

MADISON'S LUMBER REPORTER

Publisher
KetaDesign Productions

Editor
Kéta Kosman

Market Analyst
Earl Heath

Annual Subscription Prices
E-mail/Fax: C\$389
Discounts available for multiple
subscriptions
Published 50 times a year

www.madisonsreport.com
madrep@shawcable.com
604 319-2266
PO Box 2486 Vancouver, BC
V6B 3W7 Canada

In Canada, add GST or HST
ISSN 0715-5468

Printed in Canada © 2015

All material contained within is the property
of KetaDesign Productions Inc. Reproduction
or retransmission is expressly forbidden.



News & Updates

Edgewood Invests in Carrot River

The sawmill in Carrot River, SK, is getting an upgrade that its owner says will create 50 new jobs, according to CBC Thursday. Edgewood Forest Products said it will spend \$25 million to replace existing equipment.

The company said the new equipment will expand operations and reduce log-processing costs. The equipment is expected to be up and running by January 2016.

Earlier this month, the province provided a tax incentive for companies to create full-time jobs.

Meanwhile, Edgewood is intending to sell the Hudson Bay, SK, plywood plant. It's hoping a new operator can restart the idle plant.

Montana to Log Timber

A logging project in the Bitterroot, MT, will provide nearly six million board feet of timber for state mills, the US Forest Service said Thursday. CONT'D PAGE 8

House Prices Up 5 Per Cent

The recent release by the FHFA shows that its US House Price Index – Purchase Only, rose by 5.1 per cent on a 12-month seasonally adjusted basis in January 2015. This marks the 36th consecutive month of year-over-year growth. Over this nearly three-year period, house prices have risen by 20.1 per cent.

Elsewhere, on a national basis, single-family house prices appreciated 4.5 per cent year-over-year in January 2015, compared to 4.6 per cent year-over-year in December 2014, according to the latest S&P/Case-Shiller National Home Price Index, released Tuesday. Late 2013 and early 2014 witnessed several months of double-digit annual price increases, but price appreciation has now been generally slowing for about a year. CONT'D PAGE 7

US Manufacturing PMI, Canada IPPI

March data pointed to a positive month for U.S. manufacturing business conditions, with momentum building again after a slowdown at the turn of the year, said Markit Wednesday. This was highlighted by stronger rates of output and new business growth, alongside sustained job creation during the latest survey period. New export sales remained a source of weakness in March, partly reflecting the stronger exchange rate. Meanwhile, input costs decreased for the third month running, which led to the weakest rise in factory gate charges since May 2014.

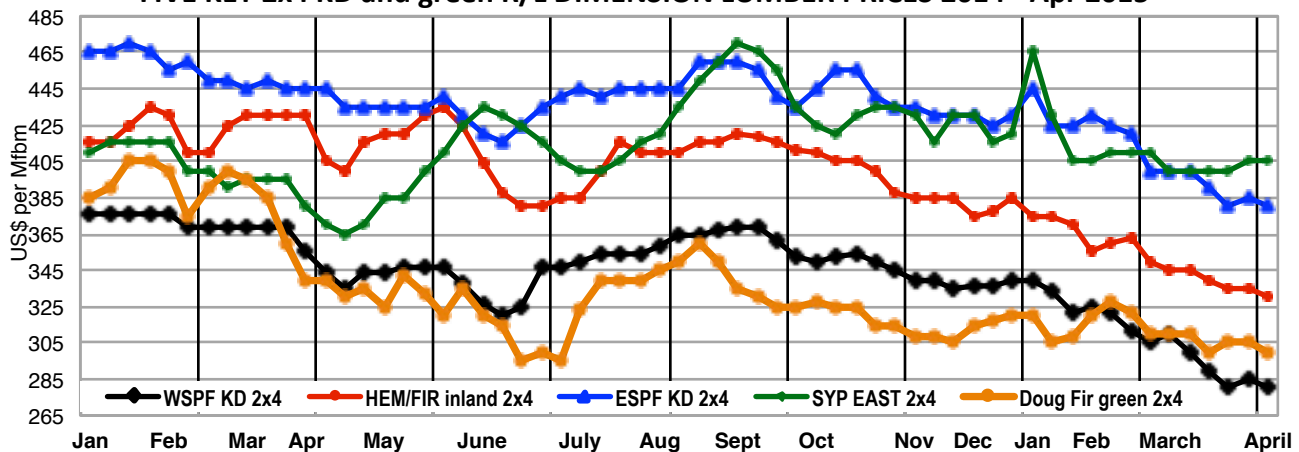
At 55.7 in March, up from 55.1 in February, the seasonally adjusted final [Markit US Manufacturing Purchasing Managers' Index](#) registered above the 50.0 no-change threshold, thereby signalling an overall upturn in business conditions. CONT'D PAGE 8

First-Quarter 2015 Trade Data: Canada and US

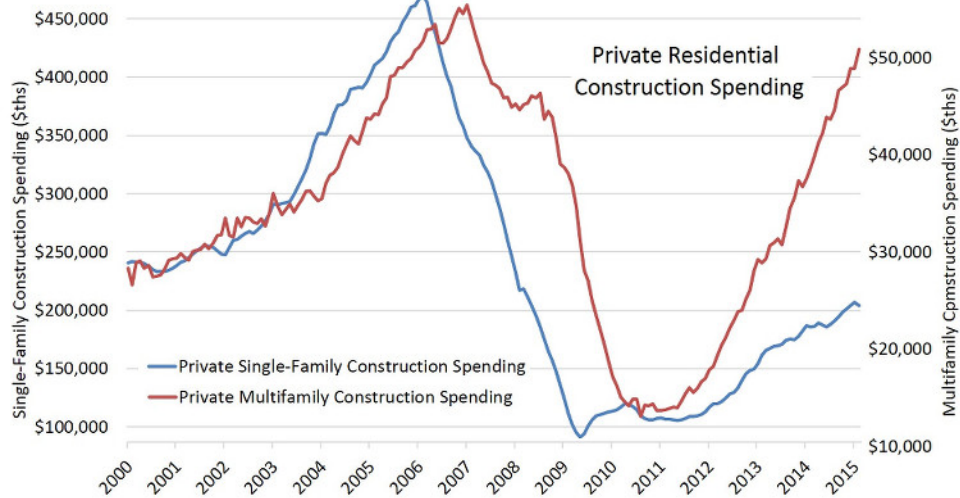
The latest data out from Canada and the US on manufacturing, producer prices, and trade, tell a good story about what to expect for the rest of 2015.

CONT'D PAGE 9

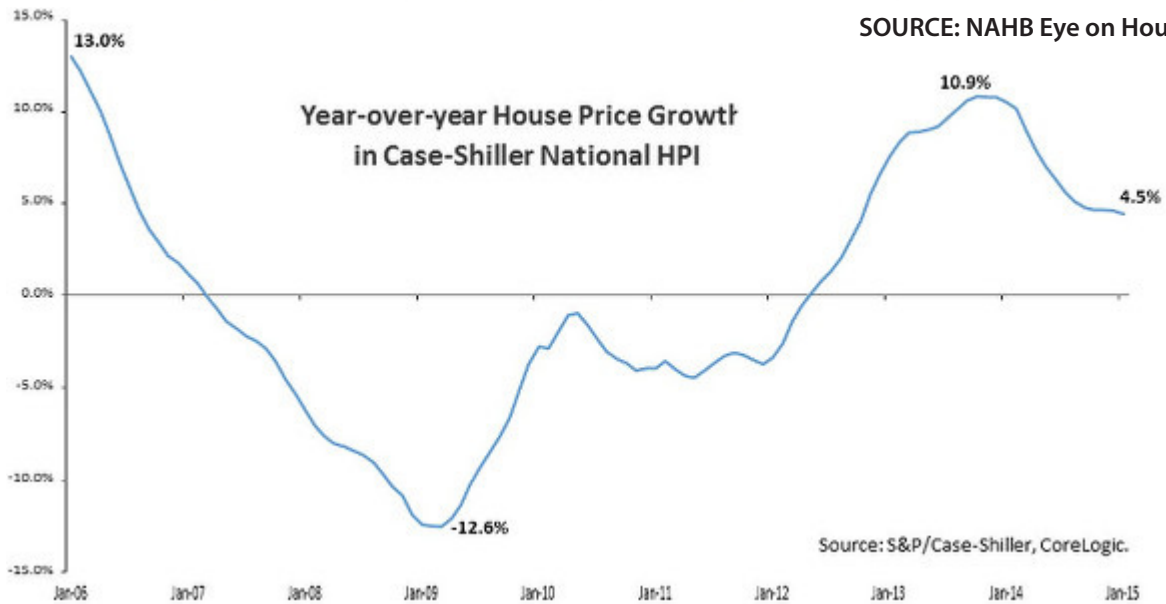
FIVE KEY 2x4 KD and green R/L DIMENSION LUMBER PRICES 2014 - Apr 2015



US House Prices: January 2015



SOURCE: NAHB Eye on Housing



MADISON'S LIVE ONLINE CANADIAN LUMBER PRODUCERS LISTINGS

A full year subscription is only C\$225

Access Madison's freshly-updated database of Canadian lumber producers conveniently through your Internet browser. As always: with extensive, detailed listings of all Canadian sawmills and remanufacturers, panel, pulp and paper mills, and wholesalers.

Be up-to-the minute on the full spectrum of company information, including: species handled, product mix, rough and surfaced sizes, production volumes, kiln capacity, number of employees, grading agency mill number, and much more.

SIGN UP TODAY

**Each listing in our database has been completely revamped!
Don't go without this vital information at your fingertips.**

Madison's Weekly Lumber Key Prices Table

www.madisonsreport.com



	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
<small>Prices are in U.S. dollars per 1,000 fbm (net FOB mill)</small>							
WSPF KD R/L 2x4	280	285	-5	300	-20	356	-76
WSPF KD R/L 2x6	280	285	-5	300	-20	342	-62
WSPF KD R/L 2x8	294	294	0	300	-6	338	-44
WSPF KD R/L 2x10	318	322	-4	324	-6	388	-70
WSPF KD PET 2x4 Stud	280	280	0	320	-40	355	-75
WSPF KD PET 2x6 Stud	290	290	0	315	-25	305	-15
Douglas Fir Green R/L 2x4	300	305	-5	310	-10	340	-40
Douglas Fir Green R/L 2x10	340	345	-5	350	-10	405	-65
ESPF KD 2x4 8ft Stud	350	350	0	365	-15	395	-45
OSB Ontario 7/16" (CDN\$)	220	210	+10	230	-10	220	0
CSplywood Toronto 3/8" (CDN\$)	417	410	+7	432	-15	385	+32

Madison's Weekly Lumber News

Montana Logging

CONT'D FROM PG 2 A logging project in the Bitterroot will provide nearly 6 million board feet of timber for state mills.

The Stevensville Ranger District is closing Forest Road #428 to provide for public safety during logging operations on the Three Saddle Stewardship Project, according to KPAX Thursday.

Bitterroot National Forest officials say that crews are harvesting trees in the upper reaches of Three Mile and Ambrose Creek drainages in the Sapphire Mountains east of Stevensville, MT.

The closure is expected to last until April 30. Some 1,200 truck loads of timber are expected to be removed from the area.

Forest spokesperson Tod McKay says the project is aimed at reducing hazardous fuels and fire hazards created by the dead, dying and diseased trees.

US Residential Construction Spending

National Association of Home Builders analysis finds that over the last year, the pace of private single-family construction spending increased 9.7 per cent and multifamily construction spending increased 31.5 per cent

For the month of February, the annual rate of single-family construction spending was US\$203.9 billion, down 1.4 per cent from January. The February rate of multifamily construction spending was US\$50.9 billion, 4.1 per cent higher than January.

The construction data illustrate the degree to which multifamily spending (measured on the right axis below, at a smaller scale than the larger single-family category) is thus far leading the recovery for the residential construction sector. NAHB expects gains for multifamily to slow in 2015, while single-family construction increases.

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

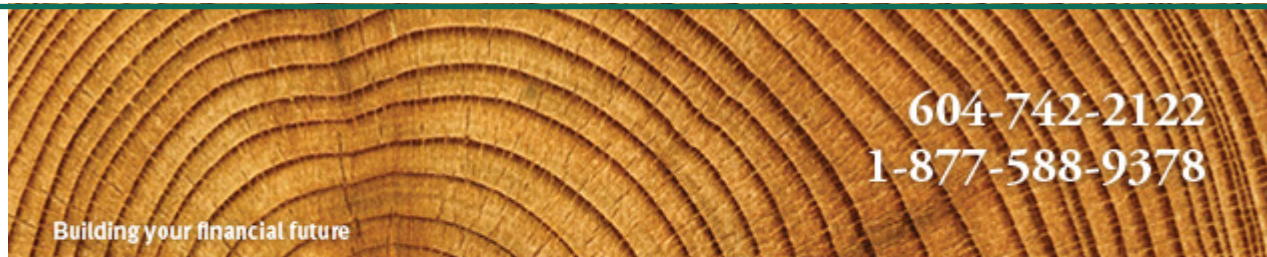
May 3-7, 2015 – Vancouver, BC
<http://www.forestproductssummit.com>

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>



604-742-2122
1-877-588-9378

Wealth Advisors to the Lumber & Logging Industry

National Bank Financial is an indirect wholly-owned subsidiary of National Bank of Canada which is a public company listed on the Toronto Stock Exchange (NA: TSX). National Bank Financial is a member of the Canadian Investor Protection Fund (CIPF).



US Purchasing Managers Index, Canada Producer Price Index

US manufacturers indicated greater pressure on operating capacity in March, as highlighted by a rise in backlogs of work. The latest increase in unfinished work was the most marked since September 2014. Efforts to boost production schedules, as well as positive sentiment towards the business outlook, contributed to further job creation in March.

“The US manufacturing sector is clearly regaining momentum. Stronger new order growth and rising input buying in March help set the scene for improving production trends into 2Q 2015. The latest upturn in payroll numbers was the steepest for four months. Moreover, falling raw material costs continue to support operating margins.”

— Tim Moore, Senior Economist at Markit

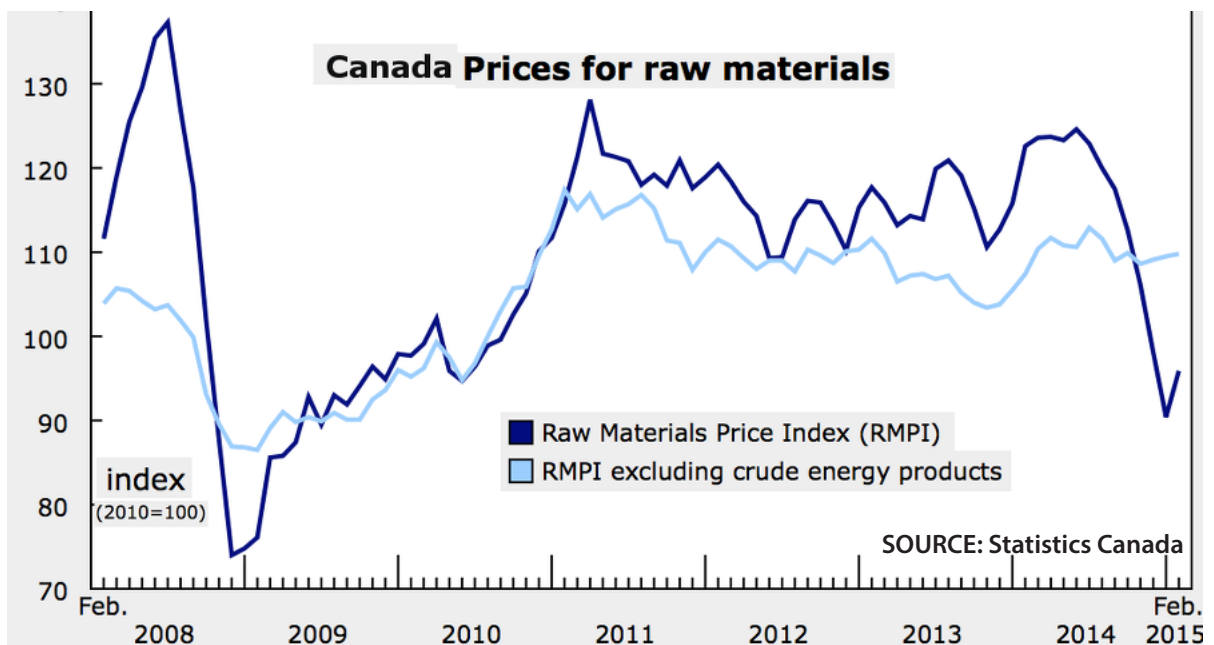
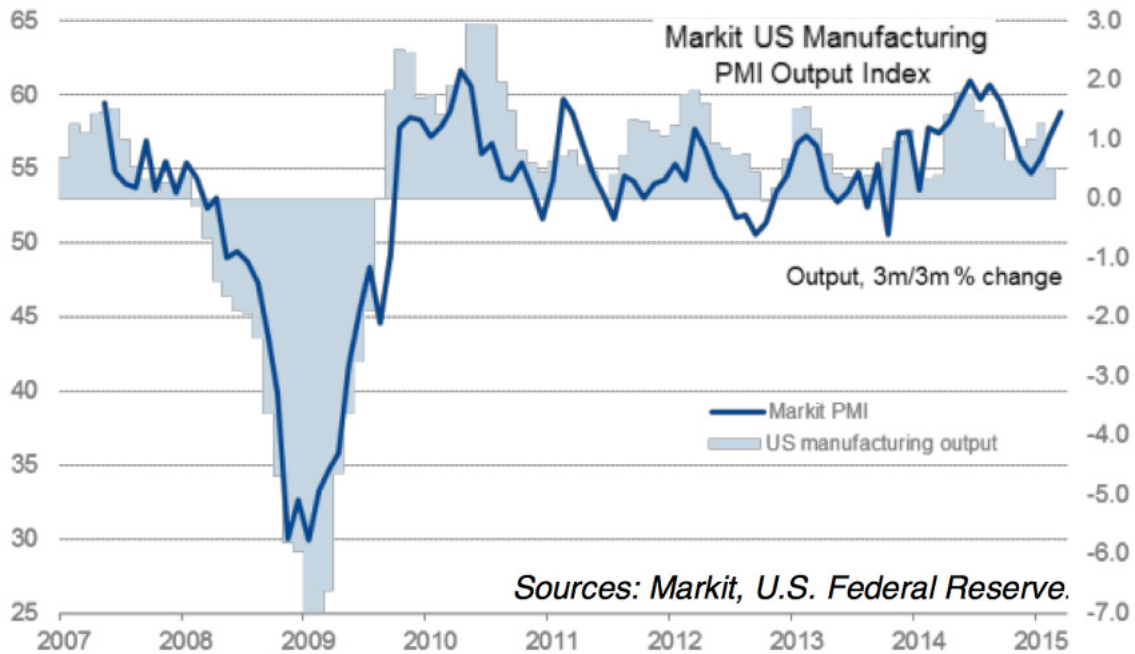
Canada’s Industrial Product Price Index (IPPI) increased 1.8 per cent in February, largely as a result of higher prices for energy and petroleum products. The Raw Materials Price Index (RMPI) rose 6.1 per cent, mainly because of higher prices for crude energy products.

The IPPI (+1.8 per cent) increased for the first time in six months in February, after decreasing 0.3 per cent in January.

The largest contribution to the rise in the IPPI in February was energy and petroleum products (+8.8 per cent).

The IPPI fell 1.6 per cent over the 12-month period ending in February, after decreasing 2.1 per cent in January.

SOURCE: Statistics Canada



Trade Data: 1Q 2015

Export Development Canada's annual report, released Wednesday, shows Canadian exports rose 5.7 per cent in 2014 over 2013, with 7,400 companies and investors tying into EDC services. The agency's customer base increased 3.7 per cent over the same period.

Elsewhere, Canada's merchandise trade deficit narrowed in February as prices for exported energy recovered from the previous month, Statistics Canada said Thursday. The deficit of \$984 million followed a January shortfall that was revised to \$1.48 billion from an initial estimate of \$2.45 billion. The report was the second this week signalling the effects of the crash in prices for crude oil, Canada's top export, aren't as dramatic as policy makers predicted. Statistics Canada two days ago reported the economy shrank 0.1 per cent in January as increased oil production made up for lower prices.

Meanwhile in the US, the trade deficit narrowed to a seasonally adjusted US\$35.44 billion in February, the Commerce Department said also Thursday. January's deficit was revised to US\$42.68 billion from an initially reported US\$41.75 billion.

Overall, exports decreased 1.6 per cent from January to US\$186.25 billion, while imports fell 4.4 per cent to US\$221.69 billion. That was the larg-

est drop in imports since the recession ended in 2009.

Back in Canada, EDC signed 1,084 new financing deals last year, worth a record \$21.6-billion. Financings were up 17 per cent.

Canada and US

EDC said it "facilitated" \$28.9-billion worth of business in emerging markets last year, up 6 per cent from 2013.

"Canadian goods exports are set to finally surpass pre-crisis levels in 2014," says the report. "In 2015, merchandise exports to the US will slow to 6 per cent as lower prices mask acceleration in output. Sales to Western Europe and emerging markets will come in at 5 per cent and 8 per cent, respectively. Growth in Emerging Europe will be constrained by sanctions limiting trade with Russia."

The volume of Canadian exports declined 3.3 per cent and import volumes fell 1.7 per cent, according to the latest Statistics Canada data. Volume figures adjust for price changes and can be a better indicator of how trade contributes to economic growth.

"Don't pay too much heed to the 'improvement' in the trade balance," said Canadian Imperial Bank of Commerce chief economist Avery Shenfeld in a research note, according to Globe and Mail Thursday. "In real terms, trade [in February] was a deepening drag."

Exports to the United States rose

1.1 per cent in February from January. The surplus with the US widened to \$2.95 billion in February from \$2.24 billion a month earlier. Exports make up about one-third of Canada's economy, with about 75 per cent of the shipments going to the US.

"The trade data is a big head fake," said Jimmy Jean, economist at Desjardins Capital Markets to Wall Street Journal Thursday. "On the surface it looks pretty good but the backbone of this report isn't pretty."

As for the US, net exports—the difference between exports and imports—subtracted 1.03 percentage point from the fourth-quarter gain in gross domestic product. GDP, the broadest measure of economic output, expanded at a 2.2 per cent annual pace in the final three months of the year.

The US trade deficit has fallen 3.2 per cent compared to the same period last year. Imports account for roughly 16 per cent of gross domestic product, while exports account for 13 per cent of GDP, according to analysts at Bank of America. The resulting trade deficit — which totalled US\$505 billion last year — represents roughly 3 per cent of GDP and causes a drag on overall growth.

The influence of the ports dispute was evident in the trade figures with China. Imported goods from China decreased US\$3.5 billion to US\$36.3 billion in February, a drop that may prove temporary based on historic patterns.

In a separate report, the US Commerce Department said new orders for manufactured goods increased 0.2 per cent, ending six straight months of declines. Orders excluding transportation rose 0.8 per cent, the biggest rise in eight months. First-quarter growth estimates range between a 0.6 per cent and 1.7 per cent annual pace.

SECTOR PERFORMANCE				
	Growth Rate		Price Change	
	m/m	YTD	m/m	YTD
Forestry Products	2.6%	9.7%	2.6%	3.4%
TOTAL EXPORTS	-2.8%	3.4%	0.1%	-2.4%

Canadian Merchandise Export Forecast	CAD bn	% Share of Total Exports	Export Outlook (% growth)		
EXPORT FORECAST OVERVIEW	2013	2013	2013	2014 (f)	2015 (f)
Forestry	29.8	5.6	12.4	13	10
Total Exports	530.0	100.0	3.6	10	6
Total Goods Nominal (excl. Autos and Energy)	257.1	48.5	3.5	7	8

Sources: Statistics Canada, EDC Economics. 2013 is actual data while 2014 and 2015 are forecast.