

MADISON'S LUMBER REPORTER

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News & Updates

It's Getting Crowded in Here...

Your weekly *Madison's Lumber Reporter* is bursting at the seams! Over the next few weeks there will be new content added, mostly taken from the data sets we have been working for the quarterly *Forest Pulse*.

There will be additional pages added to the newsletter make room for this important information.

As well, stemming from the good work done last year of branding *Madison's* further into new sectors, we are actively seeking advertisers.

Advertising information can be found on our website here: <http://www.madisonsreport.com/advertisers/>.

Please feel free to [contact us](#) anytime to directly reach important players in North America's forest products' industry; including company owners, VPs, other executives, and decision makers, for your advertising and promotion needs.

Lumber Markets 2015 to Continue Rebound

US lumber demand continued to strengthen in 2014 as home construction experienced modest but sustainable gains over 2013, according to estimates by Western Wood Products Association January 2.

While residential construction slowed late in 2014, residential repair and remodeling (R&R), the largest lumber market by volume, picked up the slack. R&R construction is expected to consume approximately 17.41 billion fbm of US production in 2014, and 2015 demand is forecast to increase to 17.93 billion fbm, said the WWPA.

CONT'D PAGE 7

Canada Softwood Lumber Exports up 12.8 Per Cent

Values of Canadian softwood lumber exports to Top 3 Countries for January to October 2014, \$6,793.27 million, exceeded the previous year, \$5,925.85 million, by 12.8 per cent, according to Statistics Canada December 29, 2014.

CONT'D PAGE 7

British Columbia Lumber Exports to US Surpass 2013

Values of BC lumber exports to US January to November 2014, \$2,792 million, surpass full-year 2013, \$2,558 million, said BC Stats Wednesday.

BC lumber exports by value globally January to November 2014 were flat compared to 2013, exports to China individually were also stable.

CONT'D PAGE 7

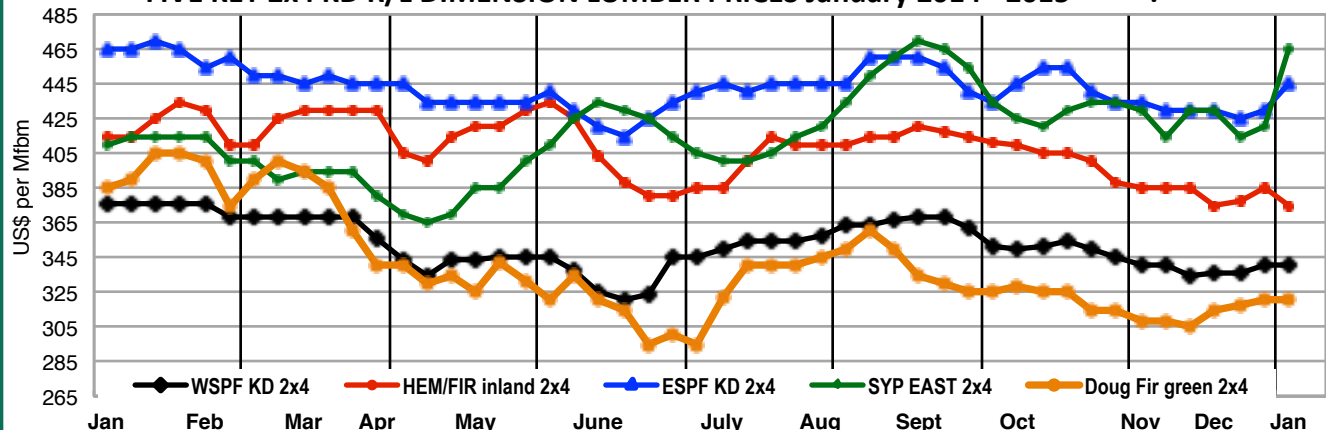
North America Transportation Woes 2015

Service disruptions at ports on the west coast of US and Canada which erupted in 2014 continue this year, as does sketchy rail service for Canada's forestry operators, and a dreadful looming trucker shortage in both countries.

These issues will combine in the next six quarters to provide neverending logistics and supply-chain difficulties for lumber manufacturers.

CONT'D PAGE 9

FIVE KEY 2x4 KD R/L DIMENSION LUMBER PRICES January 2014 - 2015



Rental Costs

The cost to rent an apartment in the US jumped in 2014 for the fifth consecutive year as strong demand and short supply left vacancies near historically low levels. Nationwide, apartment rents rose an average of 3.6 per cent last year, according to data from Reis Inc, said the [Wall Street Journal](#) Monday.

The increase pushed the average monthly lease rate to US\$1,124.38, the highest since Reis started tracking the market in 1980. The vacancy rate last year was 4.2 per cent, the lowest since 2000.

Rents were up in all 79 US metro areas tracked by Reis. But unlike in earlier periods, when hefty rent increases mainly affected residents of the largest cities, the current ones are squeezing residents in smaller and mid-size cities as well. Average rents were up 7.9 per cent in Denver; 5.5 per cent in Charleston, SC; and 4.8% in Raleigh, NC.

Meanwhile, the massive metropolises typically known for big rent jumps, including New York and Chicago, had smaller rent increases, in part because those markets have had plenty of construction in recent years.

“When that comes, it will boost rental demand further, because most of those newly formed households will start out as renters,” said Jed Kolko, chief economist for Trulia Inc.

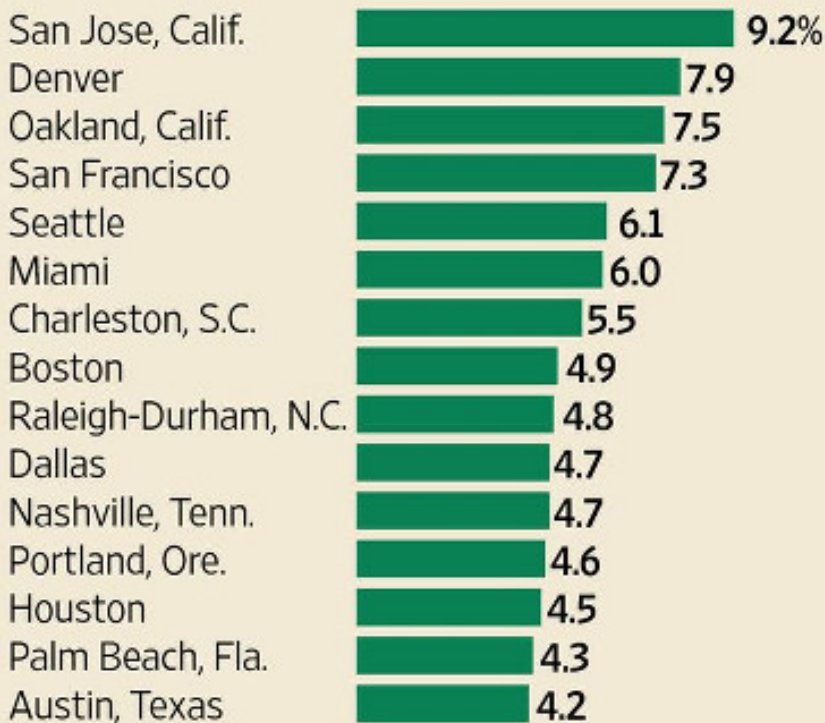
That means rent increases are likely to continue, although at a slower pace, as more new supply comes online. To wit, builders started construction of nearly 315,000 apartment units in the first 11 months of 2014, well exceeding the annual average since 2000 of 254,400.

Demand from new and existing renters is strong enough to absorb nearly all of that new supply, even as rent increases outpace income gains and inflation as measured by the consumer-price index, according to David Crowe, chief economist for the National Association of Home Builders.

“Rent increases right now, at least at these rates, aren’t a deterrent to additional rental demand,” Mr. Crowe said. “That is looming out there, but I don’t think it will have much effect in 2015. I think that’s 2016 and beyond.”

Rising Rental Costs

Effective rents by metro area in the fourth quarter, change from a year earlier



Source: Reis

Effective rents nationally, change from the previous year



Note: National trends are based on 79 primary metro areas

The Wall Street Journal



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	340	0	335	+5	376	-36
WSPF KD R/L 2x6	352	348	+4	345	+7	352	0
WSPF KD R/L 2x8	342	336	+6	342	0	344	-2
WSPF KD R/L 2x10	350	354	-4	363	-13	410	-60
WSPF KD PET 2x4 Stud	345	350	-5	355	-10	305	+40
WSPF KD PET 2x6 Stud	360	375	-15	380	-20	295	+65
Douglas Fir Green R/L 2x4	320	320	0	305	+15	385	-65
Douglas Fir Green R/L 2x10	405	410	-5	405	0	510	-105
ESPF KD 2x4 8ft Stud	410	405	+5	405	+5	380	+30
OSB Ontario 7/16" (CDN\$)	240	220	+20	215	+25	227	+13
CSplywood Toronto 3/8" (CDN\$)	457	454	+3	425	+32	380	+77

Madison's Weekly Lumber News

Lumber Market, 2015

CONT'D FROM PG 2 Lumber demand for new residential construction is forecast to increase from an estimated 10.98 billion fbm in 2014, to 13.61 billion fbm in 2015, said WWPA this week. Stable interest rates, an improving jobs picture, and continued slow economic growth will contribute to modest but sustainable gains in lumber demand for new home construction in 2015.

Responding to increased demand, 2014 US lumber production increased an estimated 4 per cent to 41.34 billion fbm, compared to 39.5 billion fbm in 2013.

Lumber production in the West is expected to climb from 13.49 billion fbm in 2013 to 14.1 billion fbm for 2014.

For 2015, WWPA predicts lumber demand will rise 8 per cent to 44.87 billion fbm.

Lumber Exports, Canada

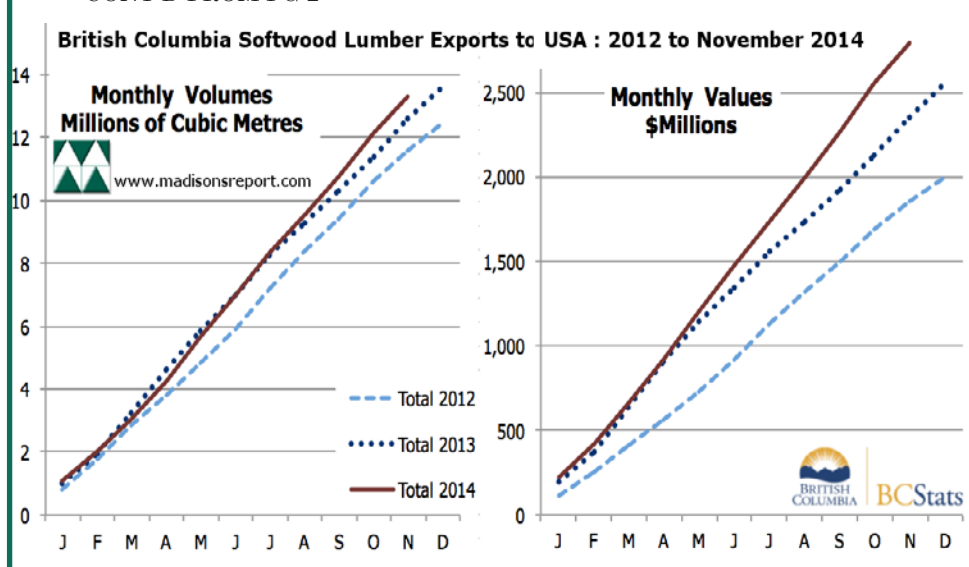
CONT'D FROM PG 2 Volumes of Canadian Softwood lumber exports to Top 3 Countries for January to October 2014 were 32.15 million cubic metres, up 5.7 per cent from 2013's 30.32 million cubic metres, said StatsCan.

The construction framing dimension lumber price comparison fluctuated between December 2013 and 2014. It was down for WSPF but up for Southern Pine.

<http://www.slideshare.net/Keta-Kosman>

BC Lumber Exports

CONT'D FROM PG 2



US ISM Manufacturing Index

Economic activity in the US manufacturing sector expanded in December for the 19th consecutive month, and the overall economy grew for the 67th consecutive month, say the nation's supply executives in the Manufacturing ISM *Report On Business* January 6.

Manufacturing expanded in December as the PMI registered 55.5 percent, a decrease of 3.2 percentage points when compared to November's reading of 58.7 percent, indicating growth in manufacturing for the 19th consecutive month.

The average PMI for 2014 was 55.8. That number is 1.9 percentage points above the average for 2013, while 2013

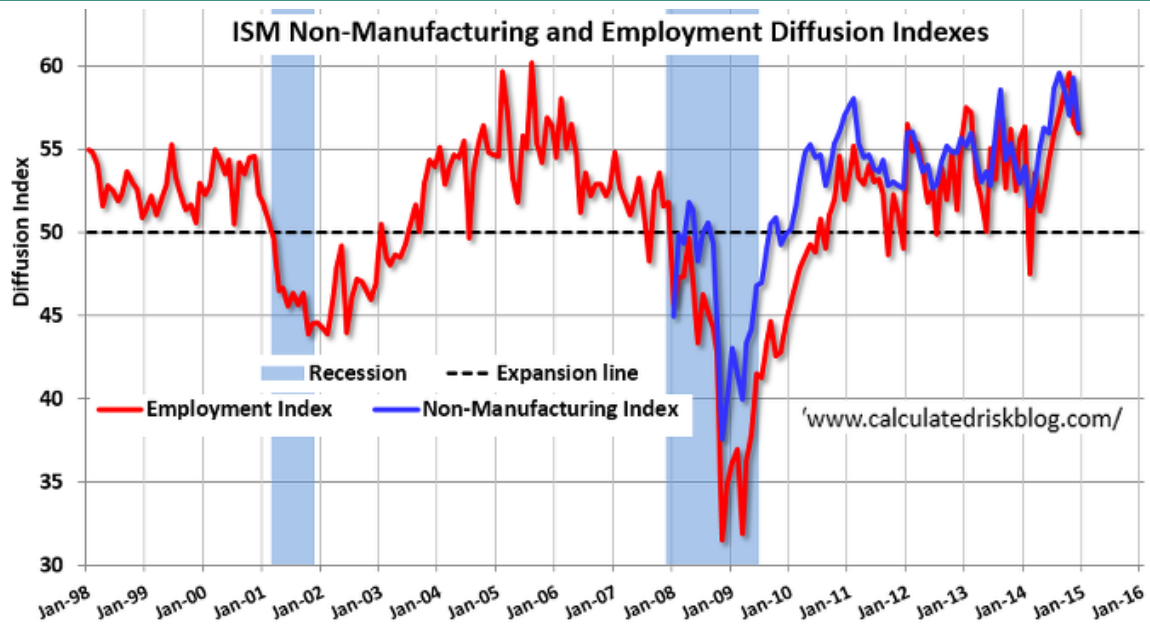
was 2.1 percentage points above 2012. So looking at the longer term trend, the numbers on the average PMI go up about 2 percentage points per year for the last couple of years.

EACOM Sympathy ...

EACOM Timber Corporation is deeply saddened Friday by the news that Paul Campeau, an employee of Green Acres Contracting, lost his life this week while sanding roads in the Trout Lake Forest in Ontario. We extend our sincerest sympathy to Paul's family, friends and loved ones during this very difficult time.

Our hearts also go out to the team at Green Acres, a local family operation based in Red Lake, ON.

Kevin Edgson, President and CEO, EACOM Timber Corporation



ISM Non-manufacturing index, US

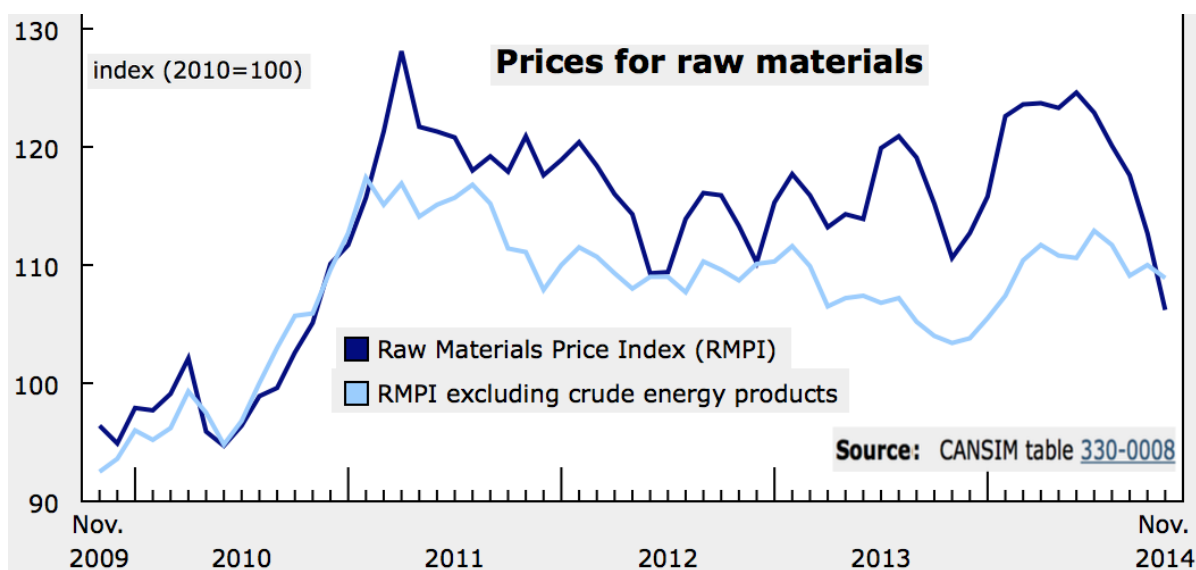
The December ISM Non-manufacturing index in the US was at 56.2 per cent, down from 59.3 per cent in November. The US employment index decreased in December to 56 per cent, down from 56.7 per cent in November.

Note: Above 50 indicates expansion, below 50 contraction.

The above graph shows ISM non-manufacturing index (started in January 2008) and the ISM non-manufacturing employment diffusion index.

This was below the consensus forecast of 58.2 per cent and suggests slower expansion in December than in November.

SOURCE: Calculated Risk



Industrial product and raw materials price indexes, Canada

The Industrial Product Price Index (IPPI) decreased 0.4 per cent in November, mainly because of lower prices for energy and petroleum products. The Raw Materials Price Index (RMPI) declined 5.8 per cent in November, largely as a result of lower prices for crude energy products.

The IPPI, down 0.4 per cent, declined for the third straight month in November, after decreasing 0.6 per cent in October. Of the 21 major commodity

groups, 5 were down, 14 were up, while 2 were unchanged.

The RMPI, down 5.8 per cent, fell for the fifth consecutive month in November, after declining 4.2% in October. Of the six major commodity groups, three were up and three were down.

The IPPI rose 1.9 per cent during the 12-month period ending in November, following a 2.4 per cent increase in October.

SOURCE: Statistics Canada

North America Transportation

2015 Challenges

This week mediators stepped in, “prepared and ready to render prompt assistance” to end a six-month stand-off between shippers and dockworkers that has worsened congestion and problems at the Port of Oakland, CA, and across the West Coast of the US.

Transportation delays at the ports have occurred largely due to a combination of chassis and driver shortages,

big ship offloading surges, and higher volumes. The

by Kéta Kosman

two sides remain far apart on basic issues, including wages, pensions, job jurisdiction, and work rules, according to a Pacific Maritime Association (PMA) statement last week.

The Federal Mediation and Conciliation Service announced late Monday the assignment of veteran mediator Deputy Director Scot Beckenbaugh.

Under the contract, which expired in May 2014, longshore workers’ pay ranges from US\$25.71 per hour for low-seniority workers with no benefits to US\$35.68 per hour plus benefits for high-seniority workers. According to PMA statements, longshore workers earn on average US\$147,000 a year — a figure International Longshore and Warehouse Union (ILWU) spokesperson Craig Merrilees, in an email to the San Francisco Chronicle, labelled “demonstrably false” and “irresponsible,” the newspaper said Wednesday.

Work safety is one of the issues likely to be raised by the union. Conditions have been made worse by congestion beyond its control, the group said.

Similar to the ongoing trucker dispute at Port Metro Vancouver in British Columbia, jurisdiction — who does what — probably will be an equally big issue.

As of Tuesday morning, six container ships sat idle outside the Port of Oakland, said the Chronicle. Trucks waited in line for hours at terminals, as they have done for months at ports from Los Angeles, CA, to Seattle, WA.

“Congestion and delays are at all-time highs,” said Cory Peters, vice president of drayage operations at Gardner Trucking in Manteca (San Joaquin County), which transports cargo in and out of the Port of Oakland on a daily basis. “We had one of our trucks in Los

Angeles yesterday (Monday) set a record — for us — for longest time to pull out one container: 12.5 hours to bobtail into the terminal and pick up one load delivering 10 miles away in Torrance. A normal US\$300 move turned into a US\$1,200 move for the customer.”

In its statement, the Port of Oakland, which is not involved in the contract negotiations, acknowledged there have been “productivity declines that slowed trade flow,” especially in recent weeks, citing unresolved labour-management issues as “one of the principal causes.”

While the mediator can recommend ways to resolve the dispute between the ILWU and the PMA, he cannot force any resolutions or decisions.

The Los Angeles and Long Beach ports, the busiest seaport complex in the US, handle about 40 per cent of US imports.

Total laden container volume in the first 11 months of 2014 was only up 1 per cent from the same period in 2013, according the Journal of Commerce (JoC), which cites Pacific Maritime Association statistics.

Containerized imports through West Coast ports were up 4 per cent for that period; exports were down 4 per cent. Compare that to East and Gulf Coast ports, where total laden container volume increased 3.7 per cent from 2013. Through September, East Coast ports rose 4 per cent year-over-year, now claiming a 44.6 per cent market share.

Ports on Canada’s Pacific Coast saw a spike in cargo: Containerized imports increased 15.2 per cent in Prince Rupert, BC, and 4.9 per cent in Vancouver, BC, through November, according to JoC.

Burlington Northern Santa Fe (BNSF), the US’s second-biggest rail network, Wednesday lifted a three-day ban on moving some containers to US west coast ports, but expressed continued concern about the severe disruption that forced it into the radical step, said the Financial Times Thursday.

The railway started refusing Monday to accept 20-foot and 40-foot containers and other marine equipment from other railroads heading for export from West Coast ports. It reversed

the ban Wednesday evening, saying its “westbound pipelines” had become manageable, without providing further details.

Following the BNSF announcement Monday, Union Pacific Railroad, the other major Class I railroad serving US West Coast ports, said it isn’t experiencing “any significant backlog of port freight traffic” and hasn’t imposed embargoes on intermodal cargo.

For its part, the PMA notified the ILWU Wednesday that it would reduce the number of longshore crews that will be assigned to work vessels at the ports of Los Angeles and Long Beach on the night shifts, according to a separate JoC article. The PMA says terminals have become so congested that operators would assign only one 45-person work crew, instead of the usual three.

Meanwhile, US manufacturing growth slowed in December, with continued delays at West Coast ports being cited as a contributing factor, according to the Institute for Supply Management (ISM) January 2.

Comments from companies surveyed indicated a “negative impact on imported materials shipment due to the West Coast dock slowdown,” the ISM said.

“West Coast port issues have greatly impacted our incoming materials. We are air-freighting many parts from Japan and Asia to support production while parts sit at the dock,” a producer of fabricated metal products said.

A textile mill company said: “West Coast ports are creating delays for imported goods.”

A machinery maker said: “The West Coast ports slow-down is really affecting deliveries of our Asian purchases.”

According to the ISM, economic activity in the manufacturing sector expanded in December for the 19th consecutive month, and the overall economy grew for the 67th consecutive month. But the pace of growth slowed in December, owing partly to the port disruption.

The December Purchasing Managers Index registered 55.5 per cent, a decrease of 3.2 percentage points from November’s reading of 58.7 per cent, but still in positive territory as is any reading above 50 per cent.