

MADISON'S LUMBER REPORTER

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News & Updates

Canada/US Softwood Lumber Negotiation Update

Last week when speaking about the softwood lumber negotiations between Canada and the US with Vaughn Palmer at the *Vancouver Sun*, British Columbia Premier Christy Clark said, "But we just haven't seen enough movement from the American side of the table."

Madison's confirmed this update with insiders to the talks:

"Both sides have exchanged proposals and agreed to consult and refine their proposals and come back together when both sides are ready."

So there has begun some actual conversation. Meanwhile, pundits are weighing in: **Peter Clark**, *iPolitics.ca*, May 15

"Canada's provinces struggle to get on the same page."

Vaughn Palmer, *Prince George Citizen*, May 18

"BC, along with other players on the Canadian side, prefers an export tax tied to lumber prices and exchange rates, much like the agreement that ended the last softwood dispute 10 years ago."

Konrad Yakabuski, *Globe and Mail*, May 19

"But never have regional divisions been as acute as they are now. A 2013 market-based reform of stumpage fees has prompted Quebec producers to insist on nothing less than free trade, while BC producers are willing to buy trade peace by accepting an export tax again.

"We are seeking an agreement with all regions and partners in mind," offered Alex Lawrence, a spokesperson for Canada's International Trade Minister Chrystia Freeland. "Our objective is to ensure stable access to the US market for Canadian softwood lumber.

"Ms. Freeland and US Trade Representative Michael Froman talked softwood when they met at a gathering this week in Peru, and set the agenda for further negotiations next week in Ottawa."

US Housing Starts, Home Building: April 2016

April new home groundbreaking in the US increased 6.6 per cent to 1.17 million units, the Commerce Department said Tuesday. CONT'D PAGE 6

Canada Housing Construction Investment: March '16

Investment in new Canadian residential construction totalled \$3.8 billion in March, up 9.7 per cent from the same month a year earlier, said Statistics Canada Friday. CONT'D PAGE 7

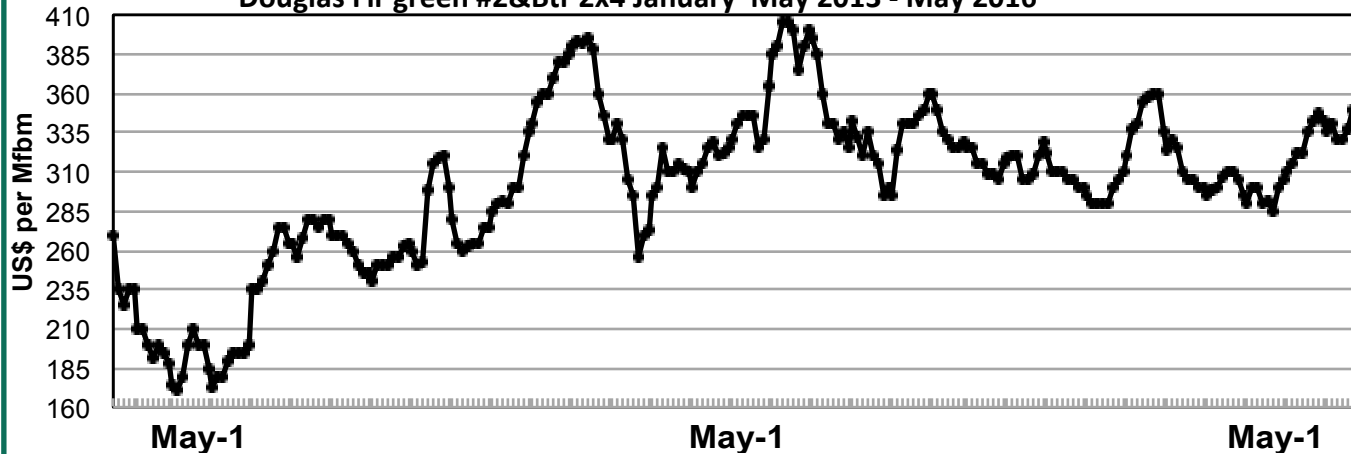
Chicago Fed National Activity Index: April 2016

Led by improvements in production-related indicators, the Chicago Fed National Activity Index, released Thursday, rose to +0.10 in April from -0.55 in March. This index is a weighted average of 85 indicators of national economic activity drawn from four broad categories of data. CONT'D PAGE 7

Canada Lumber Exports, US Building Material Sales

Madison's is working away on the next exciting issue of the quarterly *Forest Pulse*. Some fascinating new data sets came out from Canada and the US this week... CONT'D PAGE 8 & 9

Douglas Fir green #2&Btr 2x4 January May 2013 - May 2016



Reload and Delivered Fir • B.C. Coast to U.S. Atlantic NE • Green & KD

	Douglas Fir Green	Douglas Fir Kiln Dried	Douglas Fir* Delivered
2x4 #2&Btr	320	445	495
2x6 #2&Btr	315	445	490
2x8	340	425	470
2x10	455	535	525
2x12	470	565	585

R/L, 8-20 ft, S4S, 75/25. Cargo prices are to dealers, f.o.b. truck. Reload prices are to dealers, trucking extra.

* Delivered prices are by truck to customers in the US northeast

Reload and Delivered Fir

- Business was “fair” in the North-eastern United States this week. Eastern stocking wholesalers played with “sloppy” prices and avoided restocking their inventories while mill replacement levels remained so high.

- Apparently vendors had too much wood on the ground and everyone was chasing the same orders as buyers were noticeably less active this week.

OSB & Plywood

Except as noted, all prices below are in Canadian dollars per 1,000 sq. ft.

Canadian Oriented Strand Board

	BC	Ontario
3/8	400	-----
7/16	400	345
15/32	420	365
1/2	440	385
19/32	520	460
23/32 (T&G)	580	505

Prices are truckload per 1,000 sq. ft.; net delivered by distributor to dealer. For OSB T&G, add \$5. GST excluded.

Fir CCX Plywood

	Toronto
3/8	409
1/2	525
5/8	626
3/4	799

Prices are truckload/carload per 1,000 sq. ft.; net delivered by distributor to dealer. CSA stamped. GST excluded.

OSB and Plywood

- ESPF plywood sales retained a “good pace” as buyers entered a short digestion phase after jumping in last week. Order files were into the weeks of June 6th and 13th. Volume movement through the yards of secondary suppliers was excellent. OSB order files were all over the place, anywhere from May 30th to late June depending on the producer.

Fir Plywood • Sheathing

	Vancouver
3/8	410
1/2	547
5/8	683
3/4	820
1" Select	1093

Prices are truckload/carload per 1,000 sq. ft.; net delivered by distributor to dealer. GST excluded.

Canadian Softwood Plywood • Sheathing

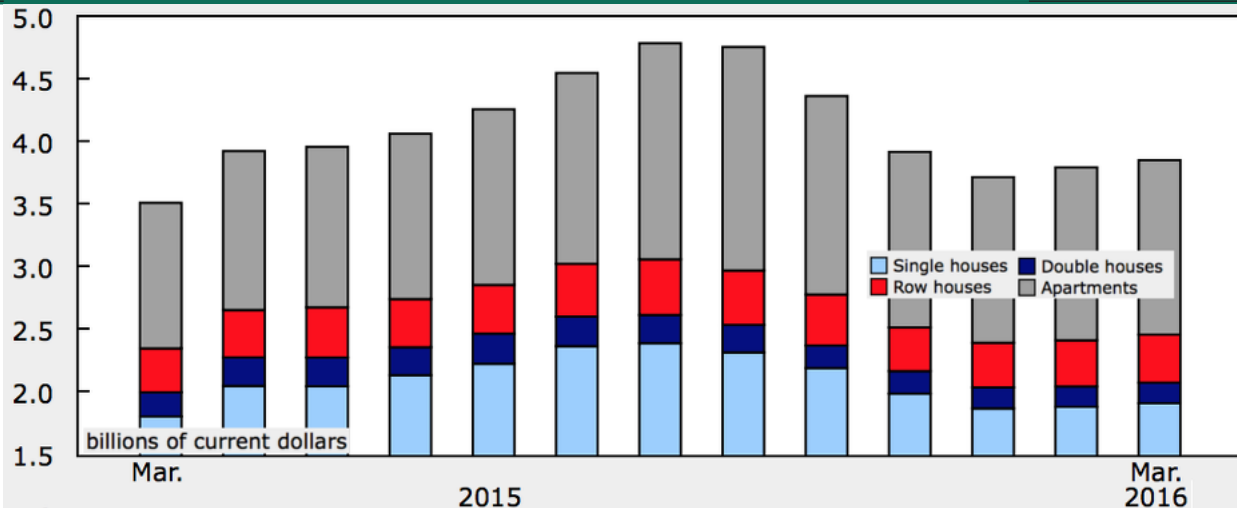
	Vancouver	Toronto
3/8	410	441
1/2	547	588
5/8	683	735
3/4	820	882
1" Select	1093	-----

Prices are truckload/carload per 1,000 sq. ft.; net delivered by distributor to dealer. GST excluded.

- Western panel dealers had a “quieter” week as customers stepped back after covering their immediate needs recently. Prices of both plywood and OSB leveled off, and sales volumes were definitively lower.

CANADA INVESTMENT HOUSING CONSTRUCTION : MAR 2016

SOURCE: StatsCan



US Housing Starts, Home Building

CONT'D FROM PAGE 2

US housing starts rose 6.6 per cent to an annualised pace of 1.17 million units, as low mortgage rates continue to spur demand for home ownership.

Building permits meanwhile climbed 3.6 per cent to a 1.11 million-unit rate.



The average starts rate over the three months ending in April is more than 14 per cent above the average of February, March, and April rates in 2015.

Single-family housing starts were up 3.3 per cent in April to a seasonally adjusted annual rate of 778,000, putting the pace of single-family production 4.3 per cent above April 2015. Single-family starts in the most recent three months have averaged 21 per cent higher than the average of February, March, and April rates in 2015.

Issuance of permits for single-family housing projects is running 8.4 per cent higher in April than a year prior, and the comparison of three-month averages shows single-family pacing more than 11 per cent ahead of 2015.

Multifamily starts came in at a 373,000 seasonally adjusted annual pace, up 10.7 per cent from March but

down 12.9 per cent compared to April 2015. Nevertheless, the three-month average for multifamily starts in February, March, and April 2016 is 12.4 per cent above the same three months in 2015.

Multifamily permits are down almost 24 per cent on year-over-year basis as of April, and the average of the latest three months' rates is 16.6 per cent below 2015's same months.

Regionally, expansion in April was strong in the huge housing market of the South, where single-family starts for April were almost 16 per cent higher than a year ago, and the three-month averages for both single-family and multifamily starts are solidly greater compared to the same months in 2015.

Three-month averages for rates of permit issuance in the South have fallen compared to last year, though.

Indicator Trend: Actual & Forecasts*		blue cells indicate forecasts			
Indicator	Transformation	Feb-16	Mar-16	Apr-16	May-16
Housing Starts	1 yr % change	32.7	14.2	-6.7	3.8
Industrial Production	1 yr % change	-1.8	-2.0	-2.0	-1.9
New Durable Goods Orders	1 yr % change	1.6	-2.6	-1.1	1.0
Private non-farm payrolls	1 yr % change	2.2	2.2	2.2	2.1
Initial Jobless Claims ¹	1 yr % chg	-11.4	-6.7	-7.6	7.0
Disposable Personal Income	1 yr % change	3.6	4.0	3.6	3.3
Personal Consumption Exp.	1 yr % change	3.9	3.5	3.4	2.7
Retail Sales	1 yr % change	3.6	1.7	3.0	2.2
ISM Manufacturing Index	% +/- neutral: 50 ²	-1.0	3.6	1.6	2.1
ISM Non-Mfg. Index	% +/- neutral: 50 ²	6.8	9.0	11.4	11.4

¹ monthly average

² percentage reading is relative to 50, which marks a neutral value

* forecasts based on auto arima model estimates

CapitalSpectator.com

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	326	318	+8	298	+28	262	+64
WSPF KD R/L 2x6	308	300	+8	288	+20	260	+48
SYP KD R/L East Side 2x4	440	445	-5	445	-5	365	+75
SYP KD R/L East Side 2x6	320	325	-5	330	-10	280	+40
ESPF KD R/L 2x4	420	410	+10	375	+45	360	+60
WSPF KD PET 2x4 Stud	255	250	+5	220	+35	255	0
WSPF KD PET 2x6 Stud	230	225	+5	195	+35	255	-25
Douglas Fir Green R/L 2x4	350	337	+13	340	+10	300	+50
Douglas Fir Green R/L 2x10	415	400	+15	410	+5	350	+65
ESPF KD 2x4 8ft Stud	350	340	+10	310	+40	340	+10
OSB Ontario 7/16" (CDN\$/msf)	345	345	0	308	+37	230	+115
CSplywood Toronto 3/8" (CDN\$/msf)	441	436	+5	388	+53	414	+26

Madison's Weekly Softwood Lumber News

Residential Construction Investment, Canada

CONT'D FROM PG 2 At the national level, higher spending on apartment and apartment-condominium buildings, which rose 19.9 per cent to \$1.4 billion, and single-family dwellings, which increased 5.9 per cent to \$1.9 billion, contributed the most to the advance. Investment in row houses also registered an increase, rising 9.2 per cent to \$384 million.

Conversely, spending on semi-detached dwellings decreased year over year for the 11th consecutive month, down 15.1 per cent to \$164 million in March.

At the provincial level, the largest increases in new housing investment were recorded in Ontario, British Columbia and Quebec. Nova Scotia also posted an increase in construction spending.

In Ontario, spending increased 35.5 per cent year over year to \$1.5 billion in March. Investment rose in all dwelling types except semi-detached buildings, which declined year over year for the 13th consecutive month.

Investment in new housing construction rose 28 per cent in British Columbia to \$822 million. The increase was largely attributable to spending on apartment and apartment-condominium

buildings. Higher investment in single-family dwellings and row houses was also observed.

In Quebec, spending totalled \$541 million, up 12.5 per cent year over year. Increases in investment occurred in all dwelling types, though the gain was largely led by spending on apartment and apartment-condominium buildings.

In Nova Scotia, spending on new housing construction rose 6.7 per cent from the same month a year earlier to \$53 million in March. The advance came mainly from higher investment in apartment and apartment-condominium building construction.

Investment in new housing construction decreased in the remaining provinces in March compared with March 2015. The largest decreases were observed in Alberta, Saskatchewan and Manitoba. In Alberta, this marked the ninth consecutive month of year-over-year declines, with spending down 27.4 per cent to \$681 million.

US Leading Economic Indicator

CONT'D FROM PG 2 Led by improvements in production-related indicators, the Chicago Fed National Activity Index (CFNAI) rose to +0.10

in April from -0.55 in March. All four of the broad categories of indicators that make up the index increased from March, but three of the four categories made nonpositive contributions to the index in April.

The index's three-month moving average, CFNAI-MA3, decreased to -0.22 in April from -0.18 in March. April's CFNAI-MA3 suggests that growth in national economic activity was somewhat below its historical trend. The economic growth reflected in this level of the CFNAI-MA3 suggests subdued inflationary pressure from economic activity over the coming year.

This suggests economic activity was below the historical trend in April (using the three-month average).

What is the National Activity Index? The index is a weighted average of 85 indicators of national economic activity drawn from four broad categories of data: 1) production and income; 2) employment, unemployment, and hours; 3) personal consumption and housing; and 4) sales, orders, and inventories.

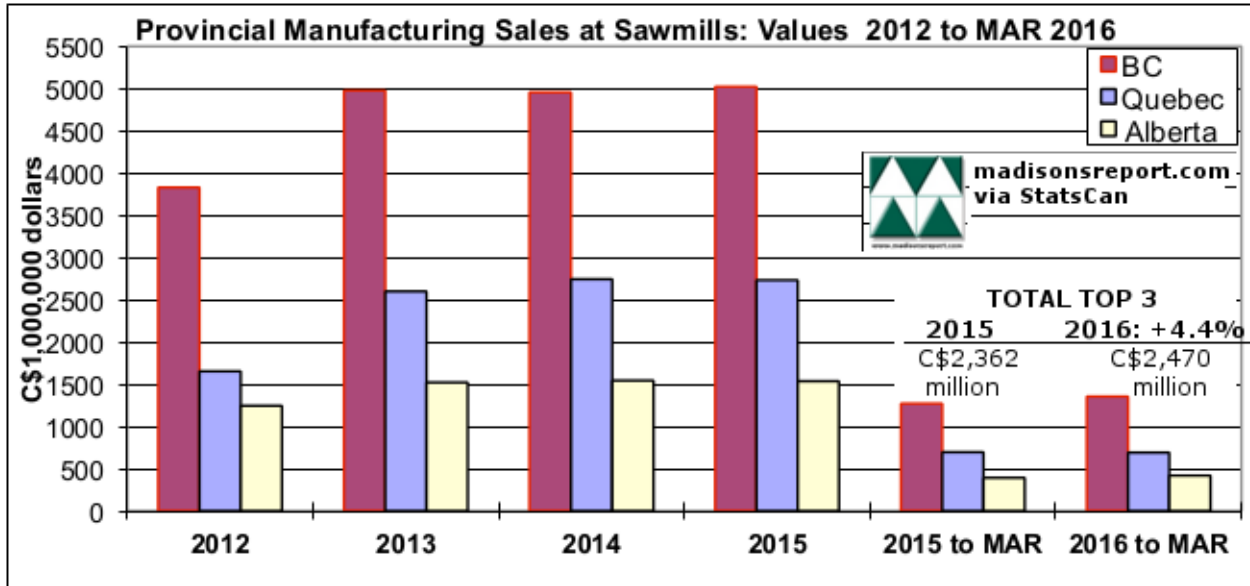
A zero value for the index indicates that the national economy is expanding at its historical trend rate of growth; negative values indicate below-average growth; and positive values indicate above-average growth.

Canada Lumber Manufacturing Sales, US Building Material Retail Sales: Mar '16

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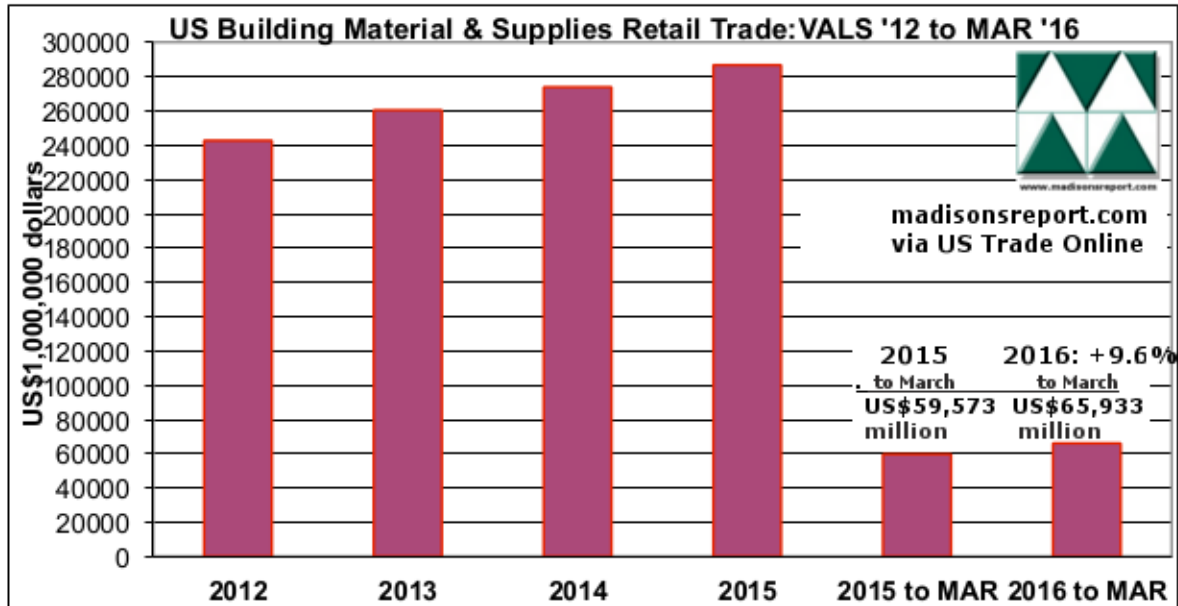
Provincial Manufacturing Sales at Canadian Sawmills: Values 2012 to MARCH 2016

BC	C\$1,271 million	C\$1,355 million	6.20%
QUEBEC	C\$697 million	C\$693 million	-0.60%
ALBERTA	C\$394 million	C\$421 million	6.40%
Total TOP 3	C\$2,362 million	C\$2,470 million	4.40%
	2015 to MAR	2016 to MAR	



US Building Material & Supplies Retail Trade:VALUES 2012 to MARCH 2016

US\$59,573 million	US\$65,933 million	+9.60%
2015 to MAR	2016 to MAR	



Source: Monthly Retail Trade and Food Services (Definitions)

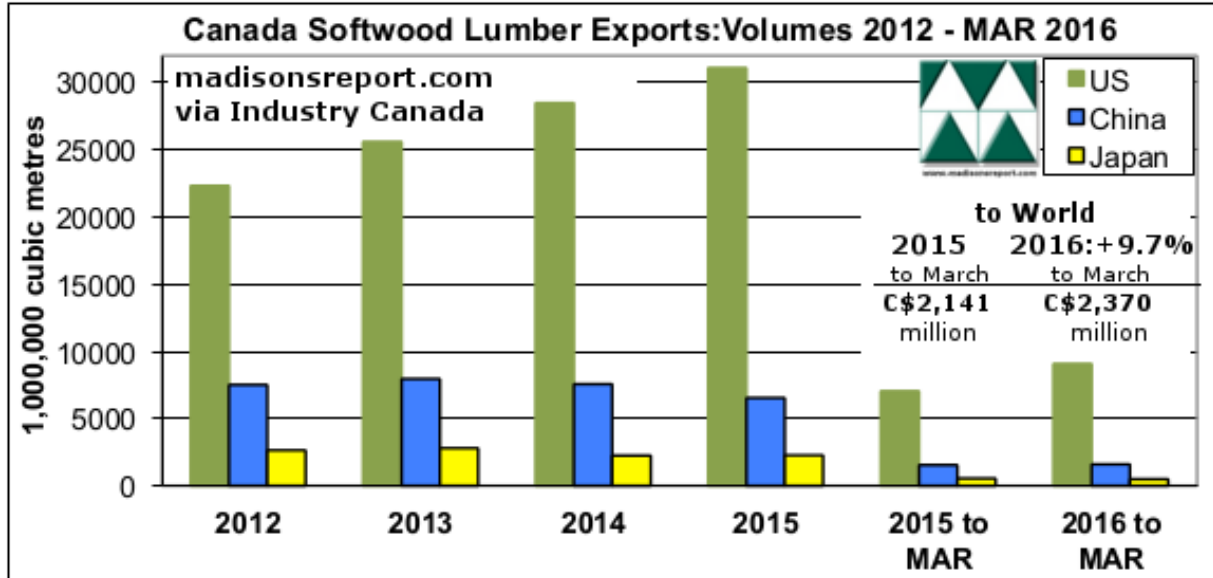
4441: Building Mat. and Supplies Dealers: U.S. Total — Not Seasonally Adjusted Sales - Monthly [Milli

US Wood Imports, Canada Lumber Exports: March 2016

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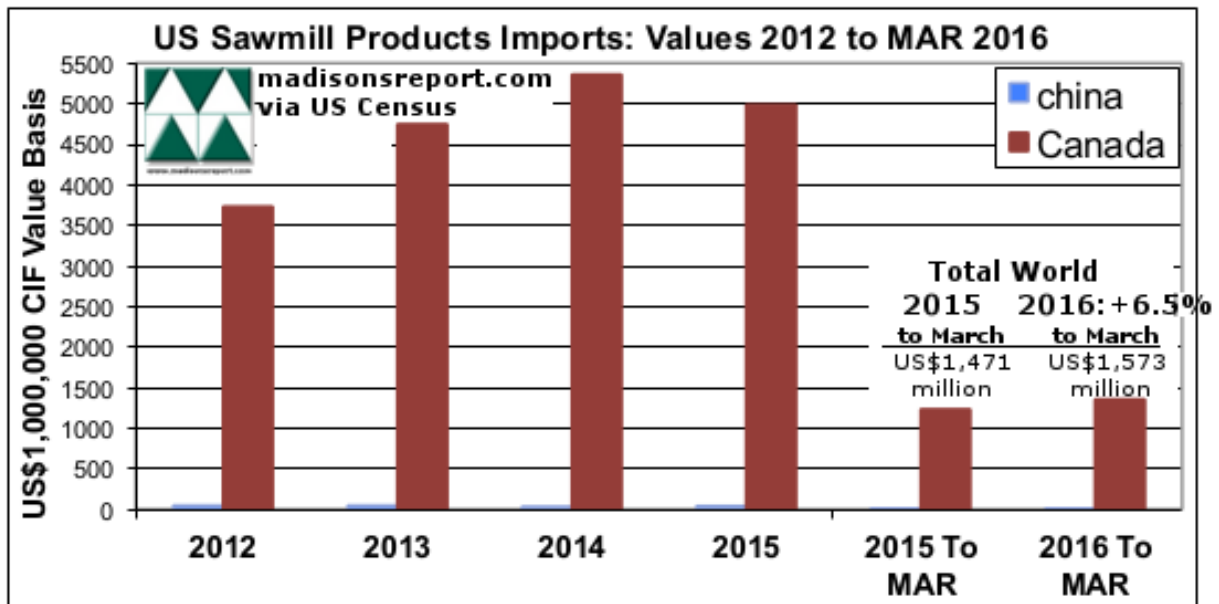
Canada Softwood Lumber Exports: Volumes 2012 to MARCH 2016

	<i>million cubic metres</i>		
	2015 to MAR	2016 to MAR	
USA	7,041	9,070	22%
CHINA	1,552	1,588	2%
JAPAN	535	504	-5.8%
To WORLD	9,664	11,671	+17%



US Sawmill Products Imports: Values 2012 to MARCH 2016

CHINA	US\$9 million	US\$11 million	18%
CANADA	US\$1,232 million	US\$1,355 million	9%
TOTAL WORLD	US\$1,471 million	US\$1,573 million	6.5%
	2015 To MAR	2016 To MAR	



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