

MADISON'S LUMBER REPORTER

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News & Updates

Goodfellow - Lebel Cambium Joint Venture

A joint venture announced this week would combine Goodfellow's three plants in Delson, QC, Elmsdale, NS, and Deer Lake, NL, and Lebel Cambium's two Ontario plants (Bancroft and Caledon) and two Quebec plants (Degelis and St-Joseph), as those two companies expand their reach and profits by forming one of Eastern Canada's largest producers of treated wood, according to *Montreal Gazette* Tuesday.

The union is expected to lower costs and boost profits. Some plants will also specialize in certain products. The joint venture is expected to post more than \$100 million in annual sales and add about \$50 million to the \$500 million in annual sales Goodfellow posted in 2014.

The partners will continue with their other wood operations.

US Housing Starts: July 2015

US home building ticked up in July thanks to a surge in construction of single-family homes. US housing starts rose 0.2 per cent from a month earlier to a seasonally adjusted annual rate of 1.21 million last month, the highest since October 2007, the Commerce Department said Tuesday. That is the third time in four months the figures reached a new high since the recession began. CONT'D PAGE 7

Home Sales, Prices: US

Sales of US previously-owned home rose to a near 8.5-year high in July and factory activity in the mid-Atlantic region picked up this month, fresh signs of steady economic growth that likely keeps the Federal Reserve on track to raise interest rates this year. The National Association of Realtors said Friday existing home sales to an annual rate of 5.59 million units last month, the highest pace since February 2007. CONT'D PAGE 7

BC Sawmill Waste Pile Fire

A potentially disastrous mill fire, which spontaneously erupted in a waste pile at the Whitevalley Tolko Mill, was snuffed out by firefighters in Lumby, BC early Wednesday morning.

Although the blaze was small, sitting near the log yard amongst additional sawmill waste, "it had the potential to be quite disastrous," said Lumby fire chief Tony Clayton to the *Vernon Morning Star*.

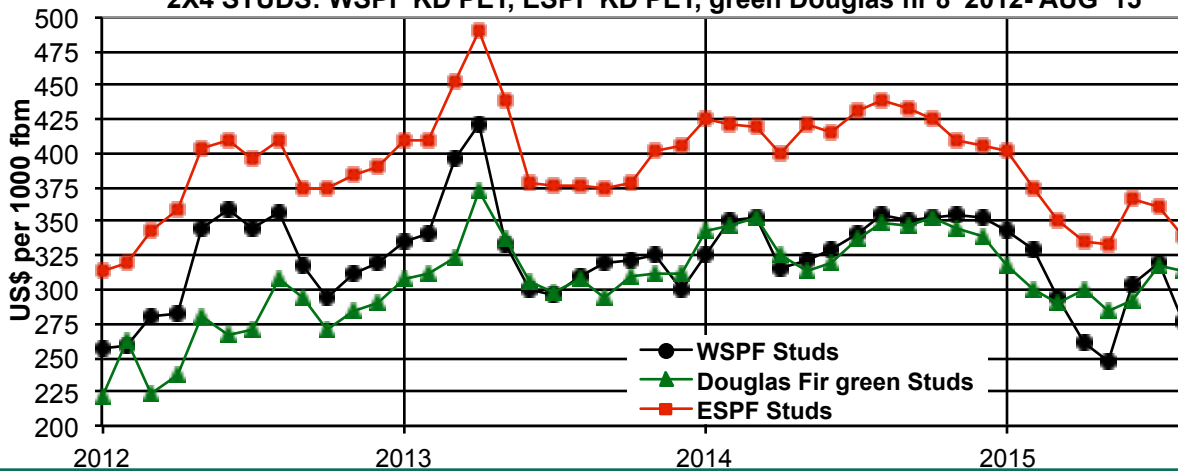
And although it was just a small piece of the pile that was burning, thermal camera imaging showed hot spots throughout a significant portion of the pile. Lumby firefighters actioned the blaze for six hours until it was safe for Tolko to take over with sprinklers on the pile.

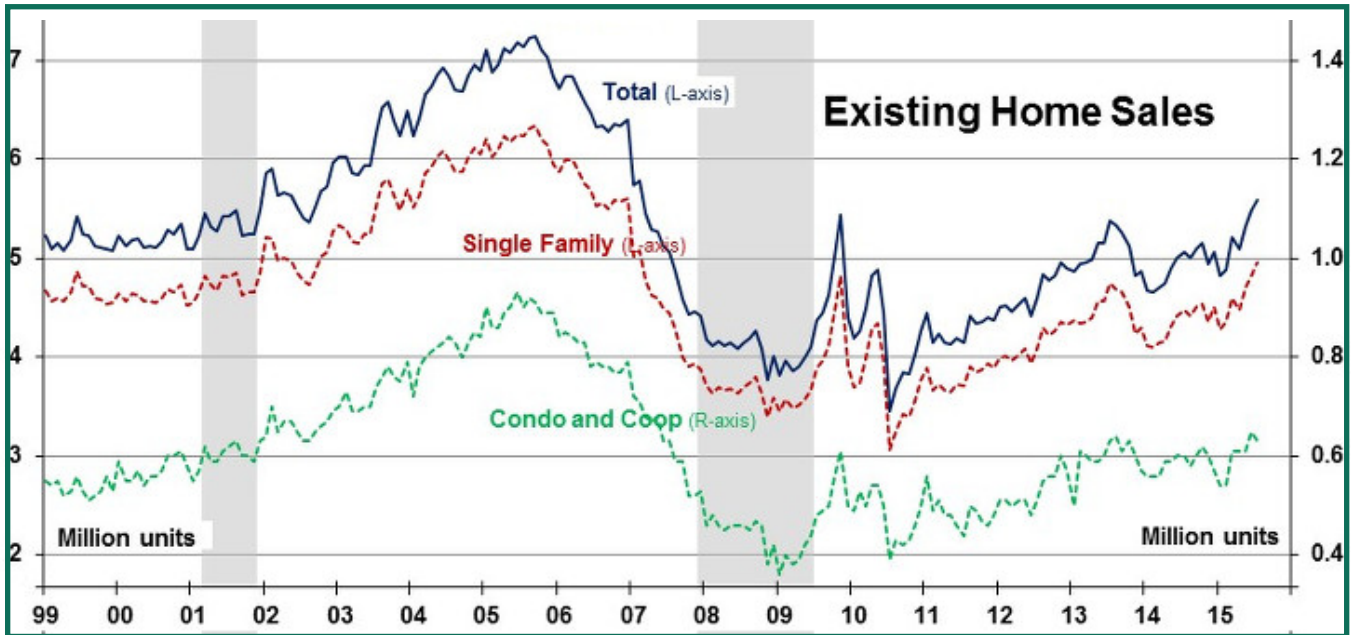
Wildfires, Water Restrictions: Western North America

This week the most tragic occurrence of three wildfire firefighter deaths in Washington State brings into focus the importance and severity of this extended very dry season in northwestern North America.

In addition, natural resource extraction operators in northern British Columbia and Alberta have been forced to cease operating due to water supply restrictions. CONT'D PAGE 9

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





US Producer Price Index: July 2015

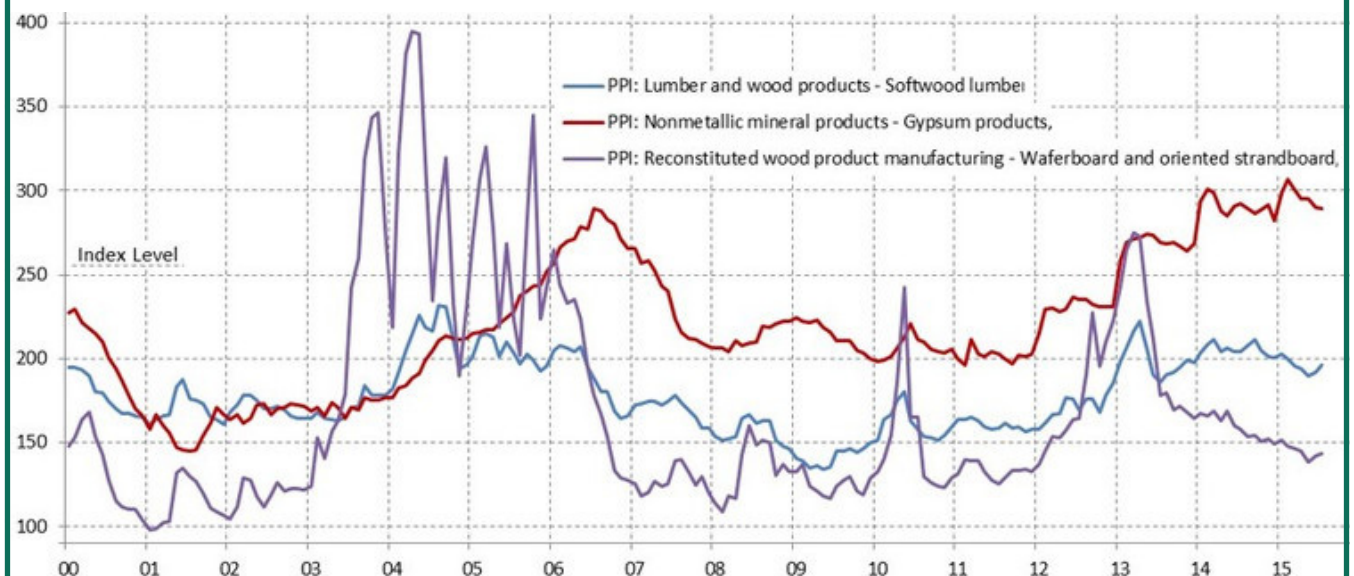
The US Bureau of Labor Statistics (BLS) released the Producer Price Indexes (PPI) for July.

Inflation in prices received by producers (prior to sales to consumers) rose 0.2 per cent in July after a 0.4 per cent increase in June. The increase was based on rising prices for services (0.4 per cent), prices for goods declined (-0.1 per cent).

Prices for both food and energy goods declined. Excluding food and energy goods, prices were flat in July after a 0.4 per cent increase in June.

Wood products prices batted in second consecutive monthly increases for softwood lumber and OSB. Softwood lumber prices rose 2.4 per cent in July after a 1.0% increase in June. OSB price were up 1.0 per cent after a 2.4 per cent increase in June. Despite the increases softwood lumber and OSB prices are down for the year.

Gypsum prices slid further in July, down 0.3 per cent for the month, and 5.6 per cent from a February peak. Despite the declines gypsum prices are on par with the housing boom peak.



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	278	288	-10	302	-24	364	-86
WSPF KD R/L 2x6	284	294	-10	306	-22	372	-88
WSPF KD R/L 2x8	304	308	-4	310	-6	370	-66
WSPF KD R/L 2x10	354	368	-14	370	-16	394	-40
WSPF KD PET 2x4 Stud	255	265	-10	320	-65	360	-105
WSPF KD PET 2x6 Stud	270	275	-5	290	-20	365	-95
Douglas Fir Green R/L 2x4	325	330	-5	360	-35	360	-35
Douglas Fir Green R/L 2x10	410	415	-5	410	0	385	+25
ESPF KD 2x4 8ft Stud	335	335	0	355	-20	445	-110
OSB Ontario 7/16" (CDN\$/msf)	248	245	+3	237	+11	225	+23
CSplywood Toronto 3/8" (CDN\$/msf)	447	440	+7	462	-15	492	-45s

Madison's Weekly Lumber News

Housing Starts US, July

CONT'D FROM PAGE 2 Starts on single-family units jumped 12.8 per cent to their highest level since December 2007. Multifamily units, including apartments and condominiums, fell 17 per cent.

New applications for building permits declined 16.3 per cent to 1.1 million.

Tuesday's report showed new-home construction rose 12.3 per cent in June from the prior month, compared with an initially reported 9.8 per cent jump.

The pickup in June was driven entirely by construction of multifamily housing units. That was due in part to a surge in activity in New York City just before tax incentives for multifamily developments were scheduled to expire. Thus, many economists expected new applications for permits would plunge in July.

Construction levels for new homes remain historically low, though there are continued signs of growing underlying demand. Starts were 10.1 per cent higher in July than a year ago, and permits were up 7.5 per cent.

Tuesday's report showed housing starts climbed in the Midwest and South and fell in the Northeast and West.

US Home Sales, July

CONT'D FROM PAGE 2 A forward-looking gauge of US home purchases slipped in June, after hitting 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 increased 3.2 per cent in June to a seasonally adjusted annual rate of 5.49 million, the strongest since February 2007.

The share of first-time buyers fell to a six-month low of 28 per cent last month.

All-cash transactions made up about 23 per cent.

There were 2.24 million unsold previously owned homes on the market in July, down 4.7 per cent from a year ago. That pushed the median home price to US\$234,000, up 5.6 per cent from the year-ago period. Although higher prices could curb sales, they are raising equity for many owners and boosting household wealth.

They also may encourage builders to ramp up construction, further boosting the economy. Housing starts rose to a near eight-year high in July.

US Leading Economic Index: July 2015

The index of US leading economic indicators unexpectedly declined in July, depressed by a slump in building permits that mainly reflected a proposed change in a New York tax credit.

The Conference Board's gauge, a measure of the outlook for the next three to six months, decreased 0.2 per cent after rising 0.6 per cent in June, the New York-based group said Thursday.

The decrease was narrowly-based with only two — building permits and stock prices — of the measure's 10 components retreating. That means growth in the last half of 2015 will depend even more on American consumers as their

spending on items from cars to homes accounts for almost 70 per cent of the economy.

Russian Group Increases Timber Cut

In the first half year north Russian Sawmill 25 Group increased roundwood cutting at its three sawmill locations by 7 per cent to 558,000 cubic metres, according to *EUWID* Thursday. Lumber production, in the process of which 168,600 cubic metres, or 10 per cent, more wood chips were produced, was 6 per cent above last year's level with a volume of 241,000 cubic metres.

Pellet production increased by 43 per cent to 40,000 metric tonnes. For the first time, the production figures include figures of the Archangelsk sawmill LDK 3, which was acquired by the Group at the beginning of the year. Furthermore pellet production increased as a consequence of launching production at the new pellet plant located in Ziglomen in mid-March, said *EUWID*.

Calendar

September 2015

Who Will Own the Forests? 2015
September 15-17, 2015 – Portland, OR
<http://wwotf.worldforestry.org/wwotf11/>

Forest Products Forum 2015
September 15, 2015 – Portland, OR
<https://www.getfea.com/FPF2015>

US Architecture Billings Index: July 2015

The Architecture Billings Index (ABI) is reflecting healthy and sustained demand for design services in nearly all non-residential project types, the American Institute of Architects (AIA) said Wednesday.

As a leading economic indicator of construction activity, the ABI reflects the approximate nine to twelve month lead time between architecture billings and construction spending. The AIA reported the July ABI score was 54.7, down a point from a mark of 55.7 in June. This score still reflects an increase in design services (any score above 50 indicates an increase in billings). The new projects inquiry index was 63.7, up slightly from a reading of 63.4 the previous month.

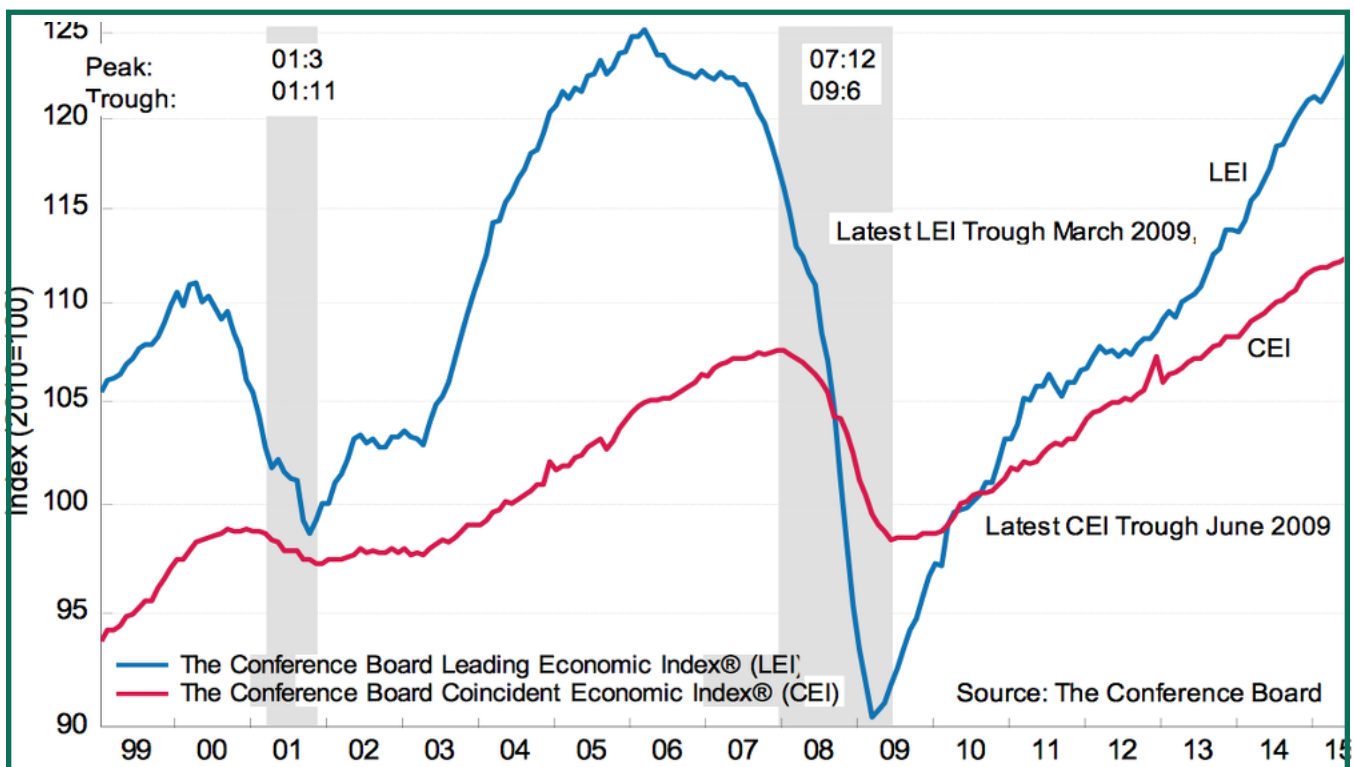
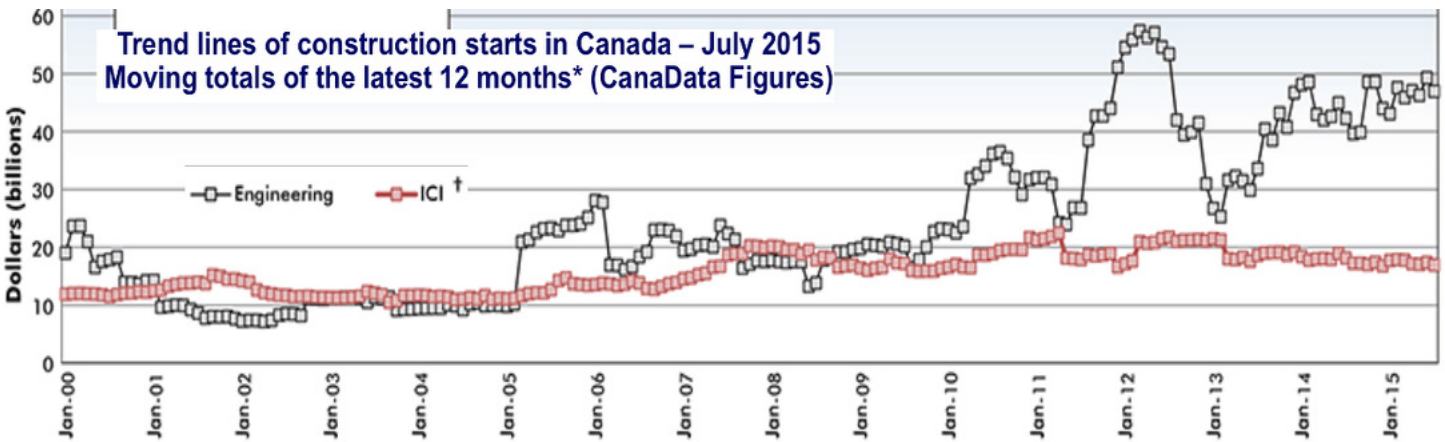
“On top of what has been a flurry of design activity in recent months, some architects are reporting a break in the logjam created by clients placing projects on hold for indefinite periods, which bodes well for business conditions in the months ahead,” said AIA Chief Economist Kermit

Baker, Hon. AIA, PhD. “There is some uneasiness in the design community that rapid growth in construction costs could escalate beyond development capital and municipal budgets, which could trigger some contraction in the marketplace down the road.”

Key July ABI highlights:

- Regional averages: Midwest (58.2), South (55.7), West (53.8) Northeast (53.5)
- Sector index breakdown: institutional (57.3), mixed practice (56.8), commercial / industrial (53.4) multi-family residential (49.8)
- Project inquiries index: 63.7
- Design contracts index: 54.5

The regional and sector categories are calculated as a 3-month moving average, whereas the national index, design contracts and inquiries are monthly numbers.



Severe Dry Weather: Northwestern North America

USA

Drought and heat have combined to make this fire season of the most active in the United States in recent years. Nearly 29,000 firefighters are battling some 100 large blazes across the West, including in Idaho, Oregon, Montana, Washington, and California.

Three US Forest Service firefighters died after their vehicle crashed as they battled a blaze Wednesday in north-Central Washington, where raging wildfires were advancing on area towns, authorities said. Four other firefighters were injured.

The vehicle was likely caught by flames after it crashed as the three fought a blaze near Twisp, WA, the National Forest Service said to *CTV News*, relaying information from Okanogan County Sheriff Frank Rogers.

The USFS identified the deceased firefighters late Thursday as Tom Zbyszewski, 20, Andrew Zajac, 26, and Richard Wheeler, 31.

The news came after officials urged people in the popular outdoor-recreation centers of Twisp and Wintrop, in the scenic Methow River valley about 240 kilometres northeast of Seattle, to evacuate as a fire near Twisp grew to about 5 square kilometres.

Military personnel from Joint Base Lewis-McChord are expected to join the Washington state effort by the weekend.

The Okanogan County Emergency Management department issued the order for the towns, which combined have a population of about 1,300.

A larger group of fires burning to the east covered about 130 kilometres and prompted the evacuation of Conconully, home to about 200 people 32 kilometres northwest of Omak — with further urgent evacuation orders issued Wednesday night for an area south of Conconully to the Omak town line.

To the south, more than 1,100 firefighters were combatting a fire that topped 279 square kilometres and was still threatening the resort town of Chelan.

Angela Seydel, a spokesperson for Okanogan Emergency Management, said Wednesday evening that 4,000 homes in the region had been evacuated.

Fires currently burning have scorched more than 1.2 million acres in the Lower 48 states, mostly in the Northwest, and dozens of homes have been destroyed.

Canada

The current water shortage is also drawing attention to water-intensive in-

dustries, including agriculture, Alberta's oil sands and BC's potential liquified natural gas sector. With a drought gripping much of Western Canada, homeowners, business operators and politicians are taking a hard look at water consumption, some for the first time. While bans on lawn-sprinkling tend to be the first prong of drought response plans, there is an increasing emphasis on making better use of the resource.

In the Okanagan region of southern BC, the driest part of Canada, agriculture accounts for about 55 per cent of water use. Outdoor residential use — mostly lawns — accounts for 24 per cent.

While urban residents can stop washing their cars and sprinkling their lawns, ranchers can't stop feeding their cows.

Alberta has received less than 40 per cent of the normal rainfall compared with a year ago, and hay is selling for up to \$150 a bale — double its typical cost.

Epcor, which runs the local water system for greater Edmonton, says the region used about 126.5 million cubic metres of water in 2014 — or about 195 litres per person every day.

In BC, a new water sustainability act is scheduled to take effect next year. The legislation will include new rental rates for industrial users and, for the first time, regulate and apply fees to groundwater.

Alberta Oil Sector

Alberta's energy regulator restricted applications by oil and natural gas operators to withdraw water from the Athabasca River amid dry conditions in the province.

Restrictions for temporary diversion licenses have also been put in place for the South Saskatchewan, the Peace and Milk rivers, the Alberta Energy Regulator said on its website Monday. The regulator is also calling for voluntary restrictions from existing operators.

The Athabasca River, which is fed by glaciers and streams in the Rocky Mountains, requires about 900 cubic metres (31,780 cubic feet) per second of water in the summer when the flow is at its peak in order to maintain healthy ecosystems, the Alberta environment ministry said on its website. The flow earlier this month was 557 cubic meters per second.

Alberta and other western Canadian provinces have suf-

fered from above-normal temperatures this summer after a spring with less precipitation than normal, according to the Alberta agriculture ministry.

Earlier this week, Alberta's energy regulator suspended a total of 73 temporary industry licences to take water from the Athabasca and Peace rivers because of low flows. Alberta Environment reports that water flows at the Athabasca station are about 43 per cent below average for this time of year.

Oil-sands miners use water to process bitumen, and have pledged to lower by half the amount of fresh water used in production as the industry counters criticism that it pollutes too much. Members of Canada's Oil Sands Innovation Alliance, or COSIA, including Suncor Energy and Royal Dutch Shell, aim to lower the amount of fresh water used to process bitumen to 0.2 barrels per barrel of bitumen by 2022 from 0.4 now, the group said on November 25.

ALBERTA WATER ALLOCATIONS

Ground and surface water, in millions of cubic metres



4,195.9
Agricultural irrigation



648.5
Commercial



2,328.5
Commercial - cooling



785.5
Industrial (oil and gas)



1,146.9
Municipal



21.6
Recreation

THE GLOBE AND MAIL | SOURCE: ALBERTA ENVIRONMENT MINISTRY
NOTE: These numbers are for allocation, actual usage would be notably lower.