued access for N.C. State students and researchers. **CONT'D PAGE 9**

#### JAPANESE HOUSING STARTS

Month	TOTAL	Non-Wood	Wood	%Wood
Jul-14	72,880	32,249	40,631	56
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

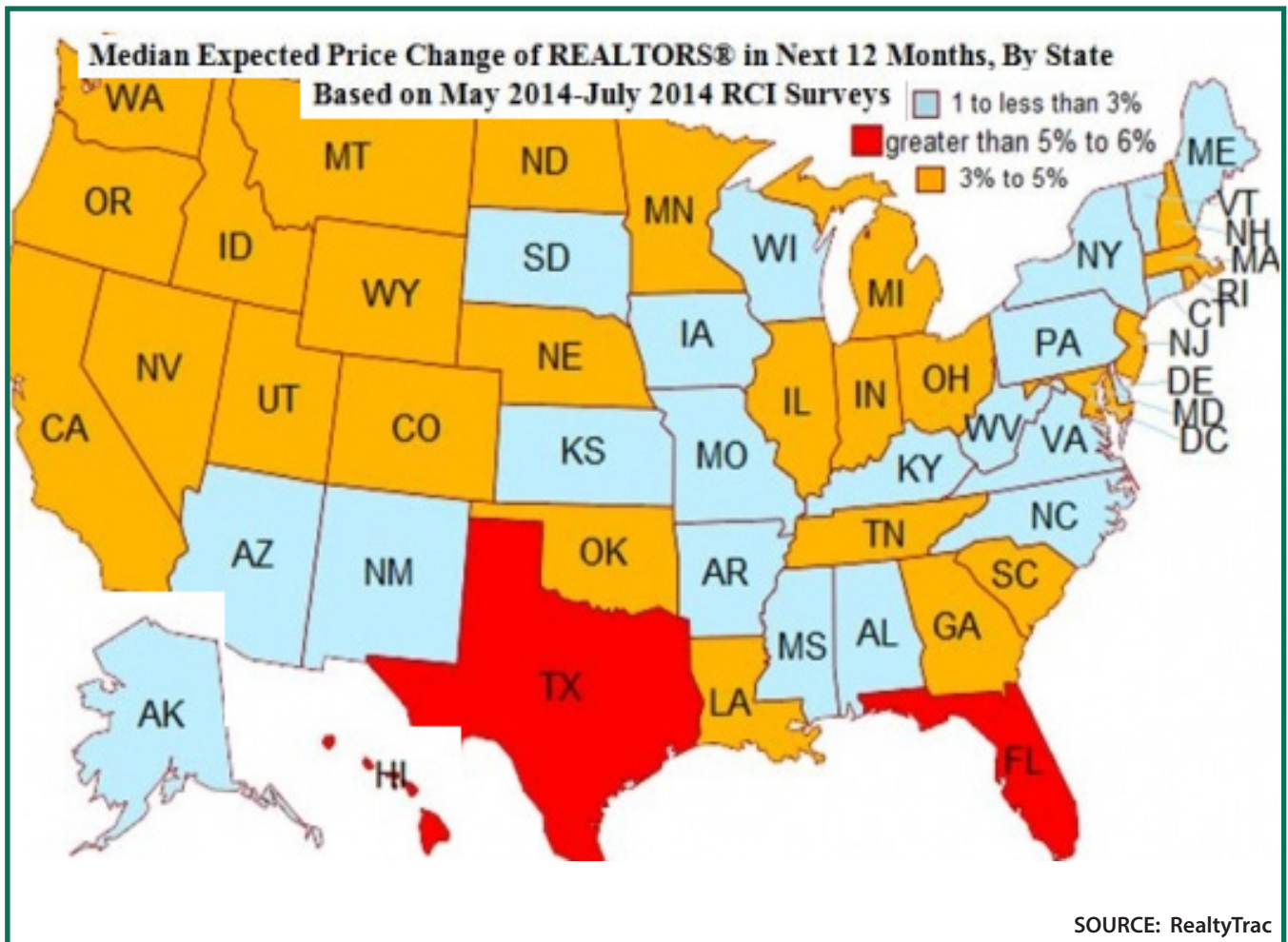
Source: Japan Wood-Products Information and Research Center

#### CANADIAN HOUSING STARTS

Actual and Seasonally Adjusted Annual Rates

	August 2014		July 2014	
	Actual	SAAR	Actual	SAAR
<b>Canada, all areas</b>	<b>17,064</b>	<b>189,837</b>	<b>18,719</b>	<b>189,596</b>
singles, urban centres	6,151	64,826	6,700	67,029
rural areas	1,697	16,700	1,961	17,289
multiples	9,216	110,842	10,058	115,495
Atlantic urban centres		7,698		11,198
Quebec urban centres		31,311		31,810
Ontario urban centres		49,685		67,057
Prairie urban centres		53,343		46,779
BC urban centres		33,631		25,680

Source: Canada Mortgage and Housing Corporation



## Madison's \*new\* Interactive Web Price Graphing Tool

Madison's web-based interactive lumber price graphing tool will be ready for beta testing next week! This extremely useful tool is driven by the historical dimension lumber and panel prices listed in your weekly Madison's Lumber Reporter.

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Enter Lumber Commodity

1: WSPF KD #2&Btr 2x4	Average	<span style="color: orange;">■</span>
2: ESPF KD Std&Btr 2x4	Average	<span style="color: yellow;">■</span>
3: SYP KD East #2&Btr 2x4	Average	<span style="color: blue;">■</span>
4: STUDS KD WSPF 2x4 PET	Average	<span style="color: purple;">■</span>
5: Douglas Fir Green Std&Btr 2x4	Average	<span style="color: pink;">■</span>

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<http://www.madisonreport.com/2014/09/madisons-interactive-lumber-price-web-based-graphing-tool-2/>

# Madison's Weekly Lumber Key Prices Table

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	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	368	368	0	354	+14	338	+30
WSPF KD R/L 2x6	386	386	0	356	+30	324	+62
WSPF KD R/L 2x8	378	374	+4	354	+24	328	+50
WSPF KD R/L 2x10	390	390	0	396	-6	424	-34
WSPF KD PET 2x4 Stud	355	365	-10	340	+15	315	+40
WSPF KD PET 2x6 Stud	385	390	-5	345	+40	280	+105
Douglas Fir Green R/L 2x4	330	335	-5	345	-18	310	+20
Douglas Fir Green R/L 2x10	385	390	-5	368	+17	418	-33
ESPF KD 2x4 8ft Stud	435	445	-10	430	+5	375	+60
OSB Ontario 7/16" (CDN\$)	210	215	-5	220	-10	235	-25
CSplywood Toronto 3/8" (CDN\$)	463	497	-34	492	+29	373	+90

## Madison's Weekly Lumber News

### Housing Starts, Canada

CONT'D FROM PG 2 The three-month trend for starts is 189,800, little changed from July's 189,600 – a pace considered slightly above the rate of annual new household formation.

The drop was nearly across the board, as single-unit starts fell 3.3 per cent and multiple units, typically condominiums, dipped 4 per cent, said CMHC. Both rural and urban starts declined.

Starts dropped 26 per cent in the urban districts of Ontario, the nation's largest province, to 49,685 units. They rose 31 per cent to 33,631 units in British Columbia.

Urban starts for multiple-unit housing fell 4 percent to 110,842 units, and single-family projects declined 3.3 percent to 64,826 units.

July's softness was led by a big drop in starts in Ontario and the Atlantic, with a smaller decline in Quebec. Starts rose sharply in the Prairie provinces and in British Columbia.

### Japan Housing Starts

CONT'D FROM PG 2 Seasonally-adjusted annual rate was no more than 839,000 units. Total floor area decreased to 6,231,000 square meters, down 18.2 per cent.

Japan housing starts of rental houses, which had been good until the previous month, decreased for the first time in 17 months with 28,623 units, down 7.7 per cent, said the Japan Lumber Journal. Those of owner-occupied houses and built-for-sale houses also decrease. Among them, the reduction rate in owner-occupied houses is as large as 25.3 per cent. Those of built-for-sale houses decreased for the sixth consec-

utive month with 20,042 units, down 7.7 per cent; in particular, those of condominiums dropped as sharply as 12.7 per cent. Those of single-family houses dropped, down 3.7 per cent, for the third straight month.

Starts of 2x4 houses also marked five consecutive month of decline with 8,908 units, down 10.4 per cent.

### Home Sales, US

CONT'D FROM PG 2 July was the second consecutive month in which foreclosure starts were up month-over-month.

Foreclosure activity increased from a year ago in eight of the markets with top 10 highest foreclosure rates. The two markets with decreases in foreclosure activity from a year ago were Miami, down 10 per cent, and Tampa, down 14 per cent.

A total of 51,192 properties were set for foreclosure auctions last month, a 1 per cent drop from July but up 1 per cent from a year ago, ending a 44-month streak of annual decreases.

Scheduled foreclosure auctions increased from a year ago in 24 states, including Colorado, up 160 per cent, Oregon, up 117 per cent, Connecticut, up 81 per cent, New York, up 81 per cent, Oklahoma, up 72 per cent, New Jersey, up 71 per cent, Illinois, up 25 per cent, South Carolina, up 21 per cent, and Maryland, up 17 per cent.

"The August foreclosure numbers demonstrate that although the foreclosure crisis is well behind us, the messy business of cleaning up the distress lingering from the housing bust continues in many markets," said Daren Blomquist, vice president at RealtyTrac. "The annual increase in foreclosure

auctions indicates mortgage servicers are finally adjusting to the new paradigms for proper foreclosure that have been implemented in many states."

### Mattawa Sawmill Sold

A shuttered former Tembec sawmill in Mattawa, ON, has been sold to a southern Ontario green-tech startup company, according to Northern Ontario Business Friday.

The Mattawa-Bonfield Economic Development Corporation (MBEDC) announced that the BioNorth Technology Group acquired the 187-acre mill property in August.

The company needs a minimum of 50,000 cubic metres of fibre annually particularly softwood.

The fibre allotment from area forest management units that was once attached to the Tembec mill was re-distributed to other users through the province's Crown wood competition.

The property located on Highway 17, just west of Mattawa, contains 80,000 square feet of covered manufacturing space with a maintenance garage, an intact sawmill, and a weigh scale.

### 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>

# Timber Ownership USA

## Timber Harvest

The 79,000-acre Hofmann Forest spans Onslow and Jones counties and has been used for research and education for the benefit of the NCSU College of Natural Resources.

It was purchased by the North Carolina Forestry Foundation, later named the Natural Resources Foundation, in 1934; and in 1977 the foundation gifted the land to the N.C. State Endowment Fund.

Proceeds from the sale will be placed in the endowment.

The pending sale would not affect existing zoning of the property, which

permits for timber and agriculture purposes; the preservation of two existing wetland mitigation banks; or the existing lease for Onslow County's Deppe Park.

North Carolina State also agreed to cut the original price of US\$150 million by US\$19 million, but the new terms could eventually reap an additional US\$9 million if the buyers are able to negotiate a deal to sell training rights on and over the forest to the US military or to sell protection rights to a conservation group.

In announcing the original deal, university officials said they were selling the land because it wasn't yielding enough income and wasn't used much for research anymore (repeated below). The investments should generate about US\$5.5 million a year for operations of the College of Natural Resources, they say, which could help compensate for repeated cuts in state funding in recent years. The school has said it wanted to sell the land because it was not generating enough revenue and was not being used very much anymore for research. It had been producing about US\$2 million a year from timber sales, but in 2012 that dipped to less than US\$900,000.

Opponents of the sale say that the university has underplayed the land's value for research and that if better-managed, it could yield steadier income. They also say it plays a host of vital environmental roles.

A lawsuit to block the sale is pending a decision in the state Court of Appeals. It alleges the university should have done an environmental impact statement, and include explicit protections for forest land. A decision is expected in the coming weeks.

The sale of Hofmann has been brewing for more than 18 months. The university wants to turn the forest, which has been a research site and produced revenue from timber sales, into cash that can then produce interest and investment income to support the College of Natural Resources.

University officials rightly point out that funding from the General Assembly has been inadequate and that they must support research and academic efforts. Hofmann, they say, could still be used as a research site after the sale.

Resource Management Service (RMS) manages about 230,000 acres of timber in North Carolina and about 2.6 million acres in the Southeast, said Ed Sweeten, the company's executive vice president, to the News Observer.

It already works with NCSU on forestry research and not only plans to continue allowing research in Hofmann but hopes to expand it.

Hofmann LLC, said Stephanie Spiros Walker of the company's heading family, was still trying to figure out the best way to use the land it would be left with in the deal, but that its plans include exploring the development of a tract along US highway 17 near Jacksonville and continuing the current use of the 1,500 acres of existing farmland.

Ron Sutherland, one of the leaders of the opposition effort, said it would go a long way to solving the problems with the deal if the military insisted on permanent protections for the working forest, though development along the highway would still be a downside because it could block the movement of wildlife, including bears.

The new deal was signed September 2. Officials expect a closing on or before November 17, after due diligence is completed and a two-week closing period. It's unclear whether the EPA investigation will be complete, but the new contract includes wording to allow for that contingency, according to the News Observer.

Elsewhere, in August F.H. Stoltze Land & Lumber in Columbia Falls, the oldest family owned sawmill in Montana, announced cutbacks in production and layoffs despite a rebounding economy and favourable market for logs, said the Flathead Beacon Tuesday. Company officials cited the ongoing lack of available log supply and blamed environmental groups that persistently sued over timber sales and halted harvests across western Montana.

Last month US District Court Judge Donald Molloy ruled in favour of envi-

ronmental groups opposed to logging in grizzly bear habitat on the Stillwater State Forest, a 93,000-acre postage stamp of land near Olney where six separate timber sales were proposed.

Montana's timber industry has downsized considerably in the last 40 years. Lumber production across the state, meaning the trees that went through sawmills and other facilities, has dropped from a record high of 1.6 billion board feet annually in 1986 to nearly 600 million last year. The number of sawmills across the state, from small operations to large facilities, has shrunk from 150 facilities to barely 30. The industry employment dropped from 10,695 workers in 1994 to barely 7,000 a year ago. The amount of timber harvested, meaning trees taken down from the forest, dropped from 1 billion board feet 30 years ago to less than 365 million last year.

The latest curtailment at Stoltze reignited a public tug-of-war over timber supply and wildlife habitat.

Indeed, the rise of environmental awareness has had a large impact on the industry, as protections have increased for embattled species and habitat while a greater emphasis has been placed on preserving public lands from industrialization.

Timber supply is hurting sawmills, Todd Morgan, director of Forest Industry Research at the BBER at UM, told the Flathead Beacon. Pointing to historic data, Morgan says lumber production is approaching a threshold where even more facilities might have to close in the coming years if something doesn't change.

According to Morgan's data, more timber dies each year across the state than is harvested. The latest data gathered by the BBER shows the average annual growth of timber in Montana was 280,366 thousand cubic feet (mcf) in 2012. The annual harvest was 100,000 mcf. The annual mortality, meaning the amount of trees that died due to bug kill or fires, was 542,527 mcf, according to the BBER.

"It's not like we're out of timber," Morgan said.

Beetle kill is the large reason for high mortality in Montana's forests, particularly among ponderosa and lodgepole pine stands, which cover western Montana.

The Flathead National Forest in fiscal year 2015 will sell roughly 32 million board feet of timber, according to agency officials. The recent average of saw timber output has been 22-23 million board feet.