

# MADISON'S LUMBER REPORTER



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## News & Updates

### Japan Domestic Lumber Prices Dropping

Domestic log cutting sawmills in Japan have suffered low lumber prices for more than a year, according to *Japan Lumber Reports* Friday.

“Some sawmills are trying to cash in their lumber inventories even with lower log prices which continue dropping,” said the *Reports*. “Some regions in Japan are reviving sawmills after log prices plunged since last March.”

Many sawmills had stocked up on higher priced winter-harvested logs which are still being processed. It is ironic that this build-up of log inventory resulted in a price drop on lower-cost summer logs.

### Railway Layoffs, Bridge Fire

A wooden railroad bridge near Minnesota’s border with Canada burned and collapsed early Wednesday, shutting a busy train route that connects the Pacific Coast with Chicago, according to Associated Press via New York Times Wednesday.

The bridge in Koochiching County belonged to CN Rail. It carried more than 20 trains over the Rat Root River daily. A CN spokesperson, Brent Kossey, said the crew of a southbound train approaching the bridge reported a fire on the trestle just after 12:30 a.m. The train stopped after it had crossed the bridge. The bridge was destroyed, but the crew was not hurt.

Elsewhere, BNSF Railway said Thursday in a statement from Fort Worth, TX, it’s planning employee furloughs due to slipping freight shipping demand across its rail network. The company said that it hopes to call back employees “as soon as business needs change.”

The railroad would not say how many employees were being furloughed but that they are “at different locations across our network.”

### West Coast Log and Lumber Exports: 1Q 2015

Log exports from Washington, Oregon, northern California, and Alaska totalled 272 mmfbm in 1Q 2015, a decrease of nearly 16 per cent compared to 4Q 2014, the US Forest Service’s Pacific Northwest Research Station reported Wednesday. During this same period, west coast lumber exports declined 4 per cent in volume to 162 mmfbm.

CONT'D PAGE 6

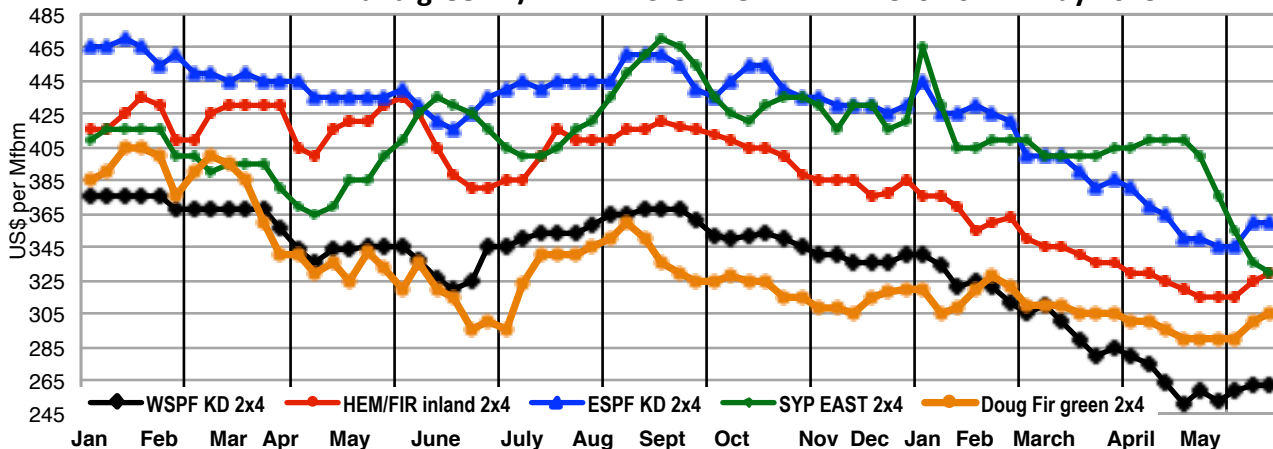
### Transportation Infrastructure Investment

There is very exciting news this week about completed or announced transportation building projects in several jurisdictions globally. The Port of Prince Rupert, in northern British Columbia, and the newly-expanded Panama Canal have both finished extensive expansion projects. As well, China is planning major new railway lines internally and elsewhere.

On May 19 was held a ceremony on Ridley Island in BC to mark the completion of the Road, Rail, and Utility Corridor serving the Port of Prince Rupert. In attendance were representatives from the Prince Rupert Port Authority, the federal and provincial governments, CN Rail, and Canpotex, all of who contributed to the \$97 million needed to surround the island with five parallel rail tracks, a two-lane road and a power distribution system.

CONT'D PAGE 9

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

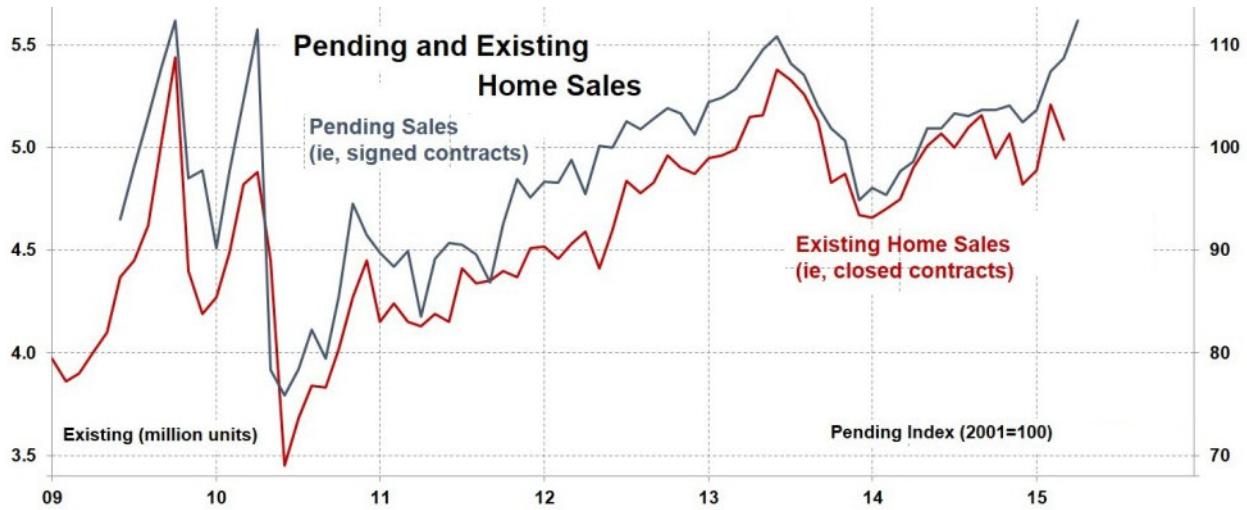


### US Pending & Existing Home Sales, Built-for-Rent Starts: April and 1Q 2015

The NAR Pending Home Sales Index increased for the fourth straight month in April to a level 14 per cent above April of 2014.

The Pending Home Sales Index (PHSI), a forward-looking indicator based on signed contracts produced by the National Association of Realtors (NAR), increased 3.4 per cent in April to 112.4, up from an upwardly revised 108.7 in March. The PHSI increased year-over-year for the eighth consecutive month and reached its highest level since May 2006.

SOURCE: National Association of Home Builders

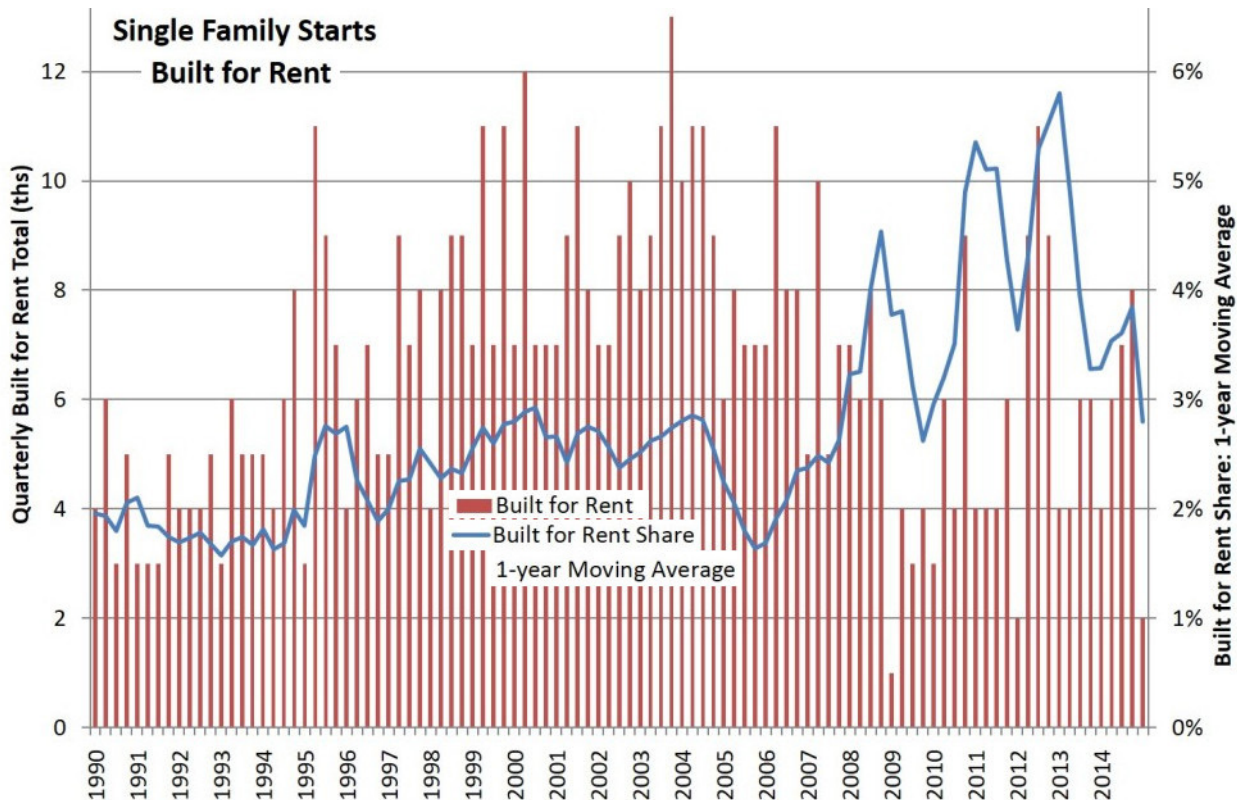


US single-family homes built-for-rent declined to approximately 2,000 starts for 1Q 2015, compared to about 4,000 at the start of 2014. The share and count of built-for-rent starts are off post-recession highs and will approach historical norms as the housing market continues to expand. However, given the relatively small size of this market, care must be taken when tracing changes in the estimates.

According to data from the Census Bureau's Quarterly Starts and Completions by Purpose and Design and NAHB analysis, the market share of single-family homes built-for-rent, as measured on a one-year moving average, stands at 3.5 per cent of total single-family starts for 1Q 2015. It is worth noting that the estimates for this market segment are small, so that quarter to quarter movements are typically not statistically significant.

The current market share remains higher than the historical average of 2.8 per cent but is down from the 5.8 per cent registered at the start of 2013. This class of single-family construction only includes homes built and held for rental purposes.

SOURCE: National Association of Home Builders



## 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	262	262	0	258	+4	338	-76
WSPF KD R/L 2x6	258	260	-2	258	0	328	-70
WSPF KD R/L 2x8	278	272	+6	270	+8	346	-68
WSPF KD R/L 2x10	332	326	+6	310	+22	380	-48
WSPF KD PET 2x4 Stud	265	255	+10	245	+20	320	-55
WSPF KD PET 2x6 Stud	255	255	+10	255	+10	295	-30
Douglas Fir Green R/L 2x4	305	300	+5	290	+15	315	-10
Douglas Fir Green R/L 2x10	355	350	+5	340	+15	360	-5
ESPF KD 2x4 8ft Stud	350	340	+10	330	+20	425	-75
OSB Ontario 7/16" (CDN\$)	235	230	+5	209	+26	235	0
CSplywood Toronto 3/8" (CDN\$)	448	415	+33	383	+65	410	+38

## Madison's Weekly Lumber News

### Log and Lumber Exports, US

CONT'D FROM PG 2 The total value of these log exports decreased by more than 21 percent to \$200 million, while, for lumber exports, the total value decreased by more than 3 percent to \$123 million compared to the fourth quarter of 2014.

"Although China's importation of west coast logs and lumber decreased in the first quarter of 2015 compared to the first quarter of 2014, China remains the dominant consumer in the west coast's export market," said Xiaoping Zhou, a research economist with the station who conducted the analysis and compiled the data. "Sixty-three per cent of the west coast's log exports and more than 28 per cent of its lumber were shipped to China in 1Q 2015."

#### Other highlights:

- Nationwide, total US log exports increased nearly 12 per cent in volume in 1Q 2015 compared to 4Q 2014, while the value decreased by a half per cent;

- Nationwide, total US lumber exports in 1Q 2015 decreased by more than 4 per cent in volume compared to 4Q 2014, while the value decreased by more than 6 per cent;

- West coast log exports represented 37 per cent of total US log exports in 1Q 2015, down from 53 per cent in 4Q 2014. West coast lumber exports represented 21 per cent of total US lumber exports, down from 29 per cent this same period last year.

### Canadian Economic Accounts: 1Q and March 2015

Real gross domestic product (GDP) in Canada decreased 0.1 per cent in 1Q, following growth of 0.6 per cent in 4Q 2014. This was the first negative growth rate of real GDP since 2Q 2011. On a monthly basis, real GDP by industry fell 0.2 per cent in March.

Final domestic demand fell 0.4 per cent after increasing 0.4 per cent in the previous quarter.

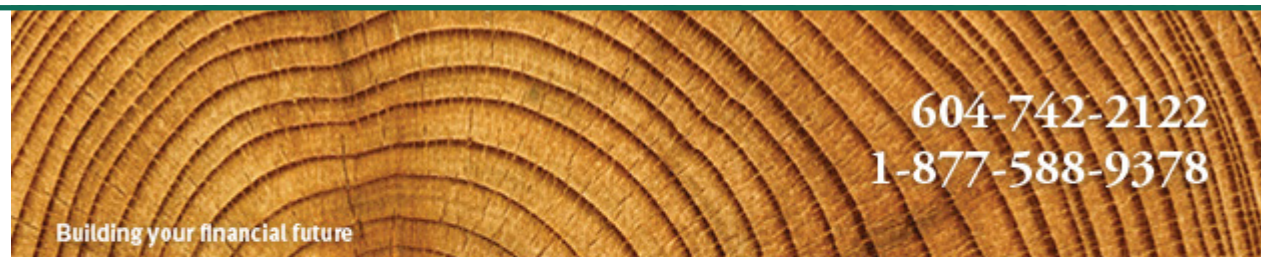
Business gross capital formation was down 2.5 per cent, driven by a 4.1 per cent decrease in non-residential structures and machinery and equipment. On the other hand, business investment in residential structures was up 1 per cent, led by an increase in new home construction.

Business gross fixed capital formation in non-residential structures and machinery and equipment fell 4.1 per cent in 1Q, the largest decrease since 2Q 2009. Business investment in non-residential structures declined 5.3 per cent, driven by decreased outlays on engineering structures, down 6.4 per cent.

### Interfor Closes

Less than three months after Interfor acquired a Tacoma Tideflats, WA, sawmill, affecting about 125 workers, the company has shut down the mill temporarily to take steps to return it to profitability.

Interfor said that it curtailed production Friday at the former Simpson mill because of weak lumber prices and high production costs.



Building your financial future

### 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).





## Madison's *\*new\** Interactive Web Price Graphing Tool

Madison's web-based interactive lumber price graphing tool is beta testing!  
 This extremely useful tool is driven by the historical dimension lumber and panel prices listed in your weekly *Madison's Lumber Reporter*. To access simply visit: <http://mlrdemo.gobi.ca>

Username: **portland**  
 Password: **Pine2014**

### Instructions:

All commodities listed in your weekly *Madison's Lumber Reporter* (except Cedar for the time being) are available from the pull-down menu.

Simply start typing the species name of the desired item then select grade and size.

Click "update".

**Enter Lumber Commodity**

1: WSPF KD Econ 2x8	Average ▾	#e0642e
2: Hem/Fir KD Coast Utility 2x4	Average ▾	#e0d62e
3: Douglas Fir Green #2&Btr 2x6	Average ▾	#2e97e0
4: SYP (East) KD S4S #2&Btr 8ft 2x4	Average ▾	#b02ee0
5: SYP (West) KD S4S #2&Btr 8ft 2x8	Average ▾	#e02e75

**Enter Graph Options**

Show by: Year ▾

To: 2010-12-31

UPDATE CLOSE

Search Tips Hide

**Tips**

**Use the starting letters of the lumber commodity you are looking for in the search.**

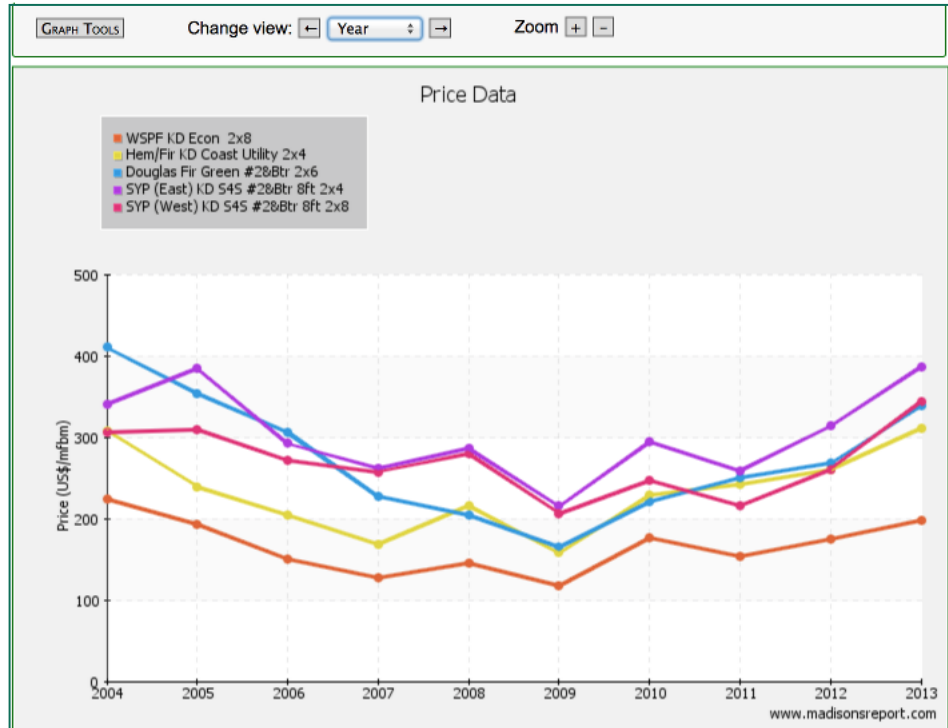
For example - Species:

- WRC: Western Red Cedar
- WSPF: Western Spruce-Pine-Fir
- ESPF: Eastern Spruce-Pine-Fir
- DF: Douglas Fir
- LARCH: Fir/Larch
- HEM: Hem/Fir
- SYP: Southern Yellow Pine
- ENG: Englemann Spruce
- PON: Ponderosa Pine
- EAS: Eastern White Pine
- FIR: Fir
- HEML: Hemlock

Select "view" for yearly, quarterly, monthly, or weekly.

Click "Graph Tools" at the top left to return to the previous screen and enter a different selection of commodities.

[For more information please contact our office.](#)



\*This is a demo version of the interactive graph.  
 \*\*It is stable in the current versions of Firefox and Chrome web browsers

# Global Transport Development

CONT'D FROM PG 2 The corridor was constructed over the past two years and supports multiple new large-scale terminal developments that officials anticipate will boost Canada's trade capacity with Asia-Pacific markets, authority officials said in a press release.

Prince Rupert experienced a growth of 13.8 per cent in the number of loaded containers being handled, a number that just beats out the 11.23 per cent growth experienced by the Port of Mazanillo in Mexico and the 11.2 per cent growth experienced by Boston,

by **Kéta Kosman**

MA. However, the growth experienced in Prince Rupert is well above the 2.5 per cent growth experienced by all North American terminals and significantly higher than the 1.6 per cent growth seen across all Canadian terminals.

The Journal of Commerce has released its list of the fastest growing container ports in North America and Prince Rupert's Fairview Terminal sits at the top of the list of 25.

This shared-use infrastructure defines a long-term port development plan for Canadian export terminals that will provide the capacity to ship potash, liquefied natural gas, and other Canadian products to international markets.

When outbound cargo and import cargo are considered independently, the terminal in Prince Rupert more than bucks the national trend. Figures from the Prince Rupert Port Authority show export growth at 3.4 per cent for 2014 compared to an overall 5.2 per cent drop in exports from all Canadian terminals while import tonnage grew 18.9 per cent compared to an overall seven per cent increase across Canadian terminals.

Further south, a crowd assembled on April 28 to see the last, most impressive piece of the new and improved Panama Canal being literally slotted into place. A massive sea gate standing eleven stories tall moved on its own down the great concrete sluice that Caterpillars and Putzmeisters carved from the jungle. Construction workers snapped selfies as the 9 million-lb. (4 million kg) gate pivoted into its slot.

The US\$5.25 billion expansion is projected to double the canal's capacity.

The vessels the Panama Canal was first built to accommodate were 106 ft. (32 m) abeam, a width that dictated the maximum for oceangoing ships known as Panamax. But after accepting control of the canal from the US in 2000, Panamanian officials surveyed shipbuilders' intentions and glimpsed a future that

spelled the canal's obsolescence. A ship 106 ft. wide and 965 ft. (294 m) long can carry perhaps 5,000 containers. However, widen the beam to 160 ft. (49 m) and the length to 1,200 ft. (366 m)—the size of a ship that can fit in the new channel—and the container count rises to 13,000.

The ability to send Capesize ships up to 180,000 dwt through the expanded canal would "enable transportation cost saving and may lead to alternative routing for US exports of some bulk commodities such as grain, petroleum, and coal to Asia," the US Maritime Administration asserted in a 2013 report.

Although only 12 to 14 additional vessels per day can be accommodated through the new locks, the increased size of the vessels will result in doubling Panama Canal throughput from 300 million Panama Canal/Universal Measurement System (PC/UMS) tonnes to 600 million PC/UMS tonnes, according to MarAd.

## Railways, Ports, Canals

Jorge Quijano, CEO of the Panama Canal Authority, told the Financial Times Wednesday he expects growing US energy and grain exports to help increase traffic on the 100-year-old canal, validating the expansion, which will be completed in April next year.

The upgraded Panama Canal will be able to handle ships of up to 14,000 Twenty-foot Equivalent Units (TEU) although with 19,000 TEU ships already in operation worldwide, he confirmed that discussions are underway about further expansion.

Container ships account for a quarter of all trips through the canal and almost half of collected tolls while the US economy is responsible for more than two-thirds of the canal's business.

In the 2014 fiscal year, 2,891 container ships transited the canal carrying 11.6m TEU, down from pre-financial crisis highs of 3,600 vessels carrying 12.6m TEU in the year to September 2007.

The expanded Canal will be great for Houston and other US southern ports.

Indeed, the US Army Corps of Engineers is once again weighing the costs and benefits of a potential US\$300 million effort to deepen the lower Mississippi River by as much as five feet.

The New Orleans Advocate reports (<http://bit.ly/1HIKWs>) the project — which would cover the stretch from Baton Rouge to the Gulf of Mexico — is being considered largely in light of the work underway at the Panama Canal.

When the Panama project is finished, the canal will be able to accommodate ships with drafts as deep as 50 feet below the water's surface. That is 5 feet

deeper than what's available on the lower Mississippi.

The states of Florida, Georgia, and South Carolina have been making investments in their ports to handle expected new traffic.

Elsewhere, the Suez Canal, which has connected the Mediterranean to the seas of Asia since 1869, is adding lanes to accommodate two-way traffic on much of its 120 miles (193 km) through Egypt. Turkey has plans to dig a canal parallel to the Bosphorus Strait linking the Black Sea and the Mediterranean. And China is planning to spend up to US\$70 billion on an entirely new canal across Nicaragua, the route the US championed before bisecting Panama.

In contrast, at the inaugural Global Port Research Alliance conference, terminal operators and logistics industry executives in Hong Kong earlier this month threw up their hands in frustration at the lack of government response to the critical issues facing Hong Kong's container port. Port congestion, complexity from bigger ships and alliances and, most importantly, a steadily falling throughput continue to plague operators.

Last year the port suffered chronic port congestion as large new shipping alliances discharged and loaded greater volumes, requiring thousands of inter-terminal truck moves to reposition the boxes. That situation hasn't changed and the peak season this year is expected to again see port delays as bigger ships are taking up more berth space, and huge growth in barge services adds to the traffic.

The lack of back-up land in the Kwai Tsing container terminals has long been one of the critical issues facing Hong Kong and the city's Secretary for Transport and Housing Anthony Cheung made a brief mention of it in his enthusiastic portrait of Hong Kong as the world's greatest logistics hub.

Still in China, the country is considering a trans Amazon railway proposal with Peru and Brazil, as well as looking at investing in Lithuania's port of Klaipeda on the Baltic Sea. That port will give sea access to landlocked neighbour Belarus where China Merchants is investing US\$5 billion in an industrial park, according to Journal of Commerce Thursday.

Klaipeda is the biggest container port on the Baltic Sea, handling 127,382 TEU during 1Q 2015. Despite that figure being a 13 per cent decline compared to 1Q of last year, it was enough to keep the port ahead of the second-placed Latvian port of Riga. Last year, container traffic in Klaipeda increased by 11.8 per cent to 450,400 TEU.

The China-Europe rail links along the New Silk Road can connect with Klaipeda, opening up the Scandinavian countries and providing transshipment services to central and western European countries.