

MADISON'S LUMBER REPORTER



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News & Updates

Supercalendered Paper Export Duty

In an ominous foreshadowing of what is to come for Canada's softwood lumber producers, the United States Department of Commerce Thursday issued a preliminary ruling that Irving Paper's Port Hawkesbury, NB, supercalendered paper exports into the US, along with those of several other Canadian companies, were being unfairly subsidized.

That followed a preliminary finding last spring by the US International Trade Commission — launched by the Coalition for Fair Paper Imports whose members are Madison Paper Industries and Verso Corporation — that the Canadian companies' exports were materially hurting US paper producers.

US paper producers sought trade action at the beginning of February against Canadian rivals who they say are dumping their product south of the border and pricing them out of the market.

CONT'D PAGE 8

Forest Company Quarterly Results: 2Q 2015

Interfor Corp, Resolute Forest Products, Tembec Inc, and Norbord all announced second-quarter 2015 financial results this week.

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US Home Sales, Prices: May and June 2015

The House Price Index (HPI) data reported by the Federal Housing Finance Agency (FHFA) shows house prices rose at an annual growth rate of 5.4 per cent in May, higher than the 4.7 per cent in April and the 3.8 per cent in March. The Standard and Poor's/Case-Shiller reported that the Home Price Index rose at an annual growth rate of 0.5 per cent in May, slightly higher than the 0.4 per cent in April.

Meanwhile, the National Association of Realtors' Pending Home Sales Index declined in June after reaching the highest level in over nine years in May, the agency said Wednesday.

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Former Simpson Sawmill Site For Sale: Interfor

In a troubling move, Vancouver, BC's, Interfor announced Friday that just five months after it completed its purchase of a Simpson Lumber Co. mill on the Tacoma Tideflats, the forest products company is putting it back on the market.

The lumber mill was one of four Simpson properties Interfor bought for US\$94.7 million in March. The Tacoma mill alone, the company said in its second-quarter earnings release, was responsible for \$7.7 million of Interfor's \$20.6 million net loss for the quarter.

The company shut down the mill May 22 after experiencing difficulties in making the relatively modern mill profitable.

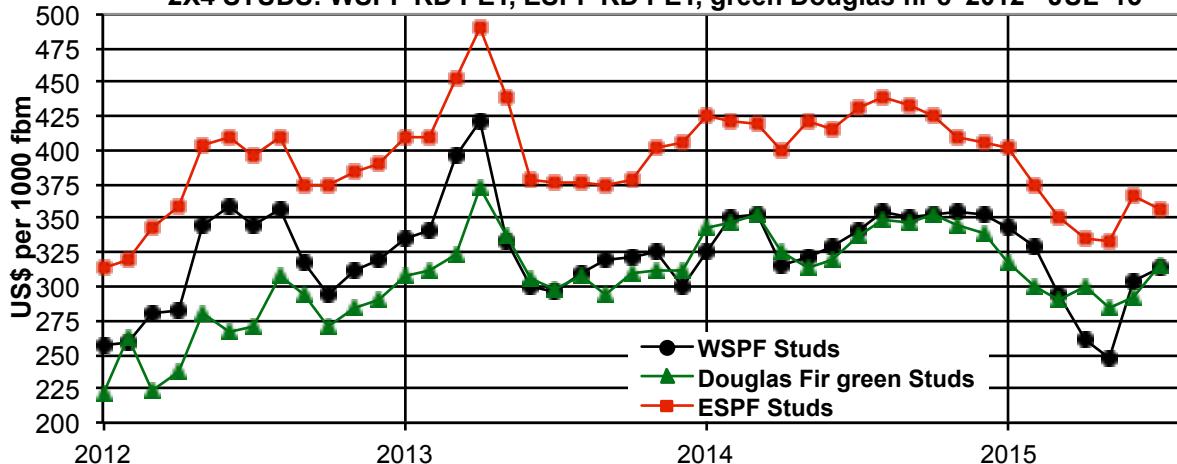
Cellulose Nanocrystal and Nanotechnology Research

Over 230 delegates from 25 countries gathered in Vancouver, BC, at the beginning of July for TAPPI's 9th International Conference on Nanotechnology for Renewable Nanomaterials.

See the very cool Georgia Tech information poster, "West Coast - East Coast: Research in Cellulose Nanotechnology" here: http://ipst.gatech.edu/faculty/ragauskas_art/posters/GaTech%20OSU%20Poster%20Nano.pdf

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2X4 STUDS: WSPF KD PET, ESPF KD PET, green Douglas fir 8' 2012 - JUL '15



**-- Madison's Forest Pulse --
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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

Don't miss even one issue of this essential information!

- foreshadows spot shortages, overages, and balance of supply with demand
- the latest on North American solid wood and paper companies
- presented in a compact six-page format every quarter

MADISON'S
3Q 2014 North America Timber Industry Analysis and Pro
By Keith Kosman, Publisher and Editor, Madison's Lumber Reporter
November 1, 2014

OVERVIEW
Vague hints of optimism among North America's lumber and paper industry in September as sales volumes deepened and prices softened somewhat. Get in on this vital information about the North American solid wood, pulp, and paper industry at your fingertips in a timely manner. Get in on this vital analysis for your lumber investments. Call us at 604 319-2266 or email madrep@shawcable.com for your limited-time 15% discount!

KEY 2x4 KD R/L LUMBER PRICES
US\$/mcf
400
350
300
250
200
150
100
50
0
Oct Nov Dec Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov
SOURCE: Madison's Lumber Reporter
Prices US\$/mcf (includes board foot, 4x8 FOM) - 2x4 KD R/L LUMBER PRICES
- 2x4 KD R/L LUMBER PRICES
- 2x4 KD R/L LUMBER PRICES
- 2x4 KD R/L LUMBER PRICES

Log Prices (\$/mcf)
6000
5000
4000
3000
2000
1000
0
2010 2011 2012 2013 2014 to Aug
Douglas-Fir minus Whites
Composite DNR Log
Douglas-Fir
Whites

Canada Log Exports Jan-Aug '14
China +7.40%
Japan +8.30%
S Korea -5.80%
USA -7.0%

Canada Softwood Log Exports by Value - 2010 to Aug 2014
450000
400000
350000
300000
250000
200000
150000
100000
50000
0
2010 2011 2012 2013 2013 to Aug 2014 to Aug
to US
to China
to Korea
to Japan

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Madison's Weekly Lumber Key Prices Table

www.madisonreport.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	292	302	-10	300	-8	354	-62
WSPF KD R/L 2x6	296	306	-8	305	-7	356	-58
WSPF KD R/L 2x8	312	310	+2	315	-3	354	-42
WSPF KD R/L 2x10	372	370	+2	370	+2	396	-24
WSPF KD PET 2x4 Stud	300	320	-20	315	-15	340	-40
WSPF KD PET 2x6 Stud	280	290	-10	295	-15	345	-65
Douglas Fir Green R/L 2x4	335	360	-25	355	-20	348	-13
Douglas Fir Green R/L 2x10	415	410	+5	390	+25	368	+47
ESPF KD 2x4 8ft Stud	340	355	-15	375	-35	430	-90
OSB Ontario 7/16" (CDN\$/msf)	237	237	0	235	+2	220	+17
CSplywood Toronto 3/8" (CDN\$/msf)	457	462	-5	421	+36	492	-35

Madison's Weekly Lumber News

Quarterly Results, Forest Companies

CONT'D FROM PAGE 2 Interfor Corp, out of Vancouver, BC, recorded Thursday a net loss of \$20.6 million, or \$0.29 per share, on sales of \$429.7 million in Q2 2015 compared with a net loss of \$0.2 million in the previous quarter and net earnings of \$7.4 million in Q2 2014.

Included in the Company's results for Q2 2015 is a pre-tax loss of \$7.7 million associated with the operations of the Tacoma sawmill which was acquired from Simpson Lumber earlier this year as part of a larger transaction involving a total of four mills.

Montreal, QC's, Resolute Forest Products reported also Thursday a loss of US\$4 million in its latest quarter compared with a loss of US\$2 million a year ago.

The forestry company said the loss amounted to four cents per share for

the quarter ended June 30 compared with a loss of two cents per share a year ago.

Excluding special items, Resolute said it earned a profit of US\$7 million or seven cents per share, down from US\$17 million or 18 cents per share in the same quarter last year.

Sales slipped to US\$926 million compared with US\$1.09 billion a year ago.

Meanwhile, Tembec Inc, also out of Montreal, QC, reported, also Thursday, that consolidated sales for the three-month period ended June 27, 2015, were \$365 million, as compared to \$404 million in the same quarter a year ago.

The Company generated a net loss of \$16 million, or \$0.16 per share in the June 2015 quarter compared to net earnings of \$30 million, or \$0.30 per share in the June 2014 quarter. The current quarter results include approximately \$12 million of incremental costs related to planned major maintenance

conducted at two large operating sites. Adjusted EBITDA was \$2 million for the three-month period ended June 27, 2015, as compared to adjusted EBITDA of \$30 million a year ago and adjusted EBITDA of \$12 million in the prior quarter.

Elsewhere, Toronto, ON's, Norbord Inc once more on Thursday reported Adjusted EBITDA of \$18 million in 2Q 2015 compared to \$14 million in the previous quarter and \$46 million in 2Q 2014. The year-over-year change is primarily due to lower North American oriented strand board (OSB) prices.

North American operations generated Adjusted EBITDA of \$11 million in the quarter, unchanged from the prior quarter and compared to \$37 million in the same quarter last year.

European operations delivered Adjusted EBITDA of \$10 million in the quarter versus \$7 million in the prior quarter and \$12 million in the same quarter last year.



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Canada - US Trade Dispute: Supercalendered Paper Producers

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The US trade petition alleges that "Canadian [supercalendered] paper has gained market share by underselling the US market prices of U.S. producers," according to the *Globe and Mail* March 10.

The US claims that the federal and provincial governments provide subsidies that include preferential loans, tax benefits, grant programs and cheap access to Crown land trees.

The Canadian companies named in the petition are Resolute Forest Products, Port Hawkesbury Paper, Irving Paper, and Catalyst Paper.

Port Hawkesbury Paper, which observers say was the main target in this complaint, faces the highest potential duties on its products entering the U.S. market, said the *Chronical Herald* Wednesday. The U.S. COMMERCE department set its subsidization rate at 20.33 per cent, almost double that of any other Canadian company named.

Those rulings are far from the final word in the matter. Both the U.S. Department of Commerce and ITC must confirm their findings this fall. The dispute could ultimately be heard before a NAFTA tribunal.

American officials, however, are expected to start collecting deposits at the border, based on the subsidization rates announced, from the named Canadian companies almost immediately. Even if those penalties are eventually lowered or removed, that's a real cost in the short term, albeit one that could last years.

BC's Minister of Forests, Lands and Natural Resource Operations Steve Thomson issued a statement Wednesday expressing "disappointment" at the preliminary decision to impose 11.19 per cent duties on Catalyst's exports of supercalendered paper.

JD Irving said Thursday it will ask the US Department of Commerce for a prompt review of a preliminary ruling that could lead to countervailing duties being slapped on Irving paper imports.

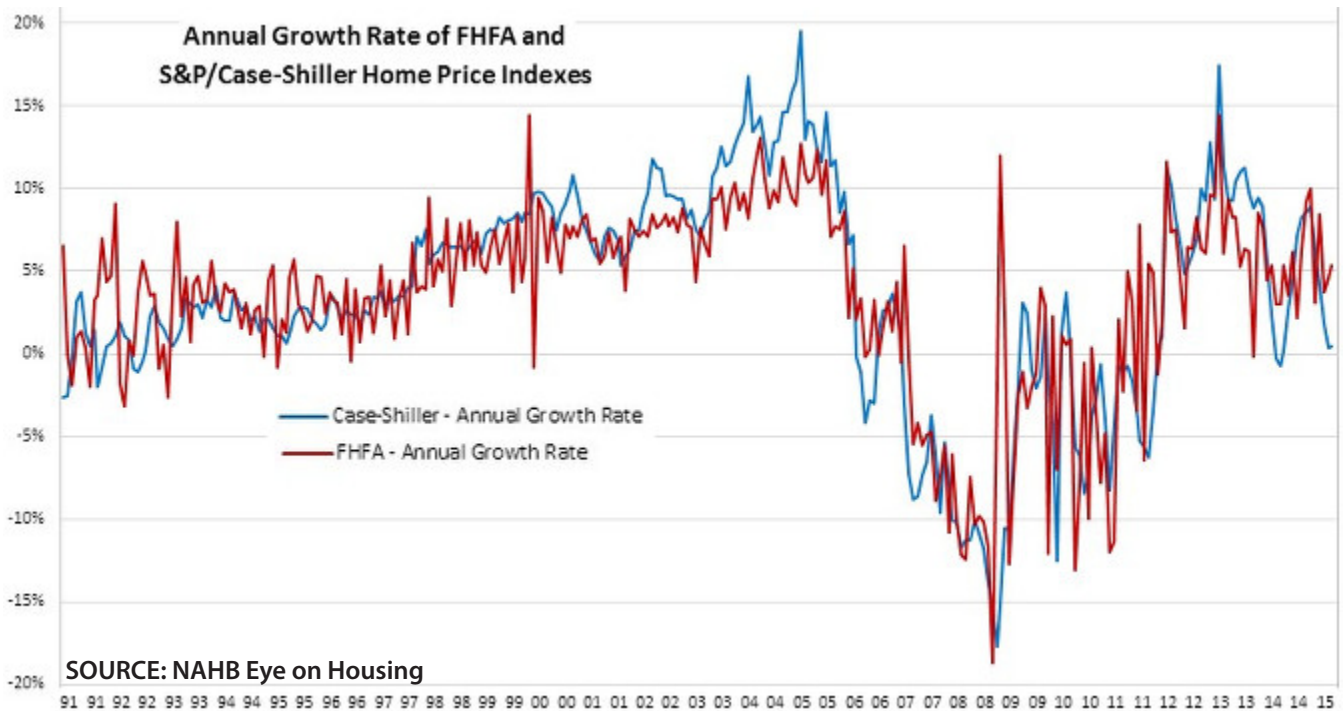
US House Prices, Pending US Home Sales: June and May 2015

The annualized growth rates of the Federal Housing Finance Agency (FHFA) and the Standard and Poor's/Case-Shiller home price indexes have been volatile month to month, but provide a detailed measure of the pre-boom stability, boom period acceleration, subsequent collapse, and recovery of prices.

The Pending Home Sales Index (PHSI), a forward-looking indicator based on signed contracts reported by the National Association of Realtors (NAR), decreased 1.8 per cent in June, but is up 8.2 per cent from the same month a year ago, and has increased year-over-year for ten consecutive months.

Regionally, 3 per cent declines in the Midwest and South were only partially offset by small increases in the Northeast and West. Year-over-year, the PHSI was up 12 per cent in the Northeast, 10.4 per cent in the West, 7.8 per cent in the South and 5.0 per cent in the Midwest.

The earlier string of positive pending sales releases in 2015 was consistent with a strong report last week as existing sales reached a pre-recession level. The June PHSI is a small bump in the road, and follows last week's similar decline in new home sales, which are also based on contracts. However, the longer view suggests continued good news for the existing sales market and for builders in 2015.



Cellulose Nanocrystal and Nanotechnology Research

Over 230 delegates from 25 countries gathered in Vancouver, BC, at the beginning of July for TAPPI's 9th International Conference on Nanotechnology for Renewable Nanomaterials. "This year's conference was exceptional," noted co-chair Wadood Hamad, Principle Scientist, FPInnovations to *Nano Werk* July 8. "The keynote and technical presentations were of very high quality. The advancements made in many applications show great promise, and we will see expanded commercial use of these renewable biomaterials."

"This year's conference had an excellent balance of presentations on fundamental topics and applications," commented co-chair Orlando J. Rojas, Professor at North Carolina State & Aalto University. "Expert scientists from around the globe shared new insights and remarkable, high quality work."

Several key commercial announcements were made at this year's conference, highlighting the tangible growth in this emerging market area of renewable biopolymers, said Nano Werk:

- Cellulose, which opened their commercial plant in January 2012, shared six advanced commercial projects.

- Imerys announced the launch of their new Fiber-Lean™ MFC innovative composite, which enables a 10-15 per cent reduction in fibre usage for papermaking applications.

- Representatives from the newly formed BioFilaments shared information on their unique high performance biomaterial derived from wood cellulose to be used as reinforcing agents and rheological modifiers.

- Blue Goose Biorefineries presented their patent-pending process for producing cellulose nanocrystals from wood pulp.

- Nippon Paper Industries introduced Cellenpia, their cellulose nanofibers produced from their pre-commercial plant.

- GL&V presented their commercial system, developed with the University of Maine, to produce cellulose nanofibrils at a very low energy cost.

- American Process Inc. presented their latest results of producing lignin-coated nanocellulose particles using their AVAP® technology which produces a material that is more easily dispersed and has enhanced properties.

Georgia Tech

Leading the research in America is Georgia Tech's School of Materials Science and Engineering, together with the US Forest Service. USFS

by Kéta Kosman

research engineer and Georgia Tech professor Robert Moon and his team published a paper in April titled "Cellulose Nanomaterials: Plant-based Nanoparticles Growing a Sustainable Future".

In his abstract, Moon points out that cellulose based materials (wood, cotton, etc) have been used by our society as engineering materials for thousands of years and their use continues today as verified by the enormity of the world wide industries in forest products, paper, textiles, packaging, etc. Today, this new family of particles has a unique combination of characteristics: high mechanical properties, low coefficient of thermal expansion, high aspect ratio, and low density.

"A new family of cellulose based particles (Cellulose Nanomaterials) with new functionality and performance are being developed to further expand the use of renewable materials in the ever widening consumer products base," explains the report abstract.

"Research in Cellulose Nanomaterials has grown rapidly in the last few years in an ever growing application space, including but not limited to: reinforcing fillers for polymers, cements, fibres, transparent films, flexible transparent displays, biomedical implants, drug delivery, barrier films, separation membranes, batteries, supercapacitors, sensors, etc."

The full report is available here <https://smartechnology.gatech.edu/handle/1853/53312>.

