

# MADISON'S LUMBER REPORTER

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## News & Updates

### FPAC Announces...

The **Forest Products Association of Canada** this week announced an exciting new online tool ([thegreenestworkforce.ca](http://thegreenestworkforce.ca)), which is free for both employment seekers and employers.

It will support those looking for work in the forest sector. It will also provide advanced labour market information that can be used to help forestry companies with their recruitment efforts, allow governments to develop public policies to better address employment needs, and support our high schools, colleges and universities by informing students about the career opportunities that exist in Canada's forest sector.

### Canada Sawmill Production: May 2016

Lumber production in May by sawmills in Canada decreased 2 per cent from April to 5,763.4 thousand cubic metre, said Statistics Canada Tuesday. Compared with May 2015, lumber production rose 8.2 per cent.

Sawmills shipped 5,787.6 thousand cubic metres of lumber in May, up 2.4 per cent from April. Shipments rose 6 per cent compared with May 2015.

### Drop in Oregon Timber Harvest: 2015

Oregon's timber harvest dropped 8 per cent last year, said OPB News July 25.

Before the great recession, Oregon was producing about 4 billion board feet of lumber a year. That dropped after the recession as people stopped building houses.

But it's been climbing and for the last few years it's been above 4 billion board feet again, thanks in part to a strong Chinese economy.

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### US Private Residential Construction Spending: June 2016

NAHB analysis of Census Construction Spending data released Monday shows that total private residential construction spending for June registered a seasonally adjusted rate of US\$445.8 billion, virtually unchanged from the May downwardly revised estimate. Private nonresidential construction spending fell for a third consecutive month in June, down by 1.3 per cent.

Within private residential construction, spending on single-family and multi-family both declined in June. Single-family spending dropped to US\$239.6 billion in June, down 0.3 per cent over the upwardly revised May estimate.

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### REO Inventory, US: 2Q 2016

FreddieMac reported this week the amount of Real Estate Owned's (REO) inventory declined to 13,284 at the end of 2Q 2016 compared to 19,484 at the end of Q2 2015.

For Freddie, this is down 82 per cent from the 74,897 peak number of REOs in 3Q 2010. For Freddie, this is the lowest since 2007.

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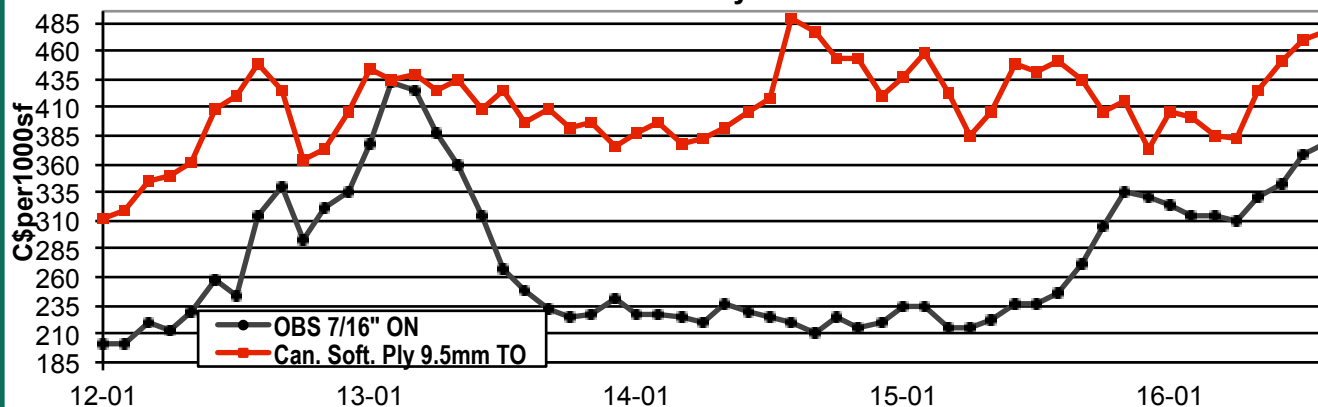
### Wildfire Season, North America 2016

Just as another terrible wildfire season is upon Canada and the US, the Utah Department of Natural Resources' newly developed, interactive site — [www.utah.wildfirerisk.com](http://www.utah.wildfirerisk.com) — allows users to search for and zoom into particular neighborhoods or recreation areas on a statewide map to see the wildfire risk in that zone.

It's essentially the Google Maps of state wildfires, said the *Salt Lake Tribune* Friday.

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



# Oregon Timber Harvest Down 8 Per Cent in 2015

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Oregon's timber harvest fell by 8 per cent in 2015, dipping below 4 billion board feet for the first time since 2012. The Oregon Department of Forestry attributed the decline to a range of factors, but mostly to a drop in exports to Asia, where a slowing economy in China is reducing demand for Oregon logs.

A bad fire season and a wet winter also reduced logging in 2015.

Despite the overall decline to 3.79 billion board feet, there were segments in the state that saw increases, including on United States Forest Service lands on the east side of the Cascades, said the *Portland Business Journal* also July 25. That harvest was up 14 per cent, marking a second consecutive year of growth, which ODF credited to stewardship contract work.

Overall, USFS harvests in the state were down 5 per cent to 367 million board feet, pulled down by declines on the west side.

Under an innovative 10-year contract awarded in 2013, restoration work on the Malheur National Forest is structured to provide a steady stream of timber for local processing.

A report last year by the University of Oregon's Ecosystem Workforce Program said that contract led to 15.5 million board feet of timber harvested in its first year, supporting 101 private sector jobs in Grant County and generating US\$2.16 million in economic activity. Half of the harvested timber was processed in Grant County, the U of O report said.

The Forest Service actually reported an increase in the harvest in Harney County as well.

About half of Oregon (49 per cent) is forested, which is approximately 30.2 million acres of forested land.

About 60 per cent of those forests are under federal control, either by the US Forest Service or the Bureau of Land Management.

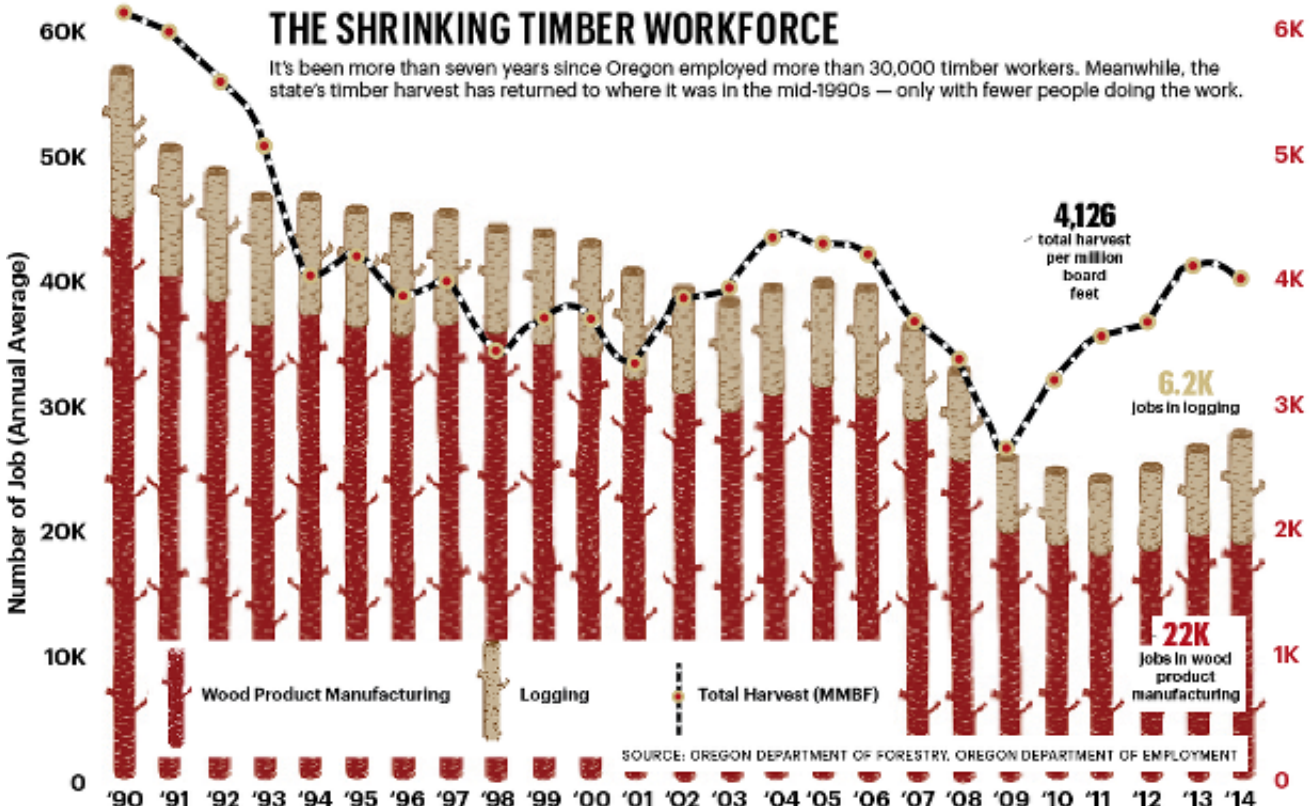
State-owned forests make up just 3 per cent of the total in Oregon. Interestingly, the timber harvest on these state lands was up about 26 per cent, according to the Department of Forestry, jumping from about 230 million board feet to about 290 million board feet — important, but just a fraction of the harvest from federal forests.

Industrial forests make up 19 per cent of Oregon's total, and family forests add another 15 per cent. Harvests on these private lands were down in 2015.

Declines were even steeper in the private industry harvest, which dominates the state's timber picture, falling 10 per cent to 2.36 billion board feet. That segment was hit particularly hard by the drop in exports — only logs from private lands can be exported.

ODF Principal Economist Brandon Kaetzel said to the *Portland Business Journal* "that with demand from Asia falling, exports as a percentage of Oregon timber volume have declined from a range of 15 to 17 per cent to around 8 or 9 per cent. He said Oregon timber has been used for forms in concrete construction in China, and a big drop in construction is taking a toll."

According to the state agency Business Oregon, Oregon's forestry industry accounted for 10,353 jobs and had total sales of US\$1.8 billion as of 2013. It helps feed a wood products industry that had US\$21.9 billion in sales in 2013 and employed 33,547 people.





	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	330	326	+4	322	+8	288	+42
WSPF KD R/L 2x6	310	310	0	290	+20	294	+16
SYP KD R/L East Side 2x4	420	415	+5	425	-5	330	+90
SYP KD R/L East Side 2x6	380	370	+10	350	+30	285	+95
ESPF KD R/L 2x4	425	425	0	420	+5	375	+50
WSPF KD PET 2x4 Stud	285	285	0	270	+15	290	-5
WSPF KD PET 2x6 Stud	255	255	0	250	+5	270	-15
Douglas Fir Green R/L 2x4	355	350	+5	360	-5	340	+15
Douglas Fir Green R/L 2x10	345	330	+15	387	-42	415	-70
ESPF KD 2x4 8ft Stud	365	365	0	355	+10	345	+20
OSB Ontario 7/16" (CDN\$/msf)	378	370	+8	325	+53	235	+143
CSplywood Toronto 3/8" (CDN\$/msf)	476	485	-9	440	+36	457	+19

## Madison's Weekly Softwood Lumber News

### US Residential Construction Spending

CONT'D FROM PG 2 The NAHB construction spending index, which is shown in the graph below (the base is January 2000), illustrates the strong growth in new multifamily construction since 2010, while new single-family construction and home improvements spending have drifted upward at a more modest pace. NAHB anticipates growth for new single-family spending over the course of 2016, consistent with the modest rise in single-family starts for the year.

Multifamily spending decreased to US\$59.7 billion, down by 1.5 per cent

since May. On an annual basis, however, single-family spending was 4.8 per cent higher. Multifamily spending also increased by 16.4 per cent since June 2015. Private construction spending on home improvements rose to a seasonally adjusted annual rate of US\$146.5 billion in June, up by 1.2 per cent since last month.

### REO Inventory, US

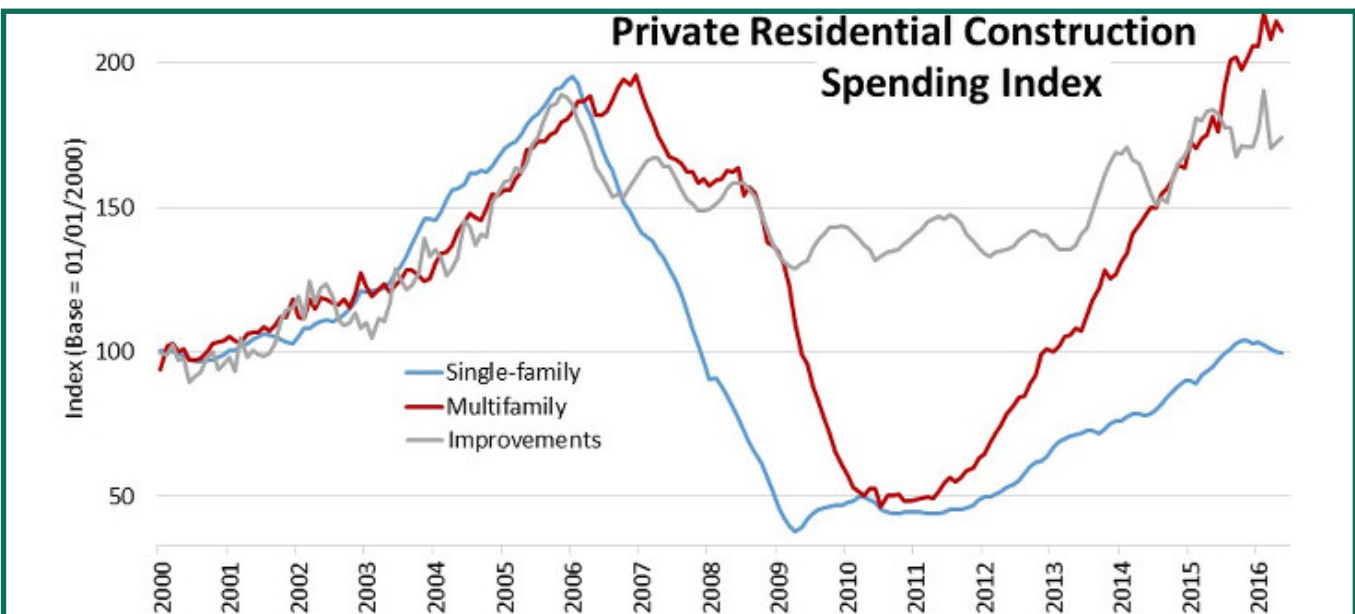
CONT'D FROM PG 2 Freddie Mac reported the amount of Real Estate Owned inventory declined to 13,284 at the end of 2Q 2016 compared to 19,484 at the end of 2Q 2015. For Freddie, this is down 82 per cent from the 74,897 peak number of REOs in 3Q

2010, which was the lowest since 2007.

Fannie Mae reported the number of REO declined to 45,981 at the end of 2Q 2016 compared to 68,717 at the end of 2Q 2015. For Fannie, this is down 72 per cent from the 166,787 peak number of REOs in 3Q 2010, and the lowest since 1Q 2008.

REO inventory decreased in 2Q for both Fannie and Freddie, and combined inventory is down 33 per cent year-over-year.

Delinquencies are falling, but there are still a number of properties in the foreclosure process with long time lines in judicial foreclosure states - but this is getting close to normal levels of REOs.



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*"I am amazed at the data you've been able to collect in this report and find it all very interesting. I can see this kind of information being especially desired by economists / bankers / the investment community and perhaps Industry CFO's and such for help formulating reports and such.*

*I like the trend data on capacity / efficiency plus export import ratios."*

- Michael Low | Scotiabank | Director & Group Lead, Commercial Banking

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- foreshadows spot shortages, overages, and balance of supply with demand
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- presented in a compact six-page format every quarter

**3Q 2014 North America Timber Industry Analysis and Projection**  
 By Keith Kusman, Publisher and Editor, Madison's Lumber Reporter

**OVERVIEW**  
 Vague hints of optimism among North America's lumber and panel traders this summer gave way to dread in September as sales volumes dropped and prices softened somewhat. Negative sentiment was finally over-ruled in October however, as market fundamentals prevailed and the tenuous supply-demand balance made some in October however, as market fundamentals prevailed and the tenuous supply-demand balance made some in October however, as market fundamentals prevailed and the tenuous supply-demand balance made some in October...

**KEY 2x4 KD R/L LUMBER PRICES October 2013 - 2014**  
 SOURCE: Madison's Lumber Reporter  
 Prices US\$ per thousand board feet, net FOB mill

**IMPORTANT DATA**

- US LUMBER exports to China by VALUE rose up 17%, to US\$445.5 million, Jan to Aug 2014 compared to one year ago
- US SAWMILL products exports to China by VALUE rose up 28.0%, to US\$858 million, Jan to Aug 2014 over 2013
- US SAWMILL products imports from Canada by VALUE rose up 31.2%, to US\$3,533 million, Jan to Aug 2014 compared to 2013
- Aug 2014 imports to US by VALUE rose up 16.7%, to C\$1,795 million, Jan to Aug 2014 over last year

**DNR Composite Log Prices And Inferred Stumpage Prices**  
 SOURCE: Washington State Dept of Natural Resources, Economic and Revenue Forecast Sept 2014

**Canada Log Exports Jan-Aug '14:**  
 China +7.40%  
 Japan +8.30%  
 S Korea -5.80%  
 USA -7.0%

It is interesting to note that the VALUE of both log and lumber exports from each country to China have increased, while VOLUMES remain relatively flat.

Also noteworthy is the steady increase in VALUES of lumber shipped from Canada to the US in the first eight months of this year.

**Canada Softwood Log Exports by Value - 2010 to Aug 2014**  
 \$ to US  
 \$ to China  
 \$ to Korea  
 \$ to Japan

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Please bill me: (signature) \_\_\_\_\_

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## North American Wildfires 2016

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The idea behind the state wildfire maps is prevention. The site pulls in state and federal data to create a “risk assessment portal” where the public can generate a report detailing how to reduce fire danger near homes, such as by removing excess vegetation.

Anyone is going to be able to access information to learn more about the threat of wildfire, the risk of wildfire and what the impacts might be in their communities.

The map’s resolution is a slightly lower quality than Google Maps, meaning the site generalizes data over broader areas. One pixel on the wildfire map encompasses a 90 x 90 foot area, or 30 meters, while Google’s is about six inches.

The state partnered with geospatial developer Timmons Group to create the US\$250,000 site.

### US Wildfire Wrap up

Federal officials say 27 large wildfires are burning in the US West this week. Hot, dry temperatures often combined with winds have made firefighting conditions difficult, destroying homes and forcing evacuations. Here’s a look at some of the fires burning Wednesday:

#### WASHINGTON

Residents have been allowed to return to their homes after a 5-square-mile wildfire prompted the evacuation of about two dozen homes in central Washington.

A fire spokesperson, Trooper Jeff Sevigney, says the blaze about 7 miles north of Moses Lake burned less land than initially thought but destroyed two homes and six outbuildings.

Officials say a large wildfire in south-central Washington has scorched about 275 square miles of brush and grassland and was expected to be contained on Thursday.

#### CALIFORNIA

Authorities are considering potential penalties for whoever set an illegal campfire that ballooned into a massive wildfire near scenic Big Sur in California.

Officials want the public’s help in finding whoever started the fire that has charred almost 73 square miles and destroyed 57 homes.

A bulldozer operator was killed on the fire lines during a rollover accident.

To the north, a grass fire in a popular recreational area north of San Francisco has more than doubled in size in less than a day.

The blaze has charred more than 7 square miles in Napa, Yolo and Solano counties since igniting Tuesday. It prompted the evacuation of an RV and tent campground off Highway 128 near Lake Berryessa.

**Wildfire Threat**  
Wildfire Threat is a measure of the likelihood of a fire starting and spreading to a location. Collectively, areas with High Wildfire Threat (High, Very High, Extreme Levels) are defined to support decision-making and occupy about 8.0% of the state. High Wildfire Threat is approximately 12 times greater than Moderate Wildfire Threat and 53 times greater than Low Wildfire Threat.

**Fire Intensity**  
Flame length is directly related to Fire Intensity and is commonly used as a direct visual indication of Fire Intensity. The Fire Intensity displayed is the average of non-zero Fire Intensity values for the area inside of the circle shown which has a radius of 790 feet. This Fire Intensity Level has flame lengths ranging from 4 to 8 feet long. Expect short-range

#### IDAHO

Firefighters are setting up sprinkler systems to protect buildings in the central Idaho town of Lowman as a wildfire expanded to 75 square miles.

Nearly 1,500 firefighters are battling the blaze burning timber in rugged terrain.

Officials say slightly cooler weather and winds from the northwest should help firefighters trying to prevent flames from reaching the small town.

Fire spokesperson Jennifer Myslivy says no evacuations have been ordered.

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# US Wildfires 2016

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## OREGON

A wildfire burning southwest of Crater Lake spread to nearly 800 acres, prompting an evacuation warning for some parts of Crater Lake National Park. Fire spokesperson Lucinda Nolan said crews are trying to keep the fire east of Pacific Crest Trail and west of Crater Lake Rim Drive. The park remained open.

