

MADISON'S LUMBER REPORTER

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News & Updates

EACOM Plans to Ramp Up

Five years after it was mothballed, EACOM's sawmill in Ear Falls in north-western Ontario fired up for production in early August. The annual production target is 70 to 75 million board feet. A second shift, planned for 2015, would boost that to 140 to 150 million, according to Northern Ontario Business Friday.

The company is starting 58 employees on a single shift with aims on topping out the workforce at close to 100 when a second shift is added early next year.

The Montreal-based forestry giant has invested more than \$5 million to retrofit the plant with upgrades to the electrical system, planer mill, optimizer scanner, and other machinery in the four to five months leading up to the August 5 production startup.

Wood supply isn't a problem through an overlapping licence with Domtar, the Sustainable Forest Licence holder in the area. The mill has access to 660,000 cubic metres annually of softwood, harvested from the Trout Forest.

Single- and Multi-Family Construction, US

Total private residential spending – single-family, multifamily, and home improvements – in the US fell slightly in August, by 0.1 per cent, to a seasonally adjusted annual rate of US\$351.7 billion. The latest Census estimate shows gains in the single and multifamily components of private residential construction spending offset by a decline in home improvements.

Single-family spending increased 0.7 per cent and multifamily spending increased 1.4 per cent over the revised July estimates. Home improvements spending fell 2 per cent over the revised July estimate.

On a 3-month moving average basis, from August 2013, single-family construction spending increased 9.1% and multifamily construction spending increased 39.2 per cent. Over the same period private construction spending on home improvements decreased 8 per cent.

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Canada Industrial Products and Raw Material Prices

The Industrial Product Price Index (IPPI) in Canada increased 0.2 per cent in August, mainly because of higher prices for motorized and recreational vehicles, said Statistics Canada Tuesday. The Raw Materials Price Index (RMPI) declined 2.2 per cent, largely as a result of lower prices for crude energy products.

The IPPI increased 0.2 per cent in August, after declining 0.3 per cent in July. The increase in the IPPI was broad based, as 15 of the 21 major commodity groups were up.

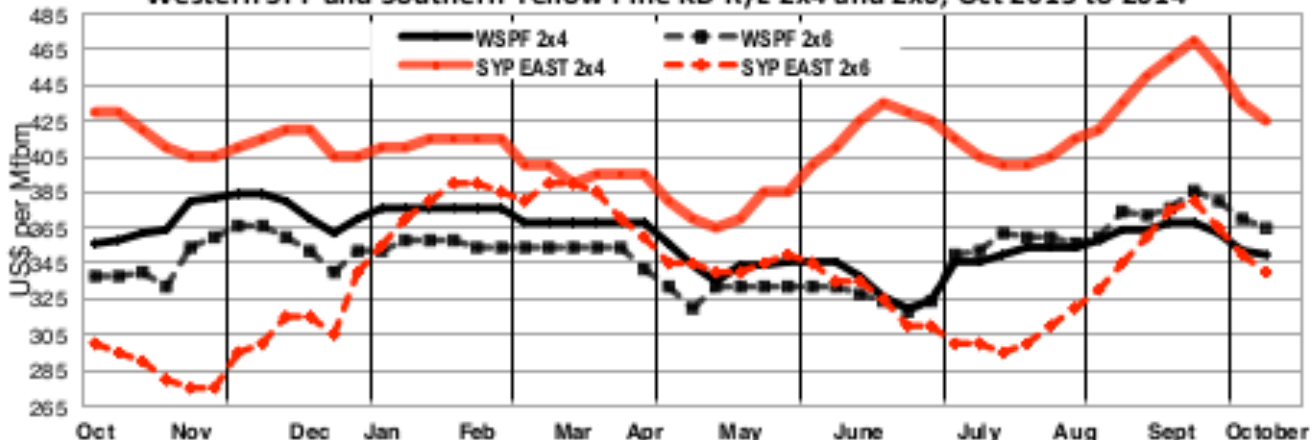
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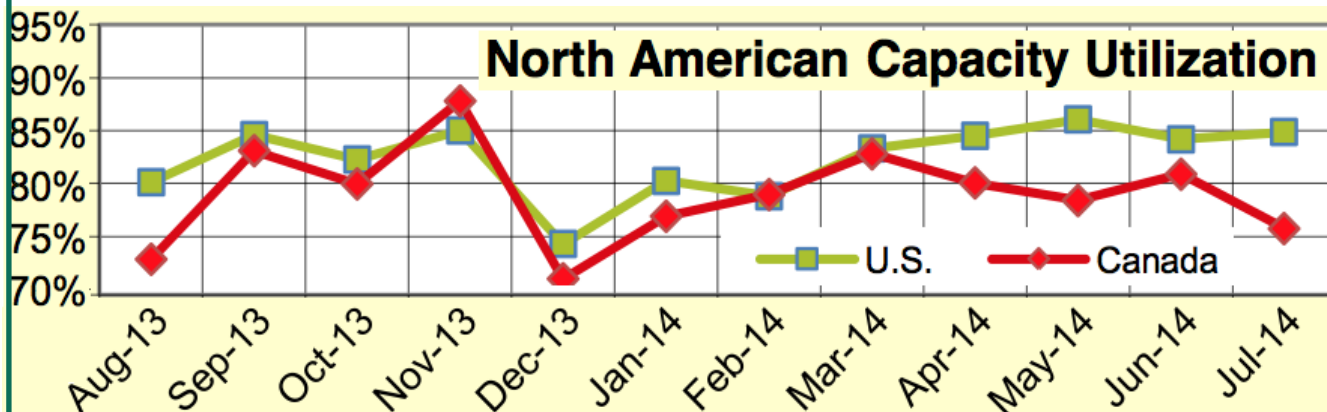
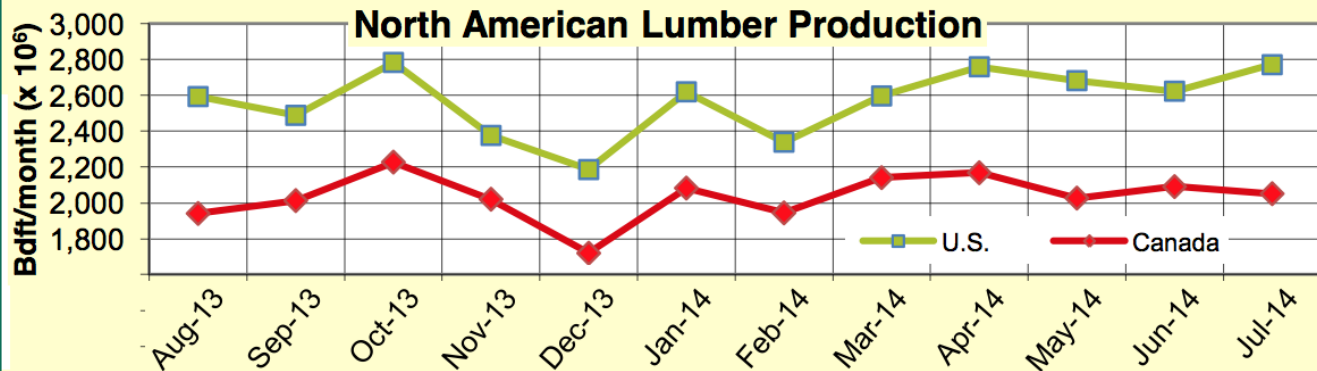
US Wildfire Season and Funding Issues

The expense of fighting wildfires and protecting life and property from harm in the US is nearly four times greater than it was 30 years ago, and has exceeded US\$1 billion every year since 2000.

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Western SPF and Southern Yellow Pine KD R/L 2x4 and 2x6, Oct 2013 to 2014





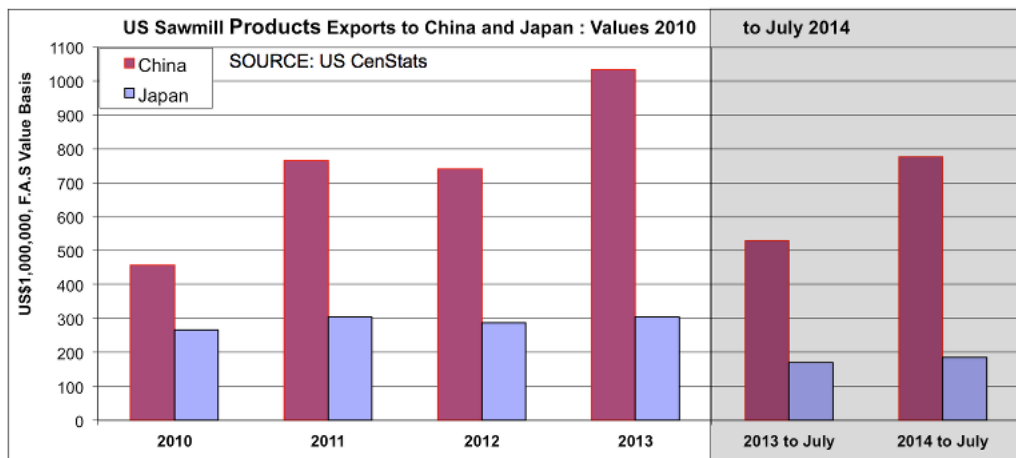
SOURCE: Western Wood Products Association

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

Lumber Import and Export (USA), Lumber Prices : July and August 2014



USA Sawmill Products Exports, to China and Japan
VALUES 2010 to JULY 2014



VALUE of US Sawmill Product Exports to China Jan – Jul 2014: US\$776 million (up 32%)
VALUE of US Sawmill Product Exports to Japan Jan – Jul 2014: US\$186 million (up 8.1%)

[compared to 2013]



Our quarterly product is tailored to provide you with vital information about the North American solid wood, pulp, and paper industry at your fingertips in a timely manner.

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	350	352	-2	368	-18	356	-6
WSPF KD R/L 2x6	365	370	-5	386	-21	338	+27
WSPF KD R/L 2x8	366	370	-4	374	-8	344	+22
WSPF KD R/L 2x10	370	378	-8	390	-20	450	-80
WSPF KD PET 2x4 Stud	350	340	+10	365	-15	325	+15
WSPF KD PET 2x6 Stud	375	375	0	390	-15	295	+80
Douglas Fir Green R/L 2x4	328	325	+3	335	-7	328	0
Douglas Fir Green R/L 2x10	405	395	+10	390	+15	440	-35
ESPF KD 2x4 8ft Stud	425	420	+5	445	-20	375	+50
OSB Ontario 7/16" (CDN\$)	212	210	+2	215	-3	247	-35
CSplywood Toronto 3/8" (CDN\$)	434	457	-23	497	-63	390	+44

Madison's Weekly Lumber News

US Construction Spending

CONT'D FROM PG 2 As well, the home-price index covering the US increased 5.6 per cent in the 12 months ended in July, said the S&P/Case-Shiller Home Price Index report. That is down from 6.3 per cent in June. US home prices were rising at double-digit yearly rates as recently as February 2014.

The home-price index covering 10 major US cities increased just 6.7 per cent in the year ended in July.

Canada Producer Price Index

CONT'D FROM PG 2 Canada's IPPI rose 2.5 per cent during the 12-month period ending in August, after posting a 2.8 per cent gain in July, said Stats Can.

Compared with August 2013, the advance of the IPPI was mainly attributable to meat, fish, and dairy products.

The RMPI declined 2.2 per cent in August, following a 1.4 per cent decrease in July. The August decline in

the index was the third in nine months and the largest since November 2013. Of the six major commodity groups, four were down and two were up.

Carrier Passes Audit

An audit of Carrier Lumber Ltd.'s forestry activities southeast of Prince George, BC, found compliance with B.C.'s forestry legislation, as Forest Practices Board said in the press release.

"We are pleased to see that Carrier carried out good forest practices and fully met the requirements of the Forest and Range Practices Act and the Wildfire Act," said Tim Ryan, board chair.

Auditors examined operational planning, timber harvesting, road construction, deactivation and maintenance, silviculture and fire protection activities carried out by Carrier Lumber between June 2012 and June 2014.

Canfor Buys

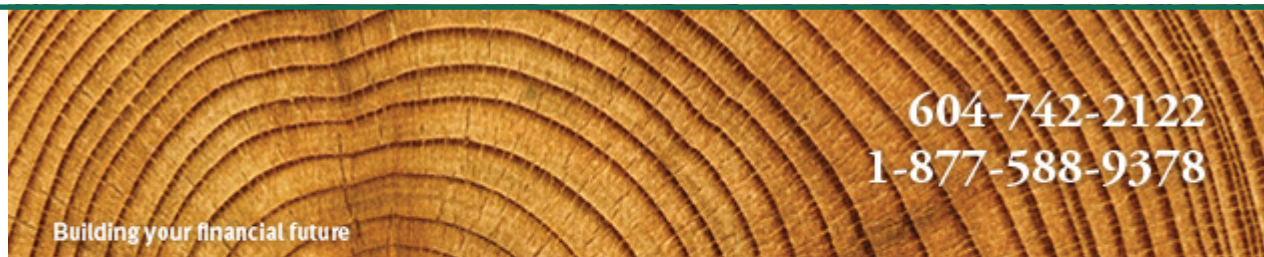
Canfor Corp, out of Vancouver, BC, announced Wednesday the purchase

of the operating assets of Southern Lumber Co. The acquisition includes a sawmill located in Hermanville, MI, which is a large log southern yellow pine dimension mill manufacturing predominately long, wide width lumber. The sawmill is in an area of exceptionally high quality fibre and is well suited for higher value product lines. After reflecting near term capital, the operation has a capacity of 90 million board feet.

The purchase price excluding working capital is US\$48.7 million and the completion of the transaction is expected at the end of 1Q 2015 and is subject to customary closing conditions.

Maibec Signs

An agreement was signed last week between manufacturing company maibec Inc. of Lévis, QC, and Fraser Timber LLC for maibec's purchase of the assets of the Masardis Maine lumber mill. The mill employs approximately 135 people and can produce over 100 million board feet of softwood lumber annually. The mill's lumber is sold to the US market.



Wealth Advisors to the Lumber & Logging Industry

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Wildfires 2014

USA

The share of the US Forest Service budget devoted to fire management rose from 13 per cent in 1991 to more than 40 per cent in 2012. The total for all federal agencies last year – Forest Service, Bureau of Land Management, Park Service, Bureau of Indian Affairs, and Fish and Wildlife Service – topped US\$1.7 billion.

In 1985, wildfire suppression cost the USFS about US\$240 million.

During the last three decades, fire season lengths have increased by 60 to 80 days and annual acreages burned have more than doubled to 7 million-plus acres (2.8 million hectares) annually. In addition, growing housing development in forests has put more people and houses in harms' way, also making firefighting efforts more expensive.

Earlier this year, President Obama asked for US\$615 million in supplemental funding for firefighting in 2014.

On federal forest land in Northern California a series of fires has scorched nearly 275,000 acres (111,288 hectares) combined.

The King Fire northeast of Sacramento, CA, in heavy timber and steep terrain, grew in mid-September to 80,994 acres (32,777 hectares). Some structures were destroyed, and 2,819 people had been evacuated. The fire was caused by a suspected arsonist and some 5,000 fire personnel were needed to gain control of that blaze.

Meanwhile, just south of the Oregon border, the Happy Camp Complex of fires was sparked by a lightning strike in August and grew to 130,139 acres (52,665 hectares) this month.

The Boles Fire in Weed, CA, fire burned just 479 acres (194 hectares) at the edge the small town near Mt. Shasta, but forced some 1,500 people to evacuate, and destroyed 143 homes, two churches, and the town library. It also caused major damage to a forest products mill, the main source of jobs in the town.

Fire officials have said drought conditions have worsened fire severity by significantly drying out vegetation, creating fast-moving flames.

Elsewhere, Oregon and Washington State experienced 3,270 fires that affected 1,284,013 acres (519,621 hectares) on federal, state, and private lands, according to the latest figures from the National Interagency Fire Center.

Although that's fewer than the 10-year average of 3,877 fires in both states, the acres burned was nearly triple the 10-year average of 452,039 acres (182,933 hectares).

The biggest fires were Washington's 256,108-acre Carlton Complex (103,643 hectares), that state's largest-ever blaze, and the 395,747-acre Buzzard Complex (160,153 hectares) in southeastern Oregon.

The total cost to fight these fires this year is US\$446 million, compared to \$235 million last year, according to the coordination center, which assigns firefighters and resources to wildfires in Oregon and Washington.

Extended drought conditions in Oregon combined with lightning and wind to make the Pacific Northwest and California ripe for fires this year, said Mike Ferris, a spokesperson for the National Interagency Fire Center in Boise, ID, last week.

The USFS and the Department of the Interior are projected to spend more than US\$470 million more than is available to fight wildfires this season, the USFS announced Tuesday.

According to a congressionally mandated report, the Forest Service and Interior may need to spend US\$1.8 billion fighting fires this year, while the agencies have only US\$1.4 billion available.

"The forecast ... demonstrates the difficult budget position the Forest Service and Interior face in our efforts to fight catastrophic wildfire," said Robert Bonnie, undersecretary for natural resources and environment.

The new forecast is the highest in several years. Drought conditions in the West, especially in California, combine with other factors to portend a dangerous fire season. Last year, 34 wildland firefighters died in the line of duty as fire burned 4.1 million acres (1.7 million hectares) and destroyed more than 1,000 homes across the country.

Agriculture Secretary Tom Vilsack recently announced that the Forest Service had run out of money for fire suppression at the end of August.

If the fire season is as costly as the study predicts, the Forest Service and the Interior Department will be forced to take funding out of other critical programs that increase the long-term resistance of national forests and public lands to wildfire. Both departments have had to divert funds from other programs to fund firefighting efforts for seven of the last 12 years.

"Fire borrowing," as it's known, takes funding away from forest management activities such as mechanical thinning and controlled burns that reduce both the incidence and severity of wildfires. For the rest of the year, other Forest Service projects will have to be halted or severely curtailed, as money appropriated to fund them is diverted to pay for fire suppression. This is no way to run an agency.

In addition to fire borrowing, over the last two decades, the Forest Service also has had to shift more and more money to firefighting, thereby reducing foresters and other staff by more than 30 per cent and more than doubling the number of firefighters.

Congress is supposed to return that borrowed money but, even when it does, work has already been disrupted and, ironically, funding is often yanked from projects that could help reduce the risk and intensity of wildfires. During 2012 and 2013, roughly US\$1 billion was pilfered, leaving the agency too broke to thin trees near homes in Arizona's Verde watershed, for example, or reduce fire hazards in California's Tahoe National Forest.

The proposed Wildfire Disaster Funding Act would treat the biggest wildfires like any other natural disaster, allowing land management agencies to tap a US\$2.7 billion federal disaster relief account, like FEMA does after hurricanes and earthquakes. That would let agencies fully fund existing programs, including those that reduce fire danger. This is the same approach proposed in President Obama's 2015 budget.

The Act has bipartisan support across Congress. Sponsored by Senators Ron Wyden, D-OR, and Mike Crapo, R-ID, and by Representatives Mike Simpson, R-ID, and Kurt Schrader, D-OR, it's garnered 62 Republican co-sponsors and 87 Democratic co-sponsors but has been stalled in the House since December 2012.

Two powerful House members, Budget Chair Paul Ryan, R-WI, and Natural Resources Chair Doc Hastings, R-WA, are actively opposing the proposed Act.

More than 200 organizations have endorsed it, ranging from the American Farm Bureau Federation to the American Loggers Council and The Nature Conservancy and the National Rifle Association. Five Western governors sent letters supporting the bill and Interior Secretary Sally Jewell has urged its passage.