

MADISON'S LUMBER REPORTER

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News & Updates

US GDP, Economy 3Q 2015

The US economy grew at an annualized rate of 1.5 per cent in the 3Q of the year, the Commerce Department said Thursday, matching the estimates of economists surveyed by *The Wall Street Journal*. That was off from 2Q's torrid 3.9 per cent growth rate. Compared with the same quarter a year ago, the economy grew 2 per cent, the slowest pace of growth since 1Q 2014. The number, while not spectacular, suggests the economy continues to grow at a steady pace despite the pressures from a strong dollar and weakness abroad.

The biggest reason was a push by businesses to shrink unwanted stockpiles, which slashed 1.4 percentage points from quarterly growth but is expected to be only temporary. Encouragingly for the economy, consumer spending remained solid over the summer: It rose at a 3.2-per-cent annual rate, down only slightly from the previous quarter.

The tailwind provided to the economy from the housing sector eased somewhat in 3Q. Residential investment added just 0.2 percentage points to overall growth in the July through September period. That's the smallest contribution from home building and improvements in a year.

For all of 2015, the US economy is expected to expand around 2.3 per cent, near last year's modest 2.4 per cent, despite persistent economic weakness around the world.

Still, last quarter's slump marked the latest slide for an economy that began 2015 on a rocky note as a severe winter and US West Coast port disruptions essentially stalled growth. The economy rebounded in the April-June quarter before weakening again in the summer. The report Thursday was the government's first of three estimates of growth for 3Q.

Business investment spending grew by a modest 2.1 per cent in 3Q, just half the second-quarter rate. Investment in structures fell at a 4-per-cent rate. That decline reflected a 47-per-cent plunge in investment in a category that includes oil and gas drilling, which has suffered huge cutbacks with the drop in global energy prices.

Government spending grew at a moderate 1.7-per-cent annual rate, slower than the 2.6-per-cent pace in the second quarter. It reflected a smaller gain in state and local spending.

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Commodities 2016 and Beyond

This week Manulife Financial, Canada's largest life insurer, announced it is looking to add more commodities to its investment mix after prices plunged for metals including zinc and copper.

As well, the *Financial Times* forecast the end of this commodities price slump.

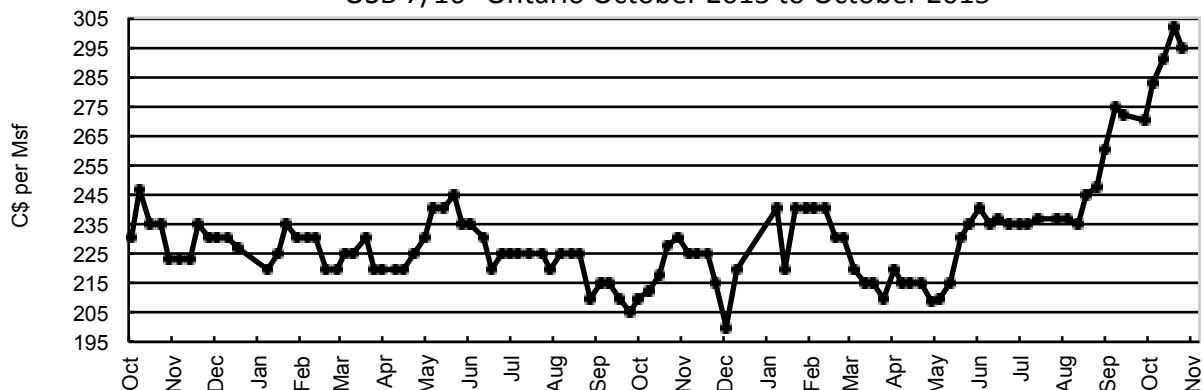
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Canada and US Lumber Manufacturing, Trade 3Q 2015

New data out this week from Statistics Canada and the US Census shows stability in North America lumber manufacturing and cross-border trade.

CONT'D PAGE 9

OSB 7/16" Ontario October 2013 to October 2015



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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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- foreshadows spot shortages, overages, and balance of supply with demand
- the latest on North American solid wood and paper companies
- presented in a compact six-page format every quarter

3Q 2014 North America Timber Industry Analysis and Projection
By Rita Kustman, Publisher and Editor, Madison's Lumber Reporter
November 1, 2014

OVERVIEW
Vague hints of optimism among North America's lumber and panel traders this summer gave way to dread in September as sales volumes dropped and prices softened somewhat. Negative sentiment was finally overtaken in October however, as market fundamentals prevailed and the tenuous supply-demand balance moved into the red.

Field inventories of solid wood products across the US and Canada remain extremely weak, forcing customers to continue moving to the table to buy from producers. Discouraging macroeconomic conditions and a striking lumber futures board were not enough to dampen prices, which recovered to one-year ago levels in October.

IMPORTANT DATA:

- US LOG exports to China by VALUE rose up 17%, to US\$946.5 million, Jan to Aug 2014 compared to one year ago.
- US SAWNILL products exports to China by VALUE rose up 29.9%, to US\$859 million, Jan to Aug 2014 over 2013.
- US SAWNILL products imports from Canada by VALUE are up 31.2% to US\$5,573 million, Jan to Aug 2014 compared to 2013.
- Canadian LUMBER exports to US by VALUE are up 16.7%, to C\$3,785 million, Jan to Aug 2014 over last year.

Canada Log Exports Jan-Aug '14:
China +7.40%
Japan +5.30%
S Korea -5.80%
USA -7.9%

It is interesting to note that the VALUE of both log and lumber exports from each country to China have increased, while VOLUMES remain relatively flat.

Also noteworthy is the steady increase in VALUES of lumber shipped from Canada to the US in the first eight months of this 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	270	268	+2	248	+22	345	-75
WSPF KD R/L 2x6	262	260	+2	232	+30	362	-100
SYP KD R/L East Side 2x4	405	390	+15	335	+70	435	-30
SYP KD R/L East Side 2x6	350	345	+5	295	+55	370	-20
ESPF KD R/L 2x4	375	375	0	335	+40	435	-60
WSPF KD PET 2x4 Stud	235	230	+5	225	+10	350	-115
WSPF KD PET 2x6 Stud	235	235	0	245	-10	380	-145
Douglas Fir Green R/L 2x4	307	300	+7	300	+7	315	-8
Douglas Fir Green R/L 2x10	400	395	+5	395	+5	413	-13
ESPF KD 2x4 8ft Stud	315	315	0	300	+15	420	-105
OSB Ontario 7/16" (CDN\$/msf)	315	295	+20	283	+32	225	+90
CSplywood Toronto 3/8" (CDN\$/msf)	425	398	+27	412	+13	462	-37

Madison's Weekly Lumber News

Economic Indicators, US

CONT'D FROM PAGE 2 The US Federal Reserve on Wednesday described the economy as growing at a "moderate" pace and hinted at a December rate increase by making a direct reference to its next policy meeting. The U.S. central bank has kept benchmark overnight interest rates near zero since December 2008.

The economy has struggled to sustain a faster pace of growth since the end of the 2007-2009 recession, with average yearly growth failing to break above 2.5 per cent. This year, it has faced headwinds from a strong dollar and deep spending cuts by energy firms following a collapse in oil prices.

Businesses accumulated US\$56.8 billion worth of inventory in 3Q, the

smallest since 1Q 2014 and down sharply from US\$113.5 billion in the April-June period. There were declines in manufacturing, wholesale and retail inventories.

US New Home Sales

Contracts for new home sales disappointed in September, after a strong August and a run of weak job numbers.

According to estimates from the Census Bureau, the monthly pace of new home sales declined 11.5 per cent from August, falling from a 529,000 seasonally adjusted annual rate to 468,000. The September sales rate was effectively unchanged from the rate recorded in June.

September's sales decline appears to be due to demand-side weakness, perhaps related to recent lackluster

economic activity at the start of the Fall. For example, total job creation for August and September was only 136,000 and 142,000 for each month respectively.

However, as a sign of the overall trend for the new home sales market this year, sales-to-date for September totaled 392,000 for 2015 compared to 333,000 for 2014, a 17.6 per cent improvement. Given strong levels of builder confidence, we expect future months' data to show a return to this positive growth trend.

New home inventory rose in September, increasing 4.2 per cent to 225,000 home for sales. This marks a 5.8 months' supply, up from 4.9 in August. Of the total inventory, only 51,000 are completed, ready-to-occupy homes.



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/>

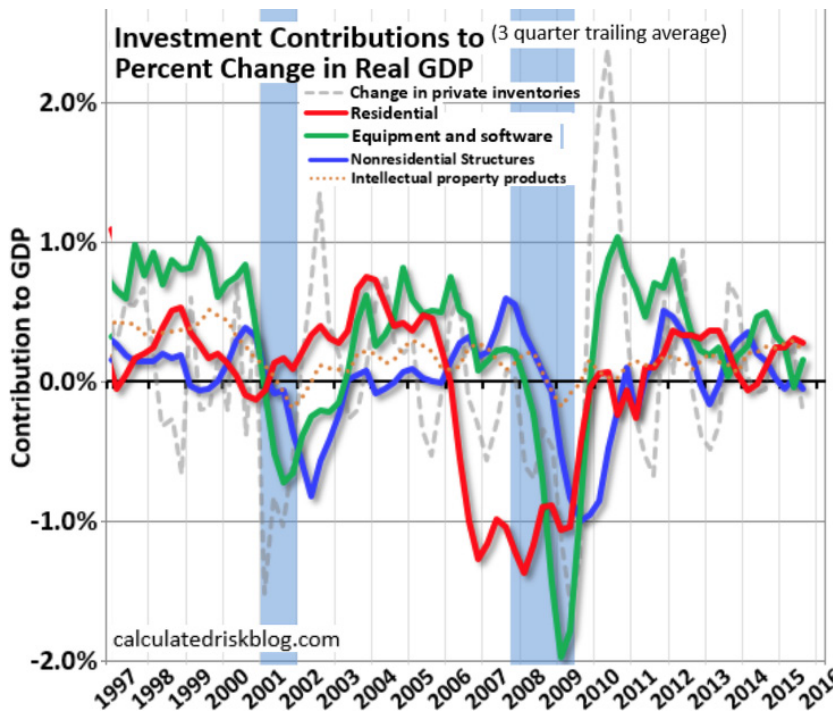
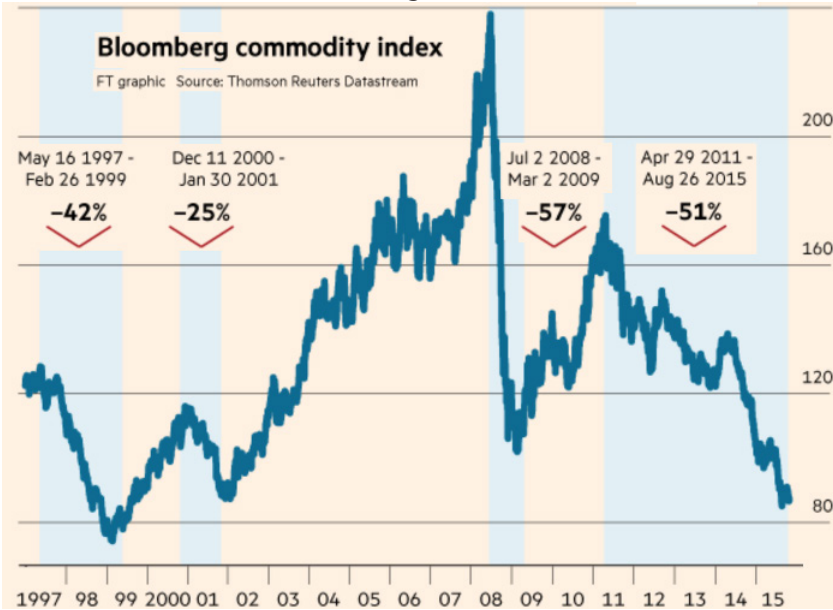
Global Commodities Outlook

Commodities Price Cycle Not Yet Hit Bottom

Manulife wants to diversify its portfolio, which ranges from timber to cranberries, to limit risk while finding higher-yielding assets, CEO Donald Guioien said in an interview with *Bloomberg* Wednesday. The Toronto-based insurer is discussing how best to add commodities without physically storing them or becoming a mining company.

Bloomberg Commodities Index

Meanwhile, the Bloomberg Commodity Index has been in decline for four years and counting. From its most recent peak in May 2011, the benchmark is off by half and scraping the lowest levels of the 21st century. Manulife said this year it would consider purchasing oil and gas assets in Alberta as the price of oil dropped by half and energy companies began slashing jobs and growth plans. Manulife invests in commodities via its Hancock Natural Resource Group, which oversees about \$14 billion in timber, agriculture and renewable-energy holdings. Manulife had more than \$880 billion in assets under management and administration.



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Canada and BC Lumber Manufacturing, Sales 3Q 2015

Madison's Forest Pulse 3Q 2015

The next issue of quarterly *Madison's Forest Pulse* will be out next week, and the latest data on Canadian softwood lumber production, sawmill sales, and lumber exports together with US softwood lumber imports, and North American timber harvest and log sales, shows a stable to slightly improving forest products industry.

by Kéta Kosman

Canada Sawmill Manufacturing Sales by Province to Aug '15

British Columbia sawmill manufacturing sales dropped by 2.8 per cent for January to August 2015 compared to the previous year, to C\$4,513 million from C\$4,643 million said Statistics Canada Thursday.

For all of Canada sales were almost exactly even compared to the same period last year, at C\$7,361 million.

Canada Sawmill Product Exports to Aug '15

Canada's exports of sawmill products, meanwhile, increased marginally over last year, according to Statistics Canada data released this week.

For the first eight months of 2015, Canada exported C\$6,069 million in sawmill products to the world, 4.8 per cent more than C\$5,794 million for the same time last year.

To the US, Canadian sawmill product exports for January to August this year were C\$4,078 million, up 7.60 per cent compared to C\$3,791 million for the same time in 2014.

Canada exported C\$926 million in sawmill products to China, a 5.8 per cent drop from C\$982 million for the same time last year.

To Japan, Canadian sawmill product exports for January to August this year were C\$526 million, down 3.1 per cent compared to C\$542 million for the same time in 2014.

US Sawmill Products Imports to Aug 2015

Looked at another way, US imports of sawmill products from Canada dropped slightly, by 6 per cent, to US\$3,324 million (CIF value) for the first eight months of this year, compared to US\$3,536 million for January to August 2014.

