

MADISON'S LUMBER REPORTER



Publisher
KetaDesign Productions

Editor
Kéta Kosman

Market Analyst
Earl Heath



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



www.madisonsreport.com
madrep@shawcable.com
604 319-2266

PO Box 2486 Vancouver, BC
V6B 3W7 Canada



In Canada, add GST or HST
ISSN 0715-5468

Printed in Canada © 2015

All material contained within is the property
of KetaDesign Productions Inc. Reproduction
or retransmission is expressly forbidden.



News & Updates

Madison's Notifies...

Next week *Madison's* will be basking in the natural glory of the west coast of Vancouver Island without signal and likely power.

The next issue of your *Madison's Lumber Reporter* will be delivered Tuesday, July 5 and will be truncated to the price lists and market comments.

We will resume regular publishing Friday, July 8.

Canada-US Softwood Lumber Official Update

The Canadian and US trade offices each released the same statement this week regarding the softwood file, announcing zero progress in negotiations:

"Following this initial 100 days of intensive engagement, the United States and Canada have made significant advances in exploring the key issues and priorities. The United States and Canada are committed to continuing negotiations in an effort to achieve a durable and equitable solution for North American softwood lumber producers, downstream industries and consumers."

<http://news.gc.ca/web/article-en.do?nid=1086569>

<https://ustr.gov/about-us/policy-offices/press-office/press-releases/2016/june/state-ment-ustr-froman-and-canadas> .

Sawmill Closures, Reopenings, Sales

Weyerhaeuser this week announced closures of facilities in Montana, while Cad-do River Forest Products will be reopening a sawmill in Arkansas, and Fortress Paper also this week announced the sale of its idled Lebel-sur-Quévillon paper mill, in Québec, to a bioenergy manufacturing company. CONT'D PAGE 6

Canada, US Building and Construction Wages

The Construction Union Wage Rate Index (including supplements) for Canada rose 0.1 per cent in May compared with the previous month, according to Statistics Canada Thursday. The composite index increased 0.3 per cent in the 12 months to May.

Meanwhile in the US, the preliminary Quarterly Census of Employment and Wages data from the Bureau of Labor Statistics Friday show that the average annual pay for residential building construction was US\$50,806 in 2015, 19 per cent higher than in 2010, when the wages hit the lowest level after the Great Recession. CONT'D PAGE 7

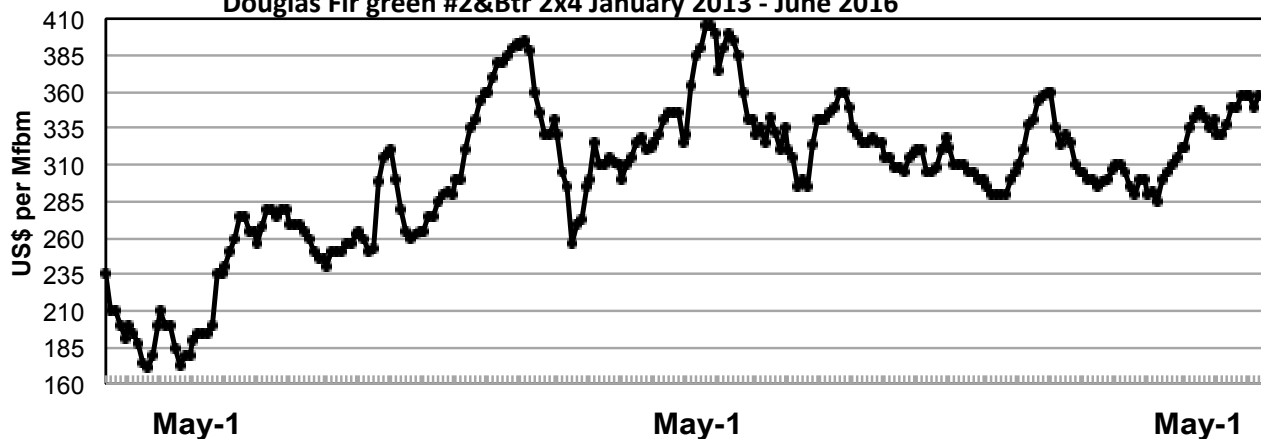
US Architecture Billings Index: May 2016

The American Institute of Architects reported the May Architecture Billings Index score was 53.1, up sharply from the mark of 50.6 in the previous month. The new projects inquiry index was 60.1, up from a reading of 56.9 the previous month. CONT'D PAGE 7

US New Home Sales, Existing Home Sales: May 2016

Sales of US new single-family houses in May 2016 were at a seasonally adjusted annual rate of 551,000, according to estimates released jointly Thursday by the US Census Bureau and the Department of Housing and Urban Development. This is 6 per cent below the revised April rate of 586,000, but is 8.7 per cent above the May 2015 estimate of 507,000. CONT'D PAGES 8 & 9

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



Sawmill and Paper Mill Closures, Reopenings, and Sales

CONT'D FROM PAGE 2

Weyerhaeuser, out of Federal Way, WA, says it will permanently close its lumber and plywood mill in Columbia Falls, MT, this summer, putting about 100 people out of work.

The *Missoulian* reports Wednesday's announcement comes four months after Weyerhaeuser merged with Plum Creek Timber.

Weyerhaeuser will continue to operate three Montana mills: a medium-density fiberboard mill in Columbia Falls, a lumber mill in Kalispell and a plywood mill in Kalispell.

Tom Ray, a resources team leader with Weyerhaeuser, says extra shifts will be added to both Kalispell mills, and all 130 new positions will be filled by employees who currently work at the soon-to-be-shuttered Columbia Falls facility.

The Columbia Falls mill employs 230 people, leaving a net loss of 100 jobs.

Ray says a "chronic log supply shortage" meant it made economic sense for Weyerhaeuser to consolidate.

Meanwhile, Caddo River Forest Products, headquartered in Nashville, AR, will invest US\$50 million to re-open a Glenwood sawmill, a move expected to create 136 jobs in the Pike County town, the company announced also Wednesday.

The mill is expected to begin supplying lumber in the spring of 2017.

In Canada, Fortress Paper, based in North Vancouver, BC, Thursday announced the sale of its idled Lebel-sur-Quévillon, Québec to SQ Energy and LSQ Development, each a wholly-owned subsidiary of Nexolia Bioenergy Inc.

The sale is valued at for an aggregate purchase price of \$15.36 million.

The transaction is expected to close on or before July 8, 2016.

US State Coincident Indexes: May 2016

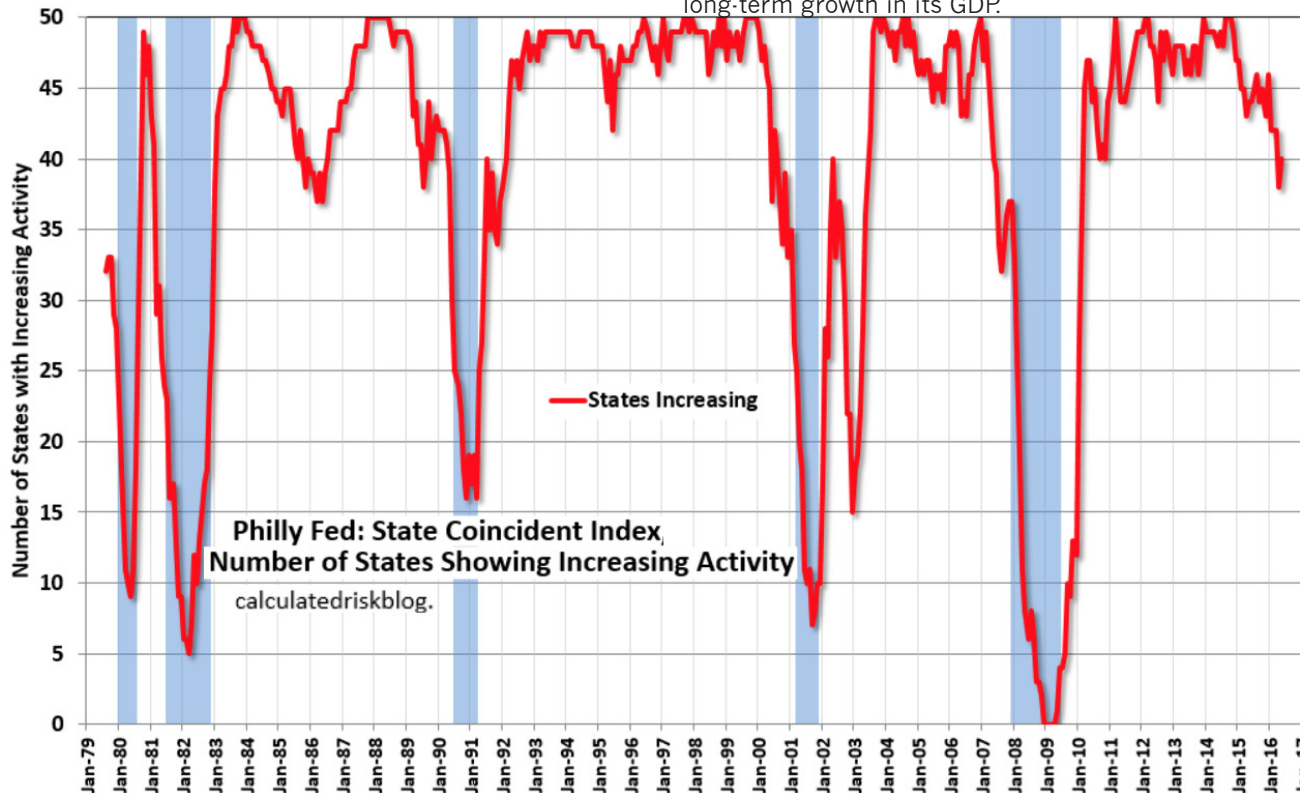
The Federal Reserve Bank of Philadelphia Friday released the coincident indexes -- an important economic indicator -- for the 50 states for May 2016.

In the past month, the indexes increased in 38 states, decreased in eight, and remained stable in four, for a one-month diffusion index of 60.

Over the past three months, the indexes increased in 42 states, decreased in seven, and remained stable in one, for a three-month diffusion index of 70.

The coincident indexes combine four state-level indicators to summarize current economic conditions in a single statistic. The four state-level variables in each coincident index are nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate, and wage and salary disbursements deflated by the consumer price index (US city average).

The trend for each state's index is set to the trend of its GDP, so long-term growth in the state's index matches long-term growth in its GDP.





| | 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 | 320 | 322 | -2 | 326 | -6 | 300 | +20 |
| WSPF KD R/L 2x6 | 298 | 300 | -2 | 308 | -10 | 300 | -2 |
| SYP KD R/L East Side 2x4 | 425 | 425 | 0 | 425 | 0 | 370 | +55 |
| SYP KD R/L East Side 2x6 | 340 | 330 | +10 | 310 | +30 | 300 | +40 |
| ESPF KD R/L 2x4 | 420 | 420 | 0 | 425 | -5 | 385 | +35 |
| WSPF KD PET 2x4 Stud | 270 | 270 | 0 | 270 | 0 | 305 | -35 |
| WSPF KD PET 2x6 Stud | 250 | 245 | +5 | 235 | +15 | 290 | -40 |
| Douglas Fir Green R/L 2x4 | 357 | 350 | +7 | 350 | +7 | 337 | +20 |
| Douglas Fir Green R/L 2x10 | 385 | 400 | -15 | 415 | -30 | 370 | +15 |
| ESPF KD 2x4 8ft Stud | 355 | 350 | +5 | 360 | -5 | 365 | -10 |
| OSB Ontario 7/16" (CDN\$/msf) | 315 | 335 | -20 | 345 | -30 | 237 | +78 |
| CSplywood Toronto 3/8" (CDN\$/msf) | 440 | 454 | -1 | 441 | -1 | 440 | 0 |

Madison's Weekly Softwood Lumber News

Canada, US Construction Wages

CONT'D FROM PG 2 In the US, the construction wage index includes single-family general contractors, multi-family general contractors, for-sale builders, and remodelers (but not trade contracting businesses like framing or electrical contractors).

Compared to the average for all industries, residential building construction has experienced more rapid wage growth rate since 2012. The average annual pay for residential building construction employees increased by about 5 per cent per cent in 2014 and

2015 while the national average for all industries only rose 3 per cent a year during the same period.

Changes in average annual pay in residential building construction also vary across states.

US Architecture Billings

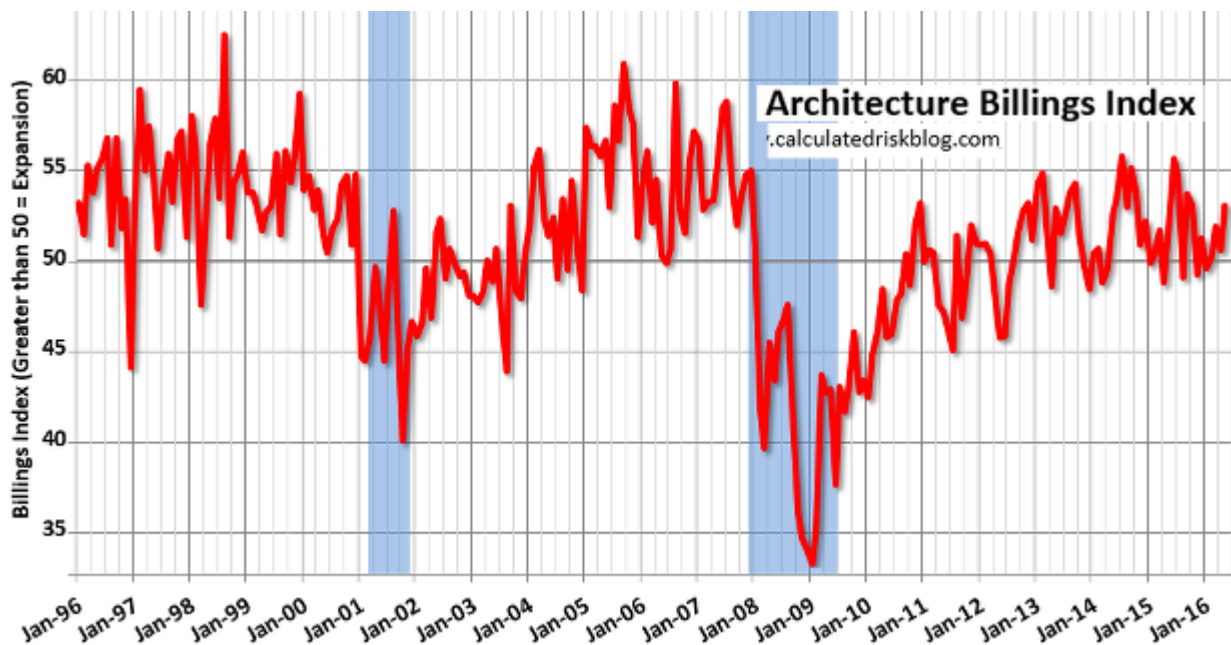
CONT'D FROM PG 2 Said AIA Chief Economist, Kermit Baker, "Demand levels are solid across the board for all project types at the moment. Of particular note, the recent surge in design activity for institutional projects could be a harbinger of a new round of growth in the broader construction industry in the months ahead."

- Regional averages: West (53.8), South (53.7), Northeast (51.2), Midwest (49.9)

- Sector index breakdown: multi-family residential (53.7), institutional (53.0), commercial / industrial (51.0), mixed practice (51.0)

According to the AIA, there is an "approximate nine to twelve month lag time between architecture billings and construction spending" on non-residential construction.

This index was positive in 9 of the last 12 months, suggesting a further increase in CRE investment in 2016 and early 2017.



US New Home Sales: May 2016

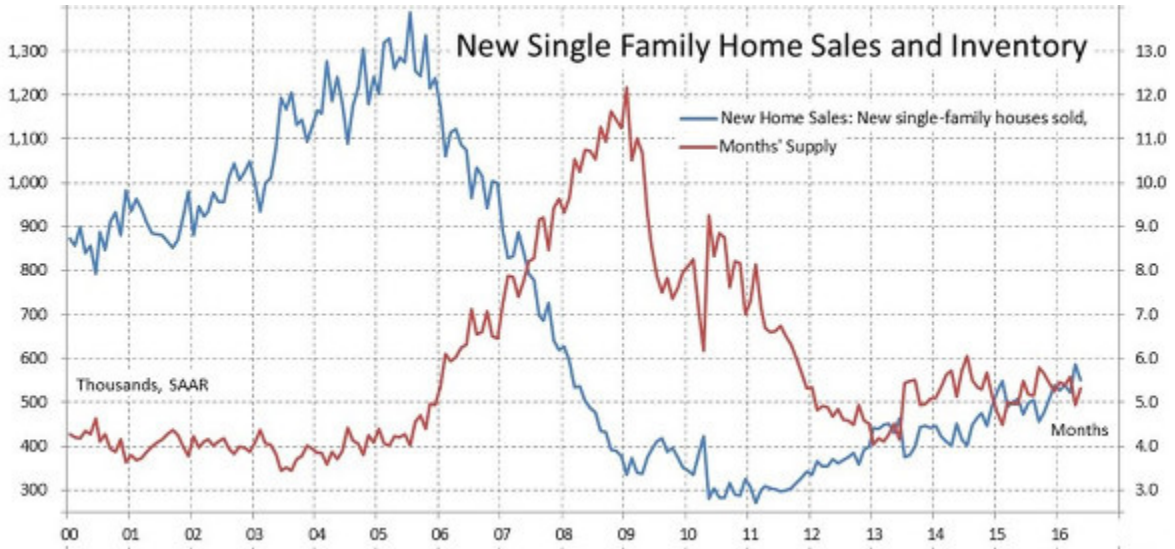
CONT'D FROM PAGE 2

The US Census Bureau and Department of Housing and Urban Development in a joint release reported that newly constructed single family homes sold at a seasonally adjusted annual pace of 551 thousand in May, down from 586 thousand in April, but up from the average pace of 524 thousand in the first quarter.

The monthly numbers can be noisy – volatile and subject to revision (April’s initial 619 thousand pace was revised down to 586 thousand in May), but the upward trajectory beginning in 2012 is clear and continuing.

Builders are cautiously meeting existing demand and adding to inventory in line with the pace of sales. The

inventory of new homes for sale increased to 244 thousand, up from 210 thousand one year early, and represents a 5.3 months’ supply given the current pace of sales. The increasing pace of sales and level of inventory has kept the months’ supply steady, between 5 and 6 months, during the recovery and modestly above the 4 months’ supply that prevailed pre-boom.



The months of supply increased in May to 5.3 months.

The all time record was 12.1 months of supply in January 2009.

This is now in the normal range (less than 6 months supply is normal).

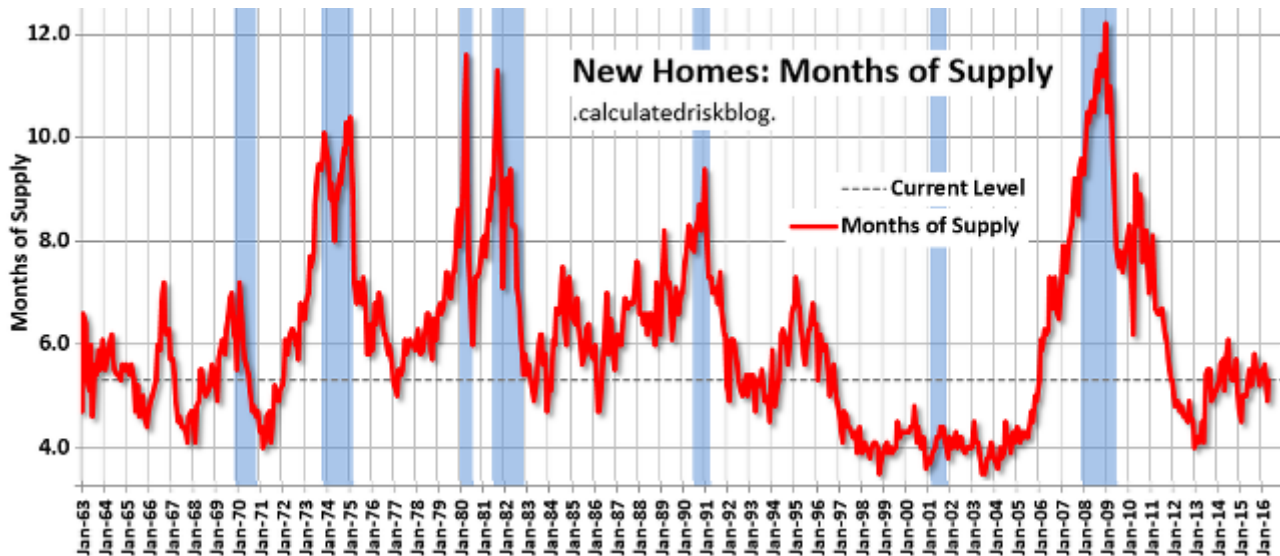
“The seasonally adjusted estimate of new houses for sale at the end of May was 244,000. This represents

a supply of 5.3 months at the current sales rate.”

In May 2016, 51 thousand new homes were sold. Last year 47 thousand homes were sold in May.

The all time high for May was 120 thousand in 2005, and the all time low for May was 26 thousand in 2010.

This was below expectations of 565,000 sales SAAR in May, and prior months were revised down.



US Existing Home Sales: May 2016

Existing home sales, as reported by the National Association of Realtors, increased 1.8 per cent in May to the highest level since February 2007. The May share of first-time buyers, however, remained mired at 30 per cent in May and for all of 2015.

May existing sales are up 4.5 per cent from the same month a year ago. Total existing home sales in May increased to a seasonally adjusted rate of 5.53 million units combined for single-family homes, townhomes, condominiums and co-ops, up from a downwardly revised 5.43 million units in April.

May existing sales increased in the West, South and Northeast by 5.4 per cent, 4.6 per cent and 4.1 per cent respectively, while decreasing by 6.5 per cent in the Midwest. Year-over-year, the Northeast, South and Midwest increased 11.6 per cent, 6.5 per cent and 3.2 per cent respectively, while decreasing by 1.7 per cent in the West.

Total housing inventory increased 1.4 per cent in May, but remains 5.7 per cent lower than its level a year ago.

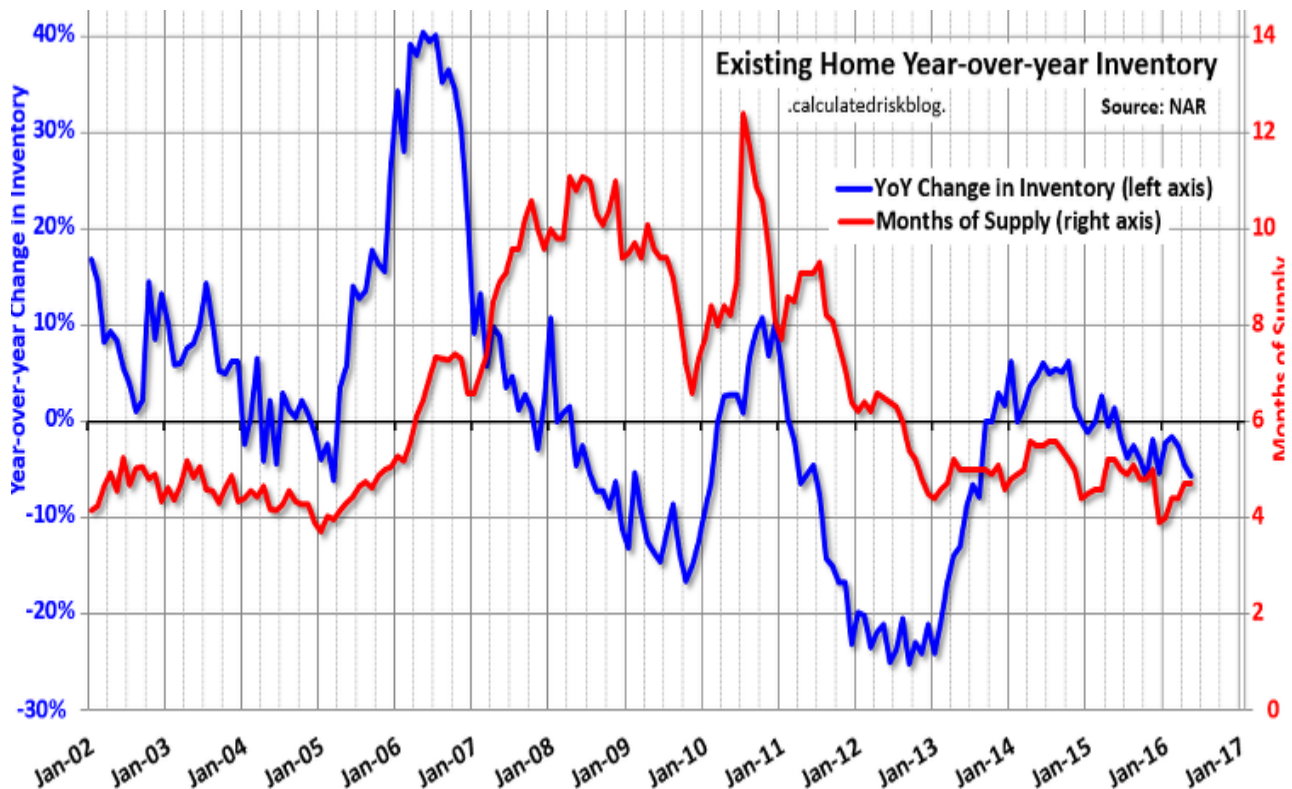
At the current sales rate, the May unsold inventory represents a 4.7-month supply, unchanged from April. Some 49 per cent of homes sold in May were

on the market for less than a month, the highest since May 2015.

The distressed sales share decreased to 6 per cent in May, down from 7 per cent in April and 10 per cent a year ago. Distressed sales are defined as foreclosures and short sales sold at deep discounts. The May all-cash sales share dropped to 22 per cent, down from 24 per cent in April and one year ago. Individual investors purchased a 13 per cent share in May, the same as April and down from 14 per cent a year ago, and continued to follow a four year pattern of increasing at the beginning of the year and declining by spring.

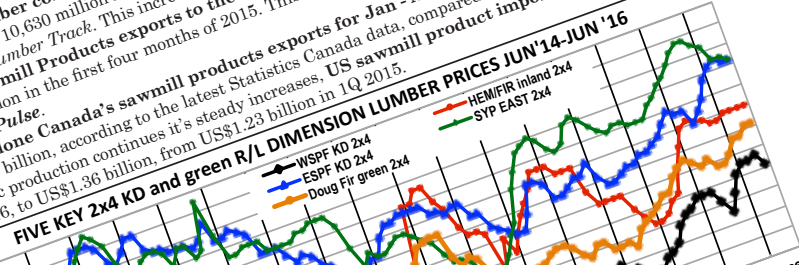
The May median sales price of US\$239,700 was 4.7 per cent above the same month a year ago, and represents the 51st consecutive month of year-over-year increases. The median condominium/co-op price of US\$229,600 in May was up 6 per cent from the same month a year ago.

The Pending Home Sales Index increased 3.5 per cent in February, 1.4 per cent in March and 5.1 per cent in April, so the continued upward trend in existing sales reported in May was expected. Builder sentiment remains cautiously optimistic, and the tight inventory of existing homes bodes well for new single-family sales in 2016.



OVERVIEW

US softwood lumber consumption "Apparent Consumption" for 1Q 2016 jumped by +14.6% from 10,630 million fbm for the same time period in 2015, according to Western Wood Processors' Association's **Lumber Track**. This increase was +4.7% for the 4Q 2015 issue of **Madison's Forest Pulse**.
Canadian Sawmill Products exports to the world for Jan - APRIL 2016 increased +9.9%, to C\$3.3 billion, from C\$3.0 billion in the first four months of 2015. This increase was +3.5% for the full-year 2105 issue of **Madison's Forest Pulse**.
To the US alone Canada's sawmill products exports for Jan - APRIL 2016 were C\$2.43 billion, up +20.4% from C\$2.02 billion, according to the latest Statistics Canada data, compared to up +7.5% for our FY 2015 report. As domestic production continues its steady increases, US sawmill product imports from Canada grew by +9.1% for 1Q 2016, to US\$1.36 billion, from US\$1.23 billion in 1Q 2015.

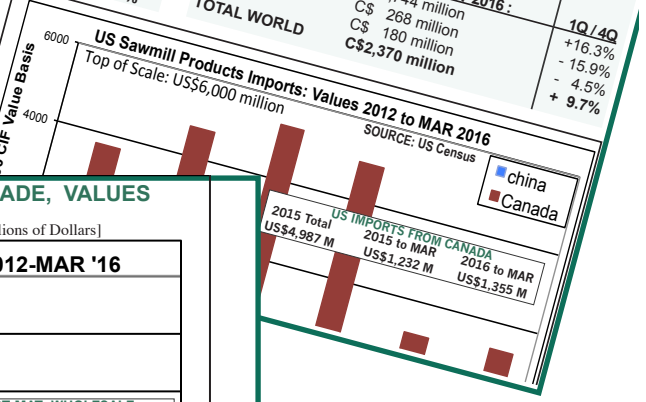


ONE-YEAR KEY DIMENSION LUMBER PRICE TRENDS: Madison's Lumber Reporter
 SOURCE: Madison's Lumber Reporter
 Prices US\$ per thousand board feet, net FOB mill

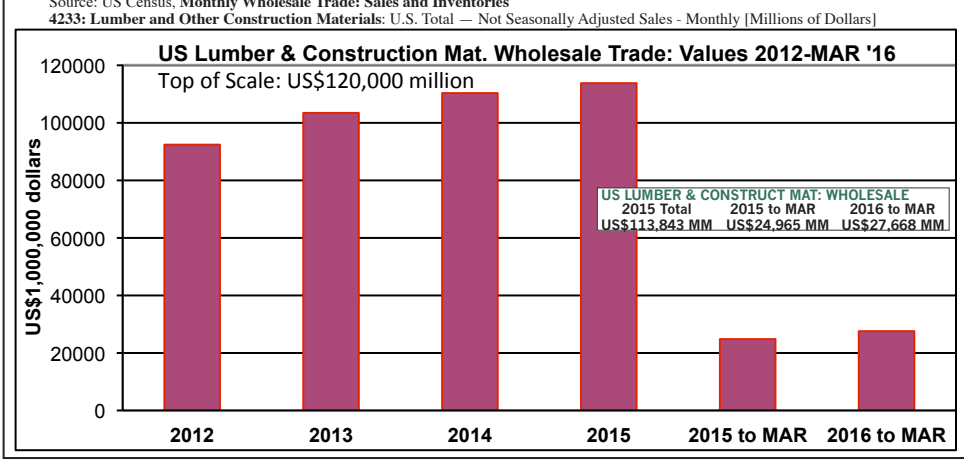
| | | | |
|--------------|-----------------|--------------|---------|
| Jun 2015 ... | US\$318 | Jun 2015 ... | US\$294 |
| Jun 2016 ... | US\$375 | Jun 2015 ... | US\$335 |
| Jun 2016 ... | US\$357 | Jun 2015 ... | US\$385 |
| Jun 2016 ... | US\$421 million | | |
| Jun 2016 ... | \$2,470 million | | |

| | | |
|---|--------------------------|---------|
| US Sawmill Products Imports (CIF) 1Q 2016: | | |
| Canada | US\$1,355 million | + 7.5% |
| China | US\$ 11 million | +10.7% |
| TOTAL WORLD | US\$1,573 million | - 7.3% |
| US Sawmill Products Exports 1Q 2016: | | |
| USA | US\$ 327 million | + 6.7% |
| China | US\$ 68 million | + 18.0% |
| Japan | US\$ 892 million | + 6.7% |
| TOTAL WORLD | US\$ 892 million | + 6.7% |
| Canada Softwood Lumber Exports 1Q 2016: | | |
| USA | C\$1,744 million | +16.3% |
| China | C\$ 268 million | - 15.9% |
| Japan | C\$ 180 million | - 4.5% |
| TOTAL WORLD | C\$2,370 million | + 9.7% |

VALUES
 The VALUE of US sawmill products IMPORTS increased by 9.1%, to US\$1,355 million (CIF value basis) in 1Q 2016, compared to US\$1,232 million in 1Q 2015. There was an increase of 9.1% in full-year 2015.
 The VALUE of US sawmill products EXPORTS to China grew by +9.2%, to US\$327 million (FAS value basis), in 1Q 2016 compared to the previous year's US\$297 million (FAS). For FY 2015 it dropped -20.4%.
 The VALUE of Canadian softwood LUMBER EXPORTS to USA for 1Q 2016 was US\$1.36 billion, up +9.1% from US\$1.23 billion in 1Q 2015.



FIVE-YEAR US LUMBER & CONSTRUCTION MATERIAL: WHOLESALE TRADE, VALUES



Yes, I want to be regularly informed on the North American solid wood, pulp and paper industry. Please sign me up for:

_____ **Madison's FOREST PULSE** US\$989/yr
 or _____ **Easy Pay Option** US\$250/quarter GST applies to Canadian subscribers

Company Name: _____
 Attention: _____
 Address: _____
 Phone: _____ Email: _____

Please charge my VISA/MC: Card No. _____ Exp. ____ / ____
 Please bill me: (signature) _____

Madison's Lumber Reporter, PO Box 2486, Vancouver, BC, V6B 3W7 or fax 1-604-608-4938