

MADISON'S LUMBER REPORTER



Publisher
KetaDesign Productions

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Annual Subscription Prices
E-mail/Fax: US\$408.45
Discounts available for multiple
subscriptions
Published 50 times a year



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In Canada, add GST or HST
ISSN 0715-5468

Printed in Canada © 2015

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News & Updates

USW Files Lockout Notice

The United Steelworkers Local 1-85, out of Port Alberni on British Columbia's Vancouver Island have "laid a lockout complaint with the Labour Relations Board against Western Forest Products, which we are working through submissions and hope to get a hearing as early as next week," said the USW's Norm Mcleod to *Madison's* in an email Thursday.

"As well, Vince Ready's decision on our long standing contracting out arbitration (filed November 2012) should be finished next week".

Amy Spencer, Director of Communications and Government Relations for Western Forest Products, explained to *Madison's* in a phone interview last week that the company had not yet received the lockout notice and that the situation was a "work in progress".

"We hope to come to a resolution with the contractor," detailed Spencer. "Our mutual goal is to get everyone back to work."

Madison's will be following this story closely next week, when NDP MLA for Alberni-Pacific Rim Scott Fraser and NDP Forestry Critic Bill Routley are expected to raise this important labour issue in the British Columbia Legislature.

US Housing Starts: March 2016

The pace of home building in the US fell in March to its lowest level since October, another sign momentum in the housing market is slowing after a strong 2015, the Commerce Department said Tuesday. The monthly fallback retraces some of February's gains, leaving the overall trend for the first quarter largely flat compared to the previous year's pace.

Housing starts fell 8.8 per cent from a month earlier to a seasonally adjusted annual rate of 1.089 million in March.

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Canada, US Railways Report: 1Q 2016

Canadian Pacific Railway, out of Calgary, AB, Wednesday reported 1Q 2016 earnings of \$540 million, or \$3.51 per diluted share, up from a profit of \$320 million, or \$1.92 per diluted share a year ago.

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US Home Rentals, Sales, Prices: March 2016

Americans paid more to rent homes last month, but broader measures suggest that the surging increases of prior years have moderated in much of the country.

Real estate data firm Zillow said Friday that the median US monthly rent rose a seasonally adjusted 2.6 per cent in March from a year ago, to US\$1,389. That was slightly more than the year-over-year increase of 2.5 per cent in February.

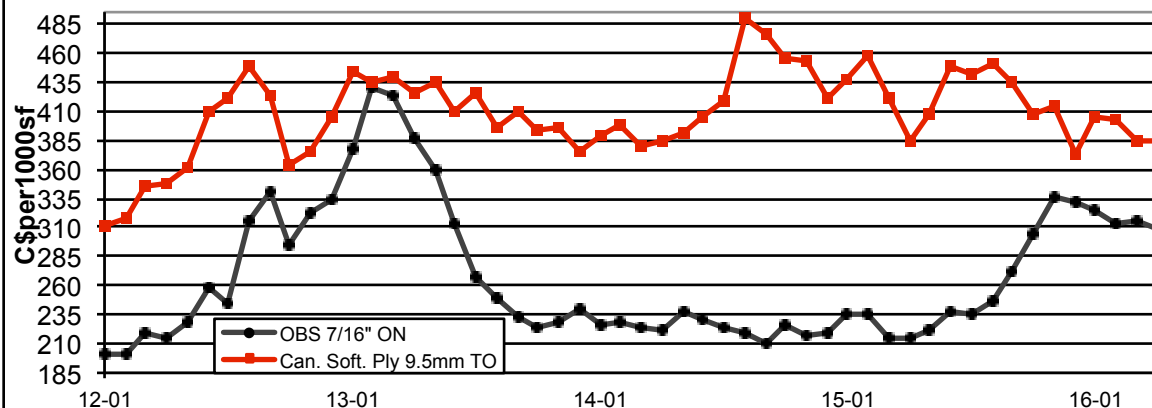
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Wildfire Season Incredibly Early Start: Canada, US

The BC Wildfire Service has responded to 45 new wildfires in northeast British Columbia over a two-day period, the Ministry of Forests, Lands and Natural Resource Operations said on Tuesday.

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OSB Ontario 7/16" vs Can. Softwood Plywood 9.5mm Toronto 2012 - APR 2016



US Housing Starts: March 2016

Starts on single-family homes, which account for roughly two-thirds of the market, fell 9.2 per cent in March to 764,000 from an upwardly revised February rate that represented a multiyear high. Starts on multifamily buildings fell 8.5 per cent to a rate of 312,000 in March from the prior month.

New applications for building permits, a bellwether for forthcoming construction, fell 7.7 per cent to 1.086 million, from a revised February rate of 1.177 million.

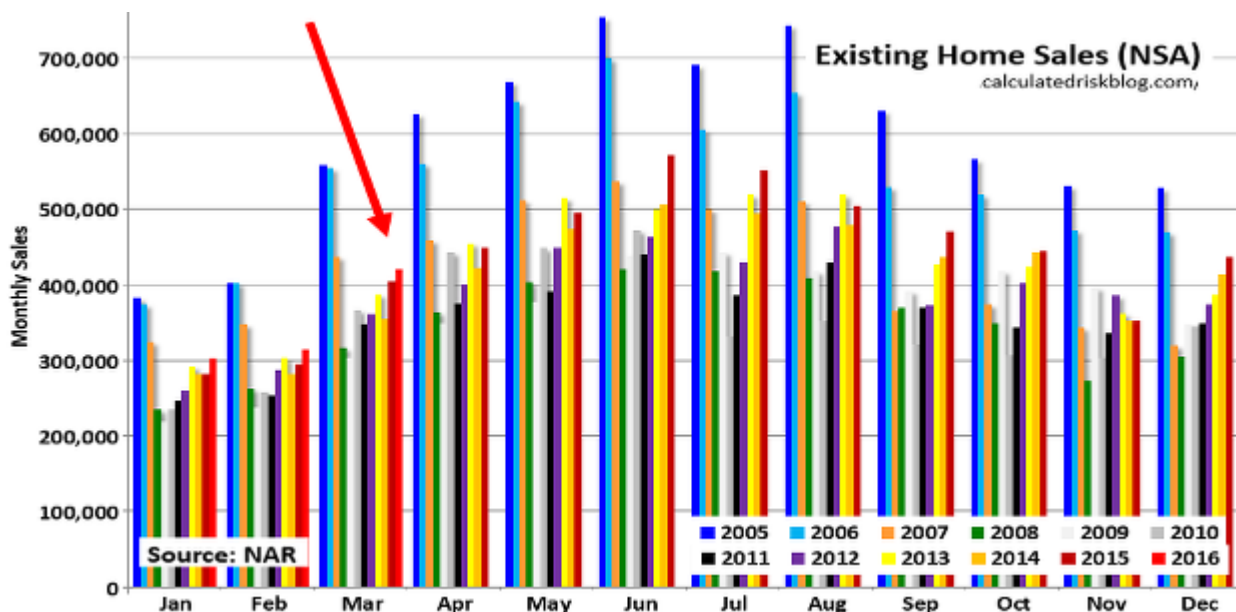
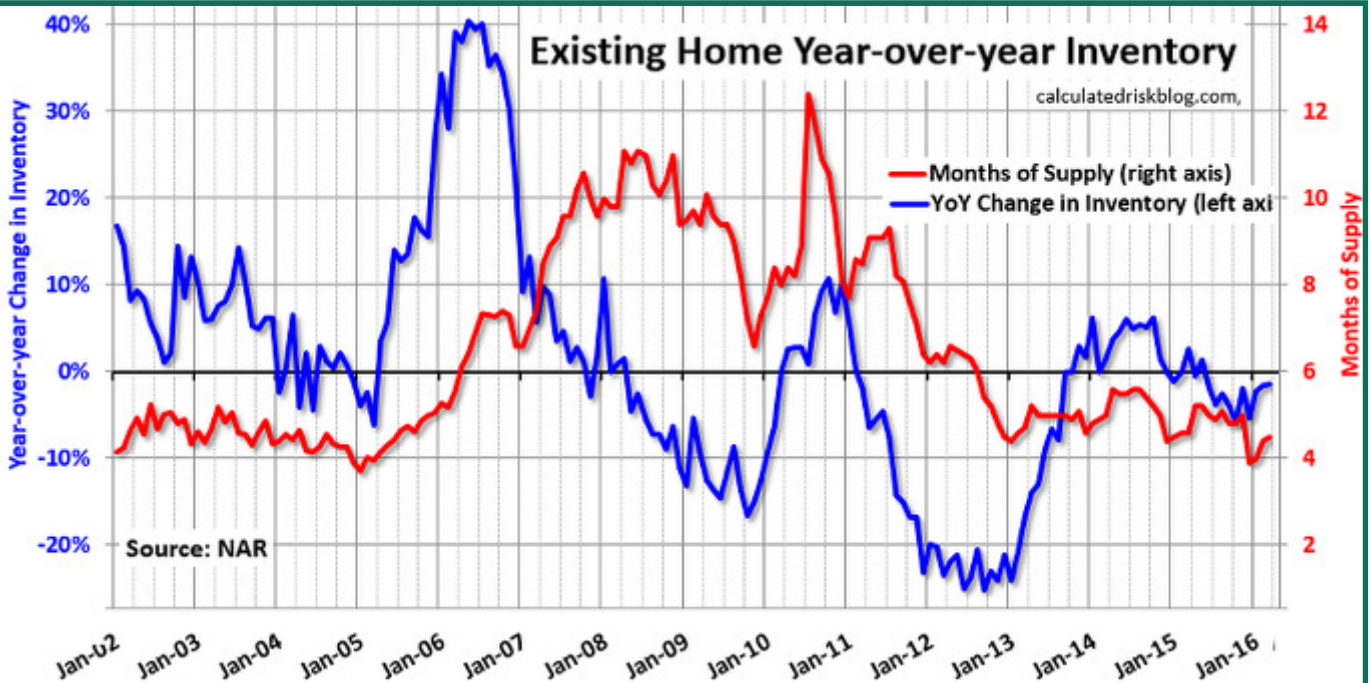
Home-starts figures are volatile and often revised. Tuesday's report showed new-home starts revised up to 1.194 million in February, compared with an initial estimate of 1.178 million. March's figure came with a margin of error of plus or minus 11.1 percentage points.

Demand for housing has been strong over the past year, with home prices up in many markets amid a short-

age of inventory. Buyers could turn to new homes, which only make up about 10 per cent of the overall housing market, as the supply of existing homes shrink.

Despite this past month's slide from February, figures for March still showed improvement from the prior year. Housing starts in March were 14.2 per cent higher than in March last year, and permits were up 4.6 per cent from a year before. For the first three months of the year, housing starts are up 14.5 per cent compared with the year-earlier period.

Housing starts in structures with five or more apartments rose 0.3 per cent in March compared with March 2015. Single-family housing starts were up 22.6 per cent in March from a year earlier.



Madison's Weekly Softwood 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	298	310	-12	302	-4	250	+48
WSPF KD R/L 2x6	288	288	0	284	+4	250	+38
SYP KD R/L East Side 2x4	445	435	+10	410	+35	410	+35
SYP KD R/L East Side 2x6	330	325	+5	315	+15	325	+5
ESPF KD R/L 2x4	375	390	-15	385	-10	350	+25
WSPF KD PET 2x4 Stud	220	235	-15	240	-20	245	-25
WSPF KD PET 2x6 Stud	195	195	0	205	-10	250	-55
Douglas Fir Green R/L 2x4	340	335	+5	342	-2	290	+50
Douglas Fir Green R/L 2x10	410	415	-5	410	0	345	+65
ESPF KD 2x4 8ft Stud	310	320	-10	315	-5	330	-20
OSB Ontario 7/16" (CDN\$/msf)	308	304	+4	305	+3	215	+93
CSplywood Toronto 3/8" (CDN\$/msf)	388	376	+12	396	-8	380	+8

Madison's Weekly Softwood Lumber News

Railways Quarterly Results

CONT'D FROM PG 2 Canadian Pacific also reported that its operating ratio, which tracks operating expenses as a percentage of revenue, improved to 58.9 compared with 63.2 per cent a year ago.

In addition to the increased dividend, the railway said it may buy back up to 6.91 million of its shares or roughly five per cent of its "public float" of shares under its normal course issuer bid.

CP bought back 11,375,189 of its shares at a weighted average price of \$198.46 under its previous normal course issuer bid, which expired March 17.

Norfolk Southern, out of Norfolk, VI, Thursday reported a surprise 25 per cent profit jump in 1Q, less than two weeks after Canadian Pacific Railway abandoned its nearly US\$30 billion pursuit of the rail transportation company.

The 1Q operating ratio was 70.1 per cent. The company is aiming for annual productivity savings of more than US\$650 million and an operating ratio below 65 per cent by 2020.

The cost savings are particularly important as Norfolk Southern's main revenue streams have diminished.

Coal, as it has in recent quarters, remained a drag on the railroad sector's results.

For the quarter, the company posted a profit of US\$387 million, or US\$1.29 a share, up from US\$310 million, or US\$1 a share, a year earlier. Revenue fell 5.7 per cent to US\$2.42 billion.

Omaha, NE's, Union Pacific also Thursday reported a 15 per cent drop in quarterly profit due to weak freight demand, especially for coal, and forecast total volumes to be down this year.

The company's performance was hurt by big declines in energy-related businesses, particularly coal, and oil and natural gas shale fracking sand, which shrunk 34 per cent and 49 per cent, respectively in the quarter.

Union Pacific said it expects total volumes for the year to decline in the mid single digits.

As major transportation providers for cargoes representing all facets of the US economy, railroads have traditionally been seen as an economic bellwether.

Overall, revenue in the quarter decreased 14 per cent to US\$4.83 billion and profit fell to US\$979 million from US\$1.15 billion.

For the three months ended March 31, Union Pacific's total freight volume skidded 14 per cent as declines across

sectors more than offset growth in automotive, which rose 7 per cent.

Universal Forest Products Reports

Universal Forest Products, out of Grand Rapids, MI, Wednesday announced first-quarter net earnings attributable to controlling interest of US\$19.2 million, up 89 per cent over the same period of 2015. Diluted earnings per share were US\$0.95, compared to US\$0.51 for 1Q 2015. Net sales for 1Q were US\$682.2 million, up 7.8 per cent over 1Q 2015.

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

Register today

US Home Rentals: March 2016

Rental prices ticked up slightly last month in the Los Angeles, Boston, Phoenix and Portland, OR, metro areas. Rents fell in Cleveland, Memphis and Oklahoma City.

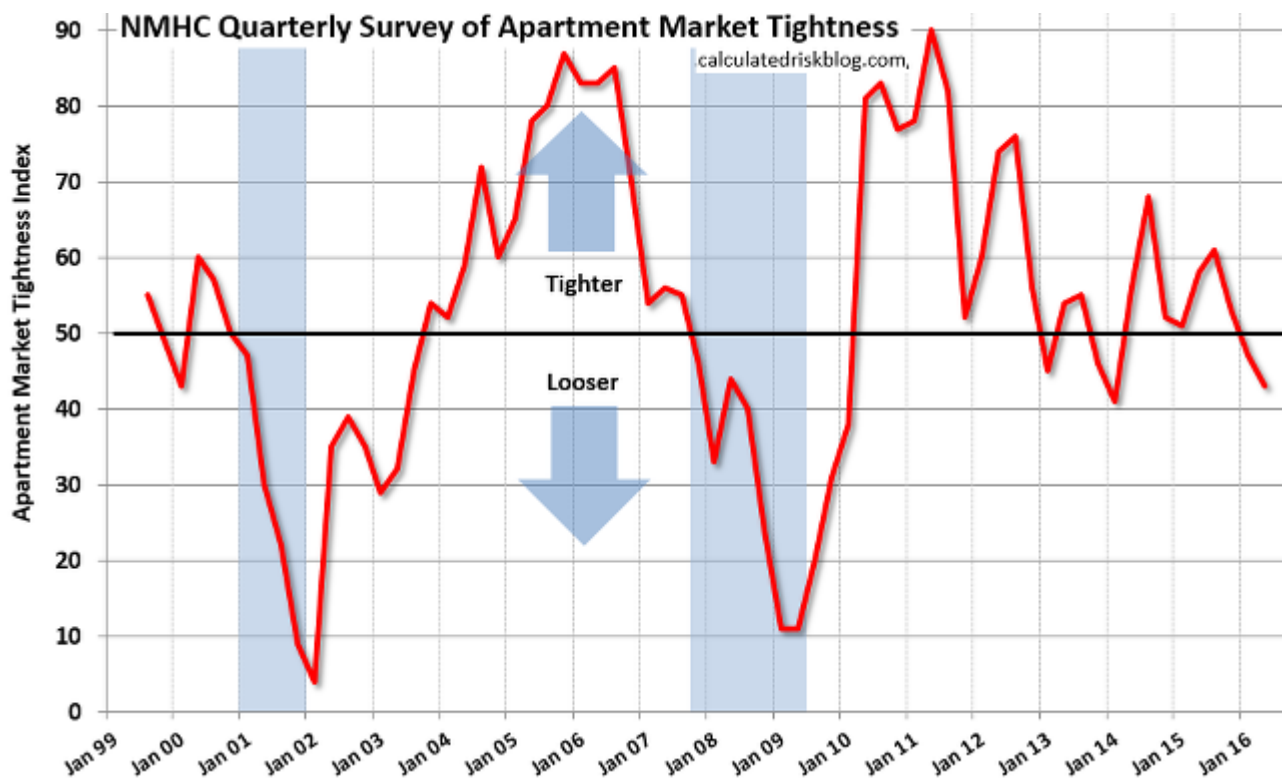
After sharp increases in 2014 and much of last year, rents cooled between August and February as stepped-up construction put more apartments on the market. For all of 2015, finished construction of multifamily buildings soared 21 per cent, according to the Commerce Department.

Until recently, rents had been steadily rising at more than double the pace of wages. But rental increases are now almost identical to the 2.3 per cent yearly increase in average hourly earnings tracked by the Labor Department.

But as price growth has slowed, there are signs that builders are pulling back on apartment construction. During the first three months of 2016, permits for new apartment buildings tumbled 5 per cent from the same period a year ago, the Commerce Department said this week.

Demand for rentals may continue to be strong because relatively few millennial renters have enough savings to buy a home, according to a survey released this week by Apartment List, which helps renters search for housing.

Most millennial renters under age 35 say they still expect to buy a home, but 37 per cent of them have saved nothing for a down payment. Of those who have saved, the average down payment on hand was under US\$6,000



US Home Prices, Existing Sales: February, March 2016

US home prices rose 0.4 per cent in February from the prior month, according to the Federal Housing Finance Agency, as job growth fuelled demand for a scant supply of listings.

Meanwhile, existing home sales, as reported by the National Association of Realtors, increased 5.1 per cent in March, rebounding from the 7.1 per cent tumble in February but showing no signs of increased activity among first-time buyers. The first-time buyer share of 30 per cent in March remained unchanged from last month as well as March 2015. Total existing home sales in March increased to a seasonally adjusted rate of 5.33 million units combined for single-family homes, townhomes, condominiums and co-ops, up from a downwardly revised 5.07 million units in February.

March existing sales increased in all four regions, ranging from 11.1 per cent and 9.8 per cent in the Northeast and Midwest respectively to 2.7 per cent and 1.8 per cent in the South and West. Year-over-year, the Northeast increased 7.7 per cent, the South was up 2.3 per cent and the Midwest remained essentially flat at 0.8 per cent. The West decreased 2.5 per cent from the same period a year ago.

Total housing inventory increased 5.9 per cent in March, but remains 1.5 per cent lower than its level a year ago. At the current sales rate, the March unsold inventory represents a 4.5-month supply, up slightly from February. Some 42 per cent of homes sold in March were on the market for less than a month, the highest since July 2015.

Early Wildfire Season 2016: Canada and US

The BC Wildfire Service has responded to 45 new wildfires in northeast British Columbia over a two-day period, the Ministry of Forests, Lands and Natural Resource Operations said on Tuesday.

Canada

The ministry said in a statement on Tuesday evening that the BC Wildfire Service has responded to 45 new wildfires in the Prince George Fire Centre since the morning of April 18. Many of these fires are burning in the Peace

region, where 14 fires are currently estimated to be over 100 hectares in size, the statement said.

The new wildfires occurred just days after the ministry said on April 15 that BC Wildfire Service crews had responded to 59 wildfires in the province since April 12, including 12 in the Prince George Fire Centre. Almost all of the wildfires were human-caused, the ministry said at the time.

Currently, there are six fires of note in the Prince George Fire Centre. Four evacuation alerts or evacuation orders have been put in place by the Peace River Regional District and the District of Hudson's Hope.

USA

The US Forest Service's task of putting out the nation's major forest fires has grown exponentially as fires have increased in both size and number, according to the *Christian Science Monitor* Thursday. Unable to persuade Congress to increase its budget accordingly, forest officials are instead scheduling their preventative efforts earlier on the calendar.

Forest officials are beginning their forest fire preparations early this year to try and head off what they fear will be a bad fire season due to drought and chronically overgrown forests.

This wildfire season is fuelled by a combination of bad droughts, climate-induced dangers such as the pine bark beetle that has devastated Western forests, and almost a century of forest management practices that left too much flammable brush in the forest.

The truly gigantic forest fires that devastate millions of acres and drain the US Forest Service budget occur in the Western United States, but several early-season fires in the Eastern coastal states serve as a reminder of the problem's national scope. Fires blazed along each side of North Carolina on Wednesday, with one burning 14,000 acres and forcing the closure of a 30-mile stretch of US 264, *Associated Press* reported.

As far north as New Jersey, a 100-acre fire required an early firefighting deployment, the *Press of Atlantic City* reported Wednesday.

Due to the unseasonably warm and dry conditions and the current level of fire activity, the Prince George Fire Centre in British Columbia is also prohibiting all open fires larger than a campfire (a half-metre wide by a half-metre high, or smaller) as of noon local time on Wednesday, said *Canadian Underwriter*.

Prescribed Burns

Prescribed burning refers to the practice of intentionally starting fires to renew vegetation and burn off dangerously dry or damaged areas. This early start to the wildfire season in BC is a sign the province is not doing enough to prevent these fires.

"We need to be finding some way to increase the pace and scale of prescribed burning," said Robert Gray, a fire ecologist who took part in an inquiry after the Okanagan wildfires of 2003, to *CBC* Wednesday.

"We should be doing tens of thousands of hectares in the spring and fall versus thousands of hectares," he said.

Said BC's Minister of Forests, Lands and Natural Resources, Steve Thomson, to *CBC*, "We are prepared. We have more than 1,400 firefighters and support staff who are available for the 2016 season."

He added the province can call on contractors and contingency resources if needed. The province recently announced it will provide \$85 million for a new wildfire risk reduction project.

"The average cost per hectare around communities is anywhere from \$6,000 to \$10,000 per hectare, that is just not sustainable."

Gray wants to see more incentives for investing in bio-energy — turning wood waste into heat and electricity.

"Won't save money over night, but 10-to-20 years down the road, we will see big fires costing less money," he said to *CBC*.

Summary of the Total Fires and Hectares to Date compared to the Last Year fire season

	Fires			Hectares	
	2015	2016		2015	2016
BC	0	139	BC	0	7,476
YT	0	0	YT	0	0
AB	0	178	AB	0	580
NT	0	0	NT	0	0
SK	0	22	SK	0	441
MB	0	2	MB	0	16
ON	0	3	ON	0	1
QC	0	24	QC	0	4
NL	0	0	NL	0	0
NB	0	29	NB	0	51
NS	0	13	NS	0	16
PE	0	0	PE	0	0
PC	0	2	PC	0	0
Total	0	412	Total	0	8,585