

# MADISON'S LUMBER REPORTER

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## News & Updates

### Atikokan Planer Mill Running

The first board was dressed, trimmed, and graded on April 4 in the planing mill at the new Resolute Forest Products, Sapawe sawmill in Atikokan, ON, according to *Atikokan Progress and Printing* Wednesday.

Rough lumber is being delivered each day from the Ignace, ON, sawmill. Two dry kilns are now operating at the Sapawe site and the planer operation is progressing through its commissioning stage. The first shift of employees for the planing mill are now at work and the second shift is expected to start in early May.

While the kilns and planer are now running, the sawmill is still on track to begin operating in late May. Sawmill employees are in the process of being hired now and will commence their training two weeks prior to the start of operations.

### Deltic, West Fraser Report

Deltic Timber, based in El Dorado, AR, Monday reported 1Q earnings of US\$1.9 million. On a per-share basis, the El Dorado, Arkansas-based company said it had profit of 15 US cents.

The lumber company posted revenue of US\$48.4 million in the period.

West Fraser Timber, out of Vancouver, BC, reported Friday earnings of \$49 million, or \$0.58 basic earnings per share, on sales of \$1,014 million in the 1Q 2015.

In the 1Q lumber operations generated operating earnings of \$84 million. Reduced shipments and lower US prices for SPF lumber were substantially offset by the benefit provided by a weaker Canadian dollar. CONT'D PAGE 6

### US New and Existing Home Sales: March 2015

Sales of previously owned US homes rose to the highest level in 18 months in March. Existing-home sales increased 6.1 per cent last month from February to a seasonally adjusted annual rate of 5.19 million, the National Association of Realtors said Wednesday. That was the highest level since September 2013.

At the current sales pace, it would take 4.6 months to exhaust the supply of existing homes on the market, NAR said

Meanwhile purchases of new US homes slumped more than forecast in March from a seven-year high. Sales dropped 11.4 percent to a four-month low 481,000 annualized pace, Commerce Department figures showed Thursday in Washington.

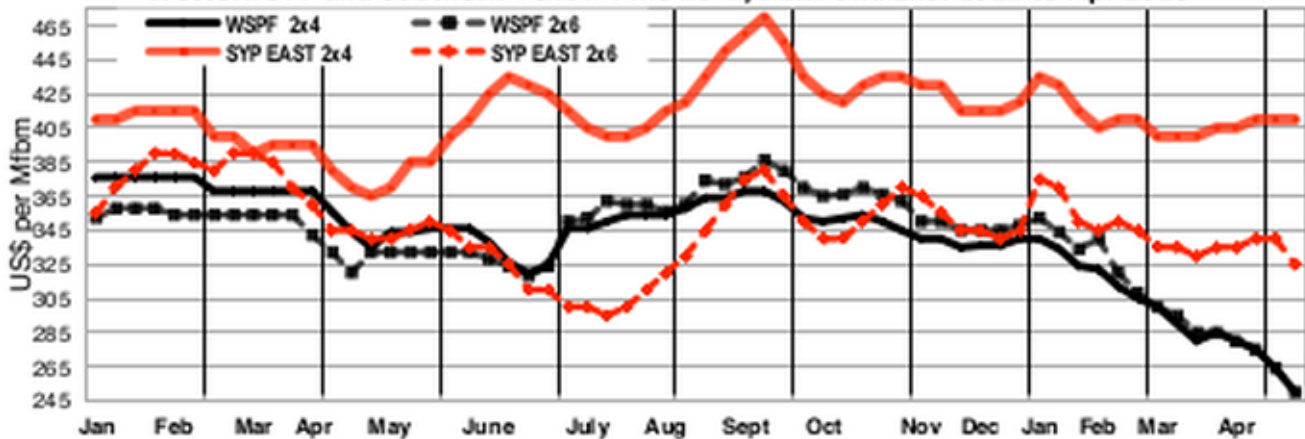
At March's sales pace it would take 5.3 months to clear the supply of new houses on the market, up from 4.6 months in February. CONT'D PAGE 6

### Latest Transportation Data: North America

The latest data, to February 2015, shows volumes of Canadian and US forestry and wood products transported as stable—if moderately improving—over last year. As subscribers to the quarterly *Madison's Forest Pulse* already know, volumes and values of wood products manufactured, shipped, and transported across North America for full-year 2014 were very similar to the previous year.

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Western SPF and Southern Yellow Pine KD R/L 2x4 and 2x6: 2014 to Apr 2015



## Canada and US Transportation Stastics

CONT'D FROM PG 2

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In more good news, according to several recent reports the transportation sector as a whole in the US is projected to witness significant growth this year, with all modes — including trucking, railroads and even the airline industry — expected to retain “sufficient pricing power and volumes”.

“All transportation sectors are expected to see a continued, moderately accelerating pace of growth through 2015, building on the improved 2014 growth rates,” noted Tanya Langman, a director with Fitch Ratings, in a statement issued April 10. However, she added that “some tapering” in transportation activity will occur due to winter “weather-related losses,” particularly in the Northeast and Midwest.

Where trucking is concerned, David Ross, managing director with Wall Street investment firm Stifel Nicolaus & Co, thinks that while 2015 may not be quite as robust as 2014, rates should continue to go up as truck-borne freight volumes keep increasing while capacity remains tight, according to *Fleet Owner* April 10.

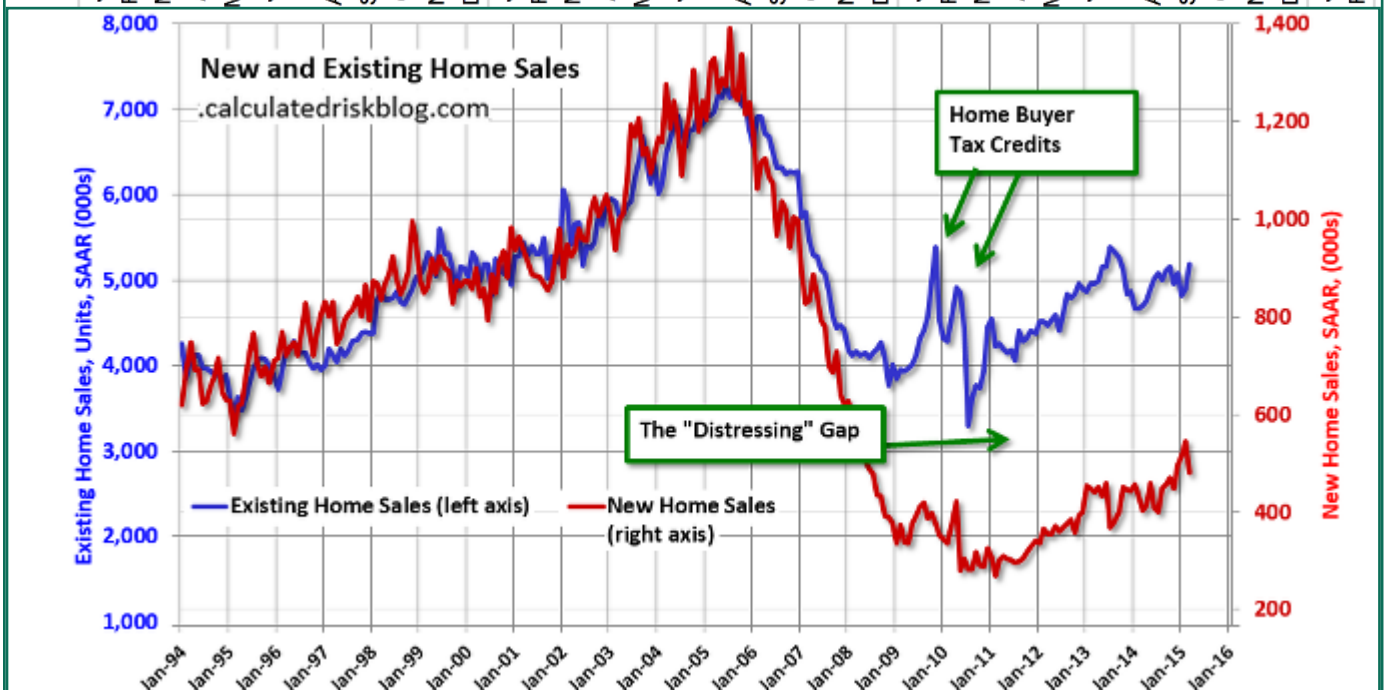
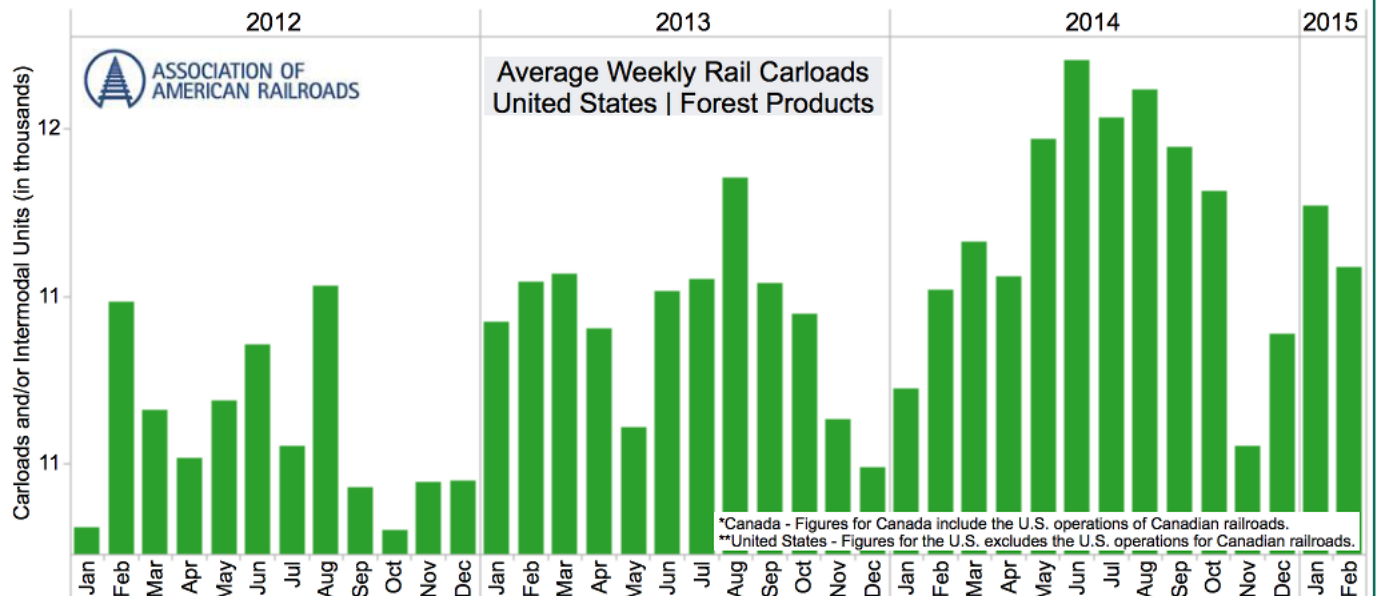
Stifel is currently predicting that contract TL rate increases should jump 3 to 5 per cent in the first half of 2015 on a year-over-year basis, with dedicated TL rates climbing 2 to 4 per cent.

He added that the US freight transportation landscape over the next couple of years will be capacity-constrained due to rising volumes and flattish capacity, given driver shortage issues and added government regulations.

“Our models assume low-to-mid-single-digit rate increases; however, when/if it becomes real tight, rates should move up much higher — into the double-digits — in our view,” Ross said.

One reason behind the growing confidence in trucking is that the US manufacturing sector is expected to remain strong this year — generating more freight for motor carriers to haul.

CONT'D PAGE 6



## Madison's Weekly Lumber Key Prices Table

[www.madisonsreport.com](http://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	250	264	-14	285	-35	344	-94
WSPF KD R/L 2x6	250	264	-14	285	-35	332	-82
WSPF KD R/L 2x8	274	276	-2	294	-20	338	-64
WSPF KD R/L 2x10	310	310	0	322	-12	376	-66
WSPF KD PET 2x4 Stud	245	260	-15	280	-35	310	-65
WSPF KD PET 2x6 Stud	250	265	-15	290	-40	290	-40
Douglas Fir Green R/L 2x4	290	295	-5	305	-15	325	-35
Douglas Fir Green R/L 2x10	345	340	+5	345	0	370	-25
ESPF KD 2x4 8ft Stud	330	340	-10	350	-20	390	-60
OSB Ontario 7/16" (CDN\$)	215	215	0	210	+5	220	-5
CSplywood Toronto 3/8" (CDN\$)	380	386	-6	410	-30	382	-2

## Madison's Weekly Lumber News

### Quarterly Reports

CONT'D FROM PG 2 West Fraser's panel segment generated operating earnings in the quarter of \$23 million, mostly reflecting increased Canadian dollar MDF prices. Plywood prices and shipments were reduced.

### Home Sales, US

CONT'D FROM PG 2 The jump in March existing sales follows two lackluster months amid bad winter weather. The February sales pace was 4.89 million and January was only 4.82 million.

The median sale price for a previously owned home was up 7.8 per cent from a year earlier to US\$212,100 in March, NAR said.

The Commerce Department's report showed new-home purchases were 17.4 per cent higher in March than the same period in 2014 on an unadjusted basis, today's report showed. The median price of a new home decreased 1.7

per cent last month from a year ago to US\$277,400.

### Sawmill Fires

The cause of a stubborn fire recently at the Flavelle Sawmill in Port Moody, BC, that took crews more than 12 hours to douse may never be known, Port Moody fire chief Remo Faedo said to the Tri-Cities Now. He noted damage to the planer mill was so severe it's unsafe to do a complete investigation, and said investigators don't believe the fire was suspicious in any way.

In the US, a fire destroyed a Maine sawmill on Monday, but the cause is not known, Bradford Fire Chief Dusty Kelley said to the Bangor Daily News Monday night.

He said that people who were at the mill at the time attempted to put the fire out with an extinguisher but that the wind picked up and the fire got away from them.

The sawmill operator had been cut-

ting grade stakes about an hour before the fire started, the fire chief said, but it was not clear how the fire began and that an investigator from the state fire marshal's office was called in to help pinpoint the cause.

### 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>



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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."*

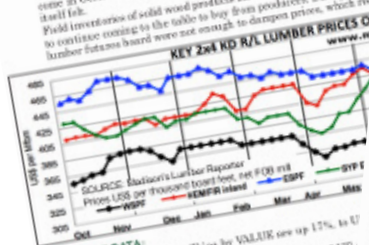
- Michael Low | Scotiabank | Director & Group Lead, Commercial Banking

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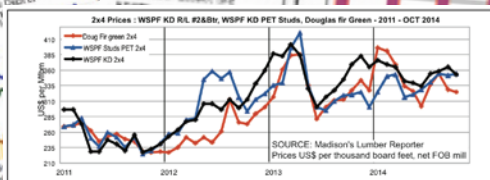
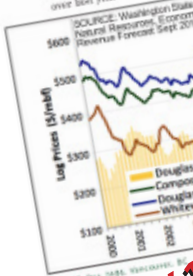
**MADISON'S**  
3Q 2014 North America Timber Industry Analysis and Projections  
By Rita Korman, Publisher and Editor, Madison's Lumber Reporter  
November 1, 2014

**OVERVIEW**  
Vigorous bursts of enthusiasm among North America's lumber and paper mills in September as value volumes dropped and prices softened somewhat, but some in October however, as market fundamentals prevailed and the steel fell.



**IMPORTANT DATA:**

- US LOG exports to China by VALUE up 17% to US\$1.1 billion in year ago
- US SAWMILL products exports to China by VALUE 2014 over 2013
- US SAWMILL products imports from Canada by VALUE Aug 2014 compared to 2013
- Canadian LUMBER exports to US by VALUE up over last year

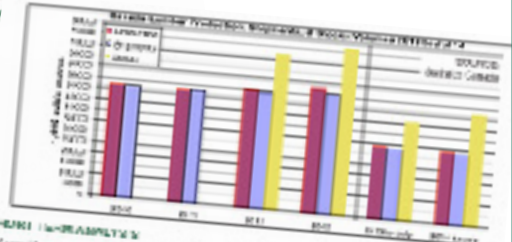


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Canada Log Exports Jan-Aug '14:  
China +7.40%  
Japan +8.30%  
S Korea -5.80%  
USA -7.9%

It is interesting to note that the VALUE of both log and lumber exports from each country to China have increased, while VOLUMES remain relatively flat. Also noteworthy is the steady increase in VALUES of lumber shipped from Canada to the US in the first eight months of this year.

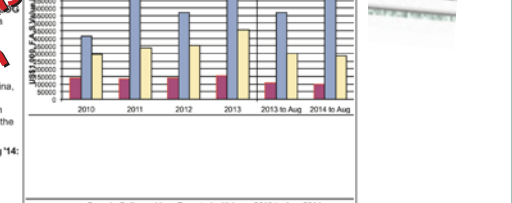


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US Softwood Log Exports: Values 2010 to August 2014. The chart shows a general upward trend in the value of US softwood log exports from 2010 to 2014, with a notable increase in 2014.



Canada Softwood Log Exports by Value - 2010 to Aug 2014. The chart shows a steady increase in the value of Canada softwood log exports from 2010 to 2014, with a significant increase in 2014.

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# Transportation Statistics: North America

CONT'D FROM PG 6

The most recent data for rail transportation also shows improvement. The Association of American Railroads reported US rail intermodal traffic rose

by Kéta Kosman

8.1 per cent in the week ended April 18 compared with

the same week last year. Railroads moved 280,016 intermodal trailers and containers, the highest level this year, AAR announced Wednesday in its weekly report. The rise follows a 2.3 per cent increase the prior week.

Rail carload volume, which excludes intermodal units, increased 1.2 per cent year-over-year to 276,416 carloads.

Six of the 10 commodity groups that AAR tracks improved over last year.

Intermodal volume for 13 reporting North American railroads increased 8 per cent to 353,319 trailers and containers.

Canadian railroads moved 62,356 intermodal units, a 5.6 per cent rise. Mexican rail moved 10,947 units, a 23.1 per cent rise from the same time last year.

Year-to-date, U.S. intermodal volume increased 1 per cent to 3.84 million units.

Elsewhere, US trade with Canada and Mexico declined in February to the lowest level for the month since 2011 but freight carried by trucks increased, the Bureau of Transportation Statistics reported also Wednesday.

Truck freight increased 0.9 per cent as total trade declined 4.3 per cent to US\$87.7 billion.

Trucks carried 63.1 per cent of the trade among NAFTA partners making them the most-heavily used mode of

moving goods to and from Canada and Mexico.

The decline in February follows a 1.2 per cent drop the prior month that was due in part to the reduced price of mineral fuel shipments, according to BTS.

Trucks transported US\$27.2 billion of exports and US\$26.9 billion of imports between the NAFTA partners.

US-Canada trade for the month by truck declined 2.9 per cent, and rail dropped 13.3 per cent. Trucks carried 57.2 per cent of the US\$45.1 billion in freight to and from Canada.

Trade with Mexico by truck increased 4.7 per cent from last year and accounted for 69.6 per cent of the US\$40.6 billion of freight moved to and from the country.

Meanwhile, another key measure of freight demand shows the US economy in a somewhat better light than other economic indicators such as employment and manufacturing output.

The tonnage hauled by trucks on US highways rose 1.1 per cent in March, after falling 2.8 per cent in February from January, according to the American Trucking Association Wednesday.

Significantly, the ATA For-Hire truck Tonnage Index rose 5 per cent year-over-year, compared with a 3.3 per cent annualized increase in February and a 6.7 per cent increase in January.

As a whole, truck tonnage was flat in 1Q from 4Q 2014, the ATA said in a statement. Year-over-year, tonnage was up 5 per cent in 1Q.

In 2014, 1Q tonnage was depressed by a series of severe winter storms and frigid weather, said the ATA. The US economy shifted to a much higher gear once 2Q arrived.

As well, the number of job openings at US warehousing, transportation, and utility companies shot up 59 per cent in February, thanks largely to an easy year-over-year comparison with the snow and ice-locked employment market a year ago, according to Journal of Commerce Tuesday. The number of available transportation and warehousing jobs slipped from a revised 196,000 in January to 192,000 in February.

In comparison, the number of transport job openings in February 2014 dropped 46,000 from the previous month, as the polar vortex chilled labour markets.

The latest Job Openings and Labor Turnover data from the US Bureau of Labor Statistics shows transport, warehouse, and utility operators hired 130,000 workers in February, a slight increase from a year ago, and kept more of them. A total of 118,000 workers left transportation and utility jobs, compared with 295,000 "separations" in January, most likely due to the loss of seasonal holiday employees.

The latest BLS Jolt Survey underscores the rising call for transportation and warehousing workers and increasing labor and transportation cost pressures faced by shippers.

The BLS data reveal an improving job market for transport and logistics workers. Over the five months that ended in February, the number of openings in the transportation and warehousing field was up 28.3 percent on average compared with the same period in 2013-2014, according to the BLS data. In the 12 trailing months, those job openings averaged 174,000 a month. In the same period in 2013-14, the average was 137,900 jobs.

