

# MADISON'S LUMBER REPORTER



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## News & Updates

### Sawmill Fire, BC

Firefighters in Port Moody, British Columbia, were able to extinguish a sawmill fire this week when flames broke out at Flavelle Sawmill, a cedar manufacturing plant, Wednesday morning.

The cause of the stubborn fire that took crews more than 12 hours to douse may never be known. The damage to the planer mill was so severe, it's unsafe to do a complete investigation.

No one was hurt and everyone made it out of the mill safely.

Last year, owner Mill and Timber was planning to add a third shift to the mill, with intentions to returning the mill to a 24/7 operation.

Bruce Gibson, a spokesperson for the mill, noted the damage was contained to the basement of the planer mill and didn't spread to the equipment, but the degree of damage to area and or what is required for repairs is unknown.

At full operation, the Flavelle mill would employ 188 people.

### US Housing Starts: March 2015

Groundbreaking on new US homes increased 2 per cent to a seasonally adjusted annual pace of 926,000 units in March, the Commerce Department said Thursday. That left the bulk of February's decline, which had been blamed on bad weather, intact.

New single-family homes building rose 4.4 per cent. Groundbreaking for the multi-family homes segment fell 2.5 per cent.

CONT'D PAGE 7

### Industrial Production and Manufacturing Survey, US

Industrial production in the US decreased 0.6 per cent in March after increasing 0.1 per cent in February, said the US Federal Reserve Wednesday. For 1Q 2015, industrial production declined at an annual rate of 1 per cent, the first quarterly decrease since 2Q 2009.

Meanwhile the Philadelphia Fed's April Manufacturing Survey's general business conditions index, released Thursday, turned slightly negative for the first time since December, falling 8 points to -1.2 in a sign that the growth in manufacturing had paused.

CONT'D PAGE 6

### US Producer Prices for Building Materials: March

The Bureau of Labor Statistics released Tuesday the Producer Price Indexes for March, reporting that inflation in prices received by producers increased 0.2 per cent in March after a string of monthly declines. The overall increase was led by increasing prices for energy, mainly gasoline. Prices for services rose 0.1 per cent.

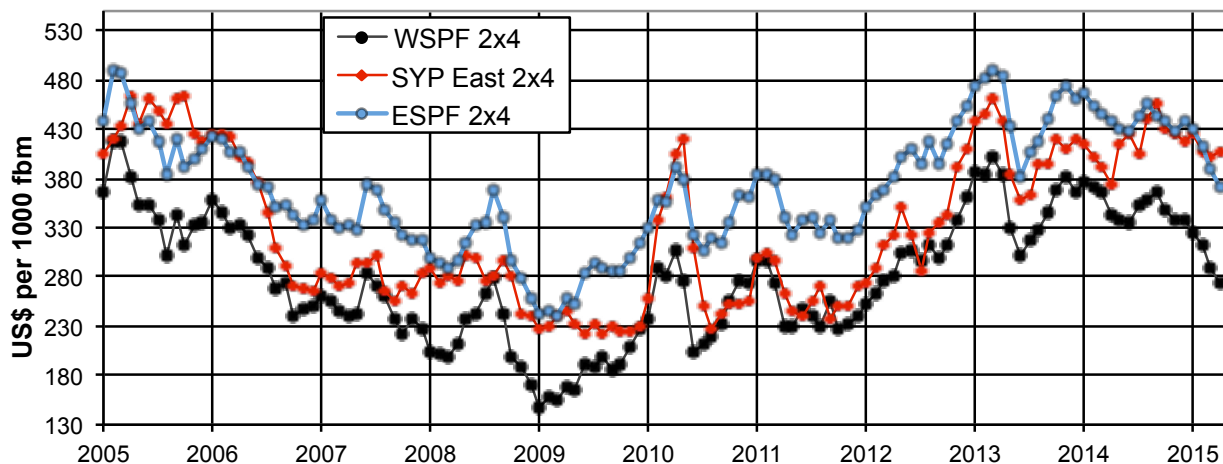
CONT'D PAGE 8

### New Forestry Funding, Canada and US

Recent announcements by Canadian federal and provincial governments for forestry funding in technology and innovation as well as employment, and by the US Department of Agriculture, will inject much-needed investment into worthwhile timber-related projects.

CONT'D PAGE 9

WSPF vs SYP East Side and ESPF 2x4 KD #2&Btr Lumber Price 2005 to APRIL 2015



### US Industrial production and Capacity Utilization – March 2015

Industrial production in the US decreased 0.6 per cent in March after increasing 0.1 per cent in February. For 1Q 2015, industrial production declined at an annual rate of 1.0 per cent, the first quarterly decrease since 2Q 2009.

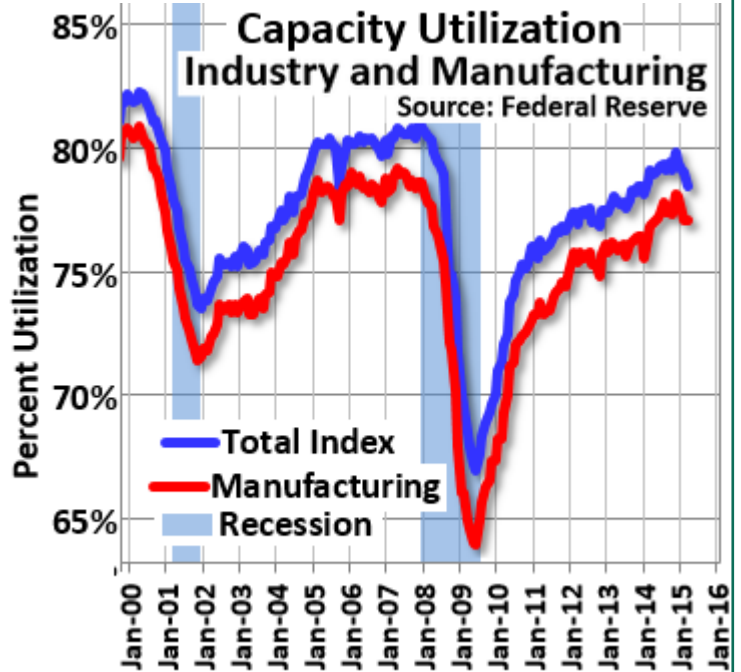
The decline last quarter resulted from a drop in oil and gas well drilling and servicing of more than 60 per cent at an annual rate and from a decrease in manufacturing production of 1.2 per cent.

In March, manufacturing output moved up 0.1 per cent for its first monthly gain since November.

At 105.2 per cent of its 2007 average, total industrial production in March was 2 per cent above its level of a year earlier. Capacity utilization for the industrial sector decreased 0.6 percentage point in March to 78.4 per cent, a rate that is 1.7 percentage points below its long-run average.

Capacity utilization at 78.4 per cent is 1.7 per cent below the average from 1972 to 2012 and below the pre-recession level of 80.8 per cent in December 2007.

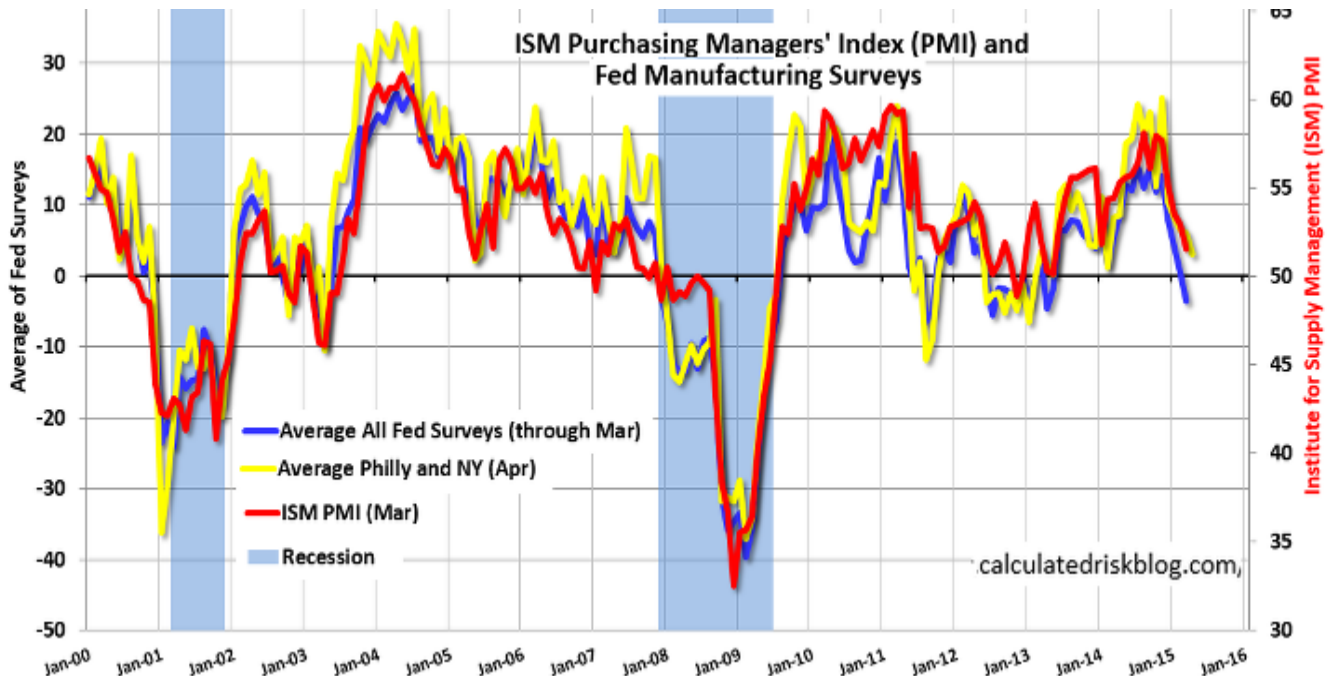
SOURCE: US Federal Reserve via Calculated Risk



### Philadelphia Fed Manufacturing Survey – April 2015

The Philadelphia Federal Reserve's April Manufacturing Survey's general business conditions index, released Thursday, turned slightly negative for the first time since December, falling 8 points to -1.2 in a sign that the growth in manufacturing had paused.

SOURCE: Philly Federal Reserve via Calculated Risk



## 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	264	275	-11	280	-16	335	-71
WSPF KD R/L 2x6	264	275	-11	285	-21	320	-56
WSPF KD R/L 2x8	276	286	-10	290	-14	340	-64
WSPF KD R/L 2x10	310	324	-14	322	-12	385	-75
WSPF KD PET 2x4 Stud	260	270	-10	275	-15	310	-50
WSPF KD PET 2x6 Stud	265	275	-10	285	-20	290	-25
Douglas Fir Green R/L 2x4	295	300	-5	305	-10	335	-40
Douglas Fir Green R/L 2x10	340	340	0	330	+10	388	-48
ESPF KD 2x4 8ft Stud	340	340	0	345	-5	380	-40
OSB Ontario 7/16" (CDN\$)	215	215	0	215	0	220	-5
CSplywood Toronto 3/8" (CDN\$)	386	390	-4	428	-42	382	+4

## Madison's Weekly Lumber News

### US Housing Starts: March

CONT'D FROM PG 2      Single-family building permits rose 2.1 per cent in March, while multi-family permits plunged 15.9 per cent.

February's starts were revised up to a 908,000 million-unit pace from the previously reported 897,000-unit rate.

Permits for future home construction declined 5.7 per cent to a 1.04 million-unit pace. Permits have been above a 1 million-unit pace since July.

Groundbreaking rebounded sharply in the Northeast and Midwest, which had been affected by snowy and cold weather in February. Starts, however,

tumbled 19.3 per cent in the West and fell 3.5 per cent in the South, where most of the home building takes place.

### Canada Monthly Survey of Manufacturing

Manufacturing sales declined 1.7 per cent to \$50 billion in February, the fourth decrease in five months, said Statistics Canada Wednesday. The drop reflected lower sales of motor vehicles and reduced production of aerospace products and parts. Monthly manufacturing sales have fallen 6.8 per cent since their most recent high of \$53.7 billion in July 2014.

Sales data for January that was originally estimated as a 1.7 per cent decline was revised to a 3 per cent decline, as a result of new information provided to Statistics Canada by respondents.

Sales fell in 10 of 21 industries representing just over half of all Canadian manufacturing.

Inventories rose 0.9 per cent in February to \$72.2 billion, the highest level since the current series began in 1992. The increase reflected higher inventories held in the motor vehicle and food industries.

The inventory-to-sales ratio rose from 1.41 in January to 1.44 in February. The inventory-to-sales ratio measures the time, in months, that would be required to exhaust inventories if sales were to remain at their current level.

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### Calendar

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 Producer Price Indexes for Building Materials – March 2015

The Bureau of Labor Statistics released Tuesday the Producer Price Indexes – for March, reporting that inflation in prices received by producers increased 0.2 per cent in March after a string of monthly declines. The overall increase was led by increasing prices for energy, mainly gasoline. Prices for services rose 0.1 per cent.

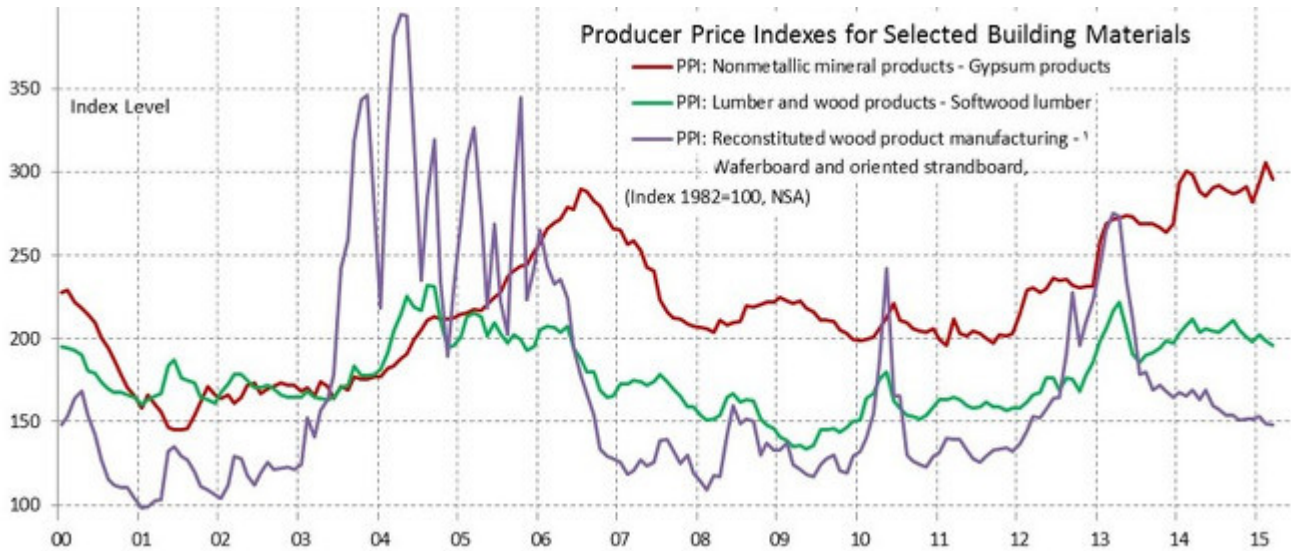
As for building materials, prices for gypsum and wood products declined in March. Softwood lumber prices declined 1.6 per cent following the same decline in February.

Prices for OSB continued their slide, declining 0.3 per cent in March contributing to the reversal of most of the sharp run-up from 2012 and early 2013. The PPI for OSB indicates a 46 per cent decline from the price peak in March 2013.

Prices for gypsum slipped 3.2 per cent in March after gains in January and February.

Even with the March decline gypsum prices remain comfortably (and inexplicably) above housing boom highs in comparison to prices for wood products and the industry adjustments made for those materials.

**SOURCE: US Bureau of Labor Statistics via National Association of Home Builders**

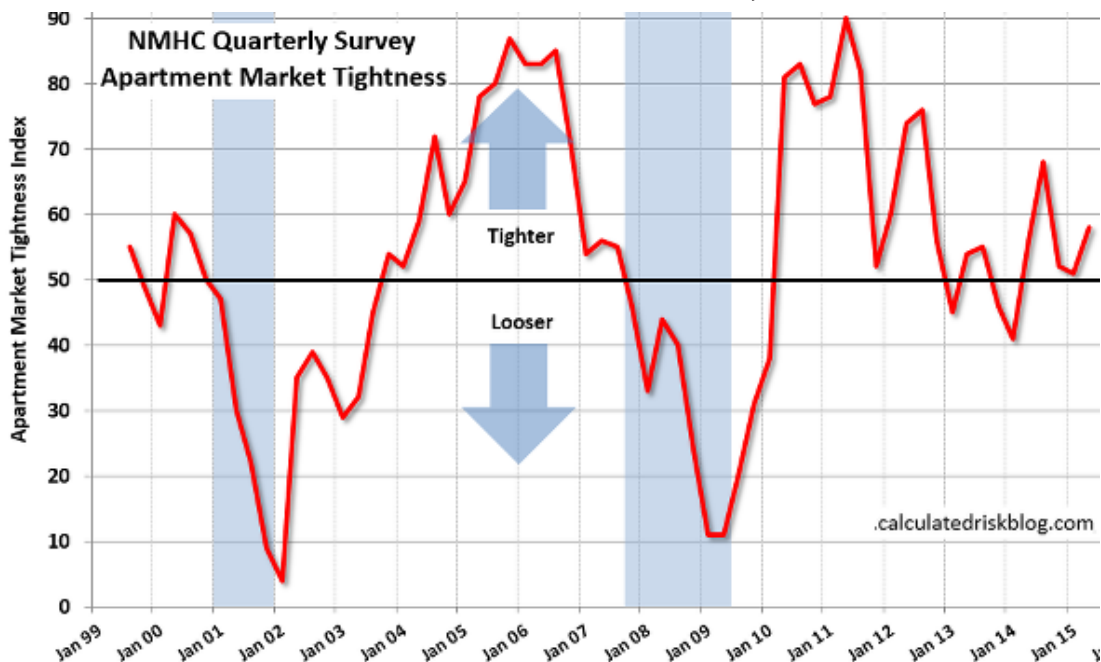


## National Multi Housing Council Quarterly Survey of Apartment Market Conditions – April 2015

All four indexes landed above the breakeven level of 50 in the April National Multifamily Housing Council Quarterly Survey of Apartment Market Conditions.

The Market Tightness Index increased by 7 points from last quarter (and by 2 points from a year earlier) to 58. Thirty-one per cent of respondents reported tighter conditions than three months ago. This now marks the fifth consecutive quarter where the index indicates overall improving conditions.

**SOURCE: Philly Federal Reserve via Calculated Risk**



## New Forestry Funding

Canada's federal Government announced the extension of its program to support the growth of overseas markets for Canada's forest industry, Revenue Minister Kerry-Lynne Findlay said April 8 at the Council of Forest Industries convention in Prince George, BC.

Findlay says the program will receive an additional \$8.9 million.

"By diversifying markets for our forest products and enhancing competitiveness for Canada's forest industry, we are helping Canadian producers to prosper and supporting jobs and opportunities for Canadians."

Minister Findlay also highlighted the Government of Canada's ongoing commitment to drive innovation, accelerate the forest industry's transformation, and create and protect jobs in the forest sector.

The Expanding Market Opportunities Program helps Canadian producers diversify markets and market segments

by **Kéta Kosman**

for forest products, build business relationships across

the world, and enhance competitiveness and prosperity for Canada's forest industry. This renewed commitment is part of Canada's comprehensive strategy for enhancing innovation and competitiveness in Canada's forest industry.

Canada is the world's fourth-largest exporter of forest products, providing jobs for more than 200,000 Canadians. Since 2007, Canada has invested more than \$1.8 billion in its forest sector, said the federal government press release.

In the US, Agriculture Secretary Tom Vilsack announced, also April 8, the awarding of over US\$9 million to expand and accelerate wood energy and other wood product markets. The federal funds will leverage US\$22 million in investments from partners, resulting in a total investment of US\$31 million in 23 states.

This year over 100 proposals were received for the Wood Innovations grant program, highlighting the expanding use of wood as a renewable energy source and as a building material. The awarded funds will stimulate the use of hazardous fuels from National Forest System lands and other forested lands to promote forest health while simultaneously generating rural jobs, according to the USDA press release.

"Working with our partners, the Forest Service is promoting deployment of new technologies, designed to support new market opportunities for wood energy and innovative wood building materials," said Vilsack.

For more information on the grant and cooperative agreement program, visit <http://www.na.fs.fed.us/werc/wip/2015-rfp.shtm>.

The Secretary also announced a new partnership agreement between the USDA and the Softwood Lumber Board to help coordinate research, demonstration, and market development for innovative wood building technologies in the built environment. Through cooperative planning and execution of research and promotional activities, the USDA and SLB will strive to create jobs in rural communities, expand wood use in the built environment, and stimulate demand for forest products.

Please see graph of iShares Global Timber & Forestry ETF share value, April 16, 2014 to April 16, 2015 on Page 5.

Back in Canada, the Government of British Columbia announced April 9 that it is investing \$6.2 million to support the forest sector in expanding global markets for BC wood products.

Minister of Forests, Lands and Natural Resource Operations Steve Thomson made the announcement also while attending the Council of Forest Industries annual meeting in Prince George, BC.

### Canada and US

This funding is being made available to nine industry trade associations that deliver market development programs on behalf of government and industry. Association activities will focus on expanding markets for BC's solid wood products, with investment priorities reflecting evolving market opportunities in Asia, the US, and Europe. Activities will be delivered on a cost-shared basis, with additional funding provided by industry and the federal government, through Natural Resources Canada.

BC's contribution is being managed through Forestry Innovation Investment, that province's market development agency for forest products.

In 2014, BC exported \$5.8 billion in softwood lumber exports, said the BC government press release.

Still in BC, Premier Christy Clark and Minister Thomson stood up for forest

contractors and the communities they live in when they announced April 9 a \$1 million top up to the Forestry Service Providers Compensation Fund (FSPCF).

This Fund was created in March 2012 by the Forestry Service Providers Compensation Fund Regulation and was seeded with a contribution of \$5 million provided by the provincial government. Its purpose was to provide relief to timber harvesting contractors that provided Forestry Services and were not paid for those services because the recipient of the Services became Insolvent. Forestry Services are limited to those defined in BC Regulation 3/2013, Section 3, and must have been provided to a tenure holder under the Forest Act.

Forest contractors run small, locally owned businesses that create jobs throughout BC's rural communities. When these companies are left in the lurch by a tenure holder that becomes insolvent, the whole community suffers, said a Truck Loggers Association (TLA) press release celebrating the additional funding.

The FSPCF Advisory Board is made up of individuals who represent and were nominated by members of the major stakeholder groups involved in the harvesting of timber in BC. These stakeholder groups and their representatives are:

- Coastal Logging Contractors;
- Interior Logging Contractors;
- Major Coastal Licensees;
- Major Interior Licensees; and,

The Ministry of Forests, Lands and Natural Resource Operations.

Under this program, forestry sector contractors have the ability to secure payments for work done under contract by making a charge on accounts or registering a lien on forest products that have been delivered to licensees. A lien is a right to keep property belonging to another person until a debt is paid. Contractors can register a lien using the Personal Property Registry at BC Registry Services.

"Since it came online in 2013 there have been four claims processed," said David Elstone, TLA Executive Director.

According to the government press release, over half of timber harvesting in BC is done by forestry contractors.