

MADISON'S LUMBER REPORTER

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News & Updates

Canfor Canal Flats, BC, Lays off 81

Canfor, headquartered in Vancouver, BC, February 5 announced to their Canal Flats, BC, employees that the mill would be going from two shifts to one affecting 81 employees due to lack of economically available fibre effective May 4, 2015.

Doug Singer, President of United Steelworkers Local 1-405 in Cranbrook, BC, told the *Kootenay Advisor*, "This is not a temporary layoff; this is a permanent lay-off affecting 81 members which is more than 50 per cent of the employees, which is very significant."

British Columbia Sawmill Dust Control

WorkSafeBC now has new powers to shut down workplaces, impose penalties on the spot, collect evidence, and compel payment of fines against employers who don't comply with safety rules.

WorkSafeBC has been overhauling investigation and inspection methods after flawed techniques were cited by the Crown for its decision not to lay criminal charges in both cases. The threat of combustible sawdust at mills was highlighted as a safety issue that required constant vigilance.

This week sawmills committed to a daily inspection routine reporting weekly to WorkSafeBC, which would also conduct regular on-site inspections.

US Southern Pine, Hardwood Lumber Exports: 2014

Southern Pine lumber exports finished 2014 at a record volume of just over 552 mmbf, a jump of 17 per cent above the 2013 export total, said the Southern Forest Products Association Friday. Southern Pine lumber exports have more than doubled in the past five years, the agency said.

Meanwhile, US exports of hardwood lumber in 2014 were 13 per cent higher than a year earlier, at 3.9 million cubic metres, according to information from the US Department of Agriculture Thursday. As with softwood lumber, the value of the exports rose more sharply than the volume, at 26 per cent, to US\$2.337 billion.

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US New and Pending Homes Sales: January 2015

The US Commerce Department said Wednesday that sales of new homes in January dipped 0.2 per cent to 481,000 units.

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Mortgage Delinquency and Foreclosure Rates, US

The delinquency rate for mortgage loans on one-to-four-unit residential properties decreased to a seasonally adjusted rate of 5.68 per cent of all loans outstanding at the end of 4Q 2014, according to the Mortgage Bankers Association Wednesday.

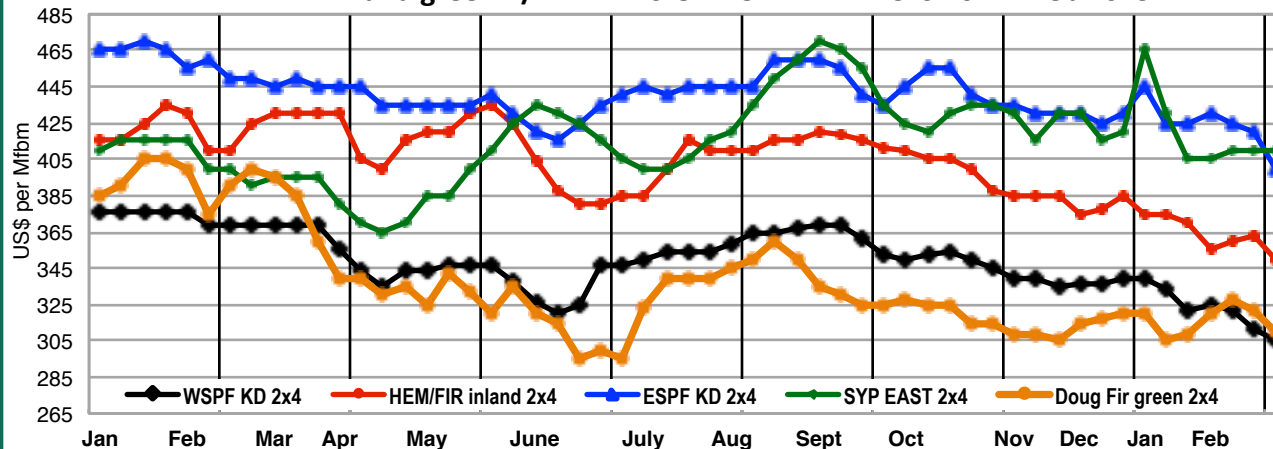
CONT'D PAGE 6

Global Pulp Market Update

Mark Wilde, formerly of Deutsche Bank, now Packaging & Forest Products Analyst at BMO Capital Markets, this week held a conference call on the global pulp market with fuest speaker Brian McClay, principal at Brian McClay & Associates out of Montreal, QC.

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FIVE KEY 2x4 KD and green R/L DIMENSION LUMBER PRICES 2014 - Feb 2015



US Mortgage Delinquency and Foreclosure Rates: 4Q 2014

The delinquency rate for mortgage loans was the lowest level since 3Q 2007. The delinquency rate decreased 17 basis points from the previous quarter, and 71 basis points from one year ago

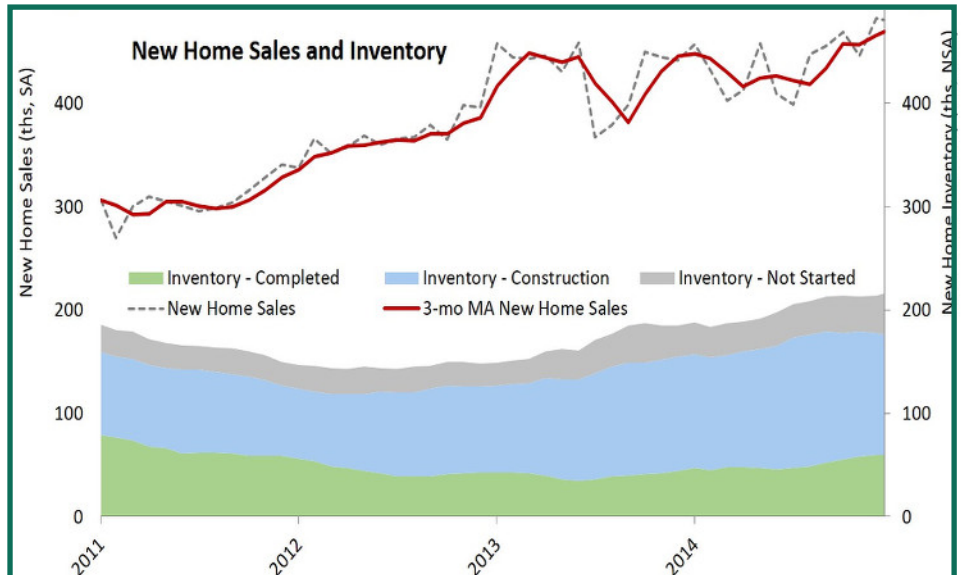
The percentage of loans in the foreclosure process at the end of 4Q was 2.27 per cent, down 12 basis points from 3Q and 59 basis points lower than the same quarter one year ago. This was the lowest foreclosure inventory rate seen since 4Q 2007.

The per cent of loans in the foreclosure process also peaked in 2010 and is about two-thirds of the way back to normal.

It has taken about four years to reduce the backlog of seriously delinquent and in-foreclosure loans by two-thirds, so a rough guess is that serious delinquencies and foreclosure inventory will be back to normal in a couple more years.

Marina Walsh, MBA's Vice President of Industry Analysis said, "We are now back to pre-crisis levels for most measures. The foreclosure inventory rate has decreased every quarter since 2Q 2012, and is now at the lowest level since 4Q 2007. Foreclosure starts ticked up two basis points, after being flat last quarter, largely due to state-level fluctuations in the speed of the foreclosure process. Compared to the same quarter last year, foreclosure starts are down eight basis points.

SOURCE: Mortgage Bankers Association



Canadian Mill Services Association

"Your Association of Choice"



Attention: Exporters of Lumber to Mexico

and Wood Packaging Manufacturers, Dry Kiln Operators, and Lumber Brokers & Wholesalers.

Mexico has now joined the growing number of countries that will accept industry issued Heat Treatment certificates in place of Phytosanitary certificates for Canadian lumber exports.

To issue HT certificates you have to be registered in the **Canadian Heat Treated Wood Products Certification Program (CHTWPCP)**. Canadian Mill Services Association (CMSA) can register you in this program to insure that your company is certified to;

- Meet the growing demand for CHTWPCP certified lumber and wood packaging material.
- Export HT lumber to countries which accept HT certificates (eg. EU, Korea, Australia, Mexico).
- Expedite the issuance of Phytosanitary certificates for Heat Treated Lumber.
- Provide custom grade inspections to provide your overseas customers with 3rd party quality assurance certificates.

Contact the CMSA office at **604-523-1288 (local 1) or 604-230-2661** or E-mail to sing@canserve.org to find out more and to obtain application forms.

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	305	312	-7	322	-17	368	-63
WSPF KD R/L 2x6	308	320	-12	330	-22	354	-46
WSPF KD R/L 2x8	308	320	-12	324	-16	338	-30
WSPF KD R/L 2x10	330	340	-10	340	-10	400	-70
WSPF KD PET 2x4 Stud	325	330	-5	330	-5	350	-25
WSPF KD PET 2x6 Stud	325	330	-5	345	-20	305	+20
Douglas Fir Green R/L 2x4	310	322	-12	308	+2	400	-90
Douglas Fir Green R/L 2x10	355	385	-30	380	-25	452	-97
ESPF KD 2x4 8ft Stud	365	380	-15	400	-35	400	-35
OSB Ontario 7/16" (CDN\$)	230	240	-10	240	-10	220	+10
CSplywood Toronto 3/8" (CDN\$)	450	460	-10	460	-10	386	+64

Madison's Weekly Lumber News

US Lumber Exports 2014

CONT'D FROM PG 2 During 2014, the top three destinations for Southern Pine lumber exports were China, at 107.5 mmbf and a 67 per cent increase compared to 2013, the Dominican Republic, essentially flat at 77.8 mmbf, and Mexico also basically flat at 56.8 mmbf, said the SFPA Friday.

In addition, softwood lumber imports to the US finished 2014 with a volume of 12.4 billion board feet, up 11 per cent from 2013.

As for hardwood lumber, exports of red oak rose by 16 per cent to 861,697 cubic metres and a value increase of 34 per cent, said the US Foreign Agricultural Service Wednesday. And exports of yellow poplar increased 14 per cent, to 774,853 cubic metres, a 23 per cent increase in value. White oak remained the third most important wood species in US hardwood lumber exports, at a 12 per cent increase, to 618,803 cubic metres, a 28 per cent increase in value.

The most conspicuous increase in lumber exports was in walnut at 31 per cent, to 176,609 cubic metres. By value, the increase was 46 per cent.

Home Sales, US

CONT'D FROM PG 2 The January 2015 pace of new home sales in the US, released by the Census Department Wednesday, was 5.3 per cent higher than the sales rate recorded in January 2014. Total inventory was 218,000, seasonally adjusted, marking a 5.4 months' supply at the current sales rate.

According to Census/HUD estimates, inventory continues to rise gradually as the residential construc-

tion market recovers. Total new home inventory came in at 216,000 in January (non-seasonally adjusted). Of that total, 40,000 were homes that have not begun construction, 116,000 were currently under construction, and just 60,000 were completed, ready-to-occupy residences.

Regionally, the January report noted a significant decline in new home sales for the Northeast, falling from a 31,000 annual rate in December to 15,000 in January. This decline was certainly due to weather impacts.

The median new home price rose 9.1 per cent from a year ago to US\$294,300, confirming an accelerating trend evident in recent house price data.

The Pending Home Sales Index, reported by the National Association of Realtors Friday, increased to 104.2 in January, up from an upwardly revised 102.5 in December. The Index increased year-over-year for the fifth consecutive month.

The January Index increased 3.2 per cent in the South, 2.2 per cent in the West and 0.1 per cent in the Northeast, but decreased 0.7 per cent in the Midwest.

Year-over-year, the Index increased in all four regions, ranging from 11.4 per cent in the West to 4.2 per cent in the Midwest.

Total existing-homes sales in 2015 are forecast to be around 5.26 million, an increase of 6.4 per cent from 2014.

Northwest Hardwoods Acquires

Northwest Hardwoods, out of Longview, WA, has completed the ac-

quisition of Industrial Timber & Lumber, based in Beachwood, OH.

ITL is one of the largest global suppliers of North American hardwood. It sells over 200 million board feet of hardwood lumber annually and has approximately 400 employees. ITL owns two integrated sawmills, four concentration yards and one dedicated service center with operations in Ohio, West Virginia, North Carolina, and Pennsylvania.

Northwest Hardwoods, with approximately 1,600 employees, is the leading manufacturer of hardwood lumber in North America.

Calendar

April 2015

Council of Forest Industries Convention 2015

April 8-9, 2015 – Prince George, BC
<http://www.cofi.org/>

May 2015

Global Forest Products Leadership Summit 2015

May 3-7, 2015 – Vancouver, BC
<http://www.forestproductssummit.com>

PwC 28th Annual Global Forest & Paper Industry Conference

May 6, 2015 – Vancouver, BC
<http://www.pwc.com/>

International Pulp Week

May 3-6, 2015 – Vancouver, BC
<http://www.internationalpulpweek.com>

US Leading Economic Index: January 2015

Suggesting a positive short-term outlook, the Conference Board released a report Thursday showing a modest increase by its index of leading US economic indicators in the month of January.

The Conference Board said the leading economic index edged up by 0.2 per cent in January following a downwardly revised 0.4 per cent increase in December.

The report also showed that the coincident economic index rose by 0.2 per cent in January, matching the increase seen in the previous month.

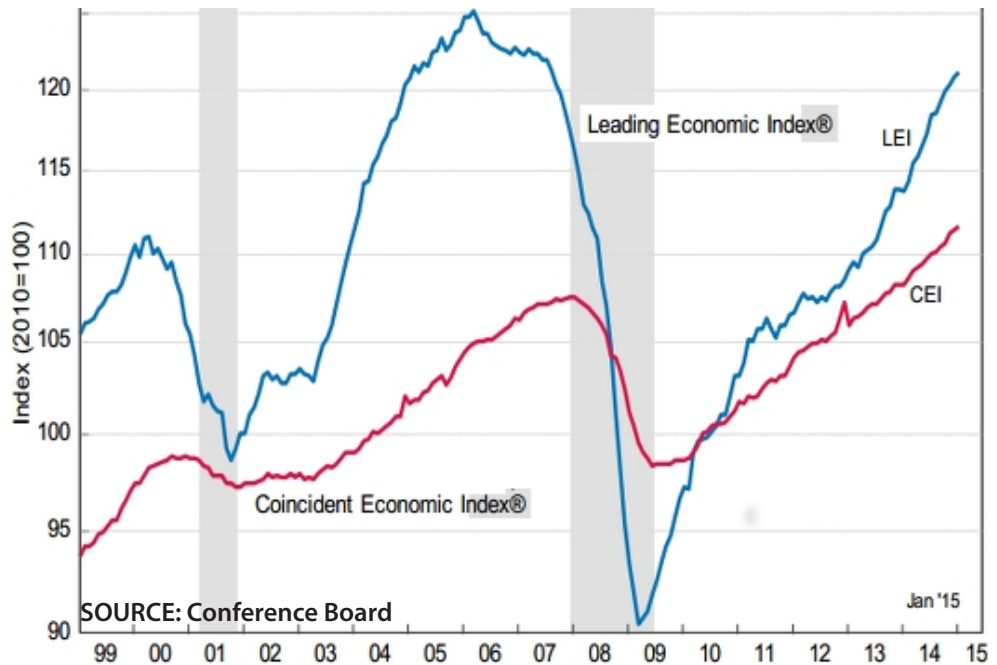
Increases by employees on non-farm payrolls and personal income less transfer payments contributed to the uptick by the index.

Additionally, the Conference Board said the lagging economic index rose by 0.3 per cent for the third consecutive month.

That increase partly reflected positive contributions from the average duration of unemployment and commercial and industrial loans outstanding.

The modest uptick by the leading economic index reflected increases by five of the ten indicators that make up the index.

The interest rate spread, average consumer expectations for business conditions, and the Leading Credit Index made the biggest positive contributions.

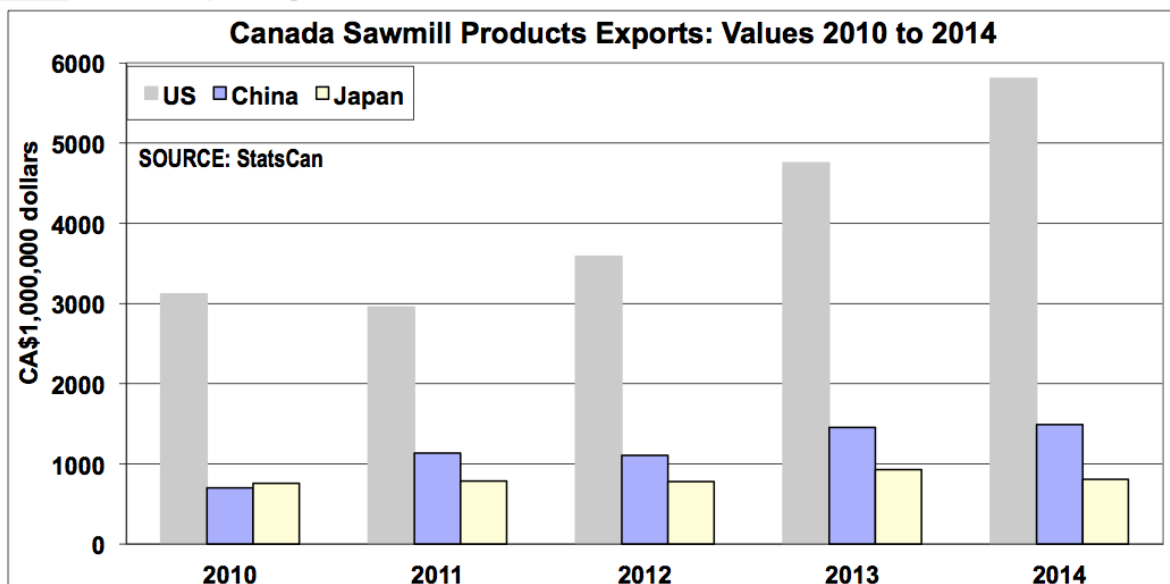


Canada Lumber Sales & Exports 2014

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



Canada Sawmill Products Exports: from BC, Alberta, Quebec VALUES 2010 to 2014



VALUES Canada Sawmill Products Exports (Top 3 Provinces) 2013: C\$7,134.74 million

VALUES Canada Sawmill Products Exports (Top 3 Provinces) 2014: C\$8,101.98 million (up 11.9%)

Pulp Market Update

2015 and Forecast

This week Mark Wilde, formerly of Deutsche Bank, now Packaging & Forest Products Analyst at BMO Capital Markets, held a conference call on global pulp. Guest speaker Brian McClay, principal at Brian McClay & Associates out of Montreal, QC, provided details on current NBSK (softwood, or market pulp) and BHK (hardwood pulp) supply and demand, and prices, as well as a forecast.

“There have been major pattern changes in the past ten to twelve months,” explained McClay. “Especially in hardwood pulp.”

It seems price strength of market

pulp has sent customers, particularly those in China, to switch to hardwood pulp. Since early 2014 shipments of hardwood pulp have surged, after dropping to a bottom in the middle of the year. Consequently, “market pulp prices will drop lower as hardwood pulp prices are grinding higher,” said McClay.

Global tissue demand is growing faster than that for newsprint, at a rate of about 4 per cent a year. McClay detailed that it is not easy to find additional volumes of hardwood pulp, while softwood pulp is “a little more available.”

There is no new softwood pulp supply expected to come online until mid-2015, which means the price gap

between hardwood and softwood pulp will narrow during 2Q this year, explained McClay.

Trend demand for the remainder of 2015 is for a 4 per cent increase in hardwood pulp demand and a 2 per cent increase for market pulp compared to last year.

Expectations for remainder 2015 global paperboard demand is a 1.5 per cent increase, while for tissue at 2.5 per cent increase over 2014 is expected.

By 2018/19 China demand will push hardwood pulp prices up, causing another shift in buying from that country, this time back to softwood pulp.

McClay made special mention that “Vietnam is looking to limit exports of wood chips to China.”

