

MADISON'S LUMBER REPORTER



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News & Updates

Canada-US 2006 Softwood Lumber Agreement Expiry

From one of *Madison's* valued sources Friday:

"In that the SLA will expire at 11:59 p.m. October 12th, though we've been unable to secure written confirmation at this time through the U.S. DOC or the Canadian DFAIT offices as to exactly what procedures will be involved after the 12th, we can only assume Canada will continue to require Export Permits, but without the Export Surcharges. This would enable them to monitor and record volumes for U.S. DOC comparison purposes, as well, in the event of another ADD/CVD investigation resulting in potential quotas being imposed, the proper allocations can be determined.

We wanted to advise our clients of the October Export Surcharge increase as soon as possible, enabling them to make their forecasts."

Jones & Jones Customs Brokers and Trade Consultants

J&J Website: www.joneschb.com

Housing Starts, Japan: July 2015

Japan's housing starts in July were 78,263 units (up 7.4 per cent from the same month in the previous year), surpassing the previous year's result for five months in a row, according to *Japan Lumber Journal* Tuesday. Starts of owner occupied houses were 25,396 units (up 8 per cent), increasing for three months in a row. Of the owner occupied houses, housing starts financed by private sector were 22,322 units (up 5.4 per cent), increasing for two consecutive months, and those by public sector were 3,074 units (up 30.6 per cent), increasing for five consecutive months.

US Housing Starts: August 2015

Home-building in the US slipped in August, with declines in both single-family and apartment-building construction.

US housing starts fell 3 per cent from a month earlier to a seasonally adjusted annual rate of 1.126 million last month, the Commerce Department said Thursday

Moreover, new applications for building permits rose 3.5 per cent to 1.17 million, from a revised July rate of 1.13 million.

Permits for single-family homes rose to 699,000, the highest since January 2008.

CONT'D PAGE 7

Japan Timber Import: 1H 2015

The amount of foreign logs received in Japan during the first half of 2015 was 1.71 million cubic metres (a 27.1 per cent decrease compared to the same period last year), said the *Japan Lumber Journal* Tuesday. The amount of lumber products received was 3.05 million cubic metres (a 11.6 per cent drop). The total combined was 4.76 million cubic metres (a 17.9 per cent decrease). CONT'D PAGE 8

Who Will Own the Forest? 11

The important annual timberland investment conference was again held at the World Forestry Centre in Portland, OR, this week. As always there were many informative presentations and updates. CONT'D PAGE 8

U.S. HOUSING STARTS

	Aug-15	Jul-15		Aug-15	Jul-15
Starts			Permits		
Actual	99,900	108,500	Actual	98,300	102,000
SAAR*	1,126,000	1,161,000	SAAR*	1,170,000	1,130,000
1 Unit	739,000	762,000	1 Unit	699,000	680,000
2-4 Units	(s)	(s)	2-4 Units	31,000	28,000
5+ Units	381,000	390,000	5+ Units	440,000	422,000
Starts by Region			Permits by Region		
Northeast	108,000	163,000	Northeast	109,000	114,000
Midwest	157,000	174,000	Midwest	175,000	170,000
South	602,000	562,000	South	590,000	576,000
West	259,000	262,000	West	296,000	270,000

*Seasonally adjusted annual rate

Source: U.S. Census Bureau

JAPANESE HOUSING STARTS

Month	TOTAL	Non-Wood	Wood	%Wood
Jul-15	78,263	34,388	43,875	56
Jun-15	88,118	41,967	46,151	52
May-15	71,720	33,569	38,151	53
Apr-15	75,617	34,821	40,796	54
Mar-15	69,887	31,635	38,252	55
Feb-15	67,552	31,553	35,999	53
Jan-15	67,713	31,517	36,196	53
Dec-14	76,416	32,570	43,846	57
Nov-14	78,364	33,263	45,101	58
Oct-14	79,171	36,181	42,990	54
Sep-14	75,882	32,903	42,979	57
Aug-14	73,771	33,104	40,667	55

Source: Japan Wood-Products Information and Research Center

**-- 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

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MADISON'S
3Q 2014 North America Timber Industry Analysis and Projection

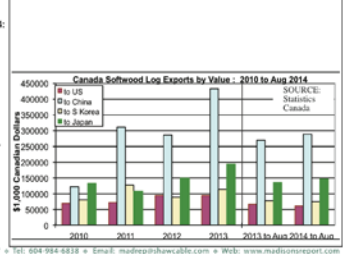
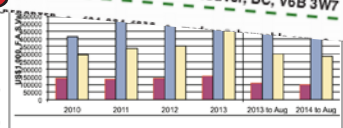
By Kate Kosman, Publisher and Editor, Madison's Lumber Reporter
November 1, 2014



IMPORTANT DATA:
 - US LUMBER exports to China by VALUE up 17%, to US\$946.5 million, Jan to Aug 2014 compared to same year ago.
 - US SAWMILL products exports to China by VALUE up 24.9%, to US\$959 million, Jan to Aug 2014 over 2013.
 - US SAWMILL products exports from Canada by VALUE up 23.2%, to US\$3,533 million, Jan to Aug 2014 compared to 2013.
 - Canadian LUMBER exports to US by VALUE up 16.7%, to C\$3,295 million, Jan to Aug 2014 over last year.



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Madison's Weekly Lumber Key Prices Table

www.madisonsreport.com



	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
<small>Prices are in U.S. dollars per 1,000 fbm (net FOB mill)</small>							
WSPF KD R/L 2x4	250	245	+5	278	-28	362	-112
WSPF KD R/L 2x6	250	242	+8	284	-34	380	-130
WSPF KD R/L 2x8	283	285	-2	304	-21	378	-95
WSPF KD R/L 2x10	325	326	-1	354	-29	388	-63
WSPF KD PET 2x4 Stud	230	225	+5	255	-25	345	-115
WSPF KD PET 2x6 Stud	250	240	+10	270	-20	340	-90
Douglas Fir Green R/L 2x4	300	305	-5	325	-25	325	-25
Douglas Fir Green R/L 2x10	385	405	-20	410	-25	380	+5
ESPF KD 2x4 8ft Stud	305	300	+5	335	-30	435	-130
OSB Ontario 7/16" (CDN\$/msf)	270	272	-2	248	+22	205	+65
CSplywood Toronto 3/8" (CDN\$/msf)	416	434	-18	447	-31	457	-41

Madison's Weekly Lumber News

Housing Starts, US

CONT'D FROM PAGE 2 Starts on single-family homes, which account for nearly two-thirds of the market, fell to 739,000. Multifamily units, which include apartments and condominiums, fell to 387,000.

Three of four regions showed decreases in starts last month, led by a 33.7 percent slump in the Northeast, according to the report. The South showed the only advance.

Construction levels for new homes remain low by historical standards. Despite this month's slip, housing starts were 16.6 per cent higher in August than a year ago, and permits were up 12.5 per cent from a year ago.

New home construction in the South rose to 590,000 in August, the highest level since late 2007 and 10.1 per cent above the year-ago figure.

The National Association of Home Builders/Wells Fargo builder senti-

ment index rose to 62 this month, the highest level since October 2005, from 61 in August, the group's report showed Wednesday. Measures of buyer traffic and single-family sales both advanced.

"The housing recovery will continue to be bumpy, but we expect it to continue," said Michelle Meyer, deputy head of US economics at Bank of America Corp in New York, NY. "The labor market has improved, the economy has improved and we're seeing pent-up demand for housing. So the backdrop is very supportive."

BC Sawmill Accident

A 28-year-old southeastern British Columbia, man has been identified as the victim of an industrial accident near Creston.

The BC Coroners Service says Dustin Gerlinsky died Tuesday afternoon while working at the J.H. Huscroft sawmill in Erickson, just east of Creston.

RCMP say Gerlinsky was working on a sorting deck when he was pinned between the deck and a large piece of equipment.

A police investigation has concluded and the case has been turned over to WorkSafeBC.

Calendar

September 2015

Who Will Own the Forests? 2015
September 15-17, 2015 – Portland, OR
<http://www.wotf.worldforestry.org/wotf11/>

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



LOG TRADE TRENDS

A Global Perspective

2-3 December 2015 | Portland, Oregon, USA | At the World Forestry Center

Join us for a Region-by-Region Analysis of International Log Suppliers, Market Trends and Forecasts. Optional Port Tour to Longview, WA



World Forest Institute



International Forest Industry Advisors

<http://logtradetrends.worldforestry.org/>

Japan Main Foreign Timber Import: First Half 2015

CONT'D FROM PAGE 2

Japan Log Imports

The amount of Japan's log imports for the first half of 2015 included:

- 1,28 million cubic metres (a 26.3 per cent decrease) from North America;
- 233,335 cubic metres (a 26.7 per cent drop) from New Zealand;
- 114,870 cubic metres (14.8 per cent less than last year) from Southsea region; and,
- 72,261 m³ (a 49.6 per cent decrease) from Russia.

Due to the falling yen in the exchange rate, the increase in demand in the producing regions, and the sluggishness in demand in Japan, North American logs, which account for 75 per cent of the total share, greatly decreased.

With the effects of the strengthening of illegal logging measures in the producing regions, logs from Southsea region had a 2-digit fall, and Russian logs also decreased about 50 per cent compared to the results of the same period last year, brought on by the decrease in demand and the decrease in logging in the producing regions.

Japan Lumber Imports

The amount of lumber products received included:

- 1.14 million cubic metres (a 19.2 per cent decrease) of European lumber;
- 1.15 million cubic metres (a 5.4 per cent drop) of North American lumber;

- 337,761 cubic metres (7.2 per cent below last year) of Russian lumber; and,
- 258,307 cubic metres (15.1 per cent lower) of Southsea lumber with all the main items decreasing.

Especially the amount of lumber products received from Europe has continued to be in a low condition since the latter half of last year due to the sluggishness in new housing construction starts in Japan and adjustments in production in the producing regions.

SOURCE: Japan Foreign Timber General Supply and Demand Liaison Conference via *Japan Lumber Journal*

Expectations for Japan Log and Lumber Imports

In the future for logs due to the decrease in logging in the producing regions, a decrease in logs received from North America is expected, and factors leading to an increase in the amount received from Southsea region and Russia are not seen. Also with a falling yen, the amount of logs received in general is expected to remain at a low level.

Concerning lumber products, domestic demand is seen as improving going into autumn, but for European lumber, forecasting the future is difficult due to factors in the producing regions such as a decrease in production by manufacturers. Due to a shortage of logs and demand being in good condition in North America, the possibility of an increase of North American lumber products headed for Japan is seen as very low.

Russian lumber products, which are supposed to improve in its import environment due to a weakening ruble, lack of stability in supplies, and Southsea lumber products are not expected to increase due to logging in the producing regions being in a low condition, so with the substitution by domestically produced lumber moving ahead, the amount of lumber products received from abroad is expected to continue to be in a low condition compared with last year.

Import Results for Foreign Timber

		(cubic meters; %)			
		2014 (Jan-Dec)		2015 (Jan-June)	
		Results	y/y	Results	y/y
<i>Southsea</i>	Logs	265,907	-9.0	114,870	-14.8
	Lumber	582,232	-1.3	258,307	-15.1
	Total	848,097	-3.8	373,177	-15.0
<i>North American</i>	Logs	3,092,641	-9.6	1,281,723	-26.3
	Lumber	2,362,365	-17.6	1,151,666	-5.4
	Total	5,455,006	-13.2	2,433,389	-17.7
<i>Russian</i>	Logs	198,961	-7.1	72,261	-49.6
	Lumber	641,260	-14.6	337,761	-7.2
	Total	840,221	-13.0	410,022	-19.2
<i>New Zealand</i>	Logs	528,618	-10.4	233,335	-26.7
	Lumber	84,811	18.3	41,938	-5.4
	Total	613,429	-7.3	275,273	-24.1
<i>Chilean</i>	Lumber	259,602	16.5	119,489	9.4
<i>African</i>	Logs	2,819	-33.5	2,159	22.5
<i>European</i>	Logs	8,105	5.7	5,254	-4.1
	Lumber	2,499,685	-21.9	1,144,252	-19.2
	Total	2,507,834	-21.9	1,149,506	-19.1
<i>Total</i>	Logs	4,097,051	-9.5	1,709,602	-27.1
	Lumber	6,429,955	-16.5	3,053,413	-11.6
	Total	10,527,006	-13.9	4,763,015	-17.9

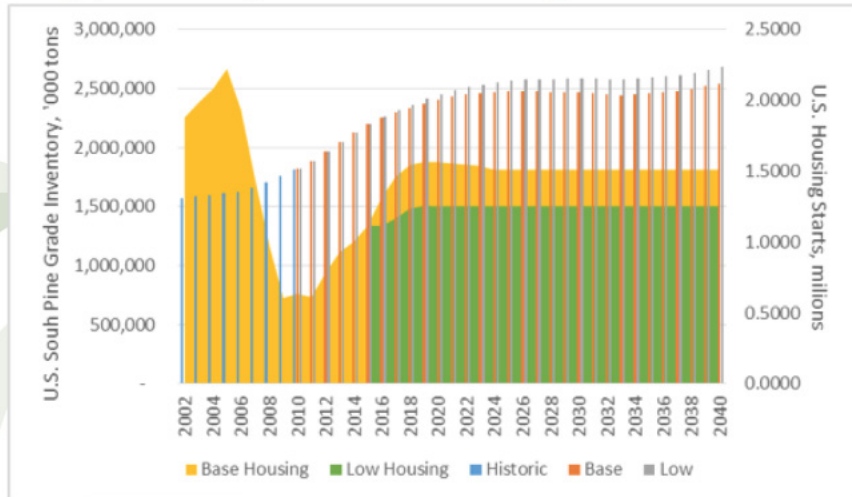
Source: Japan Foreign Timber General Supply and Demand Liaison Conference

Timberland Conference 2015

This week we present a few graphs and charts as indication of deeper coverage of the 11th annual Who Will Own the Forest? timberland investment conference proceedings to come...

by Kéta Kosman

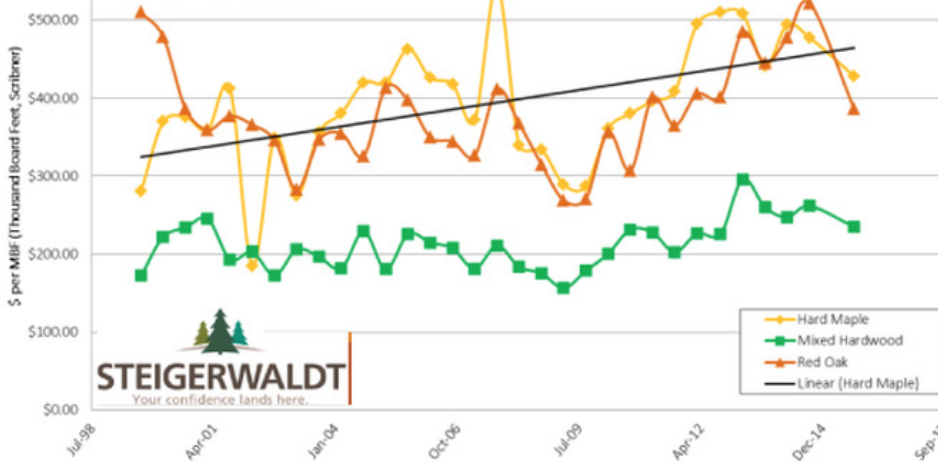
Future Forest Supplies Far Exceed Previous Supplies Regardless Housing Start Levels



Source: "How do Housing Starts Affect Forest Supplies in Local Timber Markets?" by Amanda Lang, Brooks Mendell and Bob Abt in Q3 2015 Forisk Research Quarterly

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US NorthEast Sawtimber

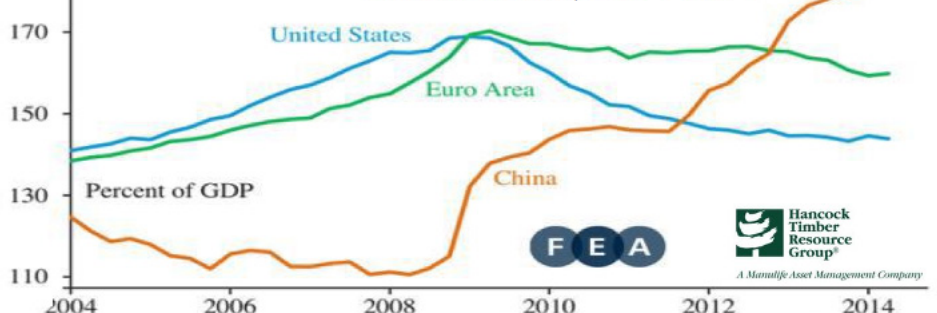


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Source: 2015 Economic Report of the President

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Credit to Nonfinancial Corporations and Households, 2004-2014



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Source: Bank for International Settlements; People's Bank of China; Federal Reserve Board; National Sources.