

# MADISON'S LUMBER REPORTER

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## News & Updates

### Québec Timber Changes

A forestry agreement signed Monday halts a \$180-million Cree lawsuit against the Quebec government. The agreement between the Quebec government and the Grand Council of the Crees calls for co-management of forestry cutting and protection of woodland caribou in northern Quebec.

It establishes more than 9,000 square kilometres in new protected areas where no forestry activity is allowed, to safeguard the woodland caribou. CONT'D PAGE 8

### US Housing Starts: June 2015

New-home construction in the U.S. climbed in June to the second-highest level since November 2007 as builders stepped up work on apartment projects.

Housing starts rose 9.8 per cent to a 1.17 million annualized rate from a revised 1.07 million in May that was stronger than previously estimated, figures from the Commerce Department showed Friday in Washington.

Ground-breaking on multifamily dwellings jumped 29.4 per cent.

CONT'D PAGE 7

### Oregon Timber Harvest: 2014

Oregon's timber harvest decreased slightly last year, ending a four-year run of gains that began after the Great Recession, the state Department of Forestry said Wednesday.

The 4.13 billion board feet harvested in 2014 represents a 1.7 per cent decline from the year before. It was, however, the second consecutive year of more than 4 billion board feet, a total Oregon had not seen since 2006.

The state hit a recession low of 2.7 billion board feet in 2009. It takes 10,000 board feet to build a roughly 1,800-square-foot house.

The Forestry Department said in its annual harvest report it doesn't expect a big change in 2015.

CONT'D PAGE 7

### Thirteen Storey Timber Tower

Québec City's Pointe-aux-Lievres eco-district is getting a 13-storey tower constructed mostly of cross laminated timber (CLT), with 12 storeys of apartments on top of a concrete podium, according to the *Deccan Herald* July 10.

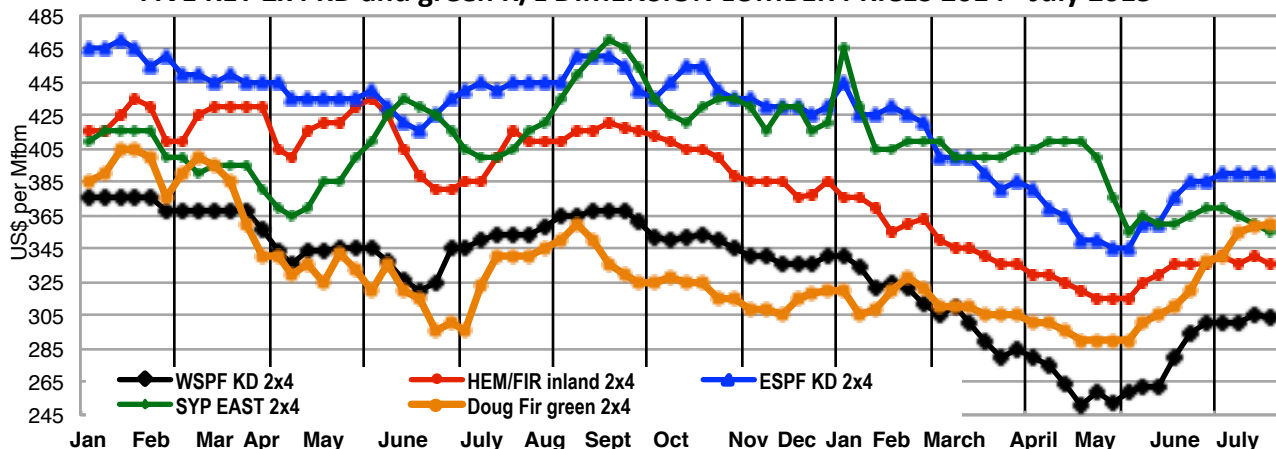
The condominium building, designed by Yvan Blouin, is being marketed as Origine. Origine is being built by Nordic Structures, who are of the opinion that the project has been drawn on inputs from federal and provincial officials as well as research institutes, and will help pave the way for the development of a North American market for solid wood building products made in Quebec.

### North America Timber Update and Forecast

North American lumber harvest and lumber manufacturing forecasts are examined.

CONT'D PAGE 9

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

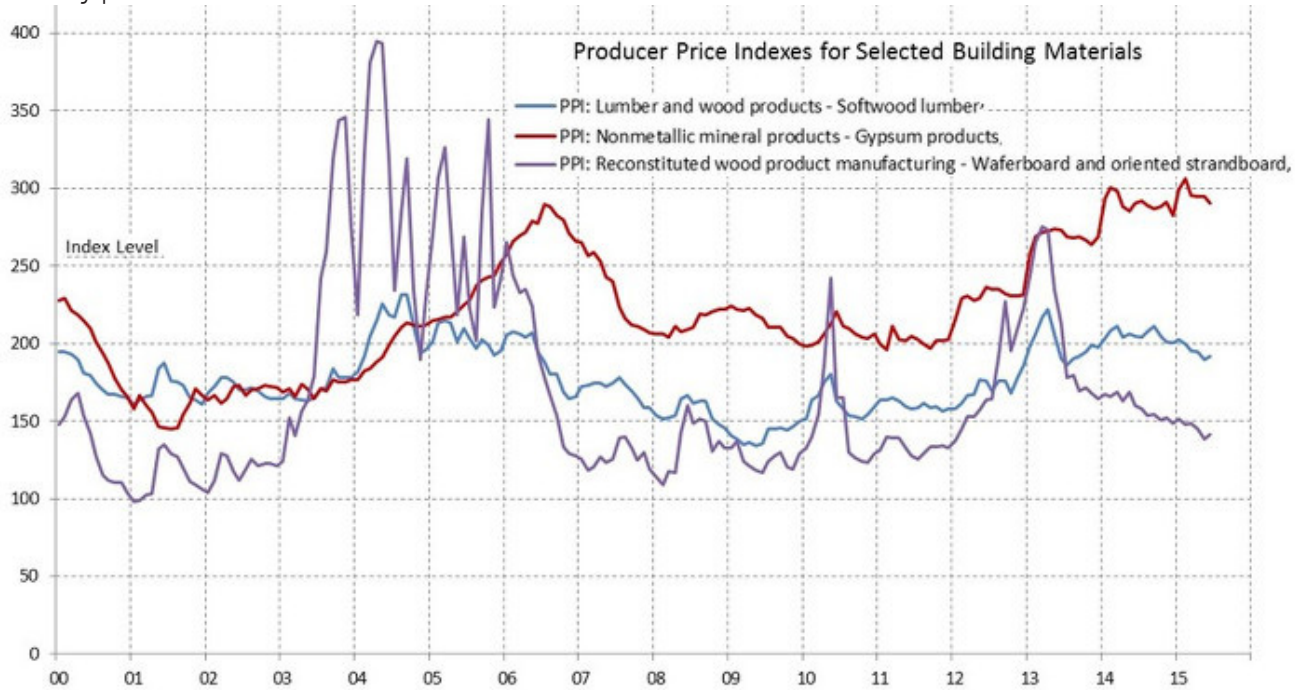


## US Producer Prices: June

The US Bureau of Labor Statistics (BLS) Wednesday released the Producer Price Indexes (PPI) for June. Inflation in prices received by producers rose 0.4 per cent in June after a 0.5 per cent increase in May. The increase was based on rising prices for both goods (0.7 per cent) and services (0.3 per cent). Within goods, a 4.3 per cent increase in the price of gasoline followed a 17 per cent jump in May. Prices in non-gasoline energy goods and food were mixed. Prices for goods less food and energy rose 0.4 per cent.

Wood products prices ticked up in June after trending down through the first half of the year. Softwood lumber prices rose 1 per cent for the month but are down 9.1 per cent from a recent high in September 2014. Prices for OSB rose 2.4 per cent in June after a 20.4 per cent slide that followed the collapse in prices that ended in July 2013.

Gypsum prices slipped 1.5 per cent in June after being flat in May, increasing to 5.3 per cent the retreat from a February peak.



## Canada Manufacturing Survey: May

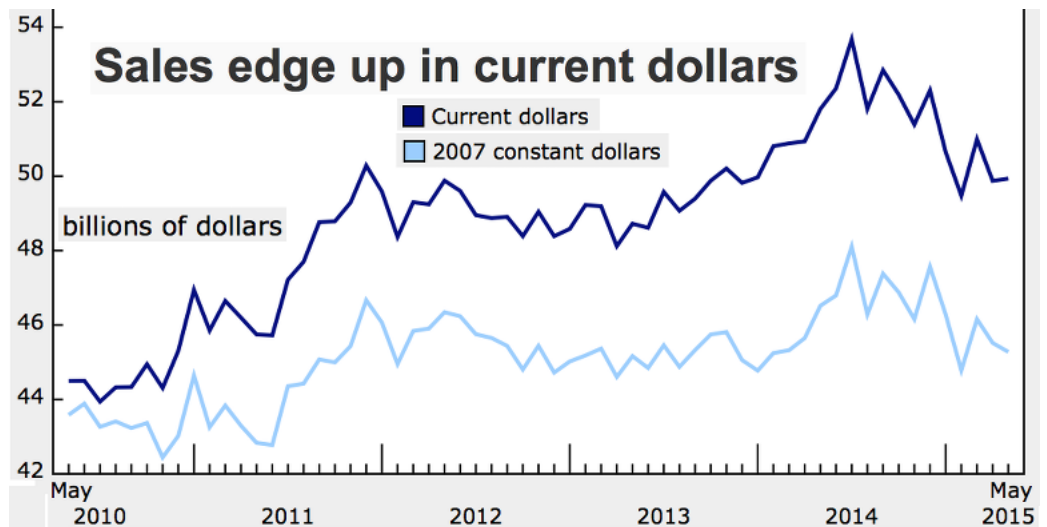
Manufacturing sales in Canada edged up 0.1 per cent to \$49.9 billion in May, while constant dollar sales fell 0.5 per cent, indicating a lower volume of goods sold, said Statistics Canada Wednesday.

The slight increase in current dollar sales was the second gain in 2015. Sales were up in 6 out of 21 industries, representing almost half of the Canadian manufacturing sector.)

The gain in May partly reflects changes in the value of the US dollar relative to the Canadian dollar. Year to date, production has increased 7.4 per cent compared with the same period in 2014.

Sales of petroleum and coal products rose 5.6 per cent, mostly reflecting higher prices as reported by the Industrial Product Price Index. Prices fell from June 2014 to January 2015 for petroleum refineries, reaching a low in January. In May, prices were 14 per cent higher than in January.

Other industries posting lower sales included food and wood manufacturers.



SOURCE: Statistics Canada

## 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   | 304       | 305       | -1     | 300       | +4     | 354      | -50    |
| WSPF KD R/L 2x6   | 308       | 305       | +3     | 300       | +8     | 360      | -52    |
| WSPF KD R/L 2x8   | 312       | 312       | 0      | 304       | +8     | 354      | -42    |
| WSPF KD R/L 2x10  | 372       | 370       | +2     | 368       | +4     | 402      | -30    |
| WSPF KD PET 2x4 Stud                                    | 320       | 325       | -5     | 305       | +15    | 345      | -25    |
| WSPF KD PET 2x6 Stud                                    | 290       | 306       | -16    | 290       | 0      | 335      | -45    |
| Douglas Fir Green R/L 2x4                               | 360       | 358       | +2     | 337       | +23    | 340      | +20    |
| Douglas Fir Green R/L 2x10                              | 410       | 405       | +5     | 370       | +40    | 345      | +65    |
| ESPF KD 2x4 8ft Stud                                    | 365       | 370       | -5     | 365       | 0      | 430      | -65    |
| OSB Ontario 7/16" (CDN\$/msf)                           | 237       | 235       | +2     | 237       | 0      | 225      | +12    |
| CSplywood Toronto 3/8" (CDN\$/msf)                      | 470       | 457       | +13    | 440       | +30    | 447      | +23    |

## Madison's Weekly Lumber News

### Housing Starts, US

CONT'D FROM PAGE 2 New applications for building permits increased 7.4 per cent to 1.34 million.

The more volatile multifamily construction figures, new construction of buildings with more than five units, jumped 28.6 per cent in June, hitting its highest level since 1987.

Construction levels for new homes remain historically low, though there are signs of a healthy pickup in activity. Starts were 26.6 per cent higher in June than a year ago, and permits were up 30 per cent.

A forward-looking gauge of US existing-home purchases rose to its highest level in more than nine years in May, the National Association of Realtors said last month. A separate report from the industry group showed sales of previously owned homes rose 5.1 per cent in May, following a drop in April.

### Timber Harvest, Oregon

CONT'D FROM PAGE 2 Brandon Kaetzel, a top economist at the department, said several issues will likely keep the harvest from rising, including reduced port access, a challenging export market and housing starts not reaching the levels some expected.

Sixty per cent of Oregon's forest land is federal. Industrial and family owned lands comprise another 34 per cent and the rest is divided between entities such as the state, counties and First Nations.

Percentage-wise, the largest harvest spikes in 2014 were on US Bureau of Land Management lands west of the Cascades, boosted by salvage logging from the Douglas Complex fire, and on US Forest Service lands east of the Cascades.

The private industry harvest declined 5 per cent, the report states, and the harvest on Native American forest-

land dropped 14 per cent — from 66 million board feet to 57 million board feet.

Oregon's largest timber harvest was 9.74 billion board feet in 1972. It has not exceeded 5 billion since 1993.

### Sawmill Fires

Fire crews in Maple Ridge, BC, Friday morning knocked down an early morning fire at the Southcoast Reman lumber mill.

Flames, sparks and smoke could be seen spitting out of a conveyor belt leading to the dust collection equipment.

Maple Ridge firefighters used a ladder-mounted hose to extinguish most of the flames from above.

As well, blaze at Weyerhaeuser, Grande Prairie, AB, caused limited damage to some machinery early Sunday morning.

The cause of the fire is under investigation. Weyerhaeuser is expecting operations in the sawmill to be running by Monday.



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## Timber Allocation: Québec

Québec Premier Philippe Couillard and Grand Chief of the Grand Council of the Crees (Eeyou Istchee) Matthew Coon Come signed a new partnership and collaboration agreement Wednesday. The Grand Council of the Crees calls it “the Agreement to Resolve the Baril-Moses Forestry Dispute.”

This agreement resolves a dispute and legal proceedings between the Cree Nation and the Government of Québec regarding the application of the “Baril-Moses” forestry standards. It provides for the implementation of these standards in the affected territory until June 30, 2020. For the period after July 1, 2020, Québec and the Cree will work together on possible improvements of these standards.

The agreement establishes the Broadback River Protected Area as a biodiversity reserve with an area of 9,134 square kilometers.

The Monday agreement:

- Halts a \$180-million Cree lawsuit against the Quebec government.
- Establishes more than 9,000 square kilometres in new protected areas where no forestry activity is allowed, to safeguard the woodland caribou.
- Creates a task force of the Crees, Quebec government and the Innu First Nation to work out forestry co-management practices by Dec. 1 in the 7,245-square-kilometre Baril-Moses forest.
- The Crees will inform the Forestry Stewardship Council that the dispute, which led to the suspension of FSC certification for Resolute Forest Products paper sourced in the area, has been settled.

## Great Lakes Forestry Funding

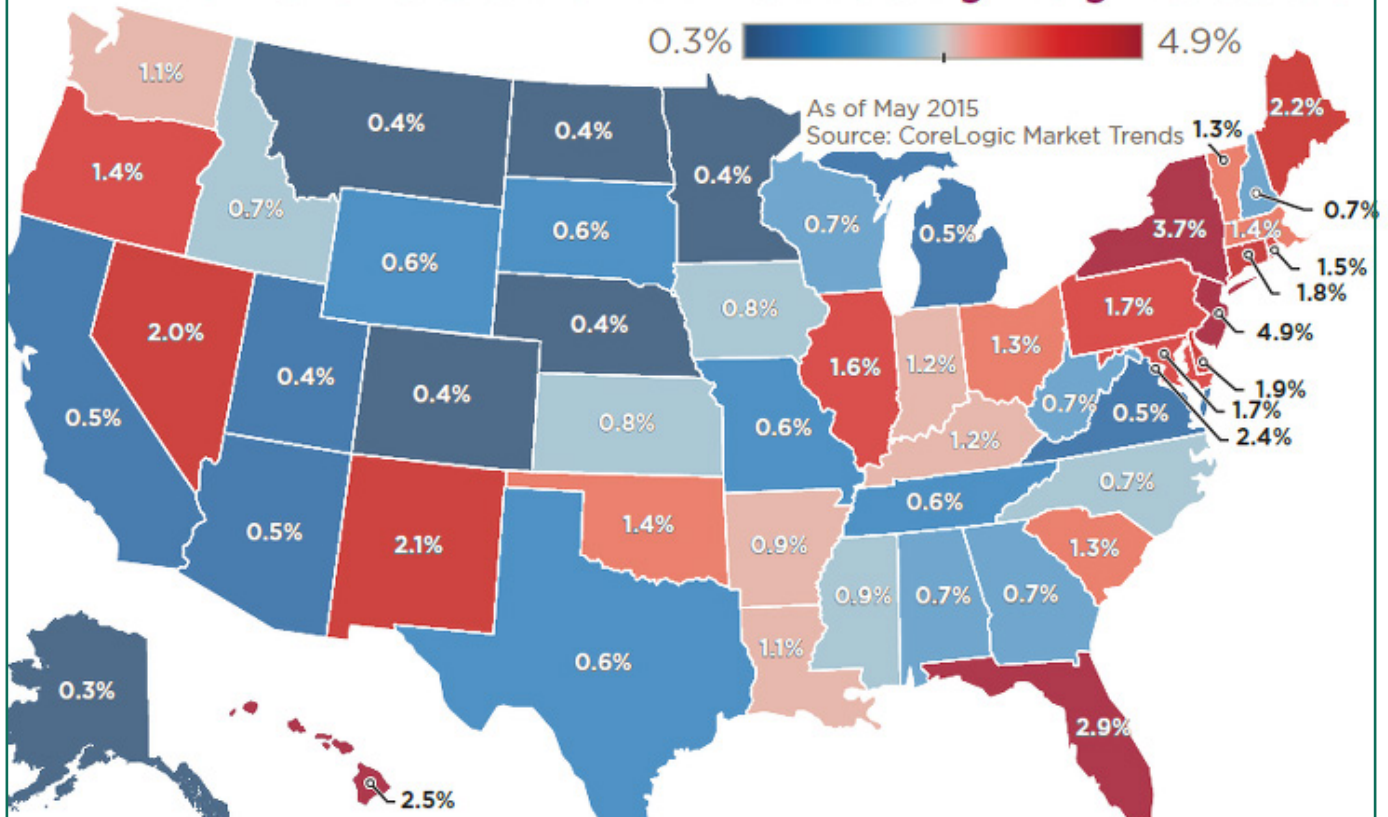
The Government of Canada announced Tuesday \$5-million in new funding for Natural Resources Canada’s Great Lakes Forestry Centre in Sault Ste. Marie, ON.

The funding will be used for energy-efficiency and infrastructure upgrades to the Centre, which conducts research on sustainable forest management, biological control of forest pests and diseases, forest productivity and forest fire research. For example, the Centre is working to combat the highly destructive emerald ash borer and other harmful pests that threaten the forestry industry.

The money is part of the \$380 million of funding injected into federal laboratories and research facilities for major repairs and upgrades that will improve the ability to perform leading-edge research, said Ontario MP Bryan Hayes.

Operating profits for Canada’s forest sector reached \$2.7-billion in 2013, and the sector contributed \$20.9-billion to Canada’s nominal GDP. The sector also employs over 216,000 workers across the country, including 43,000 in Ontario.

## Foreclosure Inventory by State



# North America Timber Update

The latest data and analyses for North America timber usage is contradictory enough without a constantly changing landscape subject to politics and evolving title rights. Please see Page 8 for what happened in Québec this week with First Nations resource rights.

## Conference Board of Canada

Otherwise, the Conference Board of Canada this week released a new report obtained by *Madison's*, is part of a good news/bad news story about a forest sector contributing \$12 billion annually to British Columbia's economy, along with 146,000 jobs.

Conference Board economist Robert Meyer-Robinson wrote: "The incentive for Canadian lumber companies to acquire production in the US is mounting. The production shift to the US has come at the expense of BC mills that have been either shut down or been sold."

The report's author expects industry revenues across Canada to grow 7.3 per cent in both 2015 and 2016, and 3.4 per cent annually in the ensuing three years. The forestry sector has been declining in importance in relation to BC's overall economy. The sector, which generated five per cent of GDP back in 1997, now accounts for just 3.5 per cent of BC GDP.

### BC Central 1 Credit Union

BC lumber production is "grinding out" year-to-date growth of 6 per cent this year as it remains in a disappointing holding pattern, said Central 1 Credit Union in Business In Vancouver Tuesday.

"Monthly production is trundling along at a pace that is not all that different from the average level observed

by Kéta Kosman

since 2012. In April, monthly softwood lumber

production was up 1.7 per cent from a year ago to 2.67 million dry cubic metres, pushing year-to-date production growth to a lacklustre 1.5 per cent."

### CMD Group Construction Material Pricing

Said Alex Carrick in the most recent issue of *Economy at a Glance*, June 24, "The 'copper wire and cable' PPI Index has been sloping downward, in ski-jump fashion, since early 2011. Recovery can hardly be anything but extended and sluggish."

### Conference Board of Canada

While BC lumber production should remain strong over the next five years, growth is set to eventually slow due to timber shortages and softer growth in demand from China. Rising production and higher prices mean forest industry revenues are set to reach nearly \$29 billion by 2016, according to the Conference Board. Industry production is expected to grow by 6 per cent in 2015.

However, rising production and material costs are expected to drive strong cost growth in the industry. Overall, industry costs are set to rise by 8.7 per cent in 2015. The industry will need to find cost-cutting initiatives to help support its bottom line.

