

MADISON'S LUMBER REPORTER

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News & Updates

Conifex - Canfor Investment Agreement

Canfor Corp and Conifex Inc, both out of Vancouver, BC, said they reached an investment agreement for \$30 million, according to *Woodworking Network* Monday. The loan by Canfor to Conifex, a wholly-owned subsidiary of Conifex Timber is for five years, with the proceeds to be used for general corporate purposes.

Securing the loan, finalized August 5, is a first lien on a forest license with 200,000 cubic metres of annual cut held indirectly by a subsidiary of Conifex Inc. The companies say that after 17 months, Conifex Inc. can elect to pay the principal amount of the secured note by a transfer of all of the issued common shares of the subsidiary. After 12 months, Canfor also has the option to convert the note into an ownership interest in the forest license.

Russia Lumber Export Rise 7.4 Per Cent: 1H 2015

For the first six months of 2015 total volume of lumber exports from Russia increased by 7.4 per cent, to 6.96 million tons year-over-year, as Federal Customs Service of Russia said in the press release received by Lesprom Network August 7.

The volume of Russian exports of roundwood however, for the reporting period, amounted to 9.21 million cubic metres, 8.2 per cent less than in the same period last year, worth US\$682.8 million, a 24.5 per cent decrease.

Wei Wai Kum First Nation Signs 25-year BC Timber Deal

The British Columbia government announced August 7 a 25-year timber licence agreement with a First Nation on Vancouver Island, which allows the Wei Wai Kum First Nation to harvest almost 9,900 cubic metres of timber a year from its traditional territory around Campbell River, BC.

The deal covers a 2,400-hectare parcel of Crown land near Heydon Bay on the province's south central mainland coast and another 1,200 hectares by Pye Lake, north of the band's community on Vancouver Island.

BC's Forests Minister Steve Thomson said it is the third such First Nations deal since 2011 and will help the Wei Wai Kum to take a stronger role in managing forests and lands. CONT'D PAGE 7

Housing Starts, Canada: July 2015

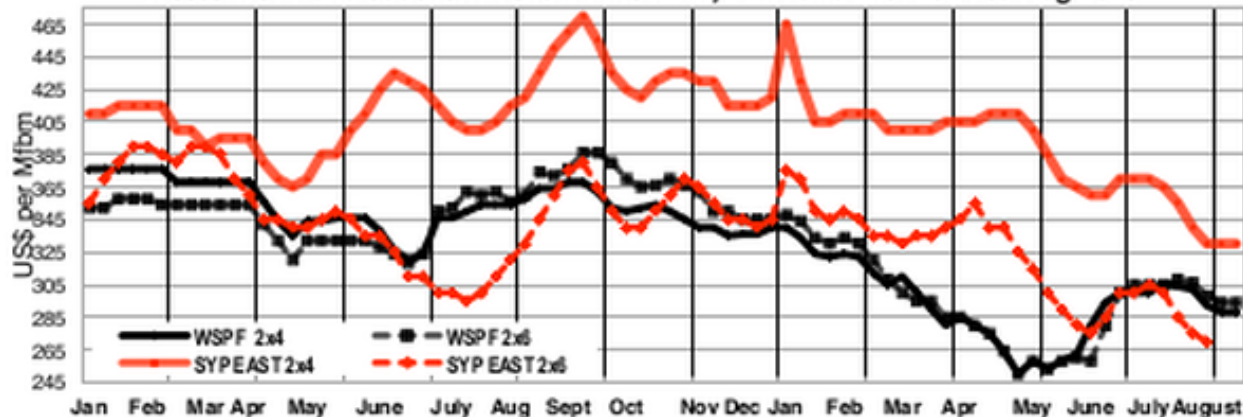
The latest report from the Canadian Mortgage and Housing Corp, released Tuesday, showed the seasonally adjusted annualized rate of housing starts fell to 193,032 in July from a downwardly revised 202,338 units in June.

With the six-month trend at 185,586 starts, analysts said homebuilding has settled into a pace that meets demographic demand, seemingly unaffected by the low oil prices and economic drag felt in many other sectors. CONT'D PAGE 7

Major Explosion at Tianjin Port, China

An explosion in eastern China that rocked one of the world's busiest ports Wednesday poses some logistics problems despite resuming operations. Authorities and companies near the blast site in the eastern Chinese city of Tianjin said to the *Wall Street Journal* Friday operations there were returning to normal. Still, bottlenecks remained for industries from steel production to oil refining. CONT'D PAGE 9

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



Madison's Weekly Lumber Key Prices Table

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	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	288	288	0	304	-16	364	-76
WSPF KD R/L 2x6	294	294	0	308	-14	374	-80
WSPF KD R/L 2x8	308	308	0	312	-4	364	-56
WSPF KD R/L 2x10	368	368	0	372	-4	394	-26
WSPF KD PET 2x4 Stud	265	290	-25	320	-55	350	-85
WSPF KD PET 2x6 Stud	275	270	+5	290	-15	355	-80
Douglas Fir Green R/L 2x4	330	340	-10	360	-30	360	-30
Douglas Fir Green R/L 2x10	415	415	0	410	+5	377	+38
ESPF KD 2x4 8ft Stud	335	345	-10	365	-30	440	-105
OSB Ontario 7/16" (CDN\$/msf)	245	235	+10	237	+8	225	+20
CSplywood Toronto 3/8" (CDN\$/msf)	440	457	-17	470	-30	492	-52

Madison's Weekly Lumber News

Canada Housing Starts, July

CONT'D FROM PAGE 2 The CMHC report showed a 5.9 per cent drop in Canada's urban housing starts, which make up the bulk of construction activity, with multiple starts — typically condos — down 8.2 per cent and single-detached home starts down a more modest 0.8 per cent.

Regionally, British Columbia showed the only gain in new housing starts.

The rate of home construction remains above a low of 151,387 set in February, fueled by job gains and some of the lowest mortgage rates in decades. The resilience of the market in a year when exports and business spending have been roiled by an oil shock suggests renewed increases are possible in the next few months, according to David Tulk, chief Canada macro strategist at Toronto-Dominion Bank's TD Securities unit.

"With the Bank of Canada expected to remain quite accommodative, we see further momentum in both sales and construction through the second half of the year," Tulk wrote in a research note.

BC - First Nations Timber Deal

CONT'D FROM PAGE 2 Wei Wai Kum Chief Robert Pollard told the *Campbell River Mirror* the licence means the band can build on its strong economic base through better conservation of its cultural interests in the region.

The government says another First Nation on Vancouver Island, along with a band in the Cariboo, have signed similar agreements in the past.

This is the third First Nations woodland licence issued since the province began the program through legislation passed in 2011. The initial First Nations woodland licence was awarded to the Huu-ay-aht First Nation on Vancouver Island in 2012, and an agreement

with the Canim Lake Indian Band in the Cariboo followed.

Conifex Acquires Arkansas Mill

Conifex Timber, based in Vancouver, BC, has completed its purchase of a private Delaware company holding exclusive rights to a sawmill and 186 acres of land near El Dorado, AR, said Woodworking Network also Monday. The rights to the Arkansas property was acquired for US\$21 million.

The deal, announced Aug. 6, comprised US\$12.36 million in cash and US\$8.64 million in vendor mortgage. Conifex CEO Ken Shields explained uncertainties in softwood lumber supply spurred the acquisition, with the Softwood Lumber Agreement between Canada and the United States set to expire in October.

Conifex said it is completing a review of the site for capital upgrades, while determining a timeline for also rebuilding the Mackenzie Site I mill in British Columbia.



Wealth Advisors to the Lumber & Logging Industry

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2Q 2015 North America Timber Industry Analysis and Projection

By Kéta Kosman, Publisher and Editor, Madison's Lumber Reporter

August 10, 2015

OVERVIEW

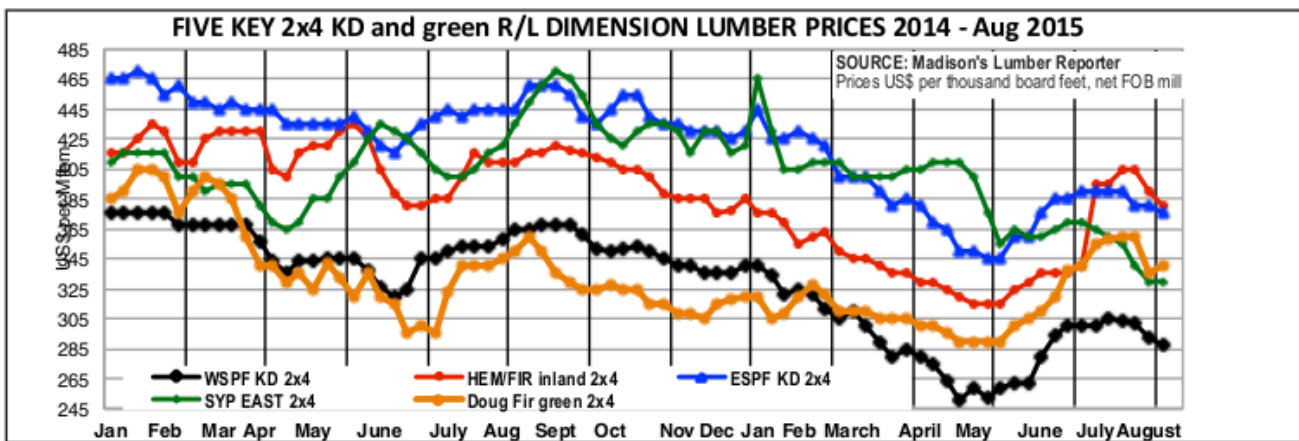
Loosely and very generally, **Canadian softwoods** account for between **30 and 35 per cent** of all softwood dimension **lumber products in the US**, at least for the past 20 years or so.

Total **US softwood lumber consumption** "Apparent Consumption" in 2014 was 42,402 million fbm, compared to 39,503 million fbm in 2013, according to **Western Wood Products Association Lumber Track**.

US lumber consumption so far this year is **similar** to the first five months of **2014**, says **WWPA**.

British Columbia produces 50 per cent of Canada's total wood supply. **Canadian Sawmill Products exports in 2014 were C\$8.8 billion**, to the US alone were C\$5.8 billion, according to the latest **Statistics Canada** data.

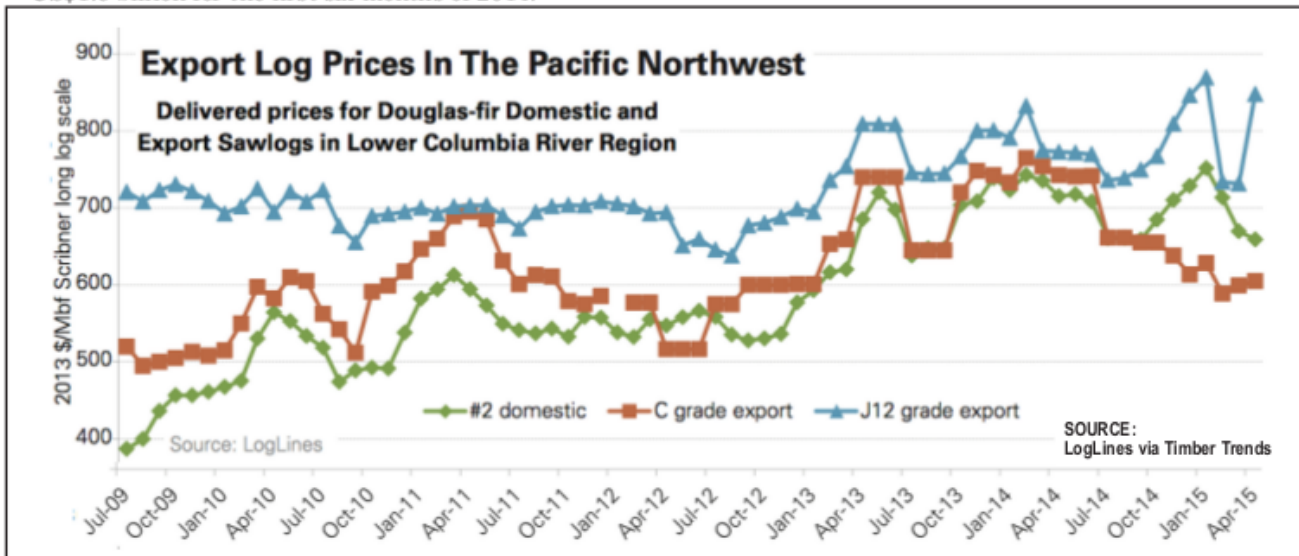
Canada lumber exports increased 6.7 per cent for Jan - Jun 2015, to C\$3.0 billion, from C\$2.8 billion in the first six months of 2014.



There was **US\$1.6 billion** in **US Softwood Logs** exported in 2014, of that **US\$876 million** was to China, according to the latest **US Census** data. **US Softwood Log exports globally for Jan - June 2015 were down -37%**, to **US\$591.6 million**, compared to **US\$943.9 million** for the first six months of 2014.

That to China was **US\$290 million**, a **-45%** drop over **US\$ 526** last year.

Meanwhile **US Sawmill Products** exports for 2014 were **US\$3.8 billion**, also mostly to China which was **US\$1.3 billion**. **US Sawmill Product exports globally for Jan - June 2015 were US\$1.7 billion**, compared to **US\$1.9 billion** for the first six months of 2014.



Explosion at Major Chinese Port

Tianjin's maritime authority said in an online post Friday that besides oil tankers and ships carrying what it termed hazardous materials, the port was operating normally. Berth operators reached by phone said the flow of goods had resumed. The port operator, Tianjin Port (Group) Co., referred questions to government officials.

Damage assessment in Tianjin was well under way Friday by major Chinese and foreign companies. China Eastern

by **Kéta Kosman**

Air Holding Co said its facilities and a staff dormi-

tory located about a mile from the warehouse blast were seriously damaged. Four helicopters were also damaged.

Chemical Fire

Fatalities from the explosion reached 50 Wednesday night explosion, which happened at a company licensed to store hazardous chemicals, left more than 500 people wounded, 52 of them critically, and produced shock waves felt for miles.

The blast also sent the port city's shipping containers tumbling into one another, leaving them in bent, charred

piles. Rows of new cars, lined up on vast lots for distribution across China, were reduced to blackened carcasses.

Tianjin is the 10th-largest port in the world by container volume, according to the World Shipping Council, moving more containers than the ports of Rotterdam, Hamburg and Los Angeles. It handles vast quantities of metal ore, coal, steel, cars and crude oil.

Tianjin Trade

By July 2015 warehouses of the port of Shanghai have accumulated more than 700 thousand cubic metres of lumber, according to *Lesprom Network* July 20.

This situation is due to a sharp drop in lumber prices in Egypt (decline was about 20 per cent from November 2014 to February 2015), were supplied lumber from Finland, Sweden, Germany and Russia, said *Lesprom*.

China Import Volumes

In April, the import volume of softwood lumber by China reached its second highest level on record as reported by the *Wood Resource Quarterly* June 12. Importation during the first four months this year was 2.1 per cent higher than in

the same period last year, with Russian sawmills increasing their shipments by over 13 per cent. Import prices in April were at their lowest level since 2012.

Demand for imported softwood lumber in China for February showed import volumes were down to 860,000 cubic metres for the month, a two-year low. In just two months, shipments doubled to 1.7 million cubic metres for the month of April, the second highest monthly import volume on record.

Year-to-date import volumes were 2.1 per cent higher this year than during the same period in 2014, as reported in the *Wood Resource Quarterly*.

Overall, lumber import prices to China have trended downward in 2015 with the April average prices reaching their lowest level since late 2012. Prices for Nordic lumber have fallen steeper than those for lumber from other major supplying countries. Russian lumber (mostly pine) continues to be the lower value wood, while the average cost for lumber from the Nordic countries, Chile and New Zealand currently is almost twice as high.

