

# MADISON'S LUMBER REPORTER



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## News & Updates

### Railcar Traffic of Forest Products, North America

The volume of rail freight carried in Canada totalled 30.5 million tonnes in April, up 1.7 per cent from the same month last year, said Statistics Canada Wednesday.

Freight originating in Canada rose 2.5 per cent to 27.1 million tonnes.

Non-intermodal freight rose 3 per cent to 296,000 carloads. The amount of freight loaded into these cars totalled 24.2 million tonnes, up 2.5 per cent.

In the US, the Association of American Railroads Wednesday reported US rail traffic for the week ending June 20 was 550,839 carloads and intermodal units, down 2.4 per cent compared with the same week last year.

Total carloads were 273,932 carloads, down 6.1 per cent compared with the same week in 2014, while US weekly intermodal volume was 276,907 containers and trailers, up 1.6 per cent compared to 2014.

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### Canada Investment in Housing Construction: April 2015

Investment in Canadian new housing construction rose 2.3 per cent to \$3.9 billion in April compared with the same month in 2014, according to Statistics Canada Monday.

Higher investment in apartment and condominium building construction was responsible for most of the national advance, rising 7.9 per cent to \$1.3 billion.

Single-family dwellings were the lone component to register a decline in construction spending, down 1.8 per cent to \$2 billion.

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### Homeownership vs Rental Rates, US

America's homeownership rate has been falling for eight years, down to 63.7 per cent in 1Q this year from a peak of over 69 per cent in 2004, according to a new report released by Harvard University's Joint Center for Housing Studies, said the *New York Times* Wednesday.

The flip side of the decline in homeownership is a boom in rentals and a significant rise in the cost of renting. On average, the number of new rental households has increased by 770,000 annually since 2004, the center's report said, making 2004-14 the strongest 10-year stretch of rental growth since the late 1980s.

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### Wildfire Season : 2015

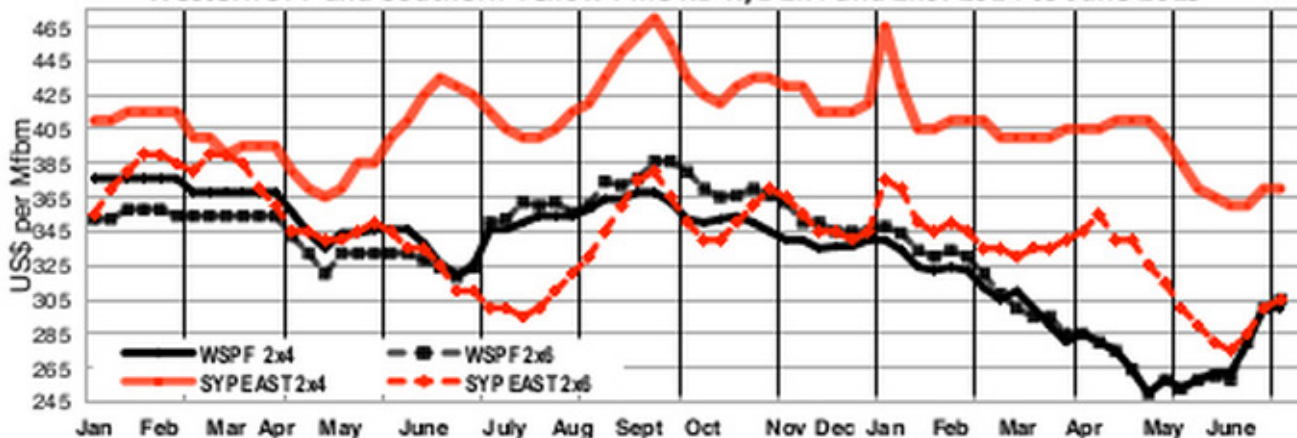
It is obvious to everyone involved in the forest even superficially that this year's fire season has come on very early and seems like it will be severe. Forest industry veterans say there has never been such extended hot, dry weather this early in the year. Indeed, mainstream media reports this week indicate that 62-thousand hectares of British Columbia forest have burned in wildfires in 2015, nearly four times the ten-year average for this time of year.

This means BC's Wildfire Management Branch has already spent more than \$52 million on firefighting this year, 80 per cent of the \$63 million allotted for 2015.

By comparison, Chief provincial fire information officer Kevin Skrepnek told *CBC* in September that 1,424 fires had consumed more than 3,590 square kilometres of forest in the 2014 season.

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



## Housing Analysis: US Home Prices Edge Higher As Supply Declines

The upward pressure on US home prices is being driven more by supply than demand. And this is lifting the housing sector of late:

- Momentum in US sales of both new and existing homes;
- Post-bubble burst, price has appreciated much faster than sales improvement; and,
- Builders express optimism but are cautious in starting construction; inventory well-behaved.

Sales of existing homes rose 5.1 per cent month-over-month and 9.2 per cent year-over-year to a seasonally adjusted annual rate of 5.35 million units – the strongest since 5.38 million in July 2013.

Sales of new homes came in at 546,000 units (SAAR) – up 2.2 per cent m/m and 19.5 per cent y/y. They were the highest since February 2008. New home sales for the prior three months were all revised higher.

Both these reports point to the prevailing momentum.

In a larger sense, however, sales remain tentative. Sales of existing homes are just back to 1999 levels. Since early 1999, the US population has grown by 43 million, and there are 11 million more households. Similarly, the 12-month average of new-home sales in May was 482,000 units, matching the level of December 2008. In 2003-2006, new-home sales were north of a million units a year – we are talking bubble times. The annual average between 1963 and 2002, is 649,000 units sold each year – higher than what builders have been selling currently.

House price, meanwhile, is performing much better than sales. The median price of both new and existing homes has seen quite a recovery since it plunged after the bubble burst. The price of a new home peaked at US\$262,600 in March 2007. Last November, new homes sold for US\$302,700 – an all-time high (May was US\$282,800).

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SOURCE: See It Market



## 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	300	300	0	262	+38	346	-46
WSPF KD R/L 2x6	305	300	+5	258	+47	350	-45
WSPF KD R/L 2x8	315	304	+11	278	+37	346	-31
WSPF KD R/L 2x10	370	368	+2	332	+38	384	-14
WSPF KD PET 2x4 Stud	315	305	+10	265	+50	330	-15
WSPF KD PET 2x6 Stud	295	290	+5	255	+40	325	-30
Douglas Fir Green R/L 2x4	340	337	+3	305	+35	323	+17
Douglas Fir Green R/L 2x10	375	370	+5	355	+20	335	+40
ESPF KD 2x4 8ft Stud	370	365	+5	350	+20	420	-50
OSB Ontario 7/16" (CDN\$/msf)	235	237	-2	235	0	225	+10
CSplywood Toronto 3/8" (CDN\$/msf)	421	440	-19	448	-27	414	+7

## Madison's Weekly Lumber News

### Railcar Loadings

CONT'D FROM PAGE 2 Four of the ten carload commodity groups in the US posted an increase compared with the same week in 2014, said the Association of American Railroads.

They included: miscellaneous carloads, up 15.7 per cent to 8,946 carloads; grain, up 3.4 per cent to 18,271; and motor vehicles and parts, up 1.9 per cent to 18,682 carloads.

Commodity groups that posted decreases compared with the same week in 2014 included: coal, down 13.7 per cent to 95,095 carloads; metallic ores and metals, down 8.1 per cent to 25,181 carloads; and forest products, down 7.3 per cent to 11,119 carloads.

### Canada Construction Investment

CONT'D FROM PAGE 2 Increases in new housing construction on a year-

over-year basis were registered in four provinces, led by British Columbia, followed by Ontario, Alberta, and Nova Scotia, said Statistics Canada.

In BC, total investment in new residential construction rose 18.2 per cent to \$739 million. In Ontario, investment increased 7 per cent to \$1.3 billion, while in Alberta, spending was up 8.3 per cent to \$1 billion. In Nova Scotia, spending grew 9.6 per cent to \$47 million.

In contrast, Quebec recorded the largest decline, followed by Saskatchewan and Manitoba.

### US Homeownership Rates

CONT'D FROM PAGE 2 Even as the housing market continues to improve — sales of existing homes in May increased to their highest pace in six years, the National Association of Realtors reported on Monday, and first-timers make up 32 per cent of

the buyers — it is leaving millions of Americans unwillingly stuck in rental housing, said the *NYT*.

According to the housing center's report, the share of renters paying more than 30 per cent of their income on rent — defined as "cost burdened" — has held at near-record highs. In 2013, almost half of all renters fell into that category. The share of cost-burdened renters is growing among people with moderate incomes, those who earn from US\$30,000 to US\$75,000 a year, the report said.

The flood of renters has reduced the national vacancy rate to its lowest point in nearly 20 years, according to the center's report. And while builders are adding apartments rapidly, they are concentrating on the higher end of the market, pinching those in the middle and bottom. Last year, rents rose at a 3.2 per cent rate, more than twice the pace of overall inflation.



# LOG TRADE TRENDS

## A Global Perspective

2-3 December 2015 | Portland, Oregon, USA | At the World Forestry Center

Join us for a Region-by-Region Analysis of International Log Suppliers, Market Trends and Forecasts. Optional Port Tour to Longview, WA



WORLD FORESTRY CENTER

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<http://logtradetrends.worldforestry.org/>

## US Housing Analysis, continued

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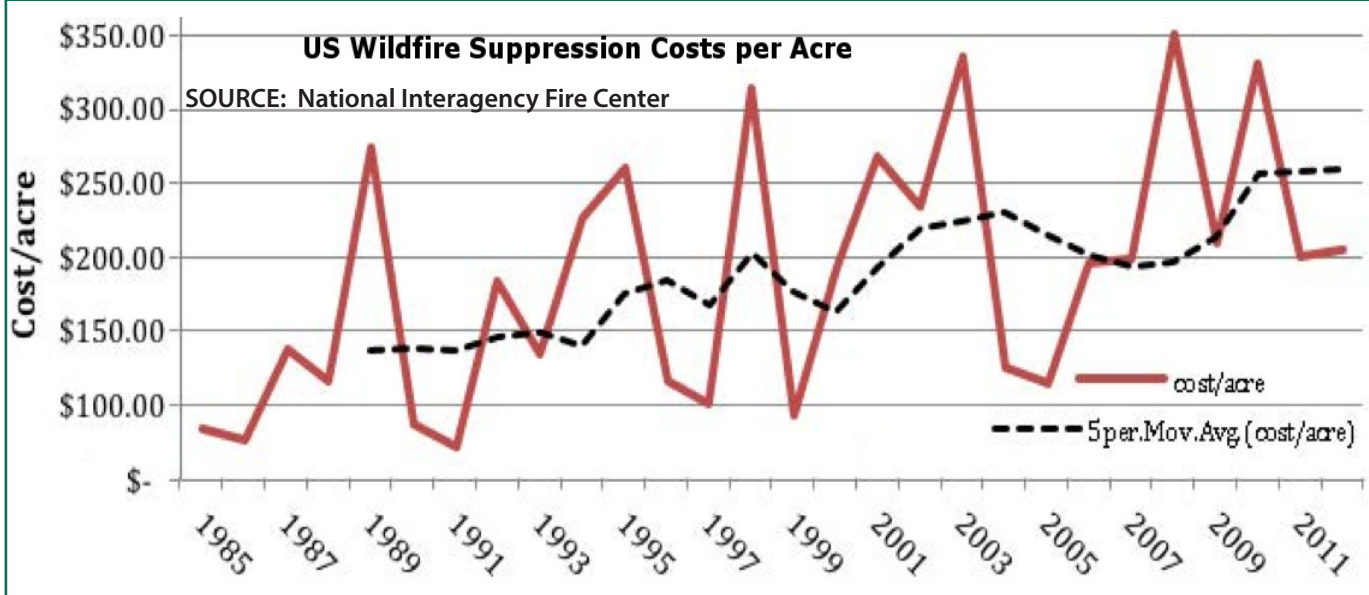
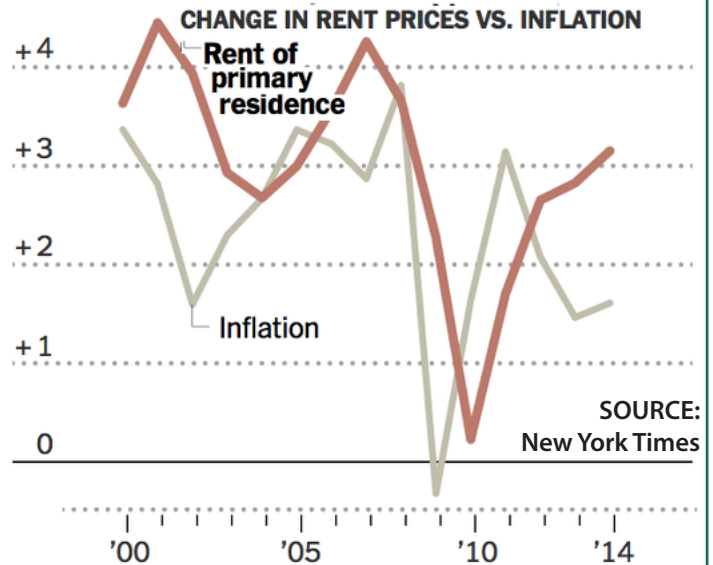
For existing homes, the record was US\$230,400, reached in July 2006. In May, prices rose 4.6 per cent m/m, to US\$228,700, merely 0.7 per cent away from the 2006 peak.

It is obvious the spike in the price is not demand-driven. It is primarily coming from the supply side.

The result of all this is downward pressure on inventory of homes. At the current pace of sales, months' supply in both new and existing homes is low – four and 5.1 months, respectively. For instance, there were 2.29 million existing homes in inventory in May, up from 1.86 million in January but down from 2.35 million last July; inventory peaked in 3.91 million in October 2007.

The risk to housing momentum may not be coming from inventory. Of course, if and when sales weaken, the months' supply metric can/will rise fast.

SOURCE: See It Market



# Wildfire Season 2015 : North America

CONT'D FROM PAGE 2 Skrepnek said the provincial government spent more than \$293 million fighting fires last year, compared to \$122 million spent fighting 1,857 fires in 2013.

John Betts, Executive Director of the Western Silvicultural Contractors' Association said to *Madison's* by email Thursday, "[This] is pretty much what we have been saying all along. The only difference is that the types of fires we forecast would start happening now actually are. Meanwhile the conditions that create these fires have only continued to gain strength across the landscape. Considering the alignment between fuels, our very modest fuels management strategy, and the weather lately there is the feeling that if the ignition foot drops we are in for it."

And "in for it" we are. A quick Google search pulled up seemingly endless pages of forest fires burning from Alaska and Yukon, through BC and Alberta, to the northwest US and especially California.

Of the more than 518 wildfires reported in BC since April 1, the most immediate concern was the Cisco Road fire near Lytton, where an evacuation alert was in effect Thursday. That fire, which is estimated to be 1,885 hectares, is considered 70-per-cent contained, though it still remains a threat to nearby buildings.

The Elaho fire, nearly 70 kilometres west of Pemberton, was estimated to be 700 hectares and is considered 40-per-cent contained. The fire is on steep, difficult-to-access terrain, though so far it's not considered a threat to any people or homes.

Further north, the Little Bobtail Lake fire near Prince George, which has been burning since early May and prompted an evacuation alert affecting 80 people, is considered fully contained.

Yet more north, George Maratos, spokesperson for Yukon Wildland Fire management, told *CBC* Monday there were 123 forest fires in Yukon already this season. That's compared to 32 forest fires during all of last year.

Meanwhile, Alberta's local wildfire information officer, Robyn Haugen, told *Fort McMurray Today* on Thursday that 24 new wildfires broke out in the Fort McMurray area of northern Alberta since Wednesday morning.

According to federal government climate data, weather stations at the Fort McMurray airport haven't recorded any precipitation since June 18. The

temperature reached 29.9 degrees on the 24th, said *Fort McMurray Today*.

Parts of the Prairies and BC have gone weeks without substantial rainfall, causing a dramatic increase in wildfire activity, according to the *Weather Network* Thursday. As of June 25, Alberta had seen 1,011 wildfires in 2015, compared to the five-year average of 710 wildfires per year.

"Throughout May and June, Vancouver, BC, saw an astonishingly low amount of rain," says *Weather Network* meteorologist Erin Wenckstern. "The area reported under 17 mm, when it should be more along the lines of 90 millimetres. And it doesn't stop there: Tofino, BC, hasn't even scraped past 30 mm for May and June – with the average total closer to 300 millimetres."

## Canada and US Forest Fires

*Madison's* reached out to another expert, Robert Gray, well-known BC Fire Ecologist.

"The BC government has spent approximately \$2.2 billion on earthquake preparedness, which has a low probability of occurrence, and \$70 million in 2014 alone on flood mitigation, but nothing on wildfire mitigation," detailed Gray in a phone interview.

This is an alarming lack of funding given the quantifiable increase in both volume and severity of wildfires over the past ten years. Add to that the reduction in investment by the BC Ministry of Forests, Lands and Natural Resource Operations in forest management generally over the past 15 years and the sense of alarm increases palpably.

One only has to look at the under-managed, under-utilized lands of the US Forest Service to recognize that the immediate savings of a lack of forest fire prescription end up costing much, much more money later.

Please see graph on Page 8.

"[The basic accounting] doesn't even include cost to human health and loss of other values," said Gray.

As if more proof were needed, a wildfire in northern California that has grown to more than 60 square kilometres in hazardous and inaccessible terrain is approaching an increasing number of structures and affecting travel, officials said Thursday. No structures have been damaged, but the mountain town of Markleeville, CA, remained on standby for possible evacuations. Several campgrounds have been evacuated and two highways have been closed.

Still in California, a huge forest fire in a remote area of the San Bernardino

Mountains, about 240 kilometres east of Los Angeles, was partially contained as of Thursday morning. That fire was holding steady at about 70 square kilometres as firefighters attacked the flames with a fleet of water-dropping aircraft. Those flames forced several hundred people to leave.

Another blaze near Santa Margarita in central California burned two homes, four mobile homes, and two recreational vehicles. The fire burned less than eight square kilometres, along with 10 other buildings, seven vehicles, a boat and a trailer. It was mostly contained.

Again in the north, intensifying wildfires in Alaska have led to evacuations in several parts of the state, including a tiny village where residents fled on boats. A firefighter working on one blaze was treated for minor injuries from a bear bite after he encountered the animal, fire managers said.

A small fire just outside the Yukon River village of Nulato, AK, prompted evacuations Monday evening from the Athabaskan community of 250 people. Other wildfires have prompted evacuations of residents in threatened rural areas.

And in southwestern Oregon, a wildfire scorching a remote part of the state has grown to 2,000 hectares, but containment improved to almost 50 per cent. Incident commander Doug Johnson said Thursday fire lines will be tested in the coming days by a heatwave expected to bring triple digit temperatures to the region.

In neighbouring Washington state, a wildfire burning in a remote area of Olympic National Park, on the Olympic Peninsula, scorched more than 2.5 square kilometres. Fire managers said Tuesday that the blaze, which is burning in a wilderness area about 20 kilometres north of Quinalt, continues to spread north and northeast.

Gray points to a recently-published position paper, *Reduce Wildfire Risks or We'll Continue to Pay More for Fire Disasters* (available here: <http://fireecologyjournal.org/reduce-wildfire-risks/>) by the world's three preeminent fire science associations — the Association for Fire Ecology, the International Association of Wildland Fire, and The Nature Conservancy — which demonstrates that the true cost of wildfires is typically two to 32 times the suppression cost. The addition of long-term indirect and additional costs include human health effects, loss of business income, reduced property values, and erosion mitigation.

For example, the 2012 Rim Fire in California cost US\$127 million to suppress; however, long-term indirect and additional costs are expected to push the total cost of the fire to US\$1.8 billion, say the paper's authors.