

MADISON'S LUMBER REPORTER

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News & Updates

Interfor to Cut US South Lumber Production

Interfor Corp, out of Vancouver, BC, Friday announced plans to reduce production across its operating platform in the US South by 20 per cent on a temporary basis in response to weak market demand. These curtailments will be taken by way of reduced hours at five of the company's mills in the region and will remain in place until market conditions dictate otherwise.

"Prices for Southern Yellow Pine lumber have fallen by 27 per cent since the beginning of the year as available supply has outstripped product demand in the region," said Duncan Davies, Interfor's President & CEO.

The curtailments are at Interfor's sawmills in Baxley, Thomaston and Meldrim, GA; Georgetown, SC; and Monticello, AR. During this time, Interfor will implement a series of planned maintenance and reliability improvements at the affected sawmills.

Canada and US Residential Construction Spending

Canadian investment in residential construction totalled \$28.9 billion in 2Q, up 4 per cent from the same quarter in 2014, said Statistics Canada Thursday.

Renovation spending (up 4.3 per cent to \$13.9 billion), investment in apartment and apartment-condominium buildings (up 9.9 percent to \$3.9 billion) and acquisition costs for new dwelling units built (up 9.9 per cent to \$2.7 billion) were responsible for most of the advance at the national level.

In the US, NAHB analysis of Census Construction Spending data Monday shows that total private residential construction spending for July continued to increase, rising to a seasonally adjusted annual rate of US\$387 billion. On a month-over-month basis, private single-family spending was US\$218 billion, up by 2.1 per cent over the revised June estimate. Private multifamily spending declined to US\$52 billion, down by 2.2 per cent, after three months of consecutive gains. CONT'D PAGE 7

Mechandise Trade, US and Canada: July 2015

Canada's exports rose 2.3 per cent in July and were concentrated in non-energy products, according to Statistics Canada Thursday. Exports excluding energy products rose 4 per cent. Overall, export prices grew 1.3 per cent while export volumes advanced 1.0 per cent.

US exports, meanwhile, increased 0.4 per cent to US\$188.5 billion, despite a strong dollar and economic weakness in major trading partners such as China and Europe, said the Commerce Department also Thursday. CONT'D PAGE 7

ISM Manufacturing Index, US: August 2015

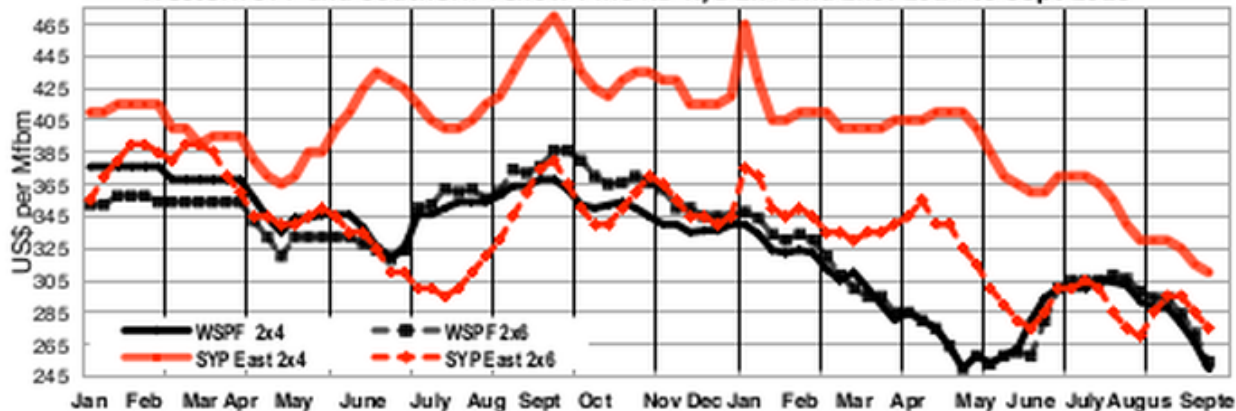
The Institute for Supply Management's manufacturing purchasing managers index, released Tuesday, fell to 51.1 in August from 52.7 in July. CONT'D PAGE 7

Shipping and Transportation Update

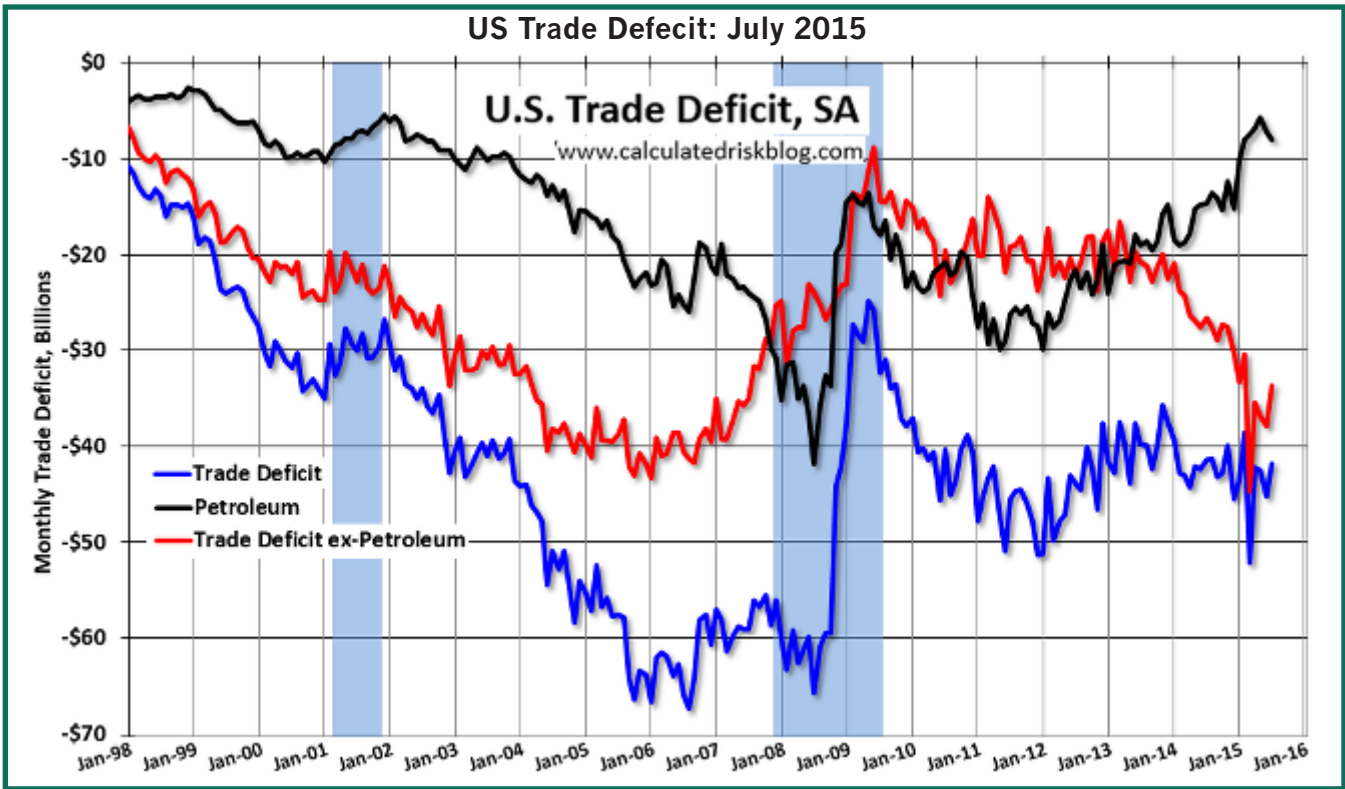
Consider that more than 100 shipping vessels will probably be scrapped this year – a record – as owners will demolish the equivalent of about 6 per cent of all capesize vessels in 2015. This on May 15 from GMS Inc, a Cumberland, MD-based company that purchases obsolete carriers.

Even so, earnings per vessel will still slump by about 20 per cent this year based on a May *Bloomberg* survey of 10 shipping analysts. CONT'D PAGE 8

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

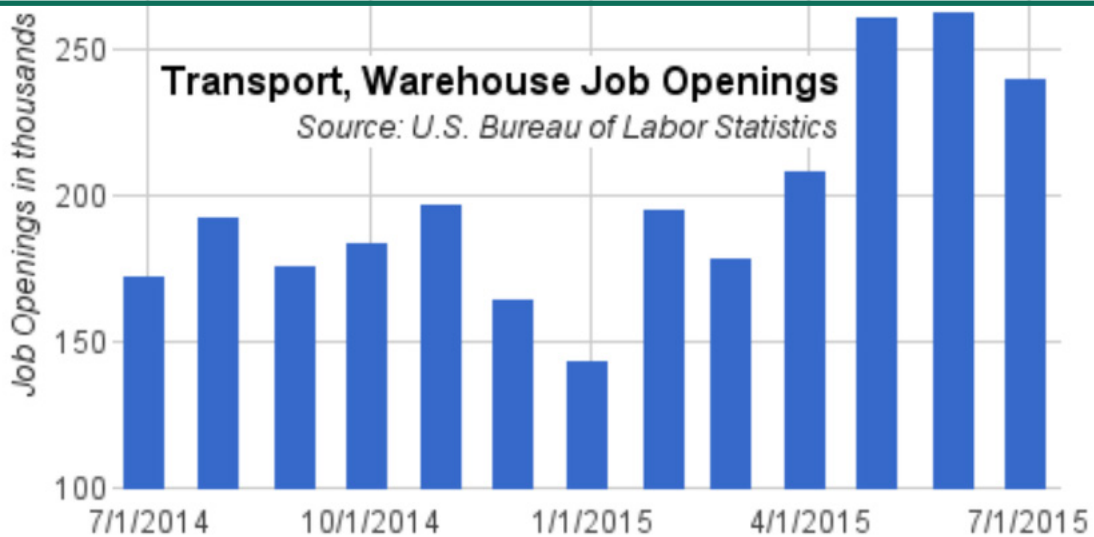


US Trade Deficit: July 2015



Transport, Warehouse Job Openings

Source: U.S. Bureau of Labor Statistics



Transport, Warehouse Hires versus Turnover

Source: U.S. Bureau of Labor Statistics





	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	250	266	-16	288	-38	368	-118
WSPF KD R/L 2x6	254	272	-18	294	-40	386	-132
WSPF KD R/L 2x8	290	300	-10	308	-18	374	-84
WSPF KD R/L 2x10	326	332	-6	368	-42	390	-64
WSPF KD PET 2x4 Stud	240	245	-5	290	-50	365	-125
WSPF KD PET 2x6 Stud	260	260	0	270	-10	390	-130
Douglas Fir Green R/L 2x4	305	310	-5	340	-35	335	-30
Douglas Fir Green R/L 2x10	400	415	-15	415	-15	390	+10
ESPF KD 2x4 8ft Stud	315	315	0	345	-30	445	-130
OSB Ontario 7/16" (CDN\$/msf)	275	260	+15	235	+40	215	+60
CSplywood Toronto 3/8" (CDN\$/msf)	443	447	-4	457	-14	497	-54

Madison's Weekly Lumber News

Construction Spending, Canada and US

CONT'D FROM PAGE 2 Total investment in residential construction in Canada increased in four provinces in 2Q, with Ontario posting the largest advance, followed by British Columbia, Prince Edward Island, and Nova Scotia, said StatsCan Thursday.

The largest declines were registered in Alberta, Quebec and Saskatchewan.

In Ontario, investment rose 8.1 per cent to \$10.4 billion in 2Q compared with the same quarter of 2014.

In British Columbia, residential construction investment increased 14.6 per cent in 2Q to \$4.3 billion. The advance came from higher investment in all dwelling types.

In the US, annually, multifamily spending rose 21.2 per cent from the revised July 2014 estimate, and spending on single-family construction was 15.8 per cent higher, according to the Commerce Dept Monday.

The pace of total nonresidential construction spending increased by 0.5 per cent monthly in July, and the annual increase from the revised July 2014 estimate was 12.7 per cent. The largest contribution to this year-over-year nonresidential spending gain was made by the class of manufacturing-related construction (73 per cent increase), followed by lodging (40 per cent increase) and amusement/recreation (34 per cent increase).

US and Canada Merchandise Trade

CONT'D FROM PAGE 2 Canada's imports imports were up 1.7 per

cent in July, said StatsCan Wednesday. Import demand was widespread among commodities in July. Import prices were up 1.3 per cent and volumes 0.5 per cent.

As a result, Canada's merchandise trade deficit with the world narrowed from \$811 million in June to \$593 million in July.

Exports to the United States increased 2.1% to \$34.7 billion. At the same time, imports from the United States rose 4.3% to \$30.9 billion. As a result, Canada's trade surplus with the United States narrowed from \$4.4 billion in June to \$3.8 billion in July.

Canadian exports to countries other than the US were up 2.9 per cent to \$10.7 billion in July, led by an 11.7 per cent increase in exports to China. Meanwhile, imports from countries other than the US decreased 3.1 per cent to \$15.1 billion. Consequently, Canada's trade deficit with countries other than the US narrowed from \$5.2 billion in June to \$4.4 billion in July.

The US trade deficit, meanwhile, with other nations shrank 7.4 per cent from June to a seasonally adjusted US\$41.86 billion in July, the Commerce Department said Thursday.

Imports fell 1.1 per cent to US\$230.36 billion, reflecting falling American demand in July for pharmaceuticals and mobile phones, two consumer-goods categories which tend to swing from month to month. But rising imports across other categories implied that the US economy's relative strength has supported Americans' appetite for goods from overseas.

Manufacturing Index, US

CONT'D FROM PAGE 2 The ISM survey's exports index declined to 46.5 last month from 48 in July. That gauge has slid each month since May—the last time it was at a break-even level.

The new-orders index, often viewed as a leading indicator of factory activity, fell to 51.7 from 56.5, suggesting caution among customers as they watched China's economic outlook deteriorate over the last month.

The Institute for Supply Management's nonmanufacturing purchasing managers index, meanwhile, fell to 59.0 in August from 60.3 in July. The July figure was the highest level since the composite index's inception in January 2008.

The service sector has expanded for 67 straight months. Of 16 service industries tracked by the ISM, only mining showed a decline in August.

The report's index for new orders decreased to 63.4 in August from 63.8 in July.

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>

North America Transportation Development

CONT'D FROM PAGE 2

A drop in shipping rates amid the collapse in demand for coal, ore and other commodities has sparked a sharp rise in the number of ships yanked from the service and sold for scrap. Almost 6 per cent of the world's fleet of ships that carry bulk commodities will be beached and sliced up for scrap metal this year, up from 2 per cent last year and topping the recent high of 2012's 4.3 per cent, according to Clarksons PLC, a London-based ship broker.

"All the older vessels are not going out so because the rates are so poor it doesn't make sense to run them," said Erik Nikolai Stavseth, an analyst with Norway's Arctic Securities AS, to the *Globe and Mail* Wednesday.

Shipping companies that are taking deliveries of new vessels purchased many months ago in expectations that Chinese demand for raw materials would remain strong are now getting rid of their older freighters and downsizing their fleets. The net fleet size of dry bulk carriers is expected to grow by 2.5 per cent this year, compared with 2.2 per cent in 2014 and 3.3 per cent in 2013.

Latest US Freight Data

The Bureau of Transportation Statistics (BTS), a branch of the US Department of Transportation, released data Monday on North American freight activity for June.

The figures show that the US-NAFTA freight value amounted to US\$99 billion in June. All modes of transportation except for trucks carried less US-NAFTA freight than in June 2014, with year-over-year US-NAFTA freight value down 3.8 per cent. This has been attributed to the overall lower value of NAFTA trade via vessel and pipeline in June from decreased unit prices of fuel shipments.

When comparing June 2015 to June 2014, the overall value of commodities that were transported by truck rose by 5.1 per cent. In contrast, rail transportation decreased by 4.5 per cent, and air by 8.9 per cent. The value of vessel freight fell by 24.4, and pipeline freight fell by 40 per cent, mostly because of the lower unit price for fuel shipments.

Trucks transported 65 per cent of US-NAFTA freight. This is the most heavily used transportation mode for moving goods to and from US-NAFTA partners. Trucks are responsible for US\$33.2 billion out of the US\$53.8 billion in imports, as well as US\$31.2 billion out of the US\$45.2 billion in exports.

Asia-Europe Freight rates

Shipping freight rates for transporting containers from ports in Asia to Northern Europe jumped 29 per cent to US\$763 per 20-foot container (TEU) this week data from the Shanghai Shipping Exchange showed, according to *Hellenic Shipping News Worldwide* Friday. It was the second consecutive week with rises of more than 25 per cent for spot rates on the world's busiest route but with a combined increase of US\$294 it is far from the earlier announced hike by all major container shipping companies of US\$1,000.

Freight rates on the route have tanked this year due to overcapacity in vessels and sluggish demand for goods to be transported. Spot rates generally deemed profitable for shipping companies on the route are at about US\$800-US\$1,000 per TEU.

In the week to Wednesday, container freight rates rose 24.1 per cent from Asia to ports in the Mediterranean, fell 1.7 per cent to ports on the US West Coast and were down 2.2 per cent to ports on the US East Coast.

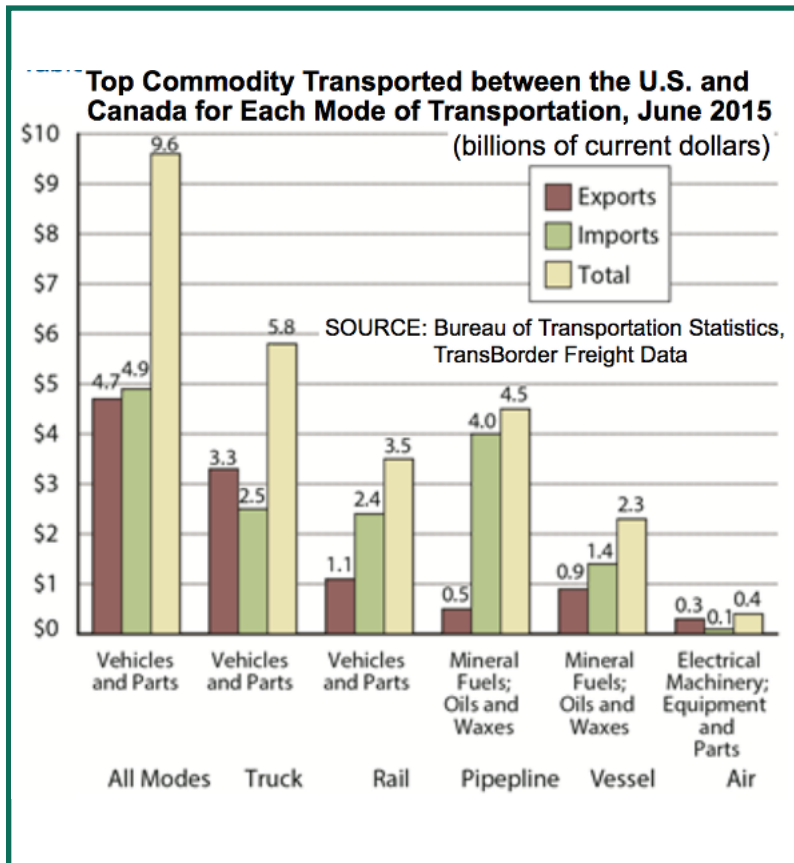
Average rates for 2015 are so far US\$666 per TEU compared with US\$1,172 last year.

Transportation and Employment

US demand for transportation, warehouse, and utility workers dropped in June from May, but the number of transport-related job openings at was still substantially higher than a year ago, according to the data from the US Labor Department's Bureau of Labor Statistics released August 31. In addition, more of those transportation and warehouse job openings in June were filled, at 193,000 hires the largest number in any month since last November, a sign that stronger growth in the second quarter finally helped transport operators boost payroll at a better rate.

At the end of June, there were 240,000 transportation job openings, compared with a revised 263,000 at the end of May and 173,000 at the end of June 2014. That's an 8.7 per cent sequential monthly decline but a 38.7 per cent annualized increase in open transportation jobs.

June was the fourth straight month that saw transportation job openings top 200,000, a record monthly number. For the first six months of 2015, the number of transportation job openings rose 45 per cent year-over-year. The BLS reported a pre-recession peak of 183,000 job openings in January 2007.



New Inland Container Port: British Columbia

A new container transload facility in the BC interior, which received its first containers from Hapag-Lloyd this week, has been in the making for more than a decade. Funded primarily by the Landucci family, with a \$3.57-million grant from the federal government, the terminal is expected to offer an inland port for some of the 60 freight trains, including every car heading to and from Metro Vancouver, that now pass through the site each day, according to the *Vancouver Sun* Wednesday.

Some of those trains stop in Ashcroft and unload, which would limit the maze of rail rerouting that's done now across BC, cut the truck traffic congestion in the

by Kéta Kosman

Lower Mainland, and provide for a faster turnaround

for the railroad. Every exported container in the Lower Mainland now requires two to three truck transfers.

CN and CP Rail cars will stop at the 130-hectare sage-cleared site near Ashcroft, BC. Dubbed the Ashcroft Terminal, it runs with everything from fleet management to transmodal and bulk transloading services.

Lumber from West Fraser's sawmill in 100 Mile House, for instance, could be trucked to Ashcroft, loaded on rail and taken directly to a terminal to be shipped overseas. Right now it's hauled by rail to Metro, trucked to lumber storage, and eventually hauled to a terminal, which takes two to four trips.

Delta Agricultural Land

The recent release from Standard A study commissioned by the City of Delta found that if one truck out of 28 is replaced by rail by 2031, there would be 360 fewer one-way truck trips per day to and from Deltaport and Roberts Bank Terminal 2. This represents a five-per-cent decrease in truck traffic and equates to 12 million fewer truck kilometres driven annually, said the *Vancouver Sun*.

The study assumes that the majority of cargo would bypass the inland port for continued transloading in the Lower Mainland since the inland terminal would only take a small percentage of the projected growth to 2031. But not only would it take some empty trucks off the road, Jackson said, it would reduce the need for Port Metro Vancouver to turn agricultural lands into industrial for port uses.

Ashcroft Ideally Located

The Ashcroft terminal is seen as an ideal location because it's already zoned industrial and is at the nexus of where both the CN and Canadian Pacific railways cross paths before branching off on their respective tracks on either side of the river. This means Ashcroft is the last location westbound and the first eastbound at which mainline traffic can stop on the way to or from Metro Vancouver.

Peter Xotta, vice-president of planning and operations with Port Metro Vancouver, said to the *Vancouver Sun*

that the advantage of transloading some of those goods in Vancouver is that the containers remain here. However, he said the Ashcroft terminal could be seen as a good bet for mining and forestry companies who tend to carry their wares by truck to the Lower Mainland. "That's largely where the Ashcroft folks have had success so far," he said. "What's most effective from a service and cost perspective is what's going to drive any inland port."

Vancouver-based CrescentView Investments, led by president and CEO Robert Landucci, chose the 800-acre parcel of land as ideal for an inland container terminal because Canadian National Railway Company and Canadian Pacific Railway rail lines running through it and the project has the support of the neighbouring Village of Ashcroft.

The portion of the property suitable for the ICT, approximately 400 to 500 acres, could hold roughly 133,000 TEUs (20-foot equivalent units), according to preliminary engineering of the property prepared for Crescent-View Investments.

The Ashcroft Terminal installed at least two rail sidings for assembling full trains as well as facilities for support services on the site.

Ashcroft Mayor Andy Anderson said in 2006 the ICT proposal could generate another 300 to 400 jobs in the area, and, with 89 percent of Ashcroft's tax revenue coming from its residential base, the town needs industry.

