



MADISON'S Lumber Reporter

Volume 66, No. 28

The source for North American softwood lumber and panel prices

July 15, 2016

Kiln Dried Framing Softwood Lumber • R/L

Western Spruce-Pine-Fir

2x4 #2&Btr	326	2x4 Utility	248	2x4 #4/Econ	148
2x6	294	2x6 #3	184	2x6	132
2x8	310	2x8	180	2x8	140
2x10	336	2x10	180	2x10	140
2x12	380	2x12	185	2x12	150

US dollars per thousand board feet, net f.o.b. mill, flat car poly wrapped (FCPW).

Eastern Spruce-Pine-Fir

2x4 #2&Btr	425	2x4 Utility	330	2x4 #2&Btr	510	2x4 Utility	385
2x6	395	2x6 #3	295	2x6	475	2x6 #3	345
2x8	395	2x8	295	2x8	480	2x8	335
2x10	435	2x10	-----	2x10	535	2x10	-----
2x12	-----	2x12	-----	2x12	-----	2x12	-----

Truck delivered to Great Lakes/Columbus, USA.

Delivered Toronto.

Western SPF Above Par

AMERICA

American WSPF purveyors had a “solid run” this week, with uninterrupted sales from Monday to Friday. Prices remained flat for the most part, but producers were happy keeping levels where they were and pushing order files into the first two weeks of August – dependent on product, of course.

- Four-inch #2&Btr was again the best-selling size, though players noted that demand for 2x6 was “gaining momentum”.
- So far transportation hasn’t been a huge issue this summer for producers and distributors of WSPF, even considering the prevalence of seasonal goods that offer truckers better rates than lumber.

by Earl Heath

Key comment: “Panel demand went bananas this week. Producers pushed hard on underbought customers.”

	Douglas Fir	Fir/ Larch	Hem/Fir (Coast)	Hem/Fir (Inland)	Southern Yellow Pine (East)	Southern Yellow Pine (West)
2x4 #2&Btr	380	390	360	370	410	385
2x6	370	385	355	350	360	370
2x8	340	365	345	330	315	325
2x10	380	420	365	350	370	350
2x12	430	430	420	400	465	460
2x4 #3/Utility	245	255	240	230	290	295

Green Dimension

	Douglas Fir	Eastern SPF	Utility/ #3	
2x4 #2&Btr	355	2x4 #2&Btr	410	325
2x6	310	2x6	405	325
2x8	280	2x8	410	335
2x10	360	2x10	415	-----
2x12	380			
2x4 #3/Utility	215			

F.o.b. Toronto. (US\$) GST excluded

CANADA

- Producers of WSPF lumber in Canada were busy this week with steady inquiry and takeaway. Buyers were interested in specified tallies for the most part, but overall demand was “spread out” to most items.
- Bookings on #2&Btr 2x4 and 2x8 were out to August 1st, while six-inch “really came back” from its recent torpidity with a small price-jump. Sawmill order files were out to August 8th. Order files on #3 2x4 was closer at July 25th.
- Field inventories remained lean and demand looked “solid”, with no signs of letting up. Cars and trucks were surprisingly smooth.

Eastern SPF Copasetic

- Buyers braced for another squeeze in overall supply as some producers in Quebec prepared for their annual summer shutdown, beginning on Friday of this week. Consequently, secondary suppliers filled more orders as volumes dried up at the mill-level.
- Rail car availability was “fine” for ESPF lumber producers in Canada, but trucks were “a nightmare”, especially into the Michigan market. Summer perishables hogged all available rigs and there wasn’t anything lumber shippers could do about it.

Green Douglas Fir Coast

- Traders were baffled when 2x6 green fir lost some price ground this week, instead of catching up and closing the huge gap in pricing between it and 2x4.
- Secondary suppliers continued to buy good volumes of 2x6 at current low price levels, but grew more guarded with each passing day.

MADISON'S LUMBER REPORTER



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News & Updates

More Softwood Lumber Talks Transparency Urged

This week Eacom Timber again went on public record requesting more progress, and updates, on the important Canada-US Softwood Lumber trade issue.

"The American market is critical for us ... the majority of our shipments are destined to the US," said Christine Leduc, EACOM's director of public affairs to *Timmins Press* Monday.

"If you're (a lumber producer) in Ontario, you're not going to ship west; you're not going to ship east. You're shipping domestically or you're shipping south. In fact, 95 per cent of Ontario's forest products are destined to the US.

"For us at EACOM, we're Ontario's largest softwood producer with our five sawmills and so access to the US market is critical for us to maintain and grow our operations."

Without a deal in place, Leduc said to the *Timmins Press* there is growing uncertainty within the Canadian forest industry, especially with the challenge of trying to negotiate a binding agreement.

Nova Scotia Natural Resources Funding and Projects

Nova Scotia provincial funding partners the Department of Natural Resources and Innovacorp are jointly contributing \$667,000 to Halifax, NS-based energy giant Emera Inc's \$1 million into a new private-public partnership forestry innovation "hub," based in an Innovacorp office in Dartmouth, NS. CONT'D PAGE 6

Japan Housing Starts: May 2016

Japan's housing starts in May were 78,728 units (up 9.8 per cent from the same month in the previous year), surpassing the previous year's results for five consecutive months, according to *Japan Lumber Journal* Thursday. CONT'D PAGE 7

Housing Starts Canada: May 2016

Canadian Mortgage and Housing Corp said Monday the seasonally adjusted annualized rate of Canadian housing starts rose to 218,333, or 17 per cent, in June from a revised 186,709 in May. CONT'D PAGE 7

Lumber Production, Sawmill Capacity: WWPA

The **Western Wood Products Association**, out of Portland, OR, this week released it's latest monthly *Lumber Track*, highlighting Canadian and US lumber production and sawmill capacity.

This latest issue also contains final revisions for the WWPA's *2015 Annual Mill Operating Survey* results. CONT'D PAGE 8

US Real Estate and Housing Market: Mid-2016 Update

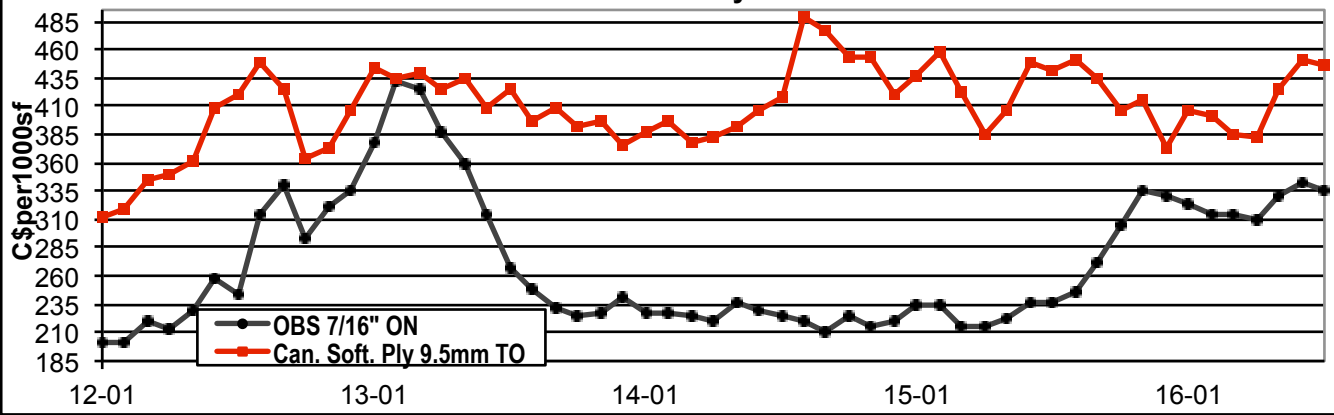
The latest data out of the US this week shows sales of new single-family homes likely grew at a rate of 530,000 units in June, up 8.6 per cent from a 488,000 annualized pace in May, the Mortgage Bankers Association said Thursday.

June's estimated pace of sales was up 7 per cent from a year earlier, it said.

Without adjusting for seasonal factors, there were likely 47,000 new homes sold last month, unchanged from May, MBA said.

A spate of analysis and insight into the current US real estate and housing market conditions also came out this week. CONT'D PAGES 9 & 10

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



Nova Scotia Forestry New PPP Innovation Hub

CONT'D FROM PAGE 2

Nova Scotia provincial funding partners the Department of Natural Resources and Innovacorp are jointly contributing \$667,000 to Halifax, NS-based energy giant Emera Inc's \$1 million into a new **private-public partnership** forestry innovation "hub," based in an Innovacorp office in Dartmouth, NS, said the *Chronicle Herald* July 8.

Two partners are providing key services to the project; Bioapplied Innovation Pathways, a private partnership, and FPInnovations, a not-for-profit research institute serving the forestry industry in Canada.

The money is for the Forestry Innovation Hub, which launched last year through Innovacorp and is mandated to connect Nova Scotia's forestry industry to innovative new uses for wood and wood byproducts. The goal is to diversify the forestry industry away from traditional pulp and paper mills.

The hub will work as a place to connect Nova Scotia's industry to companies that have already designed products that could be sourced, at least in part, from Nova Scotia.

Clean-tech work could be expanded to other traditional industries, including agriculture, oceans and waste management.

The Nova Scotia Forestry Innovation Hub has been in development for almost a year. The hub's plan is to work with industry to turn residual wood into biofuel and other green products, according to *LocalIXPress* July 7.

Products already exist that use wood and wood byproduct to make replacements for plastics and cement.

Work is already underway elsewhere in Canada and around the world to commercialize such value-added technologies as new building materials, plastics and chemicals that stem from waste wood. Nova Scotia startups include Cellufuel, which has a biofuel demonstration project in Brooklyn, Queens County.

Any intellectual property developed by the hub will be industry-owned said Emera President and CEO Chris Huskilson.

A principal consultant to the project, Rod Badcock, said to the *Chronicle Herald* the government partners and Emera had formed a governance committee to guide the work, which was being done by an informal partnership, in which he plays a principal role.

An Emera-owned biomass plant in Point Tupper, Cape Breton, is now only running during periods of peak electricity demand, which makes wood chips available for other uses.

As for Bioapplied Innovation Pathways, it is a partnership between Badcock and Gregory Maloney and their respective companies: Fusion Intel, registered in Nova Scotia, and Enoptec, registered in Quebec.

The hub project is just one of Bioapplied's clients. Another client is CelluForce, whose shareholders are the pulp and paper company, Domtar; Schlumberger Limited, a global technology company serving the oil and gas sector; and FPInnovations. CelluForce supplies wood-based cellulose nanocrystals, or nanocrystalline cellulose, for industrial products.

One the objectives of the hub partners is to find domestic markets for new industrial products, such as biofuel, which may be processed from wood fibre.

Emera, which indirectly owns the province's two major biomass plants, seems attracted to the commercial prospects for diverting low grade wood to higher value products at a time when there is less demand for burning biomass to produce electricity.

The biomass plant in Point Tupper, Richmond County, is owned by Nova Scotia Power, which is owned by Emera. This year the plant was downgraded from a must-run, round-the-clock enterprise to a plant that is only fired up as demand peaks.

Since it began producing electricity at the plant in 2013, the provincial utility has built up a significant forest supply chain. It likely has excess stockpiles of waste wood and may have contracts for more forest biomass than it can use, said the *Chronicle Herald*.



Being studied are things including new market opportunities and alternatives for petroleum products with bio-based fuels in marine diesel and heating oil applications. Another initiative is looking at how forestry contractors can integrate technology, innovation and best practice to help improve their performance.

"We're committed to making Canada a global innovation leader," said Navdeep Bains, Minister of Innovation, Science and Economic Development and Minister responsible for ACOA. "To do so, we must experiment, explore and adapt. Investing in research and development is the first step on the path to long-term economic growth."

"Emera recognizes that the forestry and resource sectors are vital parts of Nova Scotia's economy," said Chris Huskilson, president and CEO of Emera Inc. "We are pleased to support this collaborative initiative meant to foster industry participation and generate economic opportunities."



Press Release July 7, 2016:
Natural Resources Dept -
Government of Nova Scotia,
Atlantic Canada Opportunities Agency -
Government of Canada,
Emera Inc.



	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	326	322	+4	322	+4	300	+26
WSPF KD R/L 2x6	294	290	+4	304	-10	305	-11
SYP KD R/L East Side 2x4	410	425	-15	420	-10	365	+45
SYP KD R/L East Side 2x6	360	340	+20	315	+45	300	+60
ESPF KD R/L 2x4	425	425	0	420	+5	390	+35
WSPF KD PET 2x4 Stud	270	270	0	270	0	315	-45
WSPF KD PET 2x6 Stud	255	250	+5	245	+10	295	-40
Douglas Fir Green R/L 2x4	355	360	-5	357	-2	355	0
Douglas Fir Green R/L 2x10	360	387	-27	410	-50	390	-30
ESPF KD 2x4 8ft Stud	360	360	0	355	+5	375	-15
OSB Ontario 7/16" (CDN\$/msf)	368	325	+43	345	+23	235	+133
CSplywood Toronto 3/8" (CDN\$/msf)	458	440	+18	458	0	421	+37

Madison's Weekly Softwood Lumber News

Housing Starts, Japan

CONT'D FROM PG 2 Compared with the previous month, Japan housing starts decreased by 4.5 per cent due to Golden Week Holidays, but the seasonally-adjusted annual rate was 1,017,000 units (up 2.3 per cent from the previous month), exceeding 1,000,000 units for the first time since last June, said *Japan Lumber Journal*.

The results of May by owner/occupant, housing starts of owner-occupied houses were 23,501 units (up 4.3 per cent from the same month of the previous year), showing slow growth rate. Those of built-for-sale houses were 22,213 units (up 7.9 per cent). Of the built-for-sale houses, condo-miniums were 11,236 units (down 0.8 per cent),

decreasing for the first time in four months.

In contrast, single-family houses were 10,796 units (up 18 per cent), increasing significantly from 9,148 units in the same month of the previous year, which showed a low level. Housing starts of rental houses were 32,427 units (up 15 per cent), showing an increase for seven months in a row.

Canada Housing Starts

CONT'D FROM PG 2 Housing starts in Toronto totalled an annualized 45,848 in June, the highest since March, said CMHC. Vancouver recorded a pace of 35,445 units in June, the second highest pace in the past 16 years.

That more than offset declines in the Atlantic provinces and Quebec.

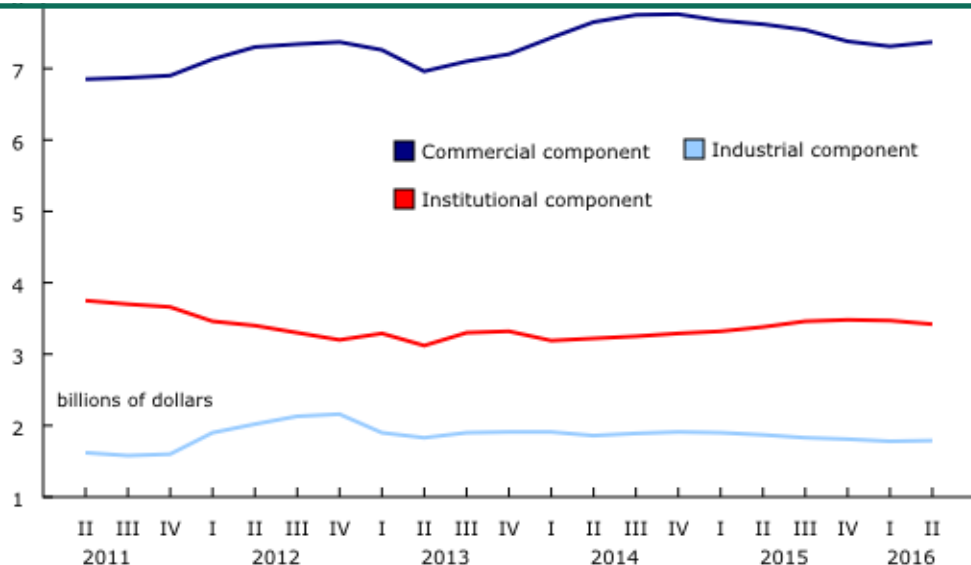
The increase came as the pace of urban starts increased by 18.1 per cent in the month to 202,702 units, boosted by multiple urban starts, which gained 26.7 per cent to 142,819. Single-detached urban starts increased by 1.7 per cent to 59,883.

Rural starts were estimated at a seasonally adjusted annual rate of 15,631 units.

The six-month moving average of the monthly seasonally adjusted annual rate increased to 197,918 in June compared with 190,302 in May.

The national pace of housing starts looked to be settling in around 200,000, up from the rate in recent years.

Canada Investment in Non-Residential Building Construction, 2Q 2016



SOURCE:
Statistics Canada

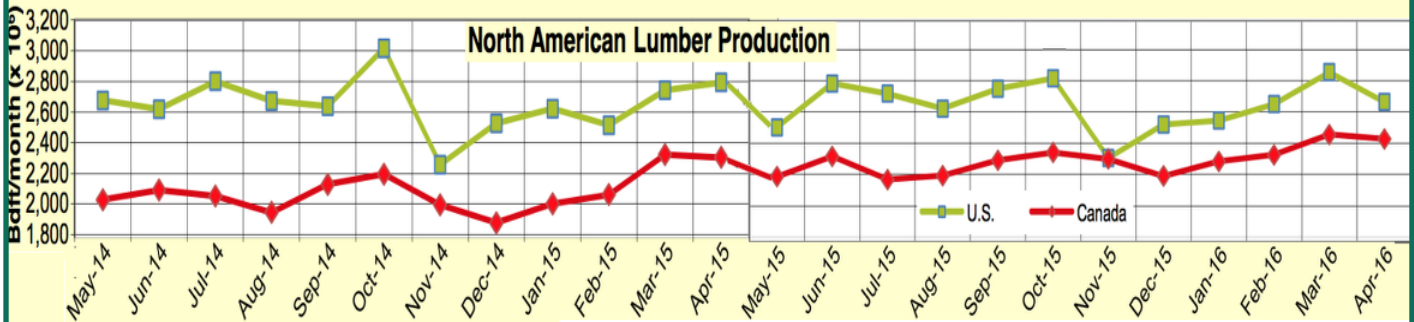
Western Wood Productions Association *Lumber Track*: April 2016

CONT'D FROM PAGE 2

Softwood lumber production by US sawmills reached 10.718 billion board feet (bbf) in the first four months of 2016, a gain of 0.9 per cent from 10.625 bbf in the same period last year, Portland, OR's, **Western Wood Products Association** reported Tuesday in its latest *Lumber Track* report.

In April alone, US sawmills produced 2.665 bbf, a drop of 4.7 per cent from 2.796 bbf a year earlier, and down 6.7 per cent from 2.855 bbf in March 2016.

Apparent US softwood lumber consumption was 16.224 bbf in the four-month period, a 13.4 per cent increase from 14.310 bbf in the year before. In April, consumption was 4.038 bbf – up 7.6 per cent from 3.754 bbf last year, but down 8.5 per cent from consumption in March 2016 of 4.414 bbf.



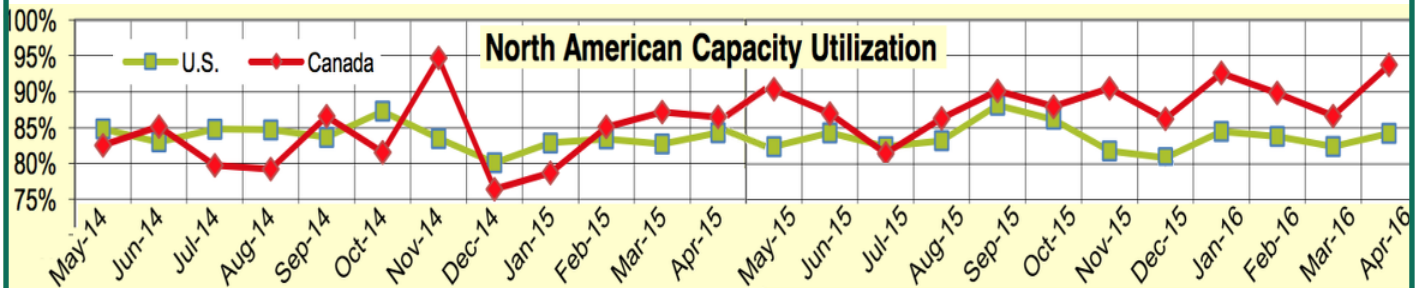
Source: Southern Forest Products Association, U.S. Census Bureau, Council of Forest Industries-CAN, WWPA

Softwood lumber production by sawmills in Canada reached 9,496 billion board feet (bbf) in the first four months of 2016, a gain of 9.3 per cent from 8,690 bbf in the same period last year.

Western US sawmills accounted for 1.157 bbf of production in **April**, down 7.2 per cent year-over-year from 1.247 bbf, and down 8.6 per cent from 1.267 bbf in March 2016.

Western US sawmills accounted for 4.652 bbf of the **four-month total** US production, down 1.8 per cent from 4.737 bbf a year earlier, while production at southern US sawmills rose by 3.2 per cent to 5.575 bbf from 5.401 bbf.

Sawmills in the South contributed 1.386 bbf to April's production, 2.5 per cent lower than last year's 1.421 bbf, and down 4.9 per cent from 1.458 in March of this year.



US sawmill production as per cent of practical capacity for the first four months of 2016 was 84 per cent, compared to 82 per cent in the same period last year.

Canadian sawmills production as per cent of practical capacity for January to April of 2016 was 91 per cent, compared to 84 per cent in the same period last year.

Production as Percent of Practical Capacity

SOURCE: Western Wood Products Association

	Full Year	4 months YTD				
	2015	2016	2015	Apr-16	Mar-16	Apr-15
West	78%	82%	79%	83%	83%	80%
South	89%	86%	86%	86%	83%	87%
Total U.S.	83%	84%	82%	84%	82%	83%
British Columbia	88%	92%	88%	94%	88%	87%
East of the Rockies	85%	89%	81%	94%	86%	86%
Total Canada	86%	91%	84%	94%	87%	86%

US Real Estate and Housing Market: Mid-Year 2016

CONT'D FROM PAGE 2

"Are Housing Bubbles Re-Inflating?" asked RealtyTrac July 7.

A new report shows that a new threat is emerging for US housing, said *ZeroHedge* Thursday. Or rather, an old and very well-known one: house flipping by third party investors at auction is back with a vengeance. According to RealtyTrac, the share of foreclosures snapped up by third-party investors at auction just hit a record 31 per cent in June. This is a redux of the "same fervent speculation that pushed the housing bubble."

Elsewhere, according to Zillow Wednesday, the bottom third of the US housing market has grown increasingly competitive, as the number of first-time buyers rises, fuelled by affordable mortgage rates.



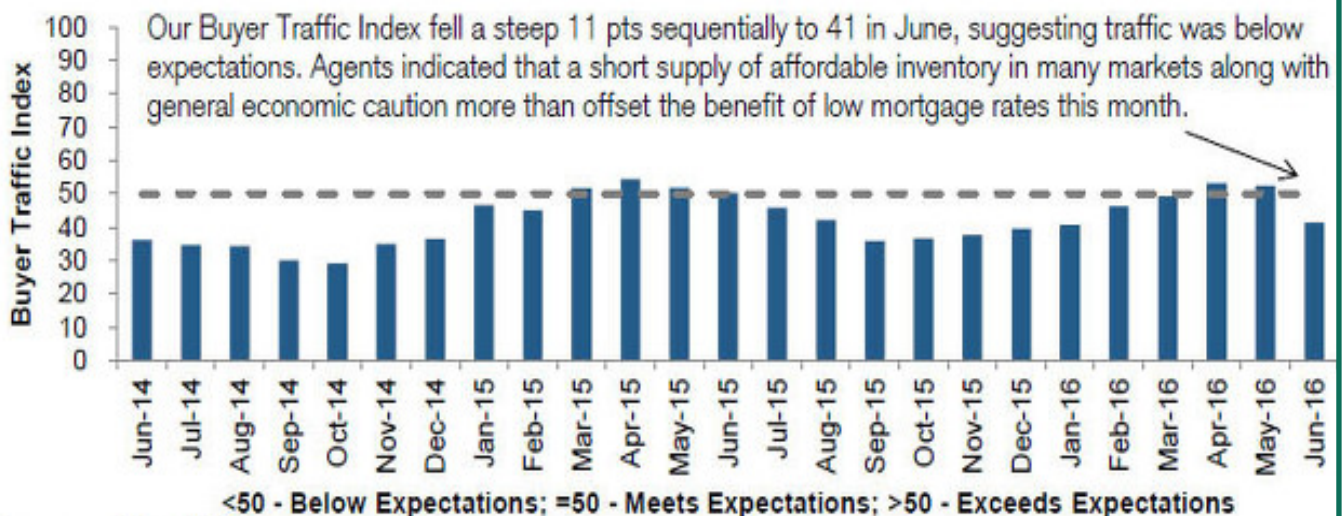
Source: Credit Suisse

That demand is pushing up home values at the bottom of the market by roughly 8 per cent a year, said Zillo. On the other hand, home values for the most expensive homes on the market, which at one point in February 2014 were growing at an average of 7 per cent annually, have stabilised. Those homes have been gaining value at about 4 per cent each year since the start of 2015.

Back to the RealtyTrac report, in it's own assessment *Bloomberg* adds that the third-party investors are

gaining a bigger share of a shrinking pie, as foreclosure auctions made up 8 per cent of all home sales in June, the lowest since August 2006. Meanwhile, institutional buyers made up about 38 per cent of those investor purchases at foreclosure auctions in June, down from a steady trend of around 50 per cent in the first five years of the expansion, the data show. They accounted for 2.5 per cent of all home purchases in June, down from a peak of 9.8 per cent in February 2013.

CONT'D PAGE 10



Source: Credit Suisse

"US Housing Market Real Estate Mania Redux"

CONT'D FROM PAGE 9

When it comes to the stock market, among the biggest relative strength leaders in the US broad market right now are the home builders and REITs, said Clif Droke on *Market Oracle UK* Wednesday. The US real estate sector is heating up and is also beginning to attract "hot money" inflows from foreign investors looking for a profitable safe haven. Real estate is building a measure of momentum not seen since before the 2008 credit crash. As such, the question as to whether a renewed property market mania is underway is a timely one and will now be addressed.

