

MADISON'S LUMBER REPORTER

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News & Updates

BC Forest Products Exports: Dec 2015

The Competitiveness and Innovation Branch, BC Ministry of Forests, Lands, and Natural Resource Operations Thursday released the latest BC forest products exports data.

Highlight of BC Forest Product Exports Full Year 2015, compared to Full Year 2014:

- BC forest product exports totalled \$12.88 billion, up 3.9 per cent from \$12.40 billion.
- Share of export value by market: US (47.6 per cent, up from 44.6 per cent), China + Hong Kong (29.1 per cent, down from 30.7 per cent), Japan (9.2 per cent, down from 10.1 per cent) and other destinations (14.1 per cent, down from 14.6 per cent).
- Share of export value by product: Softwood Lumber (45.8 per cent, down from 46.4 per cent), Pulp (25.6 per cent, up from 25.2 per cent).

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North America Lumber Production: Nov 2015

Lumber production in the US totalled 29.4 BBF for the first eleven months of 2015, an increase of 1.4 per cent from 2014 when it was 28.9 BBF, according to the **Western Wood Products Association's Lumber Track**, released Wednesday.

Canadian lumber production improved by 7.9 per cent for January to November 2015, to 24.5 BBF from 22.8 BBF the year earlier.

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Interfor, West Fraser Report

Canadian forest companies Interfor and West Fraser Timber both released quarterly financial reports this week.

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US Construction Employment: Dec 2015

According to the BLS Job Openings and Labor Turnover Survey and NAHB analysis, the number of open construction sector jobs in the US increased to 207,000 in December from 138,000 in November.

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2015 US Construction Starts Snapshot: CMD

Total construction starts in the US grew by 3.7 per cent in 2015 to reach US\$527 billion, a slowdown from the 7.4 per cent growth posted in 2014 said a new report by Construction Market Data Group, published February 5.

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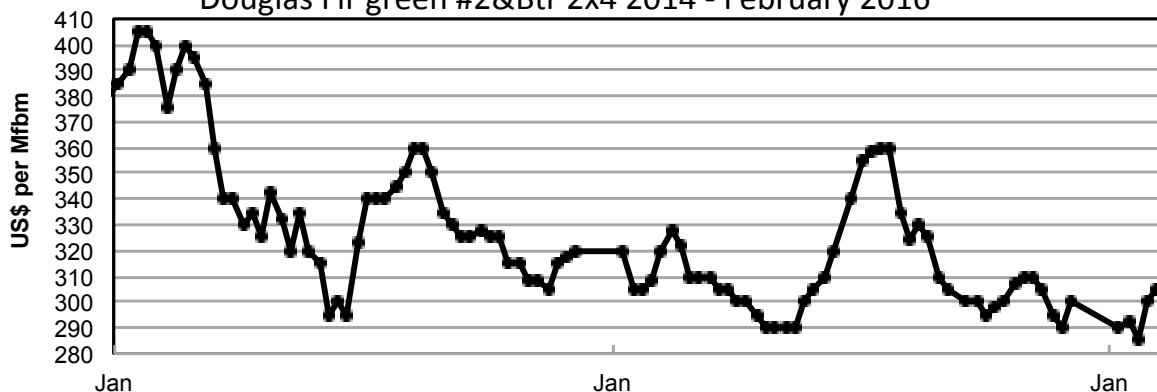
Canada Trade Outlook: Conference Board

Canada's exporters are entering a new era of lower commodity prices and strong demand from a rebounding US economy, but many are not prepared to take advantage of this major shift in trade patterns, says a new report by the Conference Board of Canada study, published Thursday.

Among Canadian industries best positioned to capitalize on the end of the commodities supercycle, the low-flying loonie, and stronger US demand are many service providers.

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Douglas Fir green #2&Btr 2x4 2014 - February 2016

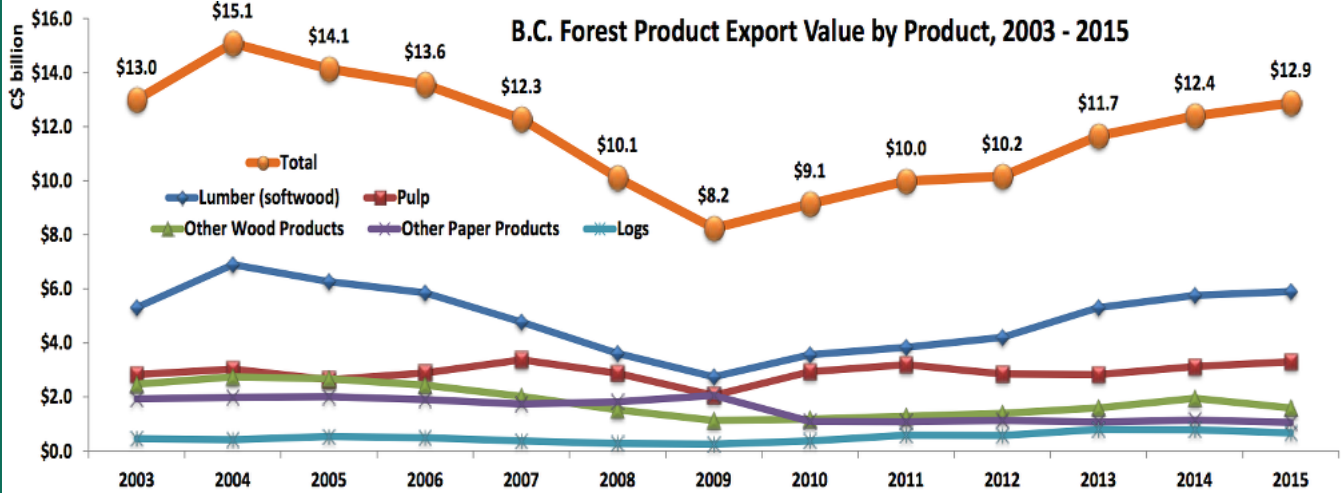


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BC Forest Products Exports: December and Full Year 2015

Highlight of Exports in December 2015, compared to December 2014:

- BC forest product exports totalled \$1.10 billion, up 10.9 per cent from \$0.99 billion.
- Share of export value by market: US (46 per cent, up from 45.9 per cent), China + Hong Kong (31.4 per cent, up from 28.8 per cent), Japan (8.5 per cent, same at 8.5%) and other destinations (14.2 per cent, down from 16.9 per cent).
- Share of export value by product: Softwood Lumber (46.4 per cent, down from 47.6 per cent), Pulp (26.8 per cent, up from 26.3 per cent).



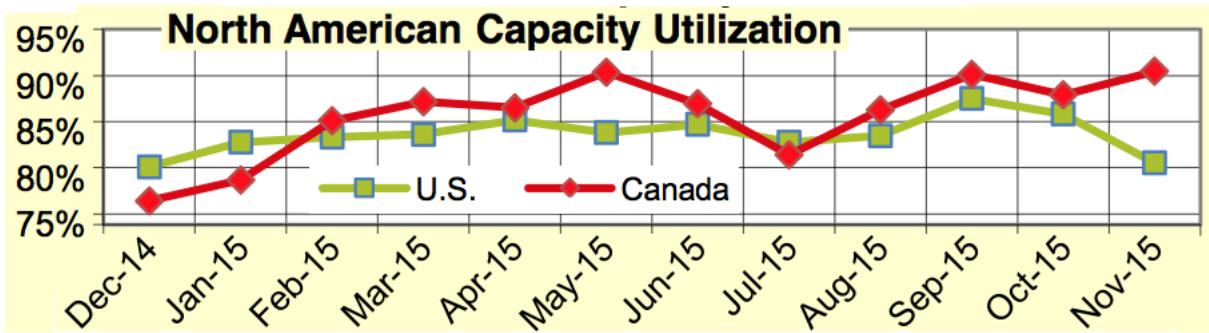
Prepared by Alex Barnes of Competitiveness and Innovation Branch, Ministry of Forests, Lands, and Natural Resource Operations

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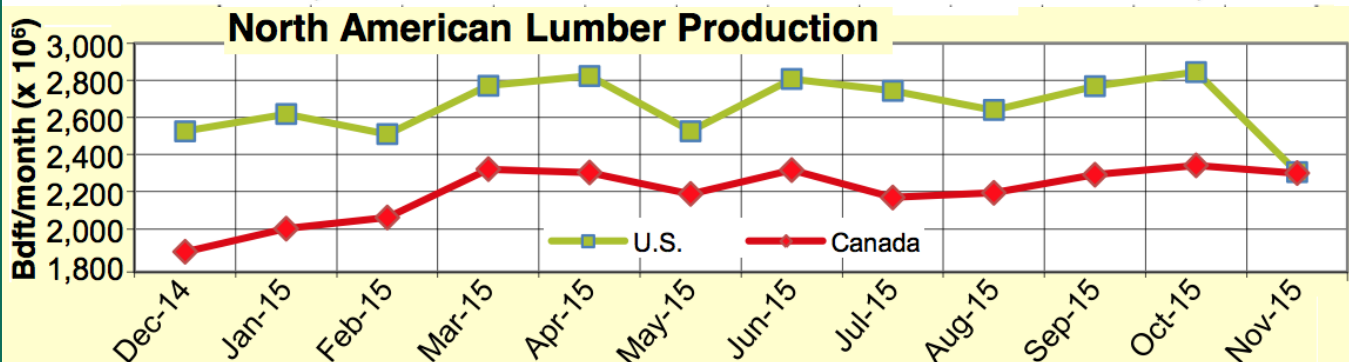
North America Lumber Production, Sawmill Capacity: November 2015

Lumber production as a per cent of practical capacity in the US was 84 per cent for January to November 2015, an increase of 1 per cent from 2014 when it was 83 per cent, according to the **Western Wood Products Association's Lumber Track**, released Wednesday.

Canadian sawmill capacity utilization improved by 2 per cent for the first eleven months of 2015, to 86 per cent from 84 per cent the year earlier.



Sources: FEA, LLC: Softwood Sawmills in the United States and Canada, WWPA



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
<small>Prices are in U.S. dollars per 1,000 fbm (net FOB mill)</small>							
WSPF KD R/L 2x4	257	255	+2	266	-9	322	-65
WSPF KD R/L 2x6	257	255	+2	268	-11	330	-73
SYP KD R/L East Side 2x4	400	395	+5	405	-5	410	-10
SYP KD R/L East Side 2x6	295	285	+10	295	0	350	-55
ESPF KD R/L 2x4	360	355	+5	350	+10	425	-65
WSPF KD PET 2x4 Stud	230	220	+10	200	+30	330	-100
WSPF KD PET 2x6 Stud	215	215	0	215	0	335	-120
Douglas Fir Green R/L 2x4	305	300	+5	292	+13	328	-23
Douglas Fir Green R/L 2x10	355	340	+15	337	+18	385	-30
ESPF KD 2x4 8ft Stud	295	290	+5	275	+20	390	-95
OSB Ontario 7/16" (CDN\$/msf)	305	305	0	320	-15	240	+65
CSplywood Toronto 3/8" (CDN\$/msf)	406	404	+2	404	+2	460	-54

Madison's Weekly Lumber News

Quarterly Reports

CONT'D FROM PG 2 Interfor Corp, out of Vancouver, BC, recorded Adjusted EBITDA of \$35.8 million in 4Q 2015 versus \$11.5 million in 3Q 2015 and \$37.4 million in 4Q 2014, the company announced Thursday. The Company's results in 4Q 2015 reflect the benefits of higher prices and progress on a number of key business initiatives.

West Fraser, also based in Vancouver, BC, reported a loss \$15 million or \$(0.18) basic earnings per share on sales of \$1,013 million in 4Q 2015 and earnings of \$104 million or \$1.25 basic earnings per share on sales of \$4,100

million for 2015, the company announced also Thursday.

Construction Employment, US

CONT'D FROM PG 2 On a three-month moving average basis, the open position rate (job openings as a per cent of total employment) for the construction sector increased to 2.3 per cent for December, said the National Association of Home Builders Tuesday.

The construction sector hiring rate, as measured on a three-month moving average basis, held steady at 5 per cent, remaining near rates set

in the spring of 2015. The quits rate for construction increased to 2.2 per cent for December, 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 recent jumps however, the six-month average of monthly employment growth is now a robust 18,000.

Residential construction employment now stands at 2.571 million, broken down as 716,000 builders and 1.855 million residential specialty trade contractors.

In January, the unemployment rate for construction workers decreased slightly to 6.7 per cent on a seasonally adjusted basis, up from the cycle low of 6.5 per cent set during July. The unemployment rate for the construction occupation has been on a general decline since reaching a peak rate of 22 per cent in February 2010.

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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>

US 2015 Construction Starts Snapshot: CMD

by [ABBY SAMP, OXFORD ECONOMICS](#), for *Daily Commercial News*

Total construction starts in the US grew by 3.7 per cent in 2015 to reach US\$527 billion, a slowdown from the 7.4 per cent growth posted in 2014.

The civil engineering sector provided the main impetus for growth, with strong construction of roads, bridges, and other engineering works fuelling annual growth of 10.8 per cent. New construction of residential buildings was also relatively solid in 2015, growing by 6.3 per cent on the year, as double-digit growth in the single-family segment was countered by a decline in starts of multi-family units. In contrast, non-residential building construction declined by 3 per cent in 2015. This came against a backdrop of steady, yet unspectacular, economic growth; GDP is estimated to have grown by 2.4 per cent (based on data through Q3).

North of the border, Canadian construction starts plummeted by 15.6 per cent in 2015. Shrinking investment in the mining sector dragged down civil engineering starts by 27.8 per cent. Residential starts posted a shallower contraction of 3.8 per cent, while non-residential building starts grew by 6.6 per cent. The contraction is hardly surprising, given the difficult macroeconomic background – Canadian GDP growth slowed to an estimated 1.2 per cent in 2015 (based on data through Q3).

US 2015 Year End Review

US	NORTHEAST		MIDWEST		SOUTH		WEST		US TOTAL	
	2015 LEVEL	2015 GROWTH	2015 LEVEL	2015 GROWTH	2015 LEVEL	2015 GROWTH	2015 LEVEL	2015 GROWTH	2015 LEVEL	2015 GROWTH
Macro variables										
GDP (billions 2009 US\$)	3,303	1.7%	3,060	1.4%	5,744	2.7%	4,012	3.7%	16,342	2.4%
Population (millions)	56.3	0.3%	64.0	0.3%	120.0	1.1%	75.9	1.1%	321.4	0.8%
Unemployment rate (%)	5.3	-	5.0	-	5.2	-	5.7	-	5.3	-
Construction starts (millions US\$)										
Total starts	75,719	-12.1%	100,411	8.4%	234,022	9.1%	117,321	1.9%	527,474	3.7%
Residential	25,858	-12.5%	32,839	3.6%	108,546	10.9%	51,117	10.4%	218,360	6.3%
Non-residential building	29,196	-20.8%	36,729	5.3%	78,610	3.9%	41,735	-6.7%	186,270	-3.0%
Civil engineering	20,666	5.0%	30,843	18.3%	46,866	14.3%	24,469	1.5%	122,844	10.8%



US Year In Review

Among the four major regions, 2015 construction starts were strongest in the South and the Midwest, growing by 9.1 per cent and 8.4 per cent respectively. The strength in the South has likely resulted from solid economic growth (GDP grew by 2.7 per cent). The strength in the Midwest was driven by engineering construction projects, which tend to be less cyclical.

Construction starts in the West were less rosy, growing by just 1.9 per cent in 2015. This came despite solid economic growth, strong demographics and a large potential scope for catch up in all of the regions. Nonetheless, residential construction, which saw the biggest collapse during the global financial crisis, grew by a respectable 10.4 per cent in 2015, although it remains more than 45 per cent below its pre-crisis peak. Total starts in the Northeast, by contrast, declined by 12.1 per cent in 2015. Much of this was due to harsh weather in the first quarter.

Canada Year In Review

The weakness in residential construction was concentrated in the Atlantic region and the Prairies, the regions with the lowest economic growth. In contrast, residential starts in the “frothy” markets around Toronto and Vancouver continued to grow strongly. Total residential starts in both British Columbia and Ontario grew by around 7 per cent.

Canada Export Outlook: Conference Board

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Several Canadian manufacturing industries will need to increase capacity to benefit from stepped-up demand, the analysis by Jacqueline Palladini says in a Conference Board of Canada study, published Thursday.

Five industries are singled out as being the best positioned to reap benefits from what the author calls "Canada's next trade era":

Canada's Next Trade Era

- Transportation and government services
- Other commercial services (such as wholesale trade and administration)
- Computers and information services
- Food manufacturing
- Financial and insurance services.

Fastest Growing Industries

Four of these five industries are in the services category, which has been among the fastest-growing Canadian exports over the past decade.

Six industries are singled out that face strong US demand but lack sufficient capital to ramp up production in response:

- Wood products manufacturing
- Pharmaceutical and medicine manufacturing

- Aerospace product and parts manufacturing
- Other transportation manufacturing (such as rail and shipbuilding)
- Clothing
- Motor vehicle parts manufacturing

Past Layoffs

Many of the companies in these industries laid off employees, scaled back or shut down operations in the past decade, hurt by low-cost competition from China, Mexico and other countries and by the high Canadian dollar. Consequently, they face challenges ramping up operations again, the report says.

These companies are prime candidates for capital investments such as plant expansions, machinery upgrades or stepped-up hiring. But that may not always be easy, given the potential difficulties in locating financing and finding enough qualified people..

Government

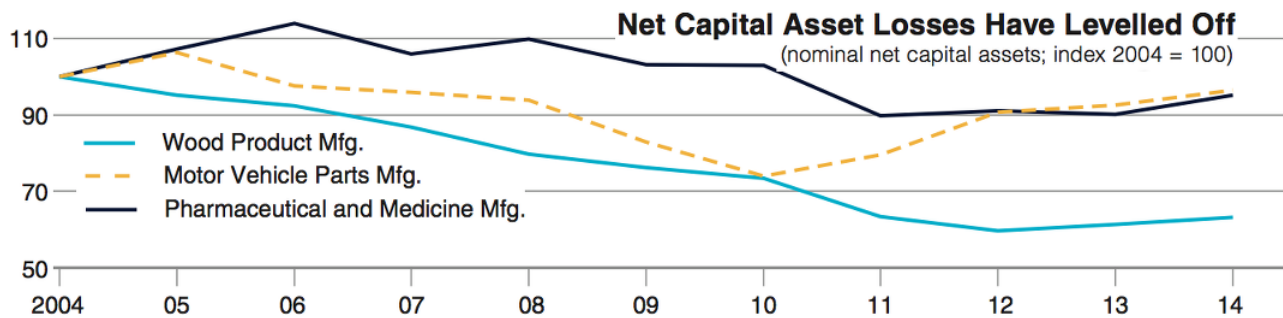
This is where the government can help, notably with new policies and programs in the areas of labour mobility and skills enhancement.

"We are shifting back to a world reminiscent of the 1990s, characterized by strong growth in U.S. demand as it continues its recovery from the recession," the report says.

Meanwhile, demand from emerging countries is slowing.

Canadian exports to the United States are expected to increase by a robust 4 per cent, on average, over the 2010-2019 period, according to the analysis.

Download the full report here: <http://www.conferenceboard.ca/e-library/abstract.aspx?did=7657>



Sources: Statistics Canada's Business Register; The Conference Board of Canada.

Are Wood Products and Motor Vehicle Parts Becoming More Competitive?

(change in real unit labour costs over 2007-13; per cent)



Sources: Statistics Canada; The Conference Board of Canada