

MADISON'S LUMBER REPORTER

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News & Updates

Canada Lumber Production, Sawmill Sales: Jan 2016

Lumber production by Canadian sawmills increased 4.2 per cent from December to 5,526.7 thousand cubic metres in January. Compared with January 2015, lumber production rose 14 per cent, according to **Statistics Canada** Monday.

Canadian sawmills shipped 5,304.6 thousand cubic metres of lumber in January, up 1.1% from December. Shipments rose 16.8 per cent compared with January 2015.

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British Columbia Softwood Lumber Exports: Feb 2016

Volumes of British Columbia softwood lumber exports to the world for the first two months of 2016 increased 17.4 per cent compared to the previous year, to 1,084,397 cubic metres from 895,870 cubic metres, according to new data released by **BC Stats** Tuesday.

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Housing Starts, Canada: March 2016

The latest Canadian housing starts report from the **Canadian Mortgage and Housing Corp.** released Friday, showed the seasonally adjusted annualized rate of housing starts fell to 204,251 units in March from an upwardly revised 219,077 units in February.

CMHC said the six-month moving average — which smoothes out monthly blips — for starts was 196,783 units in March compared to 201,618 in February.

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Japan Housing Starts: February 2016

Total housing starts in February for Japan were 72,831 units, a 7.8 per cent increase over one year ago and the second straight month's increase from the previous month, said the *Japan Lumber Reports* Friday.

New units built for owners increased slightly, while building of rental units increased for four consecutive months.

Conference Board of Canada: Infrastructure Study

Canadian exports bound for Europe and Asia are increasing. A new report by the Conference Board of Canada, out Thursday, explores whether or not Canada's rail-to-marine networks will be able to accommodate forecasted growth in freight rail volumes through 2025.

Volumes of Canadian exports bound for Europe and Asia will increase pressure on Canada's rail and marine freight infrastructure. The objective of this report is to explore whether or not Canada's rail-to-marine networks will be able to accommodate this growth through 2025. The report first details Canada's recent and changing trade patterns in terms of commodities, their origins, and their destinations.

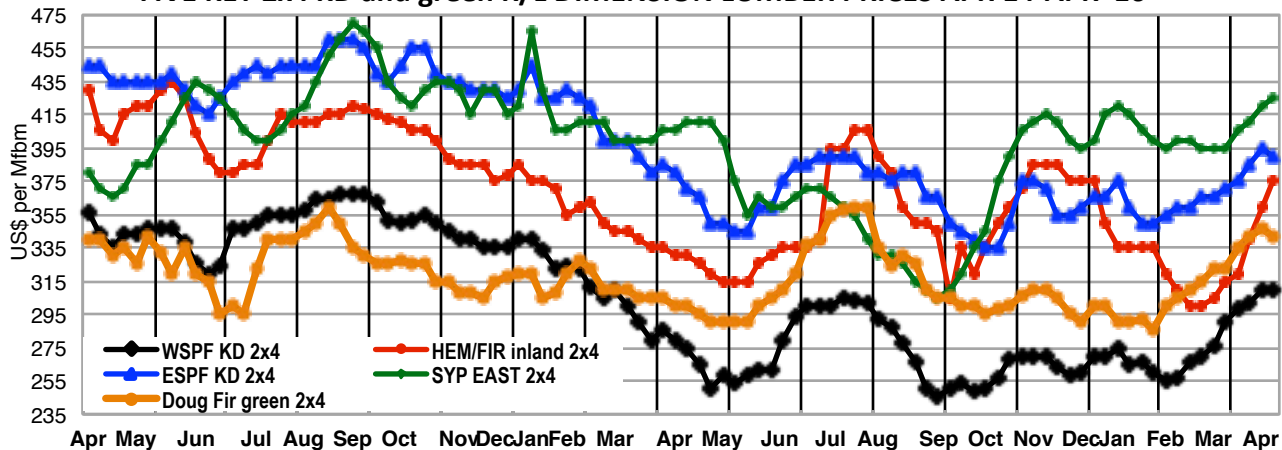
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BMO - FEA Timber & Wood Products Outlook: 2016

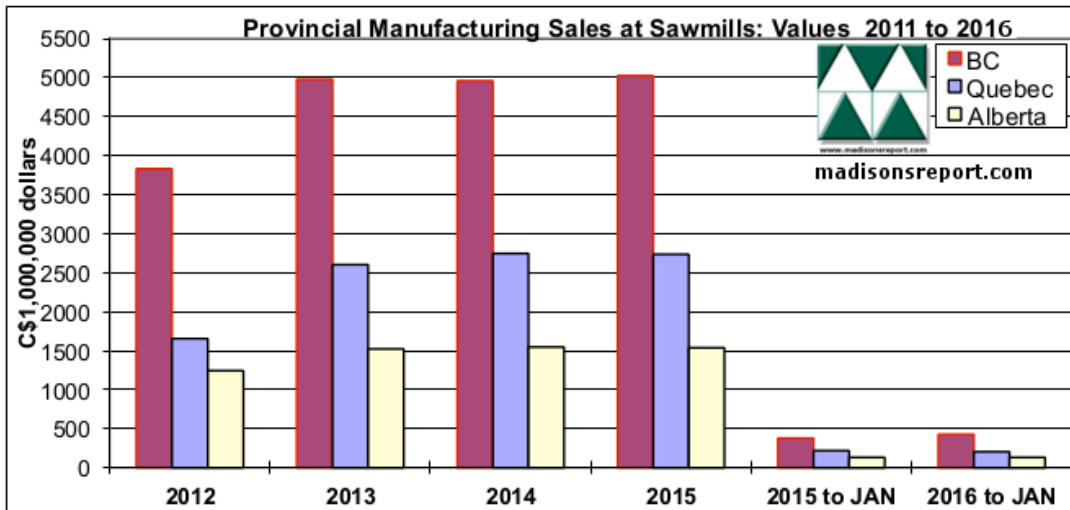
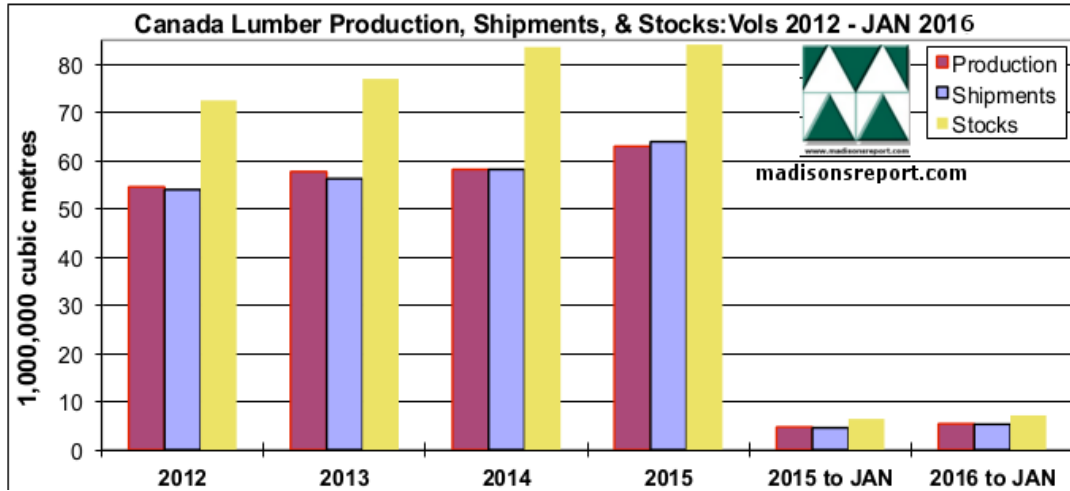
This week was held another forestry conference call by Mark Wilde at **BMO Capital Markets** and **Forest Economic Advisors**. FEA is forecasting lumber prices to drop 3 per cent Y-o-Y in 2016.

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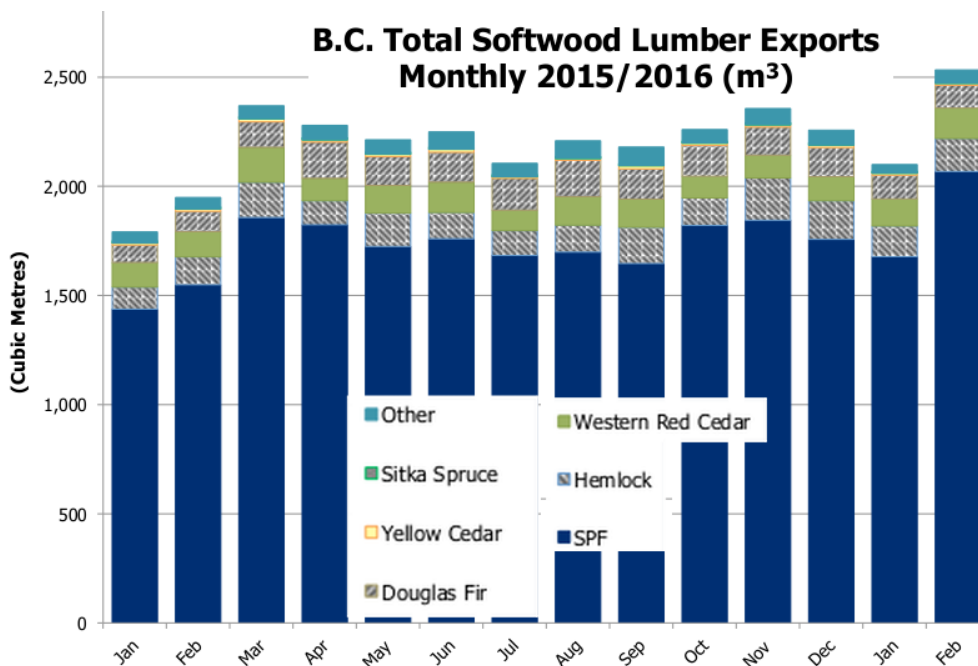
FIVE KEY 2x4 KD and green R/L DIMENSION LUMBER PRICES APR'14-APR '16



Canada Softwood Lumber Production, Sawmill Sales: January 2016



British Columbia Softwood Lumber Exports to the World: Volumes February 2016



Madison's Weekly Softwood 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	310	310	0	290	+20	275	+35
WSPF KD R/L 2x6	288	290	-2	268	+20	275	+13
SYP KD R/L East Side 2x4	425	420	+5	395	+30	410	+15
SYP KD R/L East Side 2x6	325	320	+5	300	+25	340	-15
ESPF KD R/L 2x4	390	395	-5	370	+20	370	+20
WSPF KD PET 2x4 Stud	240	240	0	235	+5	270	-30
WSPF KD PET 2x6 Stud	205	205	0	210	-5	275	-70
Douglas Fir Green R/L 2x4	342	347	-5	322	+20	300	+42
Douglas Fir Green R/L 2x10	415	420	-5	380	+35	342	+73
ESPF KD 2x4 8ft Stud	320	320	0	300	+20	340	-20
OSB Ontario 7/16" (CDN\$/msf)	310	315	-5	310	0	215	+95
CSplywood Toronto 3/8" (CDN\$/msf)	394	390	+4	384	+10	390	+4

Madison's Weekly Softwood Lumber News

Canada Housing Starts

CONT'D FROM PG 2 CMHC said Friday urban starts fell 7 per cent in March to 185,022 units.

Multiple-unit starts fell 9.7 per cent in the month, while single-detached urban starts dipped 1.1 per cent.

Urban starts were lower in British Columbia, Quebec, Atlantic Canada and the Prairies, and higher in Ontario.

Rural starts were estimated at a seasonally adjusted annual rate of 19,299 units.

TD Economics said the annual rate of starts in Ontario is up 44 per cent over last year, while B.C. is up almost 30 per cent. Meanwhile, the Prairies saw weak performance, with Alberta, Saskatchewan and Manitoba off 55.9 per cent, 13.3 per cent and 24.3 per cent year-over-year in March, respectively.

Japan Wood Demand Projection: 2016

The Forestry Agency of Japan released its 2016 wood demand projection, with the presupposition that the consumption would rise again in 2017, said the *Japan Lumber Reports* Friday.

Log, plywood, and laminated lumber demand is expected to increase compared to 2015, however imported lumber demand would decrease for 2Q and 3Q.

Demand for lumber from North America would decline in the first half of 2016 then climb some to the end of this year.

The forecast for Japan housing starts, by thirteen think-tanks, averages at 909,000 units in 2015 and 928,000 units for 2016.

This represents an increase of almost 2 per cent.

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>



Wealth Advisors to the Lumber & Logging Industry

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Conference Board of Canada Building for Growth: Trade, Rail, and Related Infrastructure

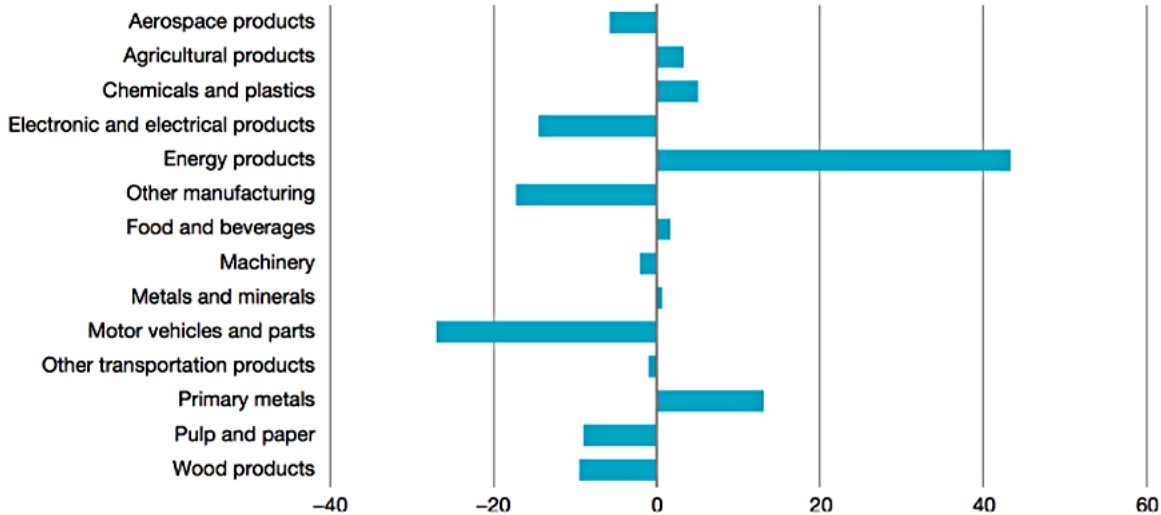
Report At a Glance:

- Canada's economy relies on commodity exports, and these commodities rely on rail to reach port.
- This report explores the ability of Canada's rail-to-marine network to accommodate growth in freight rail by forecasting interprovincial freight rail volumes through 2025.
- Growth in rail freight volumes is forecast to occur more quickly than in the past, and will be concentrated within Western Canada.
- Great Lakes ports, St. Lawrence ports, and Atlantic ports already appear capable of handling the forecasted rail volumes, but B.C. ports will require expansion to accommodate the projected increases.
- Canada's Class I rail carriers, Cn and CP, will need to continue to invest strongly in rail infrastructure over the next decade in order to accommodate the increased demand.

Growth in Value of Goods Exported From Canada to the U.S., by Commodity, 2001–12

(nominal C\$ billions)

Sources: The Conference Board of Canada; Statistics Canada.



Based on the results of our analysis, we conclude that growth in rail volumes through 2025 may occur more quickly than it has since 2001, both in terms of tonnage moved and rail carloadings. In aggregate, the tonnage of forecasted commodities shipped by rail is predicted to increase from 200 million tonnes in 2011 to 260 million tonnes in 2025. Correspondingly, rail carloadings are expected to increase from 2.4 million in 2011 to 3.2 million by 2025.

The majority of this growth is forecast to occur within Western Canada. The largest increases in rail volumes, in absolute terms, originate in Saskatchewan and Alberta for transport into the United States. Also large is the

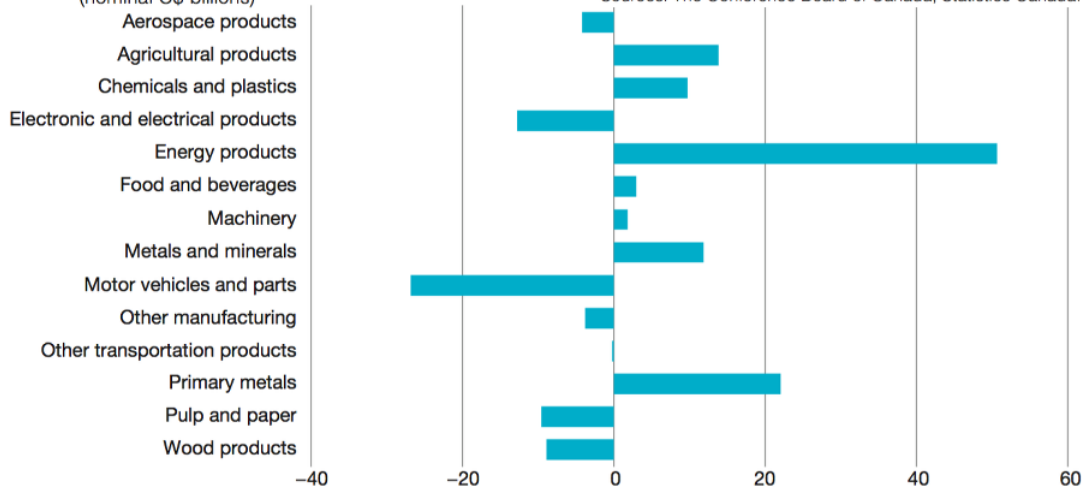
growth in shipments from Saskatchewan and Alberta to British Columbia. Collectively, the increased shipments between these four origin-destination pairs are predicted to account for over 50 per cent of the total growth in rail carloadings between 2011 and 2025.

Across all origins, rail volumes destined for B.C. are anticipated to increase by 17 per cent between 2011 and 2025. The major commodities that are expected to propel this growth include wheat, forestry products, and energy products. The vast majority of wheat and energy product shipments would originate in the Prairie provinces, while the majority of forestry product shipments would originate in British Columbia.

Growth in Value of Goods Exported From Canada, by Commodity, 2001–12

(nominal C\$ billions)

Sources: The Conference Board of Canada; Statistics Canada.



Forest Economic Advisors North American Wood Products Industry

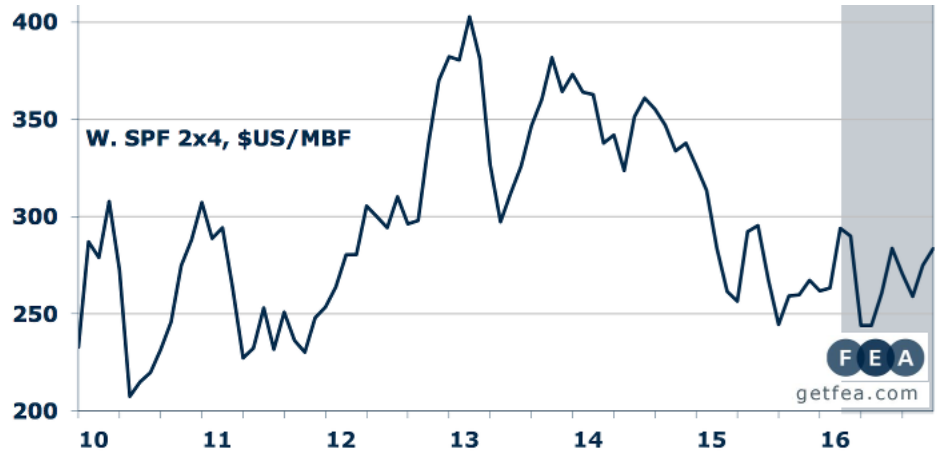
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BMO hosted a timber and wood products conference call with **Forest Economic Advisors (FEA)** on April 5. FEA remains fairly cautious on 2016 and expects pricing to be flat to down in many of these markets.

FEA is forecasting lumber prices to drop 3 per cent year-over-year in 2016, driven by lower-than-expected housing demand, strong supply response from Canada, and lower Canadian production costs.

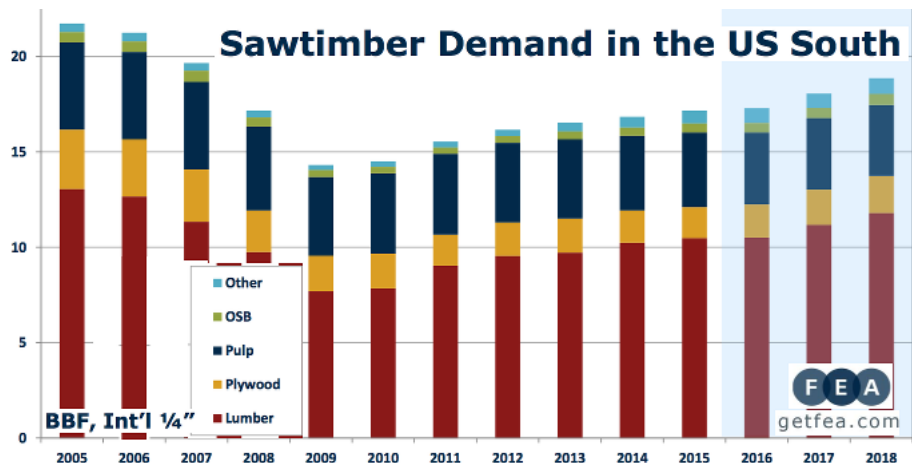
Lumber Price Projection

FEA is forecasting lumber prices to drop 3 per cent year-over-year in 2016, driven by lower-than-expected housing demand, strong supply response from Canada, and lower Canadian production costs.



Log Prices, US South

2016 will be another challenging year for southern log prices. FEA projects average southern sawlog prices of US\$33/ton by 2018—below trend pricing of US\$40/ton. FEA is forecasting static 2016 prices in the U.S. West.



Oriented Strand Board

FEA is forecasting a 13 per cent year-over-year improvement in 2016 North Central prices (US\$235/msf). This is actually below BMO's own US\$259/msf forecast. FEA is less optimistic on plywood. The key issue is a surge in plywood imports from Brazil.

