

# MADISON'S LUMBER REPORTER

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## News & Updates

### Truck Logger Association Announces....

Members of The Truck Loggers Association elected their first female president, Jacqui Beban, at their AGM in Vancouver this week.

The Truck Loggers Association has had 37 male presidents since its incorporation on May 4, 1943. This is a historic first for The Truck Loggers Association and BC's forest industry.

### US and Canada Lumber Production: October 2015

Lumber production in the United States totalled 27.022 billion board feet from January through October 2015. This represents a 1.2 per cent increase as compared to January-October 2014, according to the Western Wood Products Association's "Lumber Track" publication, released Wednesday.

Lumber production in Canada from January through October 2015 totalled 22.193 billion board feet. This represents a 6.8% increase over the previous year.

Please see graph Page 6.

### Japan Lumber and Logs: October 2015, Housing Starts

According to Japan's Ministry of Agriculture, Forestry and Fisheries "Information on the Exports and Imports of Agricultural, Forestry and Fishery Products" report, Japan's export of agricultural, forestry, and fishery products amounted to 66.07 billion yen in October 2015, an increase of 17.5 per cent from the same month of the previous year, said the *Japan Lumber Journal* Friday. As a result, the figure totalled to 602.93 billion yen for January-October of the year, a rise of 23.2 per cent from the same period of the previous year, reaching the same level as the annual export of 611.7 billion yen in 2014.

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### Canada Housing Starts: December 2015

Canadian housing starts fell more than expected in December from a month earlier as construction of multiple units, typically condominiums, dropped sharply, the national housing agency reported on Monday.

The Canadian Mortgage and Housing Corp indicated the seasonally adjusted annualized rate of housing starts dropped to 172,965 units in December from an upwardly revised 212,028 units in November. Forecasters expected 200,000 starts.

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### US Producer Prices: December 2015

In the US, The Bureau of Labor Statistics (BLS) released the Producer Price Indexes (PPI) for December Friday. Inflation in prices received by producers (prior to sales to consumers) declined 0.2 per cent in December based on declining energy prices. Prices for goods declined 0.7 per cent, but excluding food and energy, rose 0.1 per cent. Prices for services rose 0.1 per cent.

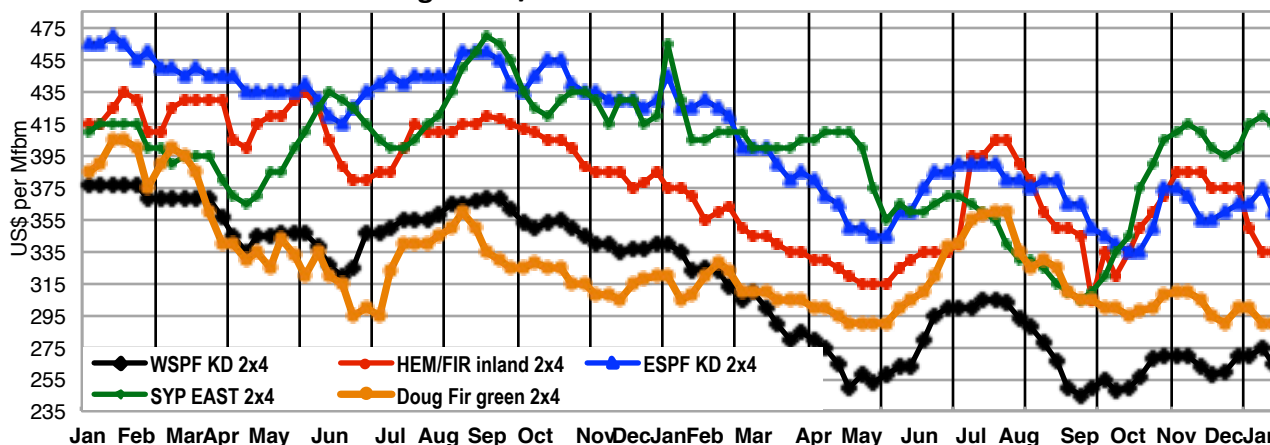
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### North America Timber Revenue and Returns 2015

Some reports and analysis of North America's timber finance 2015 are examined.

CONT'D PAGES 8, 9

FIVE KEY 2x4 KD and green R/L DIMENSION LUMBER PRICES 2014 - JAN 2016

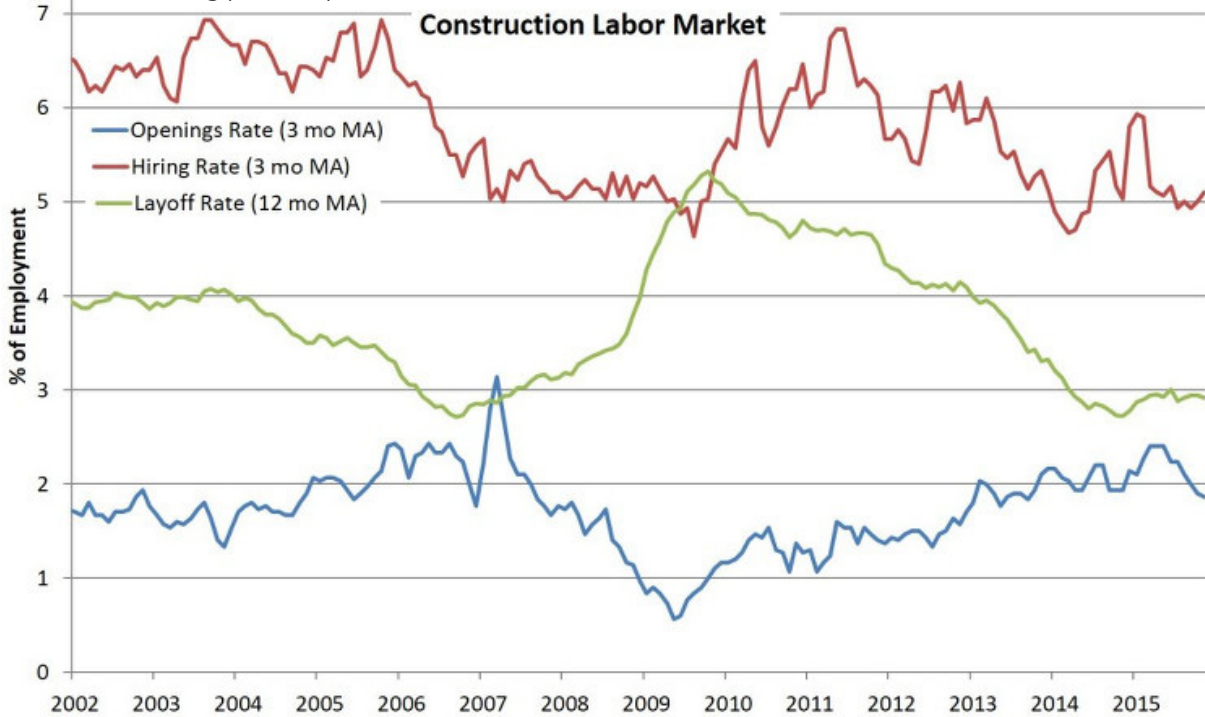


## US Residential Construction Employment

The count of unfilled jobs in the overall construction sector increased in November, as hiring in the home building sector accelerated.

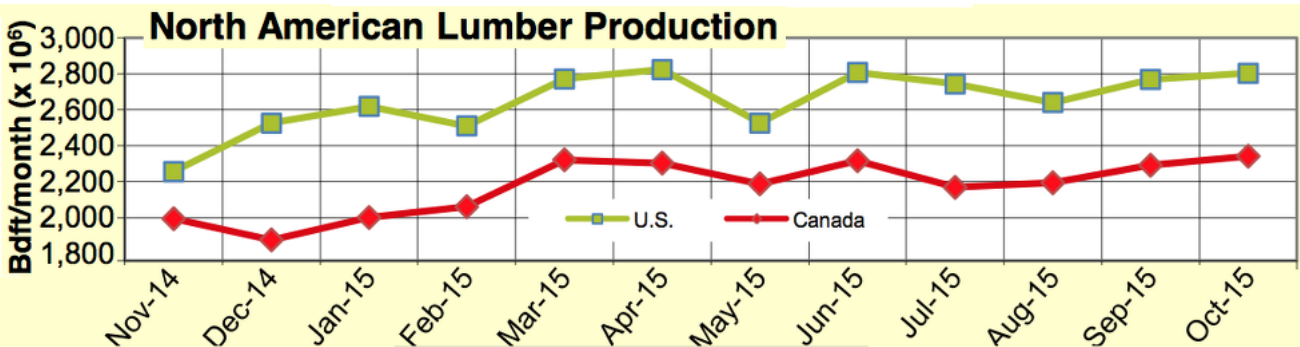
According to the BLS Job Openings and Labor Turnover Survey (JOLTS) and NAHB analysis Tuesday, the number of open construction sector jobs (on a seasonally adjusted basis) increased to 135,000 in November from 121,000 in October. The cycle high of 168,000 open positions was set during March.

On a three-month moving average basis, the open position rate (job openings as a percent of total employment) for the construction sector held steady at 1.9 per cent for November. The overall trend for construction open jobs has been increasing, although the current open rate is down from the cycle high last reached in May (2.4 per cent) as construction hiring picked up in recent months.



The construction sector hiring rate, as measured on a three-month moving average basis, increased to 5.1 per cent, although it remains near rates set in the spring of 2015. The quits rate for construction jumped to 2 per cent for November, the highest rate since December 2014.

The pace of hiring for the residential construction industry had been slowing over the course of 2015. With the jumps in November and December however, the six-month average of monthly employment growth is now a healthy 15,000.



Source: Southern Forest Products Association, U.S. Census Bureau, Council of Forest Industries-CAN, WWPA

## Madison's Weekly Lumber Key Prices Table

www.madisonsreport.com



	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	265	275	-10	260	+5	334	-69
WSPF KD R/L 2x6	265	275	-10	260	+5	344	-79
SYP KD R/L East Side 2x4	415	420	-5	395	+20	430	-15
SYP KD R/L East Side 2x6	305	320	-15	305	0	370	-65
ESPF KD R/L 2x4	360	375	-15	350	0	425	-65
WSPF KD PET 2x4 Stud	205	205	0	210	-5	345	-140
WSPF KD PET 2x6 Stud	215	215	0	225	-10	360	-145
Douglas Fir Green R/L 2x4	290	290	0	290	0	305	-15
Douglas Fir Green R/L 2x10	335	345	-10	370	-35	390	-55
ESPF KD 2x4 8ft Stud	290	295	+10	280	+10	405	-115
OSB Ontario 7/16" (CDN\$/msf)	325	320	0	325	0	225	+100
CSplywood Toronto 3/8" (CDN\$/msf)	412	412	+3	409	+3	435	-23

## Madison's Weekly Lumber News

### Housing Starts, Canada

CONT'D FROM PG 2 Ground-breaking on multiple units fell to 101,264 from 138,665 in November, while single-detached starts were effectively flat at 57,743 units in December compared with 57,780 units a month earlier.

For 2015 as a whole, actual housing starts rose to 195,536 units from 189,329 units in 2014, with all of the strength coming from construction of multiple-unit dwellings. Single detached housing starts were lower in 2015.

Canada Mortgage and Housing said rural starts were estimated at a seasonally adjusted annual rate of 13,958.

The six-month moving average of housing starts was 203,502 units in December compared with 208,204 in November.

### Producer Prices, US

CONT'D FROM PG 2 Softwood lumber prices moved lower in December. Prices have trended down since mid-2014. Expiration of the US-Canadian Softwood Lumber Agreement (SLA) in October can be expected to keep supply in line with increasing demand from the ongoing housing recovery. We expect no sharp movement in

prices and a continuation of the modest downward trend in the coming year.

OSB prices rose in December adding to gains since mid-2015. A rebalancing of supply, demand and productive capacity is expected to keep prices in the current range going forward.

Gypsum prices continued to slide in December from sharp increases in January and February, following the pattern that prevailed in the prior two years. Previously announced price increases from major gypsum producers (gypsum) are distributed more evenly through the year making the outlook for gypsum prices uncertain.

### Japan Housing Starts

CONT'D FROM PG 2 Japan's housing starts in November 2105 were 79,697 units (up 1.7 per cent from the same month in the previous year), surpassing the last year's result for the first time in two months, according to *Japan Lumber Journal* Friday.

The seasonally-adjusted annual rate recovered to 886,000 units (up 2.8% from the previous month). Total housing starts during January-November 2015 were 833,847 units (up 2.2 per cent from the same period of a year-earlier), and total housing starts in 2015 are expected to slightly surpass 900,000 units.

### Sawmill Fire

Nobody was injured when a small fire caused an explosion that ripped a hole in a wall at the Flavelle Sawmill in Port Moody, BC, early Tuesday morning.

PoMo Fire Chief Remo Faedo told The Tri-City News investigators are unsure what caused the blaze but said the flames heated up a nitrogen tank attached to the mill's hydraulic system. Once the temperature reached a certain point, the tank exploded, setting off the sprinklers and damaging the metal cladding wall of one of the buildings.

### Calendar

May 2016

#### International Pulp Week 2016

May 1 - 4, 2016 – Vancouver, BC

<http://www.forestproductssummit.com>

#### PwC's 29th Annual Global Forest, Paper & Packaging Industry Conference

May 4, 2016 – Vancouver, BC

<https://www.pwc.com/ca/en/industries/forest-paper-packaging/publications/annual-global-forest-paper-industry-conference.html>



29th Annual Forest & Paper Industry Conference

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## Acadian Timber Is A Prime Beneficiary Of Positive Macro Trends And Canadian Subsidies

### Nicholas Bodnar -- Seeking Alpha

#### Summary

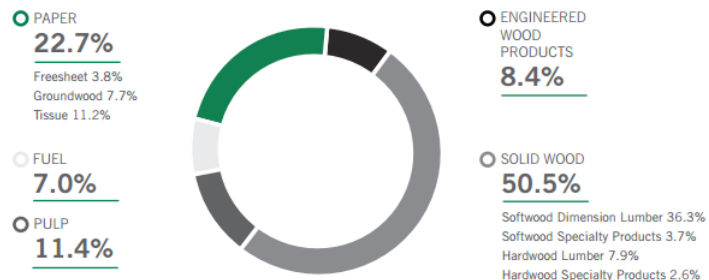
- Acadian Timber is an overlooked Canadian microcap lumber company, with some of the highest margins in the industry.
- Currently the company is trading for a relative discount. There are a few forward events that may influence a convergence of the discount.
- A strong US dollar, the lift of the Softwood Lumber Agreement, low energy prices, and Canadian subsidies, will benefit Acadian Timber, unlike its US peers.
- Positive macroeconomic indicators suggest that Acadian Timber will benefit from a recovering economy.

As a business, ACAZF is a supplier of forestry products in Eastern Canada and Northeastern United States. The products that ACAZF sells are softwood and hardwood saw logs, pulpwood, and biomass products. In 2014 the company sold to 90 regional customers in North America.

On a consolidated basis, the company has ~2.4mm acres of land under management. The company also owns a forest nursery in Second Falls, New Brunswick. Finally, ACAZF provides management services to ~1.3mm acres of land under Crown Licensed Timberlands.

#### ACADIAN'S PRODUCT MIX BY END USE\*

Acadian sells a wide variety of products to a broad group of customers. Acadian's greatest exposure is to softwood sawlogs; however, markets for hardwood sawlogs, hardwood and softwood pulpwood, and biomass diversify our sales.



\* Percentage of log sales by value for the year ended December 31, 2014.

### Plum Creek Timber and Weyerhaeuser Oversold

"Plum Creek Timber Co, (Symbol: PCL) presently has an above average DividendRank, in the top 50 per cent of the coverage universe, which suggests it is among the top most "interesting" ideas that merit further research by investors.

The DividendRank formula at Dividend Channel ranks a coverage universe of thousands of dividend stocks, according to a proprietary formula designed to identify those stocks that combine two important characteristics - strong fundamentals and a valuation that looks inexpensive.

But making Plum Creek an even more interesting and timely stock to look at, is the fact that in trading on Thursday, shares of PCL entered into oversold territory, changing hands as low as US\$44.81 per share."

Read more: <http://www.nasdaq.com/article/plum-creek-timber-is-oversold-cm562883#ixzz3xMA13acK>

Shares of WY entered into oversold territory, changing hands as low as US\$28.54 per share.

In the case of Weyerhaeuser Co, the RSI reading has hit 28.2 — by comparison, the universe of dividend stocks covered by Dividend Channel currently has an average RSI of 42.5. A falling stock price — all else being equal — creates a better opportunity for dividend investors to capture a higher yield. Indeed, WY's recent annualized dividend of US\$1.24/share (currently paid in quarterly installments) works out to an annual yield of 4.25 per cent based upon the recent US\$29.24 share price.

A bullish investor could look at WY's 28.2 RSI reading today as a sign that the recent heavy selling is in the process of exhausting itself, and begin to look for entry point opportunities on the buy side. Among the fundamental datapoints dividend investors should investigate to decide if they are bullish on WY is its dividend history.

Read more: <http://www.forbes.com/sites/dividendchannel/2016/01/07/weyerhaeuser-becomes-oversold/#2715e4857a0b30c2729970c0>

# Timber Revenues and Returns 2015

CONT'D FROM PAGE 2

## CatchMark Timber Trust: Analysts Take

[Wall Street research analysts](#) are predicting that CatchMark Timber Trust, Inc. (NYSE:CTT) will post earnings per share of US\$0.14 when the firm next issues their quarterly results. According to the latest information, the firm should release the report on or around 2016-02-22. This is according to data compiled by Zack's Research. Analysts and investors will be paying close attention to how the actual numbers compare with the estimates. A large surprise factor in either direction typically can lead to a significant swing in the stock price in the hours and days after the report. For the most recent quarter CatchMark Timber Trust, Inc. recorded a surprise factor of 17.65 per cent as the actual EPS number was US\$0.03 off from the consensus estimate.

Research firms on the Street have price targets on the name ranging from US\$14 to US\$14 with a standard deviation of US\$0. The consensus target from the three analysts providing projections currently stands at US\$14. The mean target was last revised on 2015-12-14. These are short term projections for the next 12 months.

Nationally, the number of single-family detached house rentals increased by 3.2 million between 2004 and 2013, according to Harvard's Center for Housing Studies.

## Oregon Timber Revenue Crisis

Josh Lehner with the Oregon Office of Economic Analysis said to Northwest Public Radio, January 7, since 1978 Harney County has lost 99 per cent of its wood product jobs.

Harney County is sparsely populated, with 7,000 residents living on 10,000 square miles of land. That used to mean a healthy timber industry.

Overall, Harney County's employment rate has remained flat for the

last 40 years.

Economists say the county is part of a 'Timber Belt' that's been hit just as hard as the 'Rust Belt' of the north-eastern United States.

The 'Timber Belt' runs from the rural counties of Northern California, through Oregon and up to Washington.

## Timber Report: Lumber prices stable but low

[RICK SOHN -- For The News-Review](#)

"Mortgage rates remain favourable for home buyers and warm winter temperatures favor home building, for now. Log prices are high and out of balance with low product prices. Online mortgage loans are the new kid on the block. Recent trends of lumber, home construction and housing markets are comparable to 2006.

Lumber prices are stable but low. As was true last month, export from the US is difficult for US producers due to the high value of the dollar and the sluggishness of other economies (eg, China and Europe). Export to the U.S. is attractive for foreign producers. This perfect storm contributes to

downward pressure on prices of domestically produced wood products.

Log prices continue to drop slowly, but are still too high for the product prices. The typical upward pressure on log prices as a result of log shortages in the winter, is facing the headwinds of the weak lumber prices. It's early in the winter, though, and sometimes the best log prices are not until in March and April, occasionally May.

Housing starts and building permits are on the upswing again, posting the second best month since 2007. Mortgage interest rates have held steady, despite a 0.25 percent interest rate hike by the Federal Reserve Board. The next 0.25 percent rate hike is predicted for March, with the possibility of a 1 percent total increase by the FED in the year 2016.

The competition between banks and online lenders to finance mortgage loans could eventually drive mortgage interest rates down. This could increase the home buying ability of the millennial generation and others wanting to buy."

