

MADISON'S LUMBER REPORTER

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News & Updates



Seasons Greetings from Madison's!

All of us here at your Madison's Lumber Reporter extend our most sincere holiday greetings, and Best Wishes for the New Year, to our valued subscribers, sources, and other contacts.

In keeping with tradition started in 1952 by Peter Madison, we are taking our annual holiday season break however this year are extending that by one week. April 2015 will mark seven years under current Madison's ownership with its unblemished continuation of 62-years of uninterrupted weekly service.

This is our last issue for 2014. We will be back next year fresh, rested, and ready to serve our varied customer base.

The next issue of your Reporter will be January 9, 2015.

Two Sawmill Worker Fatalities

The body of a truck driver who disappeared while delivering wood chips to a Catalyst Paper Mill in Crofton, BC, this week has been found in a storage container at that facility, according to Canadian Press Friday.

The BC Coroners Service says workers at the Catalyst Paper Mill couldn't find 66-year-old Perry Thomas about a half hour after he arrived on Tuesday.

Thomas was reported missing and a search was launched. His body was recovered Thursday from a container linked by a conveyor belt to the location where he was to dump the chips.

The coroner says the Qualicum Beach, BC, resident could not be resuscitated. The service, the RCMP and WorkSafeBC are investigating the death.

In Oregon, a sawmill worker who was trapped in machinery Thursday died at the Weyerhaeuser sawmill in Cottage Grove, OR. **CONT'D PAGE 7**

Housing Starts, Canada

A report from the Canada Mortgage and Housing Corp Monday showed the seasonally adjusted annualized rate of Canadian housing starts rose to 195,620 units in November, from 183,659 in October. **CONT'D PAGE 7**

New Brunswick Forestry Agreements

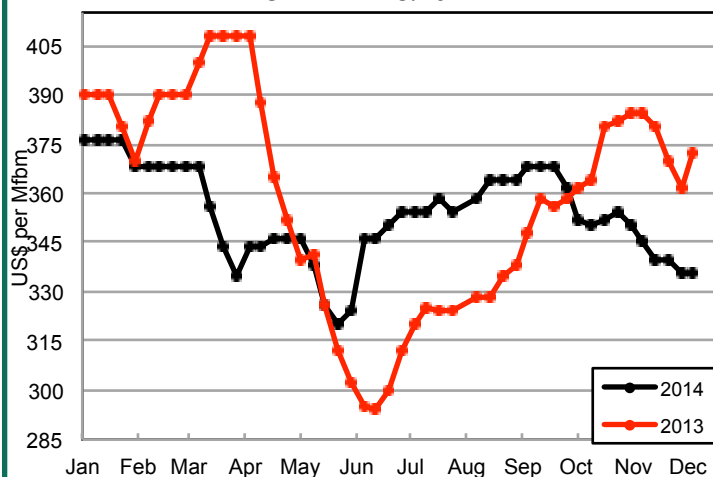
New Brunswick's natural resources minister Thursday released the province's forestry agreements, which give forest companies access to more Crown land and are the result of a 10-year plan announced in March.

The plan will allow forestry companies to harvest an additional 660,000 cubic metres of softwood a year - a hike of 20 per cent. **CONT'D PAGE 7**

North American Lumber & Panel Markets and Outlook for 2015: FEA

This week BMO Capital Markets Packaging & Forest Products Analyst Mark Wilde (formerly of Deutsche Bank) held a conference call for an update on North American Lumber & Panel Markets and Outlook for 2015 with analysts from Forest Economic Advisors. **CONT'D PAGE 9**

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CANADIAN HOUSING STARTS

Actual and Seasonally Adjusted Annual Rates

	November 2014		October 2014	
	Actual	SAAR	Actual	SAAR
Canada, all areas	17,765	195,620	16,130	195,796
singles, urban centres	5,725	63,760	5,843	65,676
rural areas	1,756	19,277	1,728	18,875
multiples	10,284	112,583	8,559	99,108
Atlantic urban centres		6,564		5,979
Quebec urban centres		37,110		32,028
Ontario urban centres		55,833		50,338
Prairie urban centres		47,271		53,104
BC urban centres		29,565		23,335

Source: Canada Mortgage and Housing Corporation

**-- Madison's Forest Pulse --
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"I am amazed at the data you've been able to collect in this report and find it all very interesting. I can see this kind of information being especially desired by economists / bankers / the investment community and perhaps Industry CFO's and such for help formulating reports and such.

I like the trend data on capacity / efficiency plus export import ratios."

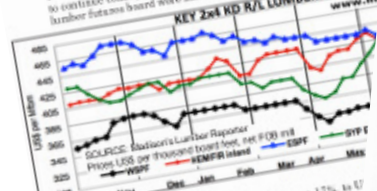
- Michael Low | Scotiabank | Director & Group Lead, Commercial Banking

Don't miss even one issue of this vital information!

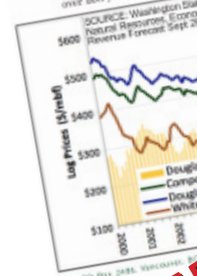
- foreshadows spot shortages, overages, and balance of supply with demand
- the latest on North American solid wood and paper companies
- presented in a compact six-page format every quarter

MADISON'S
3Q 2014 North America Timber Industry Analysis and Projections
By Rita Korman, Publisher and Editor, Madison's Lumber Reporter
November 1, 2014

OVERVIEW
Vigorous bursts of enthusiasm among North America's lumber and panel mills in September as sales volumes dropped and prices softened somewhat. In September, as sales volumes dropped and prices softened somewhat, it fell flat. Full inventories of solid wood products across the US and Canada are so extensive owing to the failure to buy from producers. Discouraging lumber futures board were not enough to dampen prices, which rose.



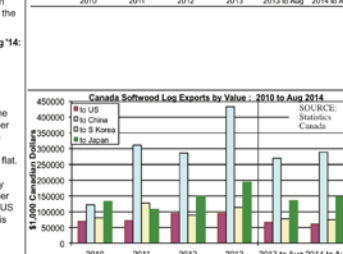
IMPORTANT DATA:
- US LOG exports to China by VALUE up 17% to 1.1 billion USD in our year
- US SAWMILL products exports to China by VALUE 2014 over 2013
- US SAWMILL products imports from Canada by VALUE 2014 over 2013
- Canadian LUMBER exports to US by VALUE up over last year



US WOOD EXPORTS
mostly in the US, while Canada's wood exports continue to be largely softwood lumber products. The VALUE of US exports (USDA) has increased 17% compared to 2013. The VALUE of US exports of softwood LUMBER to China, Japan, and the USA collapsed by 4% in 2014 compared to the previous year.



Canada Log Exports Jan-Aug '14:
China +7.40%
Japan +8.30%
S Korea -0.80%
USA -7.0%



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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	340	336	+4	340	0	362	-22
WSPF KD R/L 2x6	348	345	+3	350	-2	340	+8
WSPF KD R/L 2x8	336	342	-6	350	-14	330	+6
WSPF KD R/L 2x10	354	360	-6	375	-21	422	-68
WSPF KD PET 2x4 Stud	350	355	-5	355	-5	290	+60
WSPF KD PET 2x6 Stud	375	380	-5	380	-5	290	+85
Douglas Fir Green R/L 2x4	320	318	+2	308	+12	330	-10
Douglas Fir Green R/L 2x10	410	405	+5	415	-5	500	-90
ESPF KD 2x4 8ft Stud	405	405	0	410	-5	370	+35
OSB Ontario 7/16" (CDN\$)	220	200	+20	230	-10	220	0
CSplywood Toronto 3/8" (CDN\$)	454	417	+37	462	-8	386	+68

Madison's Weekly Lumber News

Sawmill Fatalities

CONT'D FROM PG 2 The Oregon sawmill worker trapped by machinery was identified by the Lane County sheriff's office as 31-year-old Justin Simons.

He was free of machinery when rescue services arrived but died at the scene of his injuries. Simon was fatally injured in a sawdust conveyer. He was a 7-year employee of the mill.

Canada Housing Starts

CONT'D FROM PG 2 Multiple-unit housing starts in urban areas rose 13.6 per cent, to 112,583, reversing most of the prior month's decline. Single-family starts fell 2.9 per cent to 63,760 units.

A separate report from Statistics Canada Monday showed the value of Canadian building permits edged up 0.7 per cent in October to \$7.53 billion, cooling after the previous month's sharp gain as construction intentions for residential homes slipped.

Residential permits fell 0.4 per cent to \$4.46 billion as single-family homes were unchanged at \$2.42 billion and multiple-unit projects such as apartments and condominiums fell 0.9 per cent to \$2.04 billion.

Industrial projects such as buildings for utilities and manufacturers jumped 34.4 per cent to \$614 million, leading a 2.4 per cent rise in permits for non-residential construction to \$3.07 billion.

New Brunswick Forest Agreements

CONT'D FROM PG 2 The Natural Resources Minister, Denis Landry,

said he has spoken with representatives from J.D. Irving Ltd. He said the province's largest forestry company is also curious if there are going to be any changes in the plan.

J.D. Irving Ltd. has said it plans to start cutting at increased levels in February. Landry would not say if the company is willing to make changes.

The government says industrial plans are always kept confidential for privacy reasons.

The released documents include the Forest Management Agreement, dated July 31, memorandums of agreement with J.D. Irving Ltd., Twin Rivers Ltd., and Chaleur Sawmills Ltd., as well as details of wood allocations to 15 First Nations communities.

The department also plans to post a detailed map, which will show Crown timber licences, Landry said.

More Sawmill Fires

A blaze broke out around 4:30 pm Thursday at Sexton Lumber in Bloomfield, NL, on the Bonavista Peninsula. The fire was in the dried bark/sawdust holding building on the outside edge of the property, and the sawmill, kiln, planer mill, drying plant, office, and inventory sections were all undamaged.

However the company lost a complete drawing facility, the holding facility is completely gone, and all the conveying equipment was destroyed. Sexton suspects there was a malfunction in one of the dryers that then leaked into the main system.

Several years ago the company's planer mill operation was burnt to the ground.

Elsewhere, several fire departments responded to the scene of a structure

fire Wednesday at a southern Indiana sawmill.

The fire, south of English, IN, was contained to the mill building.

No one was at the sawmill when the fire broke out overnight.

No injuries were reported.

Norbord, Ainsworth to Merge

Two Canadian wood product companies — Norbord Inc. and Ainsworth Lumber Corp. — plan to combine their businesses through a \$759-million deal to create one of the world's largest producers of oriented strand board.

Norbord Inc.'s proposed acquisition of Ainsworth Lumber Co. Ltd. will create a global wood products giant with a market capitalization of about \$2-billion.

Total OSB capacity will be about 7.7 billion square feet, making the new company — operating under the Norbord name — the largest in the OSB sector.

The companies estimate the combination will result in \$45 million in annual synergies, primarily from technology transfers in their mills, improved sales and logistics and cost reductions over 18 to 24 months.

The combined company will maintain an office in Vancouver, BC, where Ainsworth has its headquarters, as part of strategic efforts to grow the companies' exports to Asia.

Upon completion of the transaction, Norbord shareholders will own about 63 per cent of the combined company, while Ainsworth shareholders will own about 37 per cent of the new entity.

FEA 2015 North American Lumber & Panel Markets and Outlook

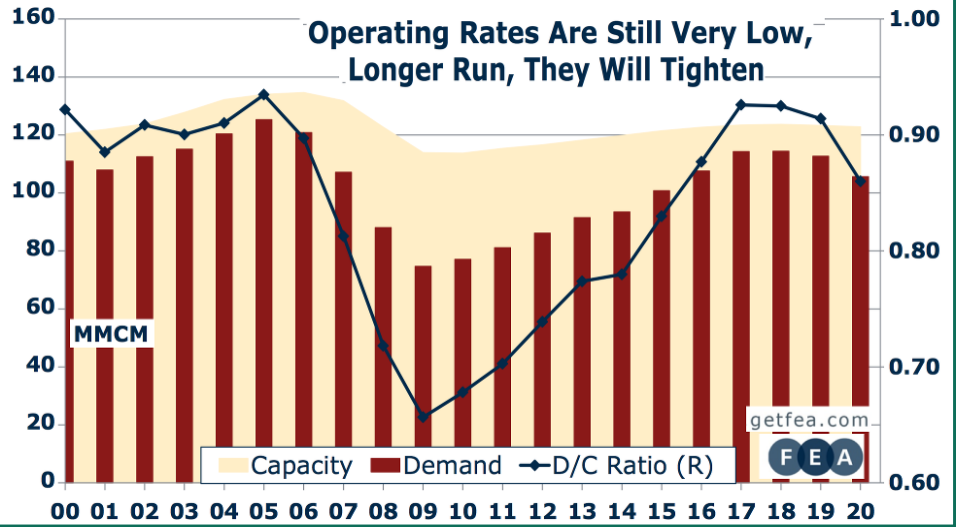
by Kéta Kosman

This week BMO Capital Markets Packaging & Forest Products Analyst Mark Wilde (formerly of Deutsche Bank) held a conference call for an update on North American Lumber & Panel Markets and Outlook for 2015 with analysts from Forest Economic Advisors.

OPERATING RATES at US and Canadian dimension lumber sawmills currently at 75 - 80 per cent of full **CAPACITY**. This is forecast to remain at low 80 per cent for 2015 then increase for 2016/17.

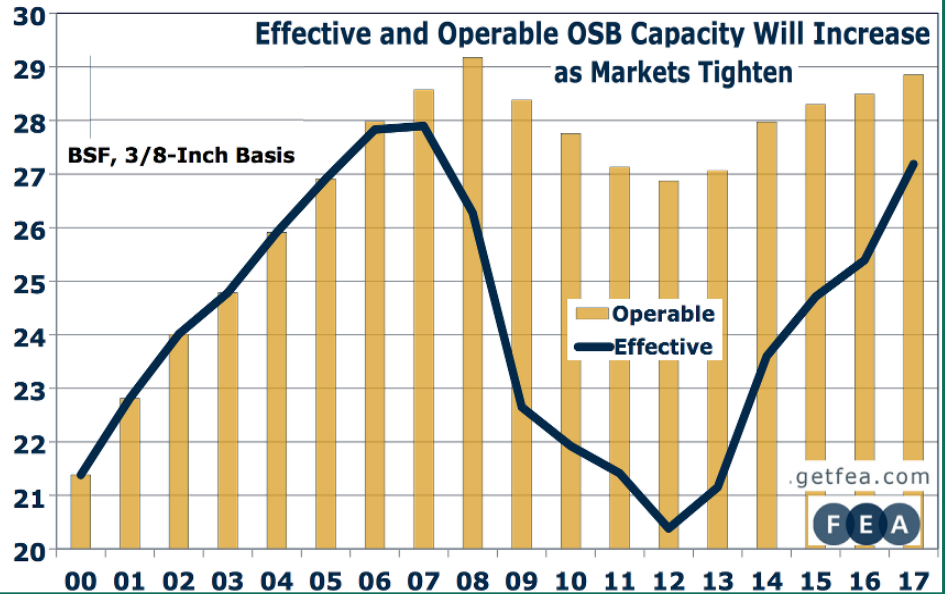
"There will be limited ability of Canadian producers in 2016/17 to increase supply."

A small drop in lumber exports to China together with US housing starts returning to 70-year norm are expected to put lumber mill **OPERATING RATES** into the low 90 per cent range for 2018-2020.



After big jumps in 2013/14, there is no additional idle capacity at North American OSB mills ready to come back online in 2015. A "sizable increase" in consumption by 2017 will bring an increase in **OPERATING RATES** and **CAPACITY** at US and Canadian OSB mills, driven mainly by "demand side pressure."

In 2017, OSB mill **OPERATING RATES** are forecast to be in excess of 95 per cent of **CAPACITY**, with potential to reach 1 billion square feet of production in North America.



SOURCE: Forest Economic Advisors

The looming increase in **OPERATING RATES** for North American plywood mills is expected to be much slower than that of OSB and dimension lumber. There is currently "not a lot" of long-term potential for new **CAPACITY** at US and Canadian plywood mills.

Plywood imports from Central America into domestic US markets is forecast to increase for 2016/17. **OPERATING RATES** at North American plywood mills expected to reach 90 per cent for 2017.

While some idle capacity is ready to come online, lower demand for plywood than OSB means "don't expect new building of capacity."

