

MADISON'S LUMBER REPORTER

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News & Updates

Sawmill Fires, US and Canada

A fire early Thursday morning destroyed the main building at the Meadow Creek Forest Products sawmill at Cooper Creek, BC. There is no word yet on the cause or the total damage estimate. About a dozen people were employed at the mill, which restarted this year following a three-year closure.

Kaslo RCMP Cpl. Shaun Begg said when police arrived, the mill was fully engulfed by the blaze, which continued for several hours. While that there was a rudimentary fire suppression system on site, it was hampered by cold weather, and despite the efforts of mill workers, there was no way to stop the flames.

Elsewhere, crews from three counties battled a fire at a lumber business in Adams County, PA, also early Thursday morning. **CONT'D PAGE 7**

Ontario Fibreboard Mill Reopens

After six years of its doors being closed, the Pembroke, ON, MDF fibreboard plant is up and running once again. Pembroke MDF is expected to create as many as 160 full-time jobs, as well as spin-off employment in the local forestry, transportation, and electrical fields.

Currently, the plant is operating four days a week, from Sunday evening to Thursday night, running two shifts 24 hours a day.

The plan is to add a third shift in December. The plant is spacing out additions in staff to allot a fair amount of time for training. The second shift was just added in October. **CONT'D PAGE 7**

British Columbia Forestry Outlook

Since output bottomed in 2009, growth in BC's forestry and manufactured goods averaged about 6 per cent per year through 2013, compared to 2.4 per cent for the economy as a whole, said Central 1 Credit Union Thursday. **CONT'D PAGE 7**

US Mortgage Foreclosures Drop

The delinquency rate for US mortgage loans on one-to-four-unit residential properties decreased to a seasonally adjusted rate of 5.85 per cent of all loans outstanding at the end of 3Q 2014, according to the Mortgage Bankers Association's (MBA) National Delinquency Survey. The delinquency rate decreased for the sixth consecutive quarter and reached the lowest level since the fourth quarter of 2007. The delinquency rate decreased 19 basis points from the previous quarter, and 56 basis points from one year ago.

Export Development Canada: Fall 2014 Forecast

A low Canadian dollar and surging U.S. economy will drive growth in Ontario's key export sectors for the rest of this year and into 2015, according to the latest forecast by Export Development Canada. Shipments of industrial machinery, chemicals and plastics, in particular, are set to rise as demand in the world's biggest economy — finally — gets back on solid footing, a prediction that has been at least two years in coming. **CONT'D PAGE 9**

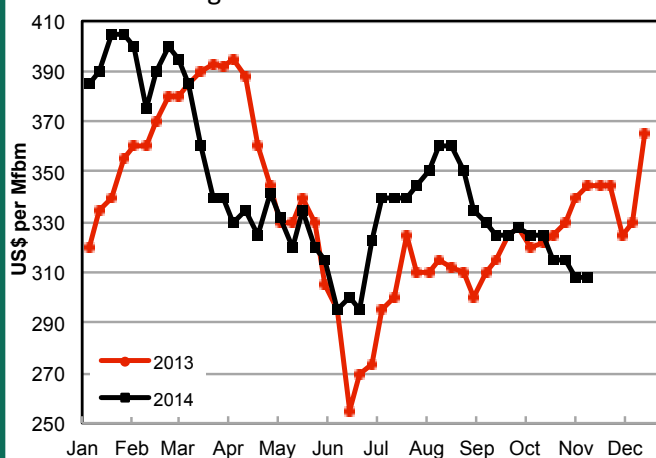
CANADIAN HOUSING STARTS

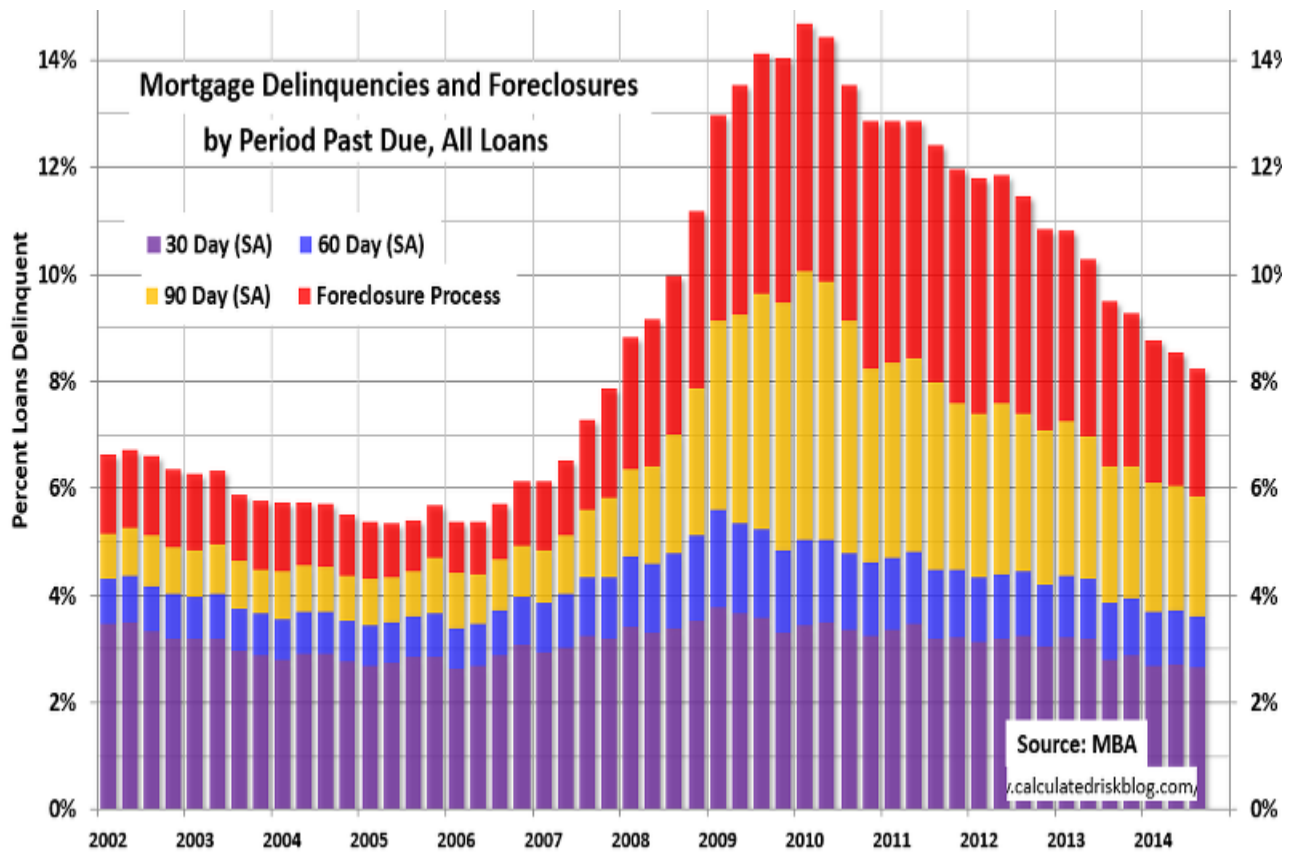
Actual and Seasonally Adjusted Annual Rates

	October 2014		September 2014	
	Actual	SAAR	Actual	SAAR
Canada, all areas	16,130	183,604	17,343	197,355
singles, urban centres	5,843	66,010	5,653	62,514
rural areas	1,728	18,921	1,948	20,302
multiples	8,559	98,673	9,742	114,539
Atlantic urban centres		5,944		6,429
Quebec urban centres		31,805		34,811
Ontario urban centres		50,384		51,415
Prairie urban centres		53,230		56,778
BC urban centres		23,320		27,620

Source: Canada Mortgage and Housing Corporation

Douglas Fir Green Std&Btr 2x4



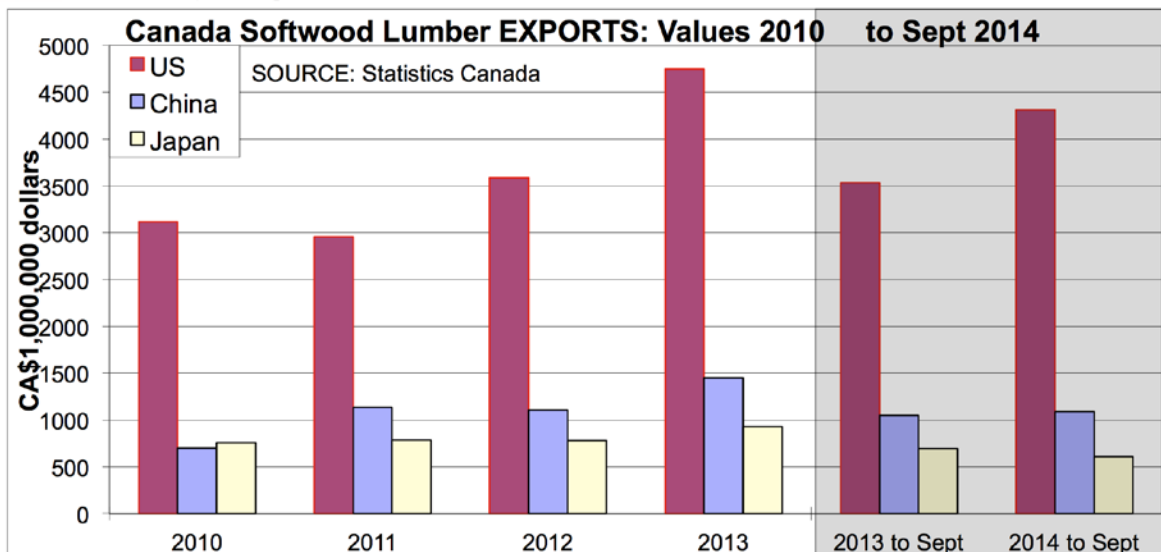


US Lumber Import / Canada Export, Lumber Prices, Home Builders Shares

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



Canada Softwood Lumber EXPORTS To USA, China, and Japan VALUES 2010 to SEPT 2014



VALUE of Canadian Softwood Lumber EXPORTS to US Jan – Aug 2013: C\$3,537 million
 VALUE of Canadian Softwood Lumber EXPORTS to US Jan – Aug 2014: C\$4,314 million

(up 18%)



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	340	340	0	354	-14	384	-44
WSPF KD R/L 2x6	350	350	0	370	-20	366	-16
WSPF KD R/L 2x8	350	350	0	366	-16	354	-4
WSPF KD R/L 2x10	375	375	0	374	+1	448	-73
WSPF KD PET 2x4 Stud	355	355	0	355	0	325	+30
WSPF KD PET 2x6 Stud	380	380	0	385	-5	315	+65
Douglas Fir Green R/L 2x4	308	308	0	325	-17	345	-37
Douglas Fir Green R/L 2x10	415	415	0	415	0	540	-125
ESPF KD 2x4 8ft Stud	410	420	-10	430	-20	385	+25
OSB Ontario 7/16" (CDN\$)	230	230	0	228	+2	223	+7
CSplywood Toronto 3/8" (CDN\$)	462	462	0	461	+1	378	+84

Madison's Weekly Lumber News

Fires, Sawmills

CONT'D FROM PG 2 In BC, investigators will return to the Meadow Creek site Friday when the scene cools down to try to determine the fire's origin, which is not believed to be suspicious.

The area has no formal fire protection. Regional District of Central Kootenay fire chief Terry Swan received a call early Thursday morning requesting that the Kaslo fire department respond, but he declined permission.

San Group of Surrey, BC, bought the mill along with the Meadow Creek Cedar timber license this past spring. Under its previous owner, the mill was cited by WorkSafeBC for numerous safety violations.

The Mountain Valley Farms and Lumber Products fire in south central Pennsylvania heavily damaged a building at a lumber yard. The location is in a remote area near Biglerville, PA.

The fire destroyed a building that was used to manufacture wood pallets.

Work was not going on at the time and no one was hurt.

Forestry Outlook, BC

CONT'D FROM PG 2 BC's forestry sector has been a growth sector for the economy in recent years, said Central 1. The contribution to provincial GDP growth is about 3 per cent of the total economy.

Demand-side improvements lifted BC's annual timber harvest to about 71 million dry cubic metres in 2013 to reach nearly 90 per cent of the peak level observed during the mid-2000s.

Lumber production has climbed 30 per cent from 2009 cycle lows but reached only 75 per cent of peak in 2013.

Going forward, Central 1 remains confident that forestry will outperform provincial growth in both 2015 and 2016, with growth exceeding 4 per cent, and expects US housing starts to climb 20 per cent in 2015.

Ontario Mill Restart

CONT'D FROM PG 2 The plant was formerly known as ATC Panels, and was open from 1997 to 2006 when the doors were closed due to increasing

costs, and a drop in demand for fibre-board.

The plant owned by Chilean interests, has been closed since 2008. The improved economic climate and the federal repayable contribution of up to \$3 million played key roles in the decision to start up the plant.

Interfor Invests

On November 6 Interfor, out of Vancouver, BC, announced its plans to invest \$50 million in state-of-the-art technology for their sawmill operation in Castlegar, BC.

The project will convert the mill into a two-line operation from three lines, as well as increase production capacity to 210 million board feet from its current level of 185 million board feet.

This investment aims to significantly improve lumber recovery, productivity and grade out-turns at the facility, and lower conversion costs.

Construction will begin this month, and is expected to be completed by the first quarter of 2016.



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Canadian Exports

Fall 2014 Forecast

CONT'D FROM PG 2 “The prime difference this time is that there actually is sustained, real recovery-style growth happening and it’s starting with our Number One customer south of the border,” said Peter Hall, chief economist with Export Development Canada, known as EDC.

EDC’s new outlook, released Wednesday, predicts that exports from Canada’s largest province, which reached \$164 billion in 2013, will be up 7 per cent overall this year, and rise 5 per cent in 2015.

“Tight industrial capacity stateside is igniting U.S. business investment well ahead of the normal timetable,” said EDC chief economist Peter Hall. he said. “Rising U.S. industrial output will also boost Ontario’s chemicals and plastics industry to 12 per cent and 5 per cent export growth in 2014 and 2015, respectively.”

The EDC says the auto sector made up 35 per cent of the province’s exports in last year and should grow by 8 per cent this year and by 3 per cent in 2015.

Credit for much of the export sector’s optimism goes to the weaker Canadian dollar, which has made Canada’s exports more competitive in the U.S. market. Increasing U.S. auto sales should add momentum to the domestic sector.

That optimism can also be seen in Canada’s labour market, where renewed job growth in Ontario’s manufacturing sector has begun to whittle away at the province’s chronically high unemployment rate.

The latest figures from the U.S. government show that the country’s economy expanded by a vigorous 3.5 per cent annual rate in the third quarter.

According to EDC, real merchandise exports are on an eight-month surge, and are currently up 12 per cent year-on-year. And in spite of its weaknesses, the Eurozone is importing from Canada at a respectable rate as well. Export growth is forecast to reach 10 per cent this year and 6 per cent in 2015. Gains span a wide variety of industries, and extend across almost every province. Momentum is strong, and it is expected to be a boost to trade-related business investment. Capacity has tightened up in recent months, and Canadian firms will soon be faced with significant expansion decisions. In spite of domestic weakening, Canada’s GDP growth is

forecast to accelerate to 2.8 per cent next year.

As economic indicators go, the crisis was pretty tough for U.S. business investment, says EDC. After adjusting for inflation, total private investment fell by 20 per cent in just 18 months, and from there it took 48 months just to climb back to pre-crisis levels. Trend investment growth would have had it well above that level by now; as a share of GDP, investment is still 500 basis points below where it ought to be.

There’s additional evidence in construction spending, points out EDC. In the energy sector, construction put-in-place is currently up 29 per cent year-over-year, an impressive increase. For all the naysaying that it takes, US manufacturing is also active. The same indicator for this sector is up 20 per cent over 2013 levels. What is striking about these industries is their rapid response to conditions. Typically, it takes a couple of years for needed construction to get put in place. This time around, capacity is likely turning this kind of investment on much more quickly. If so, suppliers could be facing a great dilemma.

Looking more closely at individual countries, exports of Canadian goods to the U.S. are projected to grow by just over 12 per cent in 2014 and 6 per cent in 2015, EDC found. The U.S. accounts for over 75 per cent of Canadian merchandise exports, 41 per cent of the

stock of Canadian direct investment abroad, and 50 per cent of all sales made by Canadian foreign affiliates.

The outlook for the US economy is very positive, says EDC. American business is performing well: corporate profits are near an all-time high of \$2.1 trillion, while businesses are estimated to hold cash and equivalents in excess of US\$6 trillion. Businesses have been reluctant to invest because of pessimism about conditions, but consumer confidence is rising. With household deleveraging largely complete, the ratio of debt service payments to personal disposable income is at its lowest level on record since 1980 and retail sales are strengthening. The U.S. housing market is improving with prices and home sales showing sustained growth. Due to pent-up demand, EDC expects that home starts will rise approximately 11% in 2014 and 28% in 2015, while those new homes will require all sorts of spending on durable goods. As confidence builds, this recovery among consumers will give rise to increased business investment to meet this demand.

As for the forestry sector, average annual growth in forestry exports will come in at 13 per cent this year and 8 per cent in 2015. Nearly all of the growth is expected to come from lumber as U.S. housing starts rise. However, capacity constraints at existing mills allow little room for expansion in this sector.

TOP MARKETS	CAD bn 2013	% Share of Exports 2013	Export Outlook (% growth) 2013	2014 (f)	2015 (f)
Developed Markets					
United States	19.2	64.4	13.3	13	10
Western Europe	1.1	3.6	-3.8	17	4
Japan, Oceania and Developed Asia	2.6	8.6	9.5	4	8
Emerging Markets					
Latin America and the Caribbean	0.8	2.6	-0.1	3	5
Emerging Europe and Central Asia	0.3	0.9	19.0	-10	10
Africa and the Middle East	0.3	1.0	20.5	22	20
Emerging Asia	5.7	19.0	15.6	18	14
Total Developed Markets	22.8	77	11.9	12	9
Total Emerging Markets	7.0	23	14.0	15	14
Total World	29.8	100	12.4	13	10

Sources: Statistics Canada, EDC Economics