

MADISON'S LUMBER REPORTER

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News & Updates

US Housing Starts, Sales

Construction companies in the US built more apartment complexes in September, resulting in a temporary rise in housing starts for a real estate market that otherwise appeared to have crested during the summer.

Housing starts last month rose 6.5 per cent to a seasonally adjusted annual rate of 1.21 million homes, the Commerce Department said on Tuesday. But a 17 percent surge in multifamily housing — which includes apartments — accounts for almost all of that.

New construction and sales of existing homes surged in the first half of the year as more Americans found work and the unemployment rate dipped to a solid 5.1 percent. But tight inventories, rising prices and the absence of meaningful wage growth have capped growth as affordability has become an issue.

Housing starts have soared 12 per cent in the first nine months of 2015. But the pace of building retreated from its June apex, in part because of the expiration of tax incentives for developers in New York.

Approved permits fell 5 per cent in September to an annual rate of 1.1 million, a sign that construction will slow in the coming months.

CONT'D PAGE 7

Japan Wood Products Under TPP Deal

Further to details provided in the October 9 issue of your *Madison's Lumber Reporter* (please see Page 6 of that issue), of the main 15 common wood product items, tariffs on six items will be abolished immediately while for LVL and laminated lumber tariffs will be reduced evenly over ten years the totally abolished, said *Japan Lumber Reports* Friday.

CONT'D PAGE 7

EU Aid to Combat Illegal Timber Deemed "Ineffective"

The EU aid programme, called Forest Law Enforcement, Governance and Trade (FLEGT), covered 35 countries, including Indonesia, Brazil, Honduras, Cameroon, and Liberia.

According to the auditors, "the limited financial and technical support has been spread over a large number of countries, some of which were not the key ones for tackling illegal logging".

"This diluted the support and the impact that could have been achieved," they complained.

The Court of Auditors examined the €300m (£217m; US\$335m) spent by the EU on forestry projects in 2003-2013.

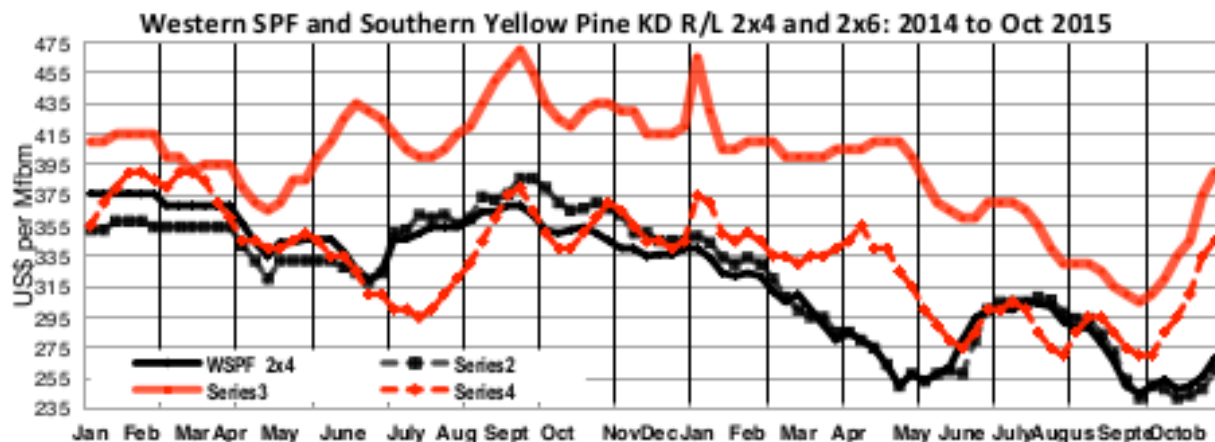
Aid was poorly spent in some African countries, the report said.

CONT'D PAGE 7

BC Economic State of the Forest Sector 2015

This October the Competitiveness and Innovation Branch of the BC Ministry of Forests, Lands and Natural Resource operations has released the *2014 Economic State of the B.C. Forest Sector* report.

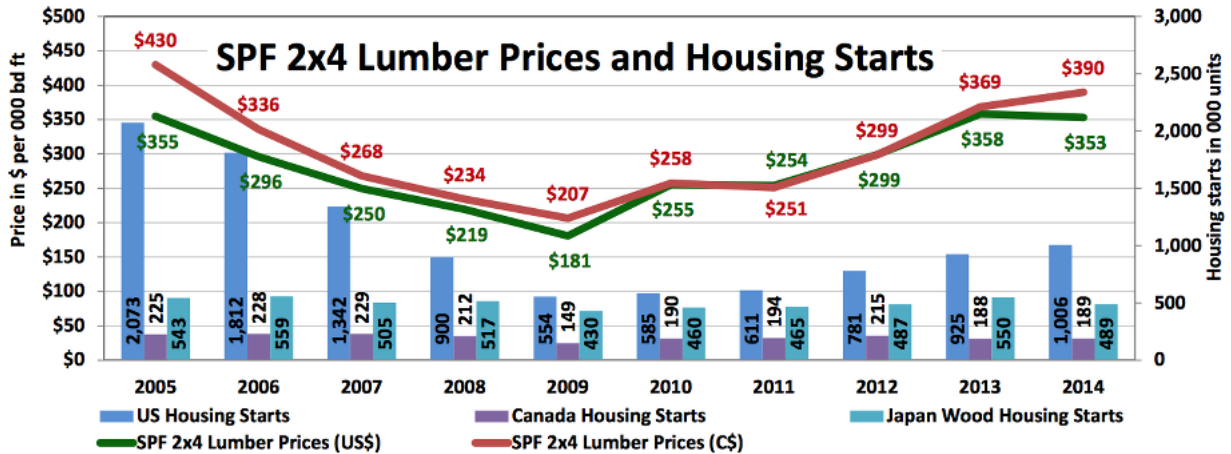
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BC Forest Economic Situation 2014

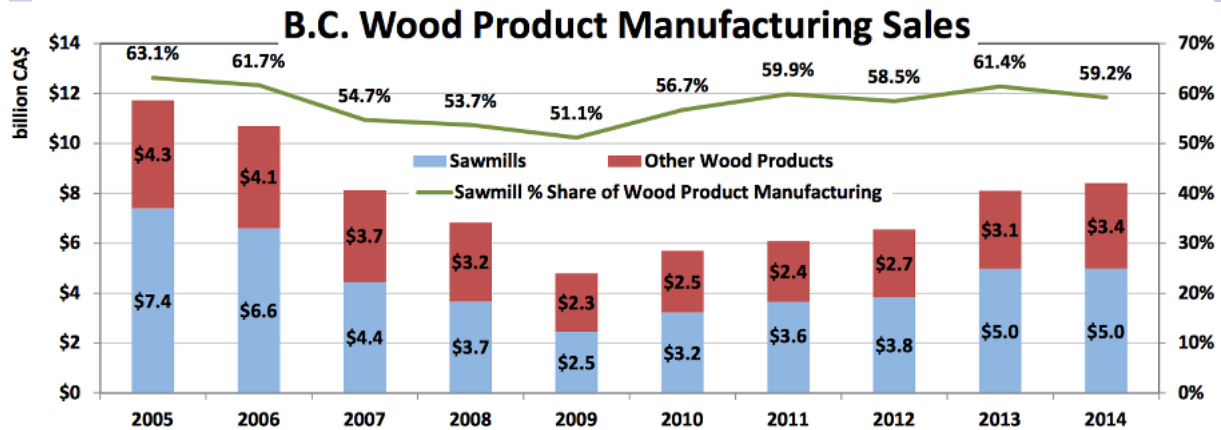


Ministry of Forests, Lands
and Natural Resource Operations



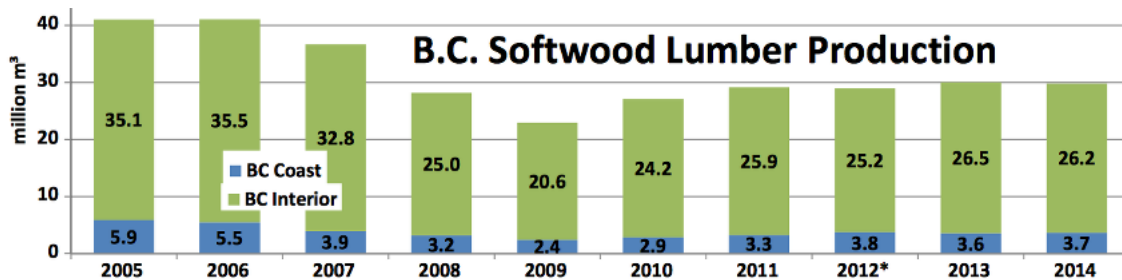
Data sources: [Madison's Lumber Reporter \(SPF\)](#), U.S. Census Bureau, [JAWIC](#) and Statistics Canada.

Prices and Costs – North America's housing market improved in 2014, but housing starts were still low compared to the early/mid 2000's. Average SPF 2x4 lumber prices fell slightly in 2014.



Data source: Statistics Canada; CANSIM 304-0015. Sawmill sales are primarily lumber, and include chip and sawdust sales. Other wood products include veneer, plywood, oriented strand board, shake and shingles, wood pellets, and many other products.

Products – Wood Products – Wood Product Manufacturing sales totaled CA\$8.4 billion in 2014. Sawmill sales accounted for 59% of Wood Product Manufacturing sales. From 2013 to 2014, Sawmill sales were constant, and Other Wood Products increased 9.8%.



*Interior and Coast Share are Estimates. In all years the Interior includes production from Yukon, Northwest Territories, and Nunavut.

Data source: Statistics Canada; CANSIM 303-0064.

Products – Softwood Lumber – Softwood lumber production volume held relatively steady in 2014. The Coast accounted for 12% of B.C. production. Volumes were roughly unchanged from 2013 to 2014, and up 30% from 2009. Lumber production with current markets in the past several years is comparable to the production in '95-'99 when U.S. housing starts averaged around 1.5 million.

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	268	256	+12	254	+14	350	-82
WSPF KD R/L 2x6	260	248	+12	248	+12	366	-106
SYP KD R/L East Side 2x4	390	375	+15	320	+70	435	-45
SYP KD R/L East Side 2x6	345	335	+10	285	+60	360	-15
ESPF KD R/L 2x4	375	350	+25	340	+35	440	-65
WSPF KD PET 2x4 Stud	230	225	+5	230	0	350	-120
WSPF KD PET 2x6 Stud	235	235	0	250	-15	380	-145
Douglas Fir Green R/L 2x4	300	298	+2	300	0	315	-15
Douglas Fir Green R/L 2x10	395	383	+12	385	0	430	-35
ESPF KD 2x4 8ft Stud	315	310	+5	300	+15	420	-145
OSB Ontario 7/16" (CDN\$/msf)	295	302	-7	270	+25	230	+65
CSplywood Toronto 3/8" (CDN\$/msf)	398	392	-6	385	+13	462	-64

Madison's Weekly Lumber News

Housing Starts, US

CONT'D FROM PAGE 2 Approved permits fell 5 per cent in September to an annual rate of 1.1 million.

Sales of existing homes similarly accelerated through the start of the summer, only to decline in August. Just 5.2 months' supply of existing homes have propped up prices. The median cost to buy a home increased 4.7 percent over the year, to US\$228,700, according to the National Association of Realtors.

Japan Wood Trade

CONT'D FROM PAGE 2 The 15 most common wood products imported to Japan are: eight items of block board, free board, MDF, tongue and groove processed product, LVL for fixtures, laminated lumber for fixture, wood working items for construction, and other wood products, said *Japan Lumber Reports* Friday.

Under the TPP trade deal, a forestry committee will be organized to oversee Canada-Japan SPF lumber and OSB trade over five years. Canada also agreed to ease log exports (*which have already been dropping to Japan -- Ed*).

Tariffs on Canadian plywood, SPF lumber, OSB, and particleboard will be reduced by 50 per cent when the TPP takes effect, then abolished completely after 15 years, according to the *Reports*.

EU Timber Aid

CONT'D FROM PAGE 2 By not implementing the EU timber regulation, the report claims Greece,

Hungary, Romania, and Spain sent a "negative message" to other timber-producing countries.

The value of illegal timber worldwide has been estimated at up to \$100bn annually.

The aid programme did help to make the forestry sector more transparent in developing countries, the report said, but "the financially most significant projects in Cameroon and Indonesia did not bring the expected results".

Aid was poorly prioritised, said the report. Liberia was given €11.9m, while its wood exports to the EU averaged only €5m annually.

Ivory Coast, by contrast, did not receive any financial assistance, the auditors said. The EU imports on average some €166m of timber annually from Ivory Coast.

Madison's Weekly Key Prices Additions...

Due to changes in market dynamics between volumes of Western Spruce-Pine-Fir dimension lumber produced and sold in North America, and that of Southern Yellow Pine and Eastern Spruce-Pine-Fir, *Madison's* has added these last two commodities to our weekly *Key Prices* table and graphs.

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Madison's **new** Interactive Web Price Graphing Tool

Madison's web-based interactive lumber price graphing tool is beta testing!
 This extremely useful tool is driven by the historical dimension lumber and panel prices listed in your weekly *Madison's Lumber Reporter*. To access simply visit: <http://mlrdemo.gobi.ca>

Username: **portland**
 Password: **Pine2014**

Instructions:

All commodities listed in your weekly *Madison's Lumber Reporter* (except Cedar for the time being) are available from the pull-down menu.

Simply start typing the species name of the desired item then select grade and size.

Click "update".

Select "view" for yearly, quarterly, monthly, or weekly.

Click "Graph Tools" at the top left to return to the previous screen and enter a different selection of commodities.

[For more information please contact our office.](#)

Enter Lumber Commodity

1: WSPF KD Econ 2x8	Average ▾	#e0642e
2: Hem/Fir KD Coast Utility 2x4	Average ▾	#e0d62e
3: Douglas Fir Green #2&Btr 2x6	Average ▾	#2e97e0
4: SYP (East) KD S4S #2&Btr 8ft 2x4	Average ▾	#b02ee0
5: SYP (West) KD S4S #2&Btr 8ft 2x8	Average ▾	#e02e75

Enter Graph Options

Show by: Year ▾

To: 2010-12-31

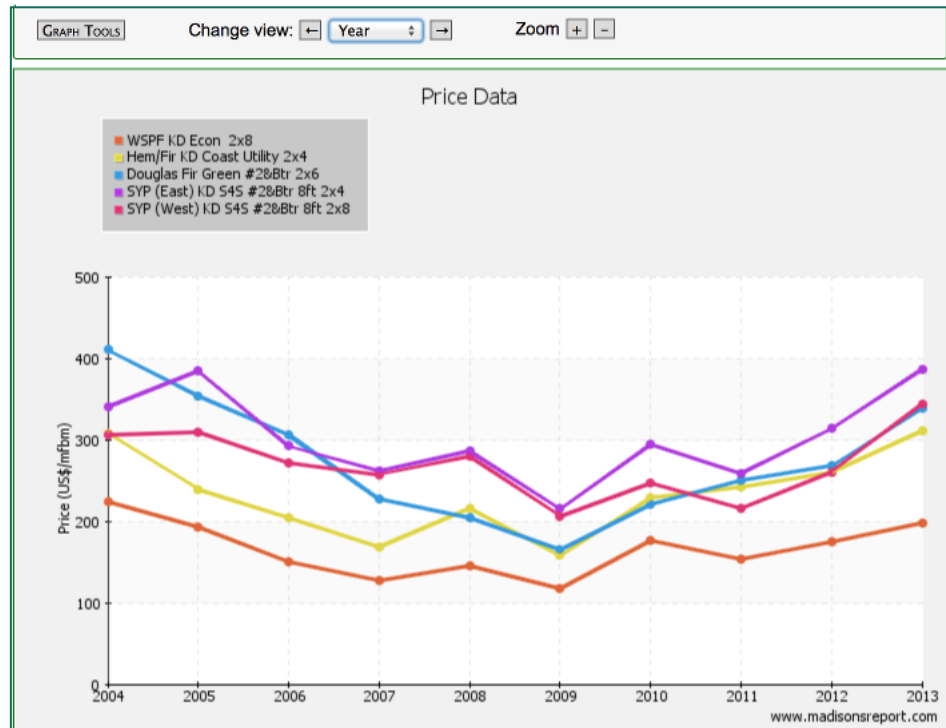
Search Tips

Tips

Use the starting letters of the lumber commodity you are looking for in the search.

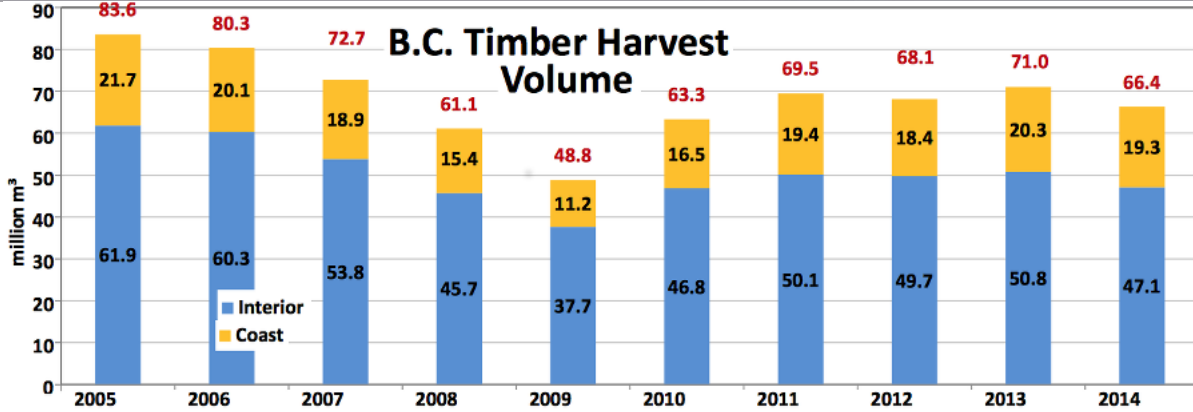
For example - Species:

- WRC: Western Red Cedar
- WSPF: Western Spruce-Pine-Fir
- ESPF: Eastern Spruce-Pine-Fir
- DF: Douglas Fir
- LARCH: Fir/Larch
- HEM: Hem/Fir
- SYP: Southern Yellow Pine
- ENG: Englemann Spruce
- PON: Ponderosa Pine
- EAS: Eastern White Pine
- FIR: Fir
- HEML: Hemlock



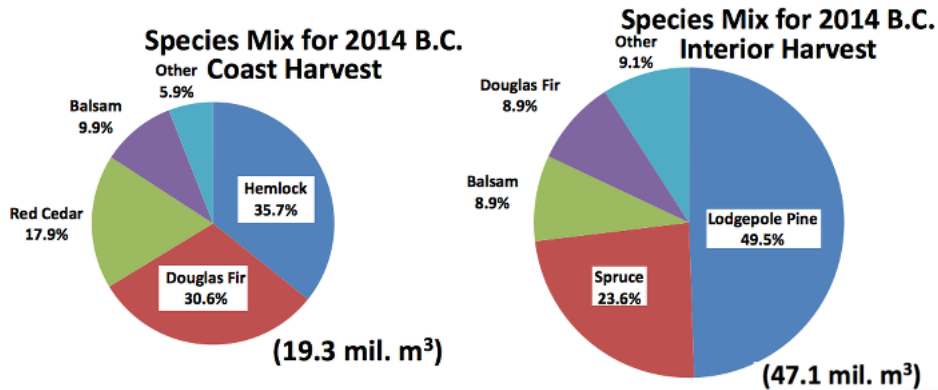
*This is a demo version of the interactive graph.
 **It is stable in the current versions of Firefox and Chrome web browsers

2014 Economic State of the B.C. Forest Sector



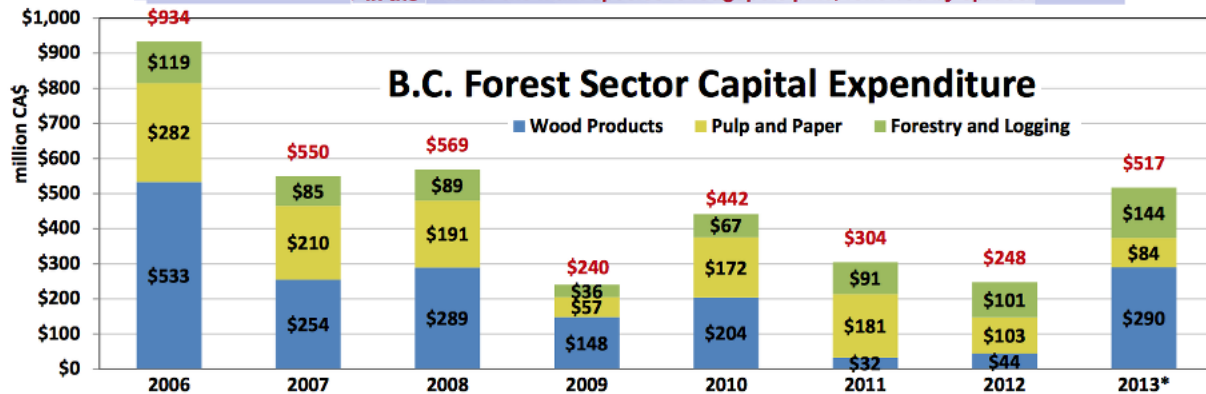
Data source: B.C. Ministry of Forests, Lands, and Natural Resource Operations (FLNR) [Harvest Billing System](#). All logs, special forest products, species and grades billed excluding waste, reject and Christmas trees, data run on June 1, 2015. Includes both Crown and Private lands.

Products – Logs – Total harvest volume (66.4 million m³) was down 6.6% from 2013, and up 36% from 2009. The Interior accounted for 71% of the harvest, and the Coast for 29%. The last few years of harvest are close to pre-beetle harvest uplift, pre-housing boom harvest levels.



Data source: B.C. FLNR. Includes harvest of all species from all land types. Does not include waste, reject, or Christmas trees.

Products – Logs – Hemlock and Douglas fir make up roughly 2/3 of the harvest on the Coast. In the Interior the main species is lodgepole pine, followed by spruce.



*Preliminary, subject to change.

Data source: Statistics Canada; CANSIM 029-0045.

Investment – 2013's preliminary results indicate B.C. forest sector capital expenditures increased 109% from 2012. Wood Product Manufacturing had the highest investment (56%), followed by Forestry & Logging (28%) and Paper Manufacturing (16%). Capital expenditure includes investment in construction (e.g. buildings and land improvements) and in machinery and equipment.