

# MADISON'S LUMBER REPORTER



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## News & Updates

### Madison's Welcomes...

*Madison's Lumber Reporter* welcomes incoming federal Minister of International Trade, Chrystia Freeland, and looks forward to much-needed updates on the state of Canada-US softwood lumber trade talks now that the 2006 Softwood Lumber Agreement has expired.

### Canada Building Permits: September 2015

Municipalities issued \$7.1 billion worth of building permits in September, down 6.7 per cent from the previous month, said Statistics Canada Friday. This was the second consecutive monthly decline. Lower construction intentions for residential buildings and commercial structures in Ontario largely explained the decline.

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### Japan Housing Starts: September 2015

Total housing starts in Japan were 77,872 in September, a 2.6 per cent increase over the same month last year according to *Japan Lumber Reports* Friday.

Total starts for the first nine months of 2015 were 676,997 units, up 2.8 per cent from the same time last year.

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### Construction Spending, US: September 2015

National Association of Home Builders analysis of Census construction spending data showed Wednesday that total US private residential construction spending for September increased, rising to a seasonally adjusted annual rate of US\$395 billion. On a month-over-month basis, private single-family spending was US\$222 billion, up by 1.3 per cent over the revised August estimate. Private multifamily spending increased to US\$57 billion, up by 5 per cent.

Annually, the pace of multifamily spending rose 27 per cent from the September 2014 estimate, and spending on single-family construction was 13 per cent higher.

The NAHB-constructed spending index, which is shown in the graph below (the base is January 2000), indicates that recent gains have been driven by the steady increase in multifamily construction spending. The pace of the multifamily spending is gradually slowing. NAHB anticipates accelerating growth for single-family spending in 2015.

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### US House Prices

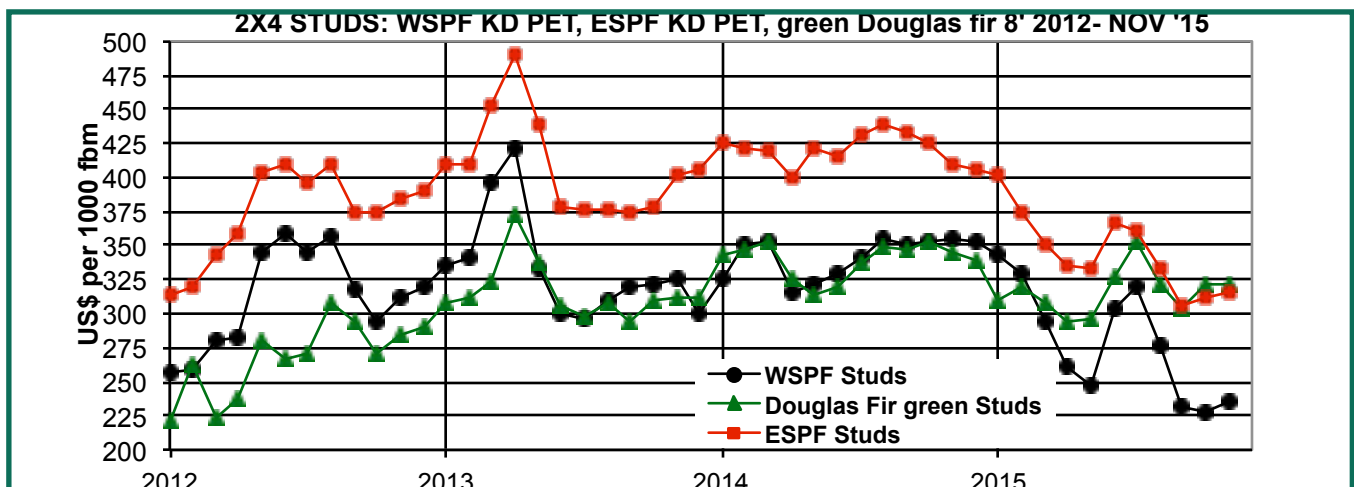
The CoreLogic HPI Forecast, released Tuesday, indicates that home prices in the US are projected to increase by 4.7 per cent on a year-over-year basis from September 2015 to September 2016, but could potentially dip slightly month over month from September 2015 to October 2015.

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### Advanced Cellulosic Biofuel

DuPont celebrated, at the end of October, the opening of its cellulosic biofuel facility — the largest in the world — in Nevada, IA.

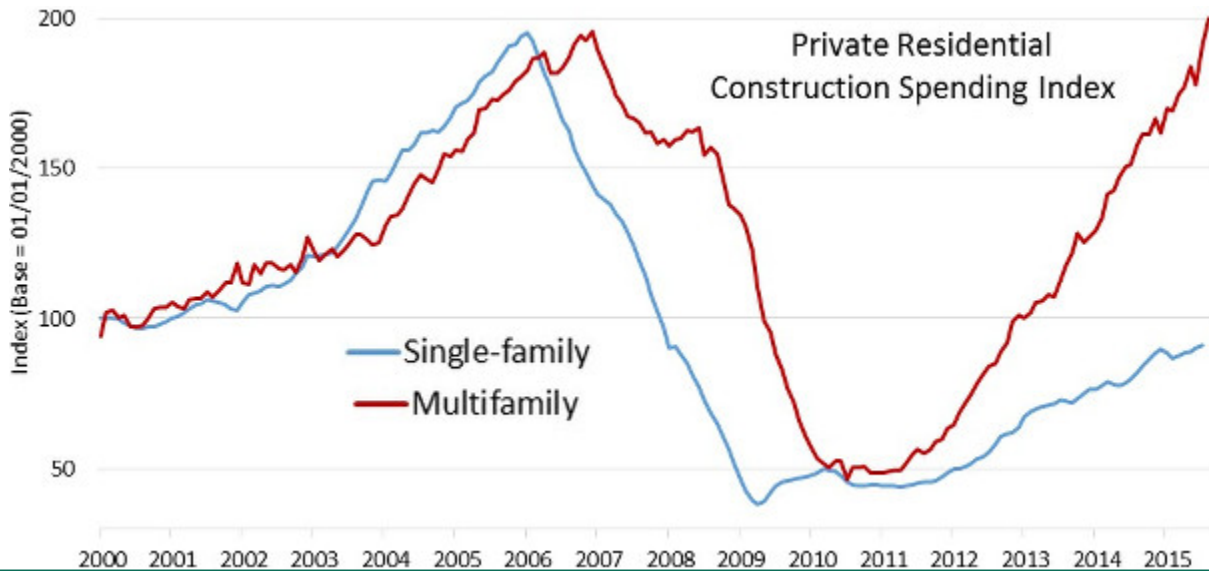
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### US Construction Spending

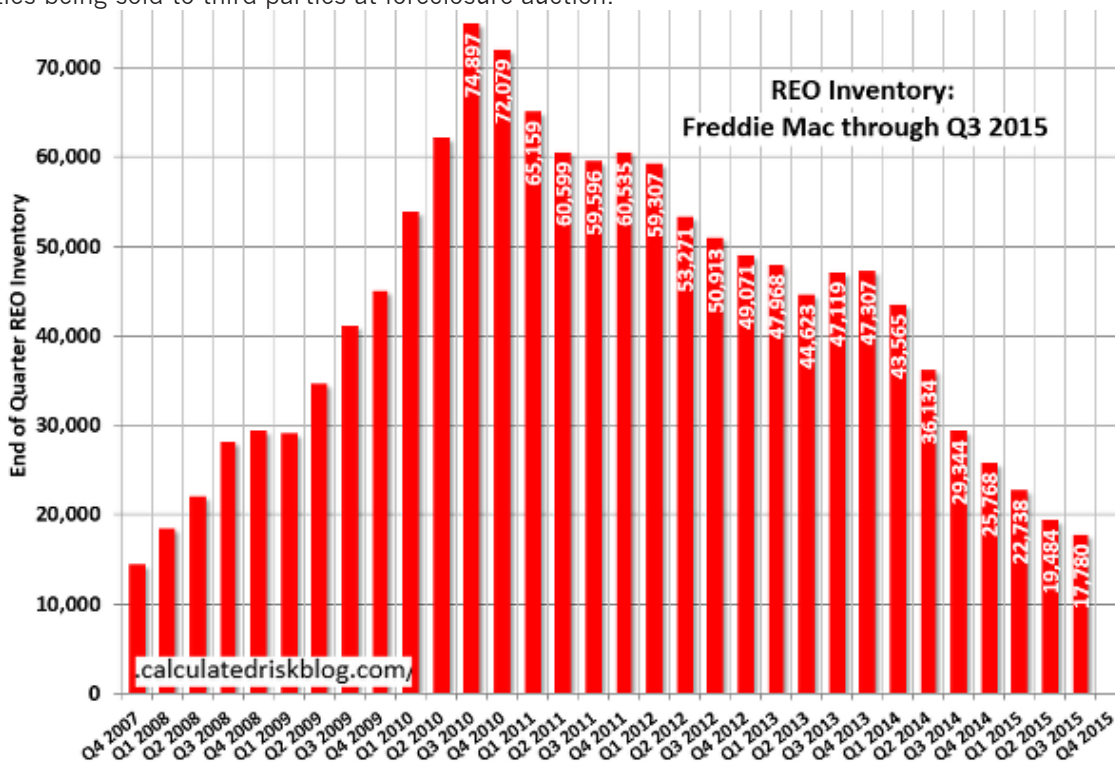
The pace of total nonresidential construction spending dipped by 0.1 per cent monthly in September, but the annual increase from the revised September 2014 estimate was 12.4 per cent. The largest contribution to this year-over-year nonresidential spending gain was made by the class of manufacturing-related construction (41 per cent increase), followed by lodging (33 per cent increase) and amusement/recreation (31 per cent increase).



### US REO Inventory: 3Q 2015

Freddie Mac Tuesday reported a net loss of US\$475 million for 3Q 2015, compared to net income of US\$4.2 billion for 2Q 2015. The company also reported a comprehensive loss of US\$501 million for 3Q 2015, compared to comprehensive income of US\$3.9 billion for 2Q 2015.

Single-family Real Estate Owned (REO) inventory (measured in number of properties) declined 31 per cent from December 31, 2014 to September 30, 2015, primarily due to our loss mitigation efforts and a larger proportion of properties being sold to third parties at foreclosure auction.



## 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	270	0	250	+20	340	-70
WSPF KD R/L 2x6	262	262	0	244	+18	350	-88
SYP KD R/L East Side 2x4	410	405	+5	345	+65	430	-20
SYP KD R/L East Side 2x6	345	350	-5	310	+35	365	-20
ESPF KD R/L 2x4	375	375	0	335	+40	435	-60
WSPF KD PET 2x4 Stud	235	235	0	215	+20	355	-120
WSPF KD PET 2x6 Stud	235	235	0	240	-5	380	-145
Douglas Fir Green R/L 2x4	310	307	+3	295	+15	308	+2
Douglas Fir Green R/L 2x10	410	400	+10	385	+25	415	-5
ESPF KD 2x4 8ft Stud	315	315	0	300	+15	420	-105
OSB Ontario 7/16" (CDN\$/msf)	330	315	+15	291	+39	230	+100
CSplywood Toronto 3/8" (CDN\$/msf)	412	425	-13	404	+8	462	-50

## Madison's Weekly Lumber News

### Building Permits, Canada

CONT'D FROM PAGE 7 The value of residential building permits declined 11.6 per cent from August to \$4.2 billion in September. This marked the second consecutive monthly decline following two months of gains. Decreases were registered in five provinces. In September, the total value of building permits was down 10.7 per cent overall in census metropolitan areas.

Construction intentions for non-residential buildings rose 1.6 per cent to \$2.9 billion in September, the first increase in three months.

The value of building permits for multi-family dwellings declined 20 per cent to \$1.8 billion in September, marking the second decrease in three months. Much of this decline came from Ontario, which had posted a large increase the previous month. Manitoba and Alberta recorded the largest gains in the component.

The value of single-family dwelling permits was down 3.7 per cent to \$2.3 billion in September. This was the second consecutive monthly decline. Decreases were posted in five provinces. Ontario accounted for most of the decline, with British Columbia and New Brunswick a distant second and third. The largest advances were in Quebec and Alberta.

### Housing Starts, Japan

CONT'D FROM PAGE 7 On a seasonally adjusted basis, Japan's annual housing starts in September were 900,000 units, a 3.3 per cent im-

provement over the same month in 2014.

This latest data looks to be showing an improvement in Japan home building, said the *Japan Lumber Reports*.

The number of units built for owners increased for five straight months, while units built for rent also improved.

Developers reported increased land purchases due to looming consumption tax increase of 10 per cent in 2017.

### Taiga Reports

Taiga Building Products Thursday reported its financial results for the

three and six months ended September 30, 2015.

Sales for 2Q increased to \$388 million from \$383.6 million in the same quarter last year. The increase in sales by \$4.4 million or 1.2 per cent was largely due to increased demand in the US.

Gross margin for 2Q was \$33.6 million compared to \$34.4 million in the same quarter last year.

Net earnings for the quarter decreased to \$4.6 million from \$5.7 million in the same quarter last year primarily due to decreased gross margin dollars.

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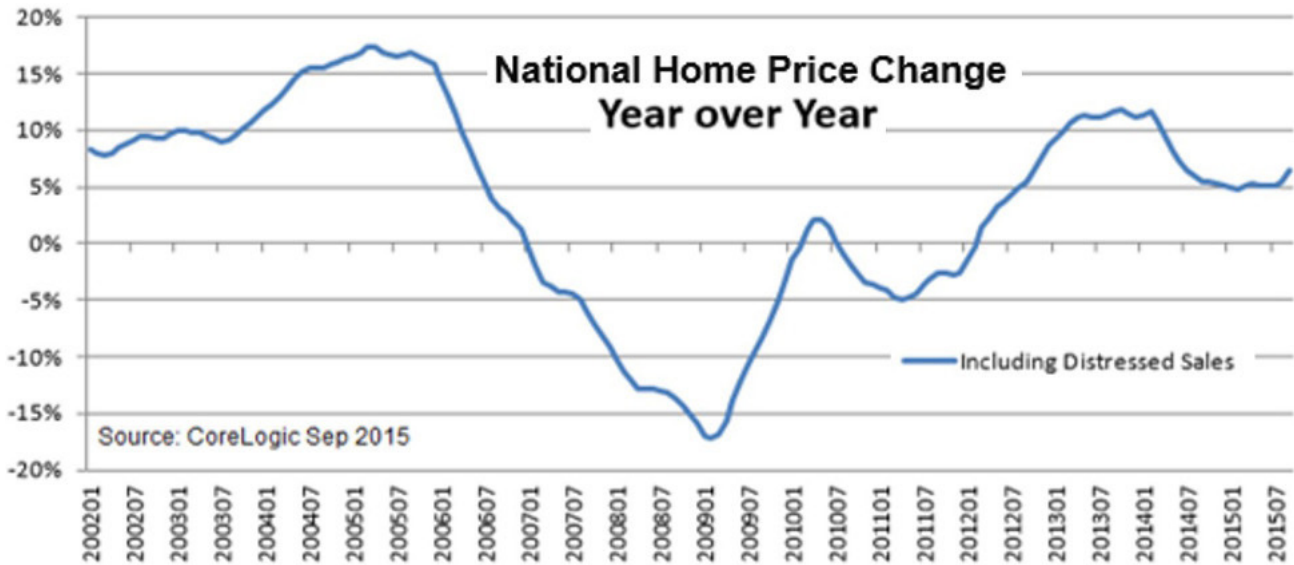
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### US House Prices

The CoreLogic Home Price Index Forecast indicates that home prices are projected to increase by 4.7 per cent on a year-over-year basis from September 2015 to September 2016, but could potentially dip slightly month over month from September 2015 to October 2015. The CoreLogic HPI Forecast is a projection of home prices using the CoreLogic HPI and other economic variables. Values are derived from state-level forecasts by weighting indices according to the number of owner-occupied households for each state.

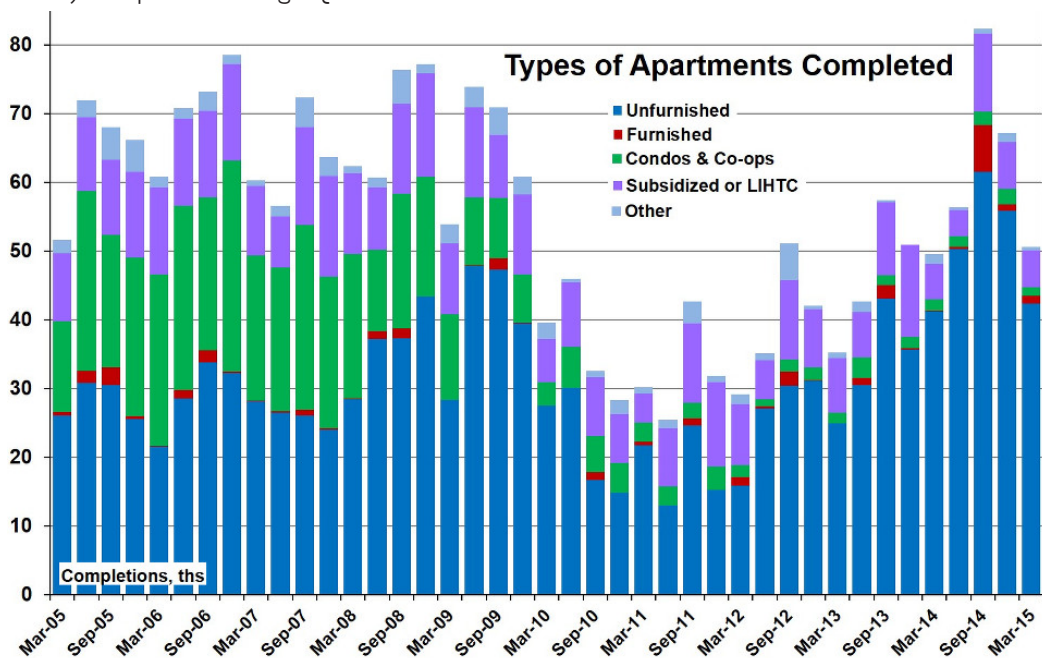


### US Apartment Absorptions: 2Q 2015

The US rental apartment market continued to be strong during 2Q 2015, as multifamily production levels remain elevated.

According to NAHB analysis of the most recent data from the Census Bureau and Department of Housing and Urban Development Survey of Market Absorption of Apartments, completions of privately financed, unsubsidized, unfurnished rental apartments in buildings with five or more units totaled 210,200 residences for the four quarter period ending with the first quarter of 2015, a 40 per cent increase from the prior four quarters.

In contrast, condo and co-op completions remain at historically low levels, with 1,300 for-sale multifamily homes (in 5+ unit properties) completed during 1Q 2015.



SOURCE: NAHB Eye on Housing

# Advanced Cellulosic Biofuels

The DuPont Iowa biorefinery is the world's largest cellulosic ethanol plant, with the capacity to produce 30 million gallons per year of clean fuel that offers a 90 per cent reduction in greenhouse gas emissions as compared to gasoline. The raw material used to produce the ethanol is corn stover – the stalks, leaves and cobs left in a field after harvest.

by Kéta Kosman

## Making Liquid Fuel from Switchgrass and Leftover Corn Stalks (stover)

Advanced cellulosic biofuels made from switchgrass and leftover corn stalks are dramatically greener than first-generation alternatives made from corn, according to a new analysis commissioned by the Environmental Working Group, said FuelFix Tuesday.

After years of waiting, farmers and industry experts watched as DuPont opened its first cellulosic ethanol production facility in Iowa.

DuPont held a grand opening at the plant October 30. The event featured a number of public officials and ethanol supporters, as well as company officials.

The facility that is expected to process 375,000 tons of corn stover each year (about one half-ton bale each minute) to produce about 30 million gallons of ethanol a year.

While corn-based ethanol production has become common in Iowa and surrounding corn-producing states, cellulosic ethanol production has been slow to get started. Poet-DSM opened a facility using corn stover in Emmetsburg last year and Quad County Processors has opened a cellulosic facility using more of the corn kernel, but this new facility from DuPont is the largest one to open thus far.

The original company idea was not to become a large cellulosic ethanol producer, but instead to build a model plant and then license the technology. Thus far, that effort has been slow in the United States, in part due to changes in the federal Renewable Fuels Standard and a more challenging market situation. But DuPont officials say they have licensed the technology in China and are looking at possible arrangements in other parts of the world.

The process of making cellulosic material into ethanol is more difficult than using corn, DuPont officials say. There are more steps

in the process. Corn stover or other types of cellulosic material are also bulkier and more difficult to transport and store than corn.

The DuPont facility differs from other cellulosic facilities now in use in that it uses a bacterium instead of yeast in the manufacturing process.

Unlike corn ethanol facilities, a cellulosic facility does not have feed co-products. But Jan Koninckx, global business director for DuPont Biofuels, says the Nevada facility is very energy efficient, and water used in the facility is all recycled.

Meanwhile, government officials praised the facility and expressed hope cellulosic ethanol production will now start to take off. Vital to the supply chain and the entire operation of the Nevada biorefinery are close to 500 local farmers, who will provide the annual 375,000 dry tons of stover needed to produce this cellulosic ethanol from within a 30-mile radius of the facility. In addition to providing a brand-new revenue stream for these growers, the plant will create 85 full-time jobs at the plant and more than 150 seasonal local jobs in Iowa.

### Environmental Working Group Report

The Environmental Working Group paper could add fuel to their argument that the RFS is too reliant on corn-based ethanol, instead of sophisticated next-generation alternatives that have been tougher to commercialize.

“When the renewable fuel standard was established, corn ethanol was

touted as being cleaner than gasoline, but 10 years later we know it's just the opposite,” said Emily Cassidy, an Environmental Working Group research analyst who authored the paper. “It's time to break up the corn ethanol monopoly to make room for next-generation biofuels that could reduce carbon emissions.”

Supporters of the current law — including Corn Belt lawmakers — note that some of the next-generation biofuels now in production are being manufactured by the same companies that produce traditional ethanol derived from corn.

The corn-based ethanol business can improve the economics of their next-generation biofuels production. Tinkering with the renewable fuel standard to advantage next-generation alternatives at the expense of traditional corn-based biofuels could jeopardize that business model.

DuPont's achievement provides the technology that will transform the U.S. fuel supply enabling a transition to fulfill the original cellulosic ethanol volume targets as Congress intended when it passed the Renewable Fuel Standard, a regulation established in 2005 to encourage growth and investment in sustainable fuel solutions. Earlier this month, DuPont and America's Renewable Future released new poll findings that suggested Iowa caucus-goers from both parties – 61 per cent of Republicans and 76 per cent of Democrats – would be more likely to vote for a presidential candidate who supports the Renewable Fuel Standard and renewable fuels.