

# MADISON'S LUMBER REPORTER

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## News & Updates

### In Memoriam

It is with the deepest sadness that we must report the passing of *Madison's* previous owner, Laurence Cater, August 25, 2016.

On the advice of his father-in-law, Laurie bought this publishing company from Peter Madison in 1973. The two worked together for five years.

Laurie retired as publisher of *Madison's Lumber Reporter* and *Madison's Canadian Lumber Directory* in 2008.

*[ It was just the two of us in the office in North Vancouver. On a dreary February day when there was not much happening in the lumber market and I was working on the Canadian sawmill Directory, I would say to Laurie, "Oh, so-and-so is now VP at such-and-such." He would set up on the bookcase behind me, with his nuclear strong cup of black coffee, and say, "I remember when he worked for Crown Zellerbach..." and just talked for two hours. Like a sponge I absorbed his words. -ed ]*

### British Columbia State of the Forests 2015

In aggregate, 2015 was a similar year to 2014 for BC's forest products sector, with a mix of "ups" and "downs", said the BC Ministry of Forests "Economic State of the Forest Sector 2015" report, released Thursday.

BC's forest sector manufacturing sales increased slightly in 2015, though many product prices fell. Sales gains were almost entirely due to non-lumber solid wood products. **CONT'D PAGE 6**

### Hampton Lumber Acquires Sawmill

Hampton Lumber, out of Portland, OR, has acquired the assets of the Banks Lumber Mill, just months after the Washington County mill had laid off its employees and ceased operations. **CONT'D PAGE 7**

### BC Forestry Funding Announcement

The provincial government of British Columbia released a strategy Wednesday to ease the impact of a looming fall-down in the annual allowable cut as the aftermath of the mountain pine beetle epidemic takes hold in BC's forests.

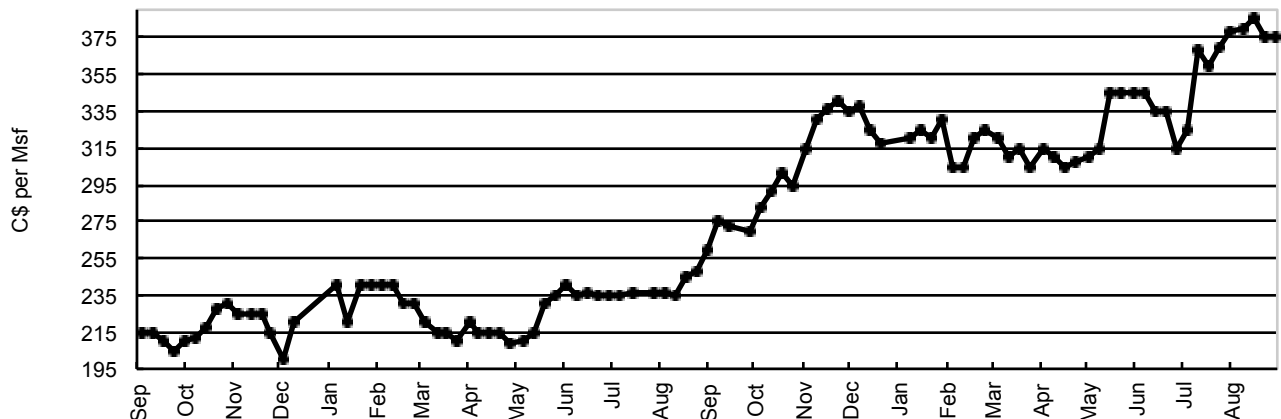
Entitled "Strong Past, Bright Future," it contains 49 actions aimed at three inter-related goals: healthy, resilient forests; diverse, globally competitive industry; and stable communities and First Nations. **CONT'D PAGES 8 & 9**

### US House Prices, Construction Spending

The Case-Shiller (CS) National Home Price Index, reported by S&P Dow Jones Indices Wednesday, continued its upward trend in June. The index rose at a 2.5 per cent seasonally adjusted annual pace, faster than the 1.6 per cent in May.

Elsewhere, NAHB analysis of Census Construction Spending data Thursday shows that total private residential construction spending for July registered a seasonally adjusted rate of \$445.5 billion, slightly up from the June downwardly revised estimate. **CONT'D PAGE 10**

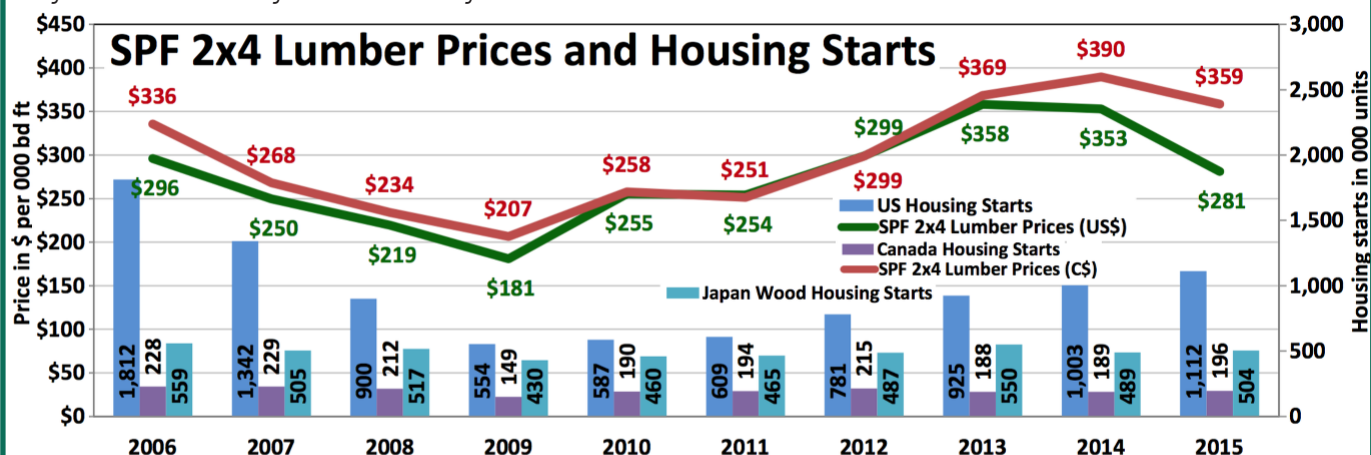
OSB 7/16" Ontario September 2014 to September 2016



## British Columbia Economic State of the Forests 2015

CONT'D FROM PAGE 2

- In aggregate, **2015 was a similar year to 2014**, with a mix of “ups” and “downs” that saw the sector come out a bit ahead of 2014.
- **BC’s forest sector manufacturing sales increased** slightly in 2015, though many product prices fell. Sales gains were almost entirely due to non-lumber solid wood products.
- The **US market continued to gradually improve**, as seen in the US housing market and higher BC forest sector exports to the US.
- **China continued as the second largest export market** for BC’s forest sector. Lumber and log export values and volumes fell, but they improved for pulp.
- **Employment increased** slightly in 2015.
- **The BC forest sector continues to recover from 2009**, the sector’s worst year of the recession, and one of the worst years for BC forestry in recent history.



Data sources: [Madison's Lumber Reporter \(SPF\)](#), [U.S. Census Bureau](#), [JAWIC](#) and [Statistics Canada](#).

**Prices and Costs – North American and Japanese housing markets improved in 2015, but housing starts were still low compared to the early/mid 2000's. Average SPF 2x4 lumber prices fell substantially in 2015. This may have been partially offset for Canadian exporters thanks to the depreciating Canadian dollar.**

### B.C. Manufactured Forest Product Sales and Forest Exports

- **Wood Products, especially Lumber:** In 2015, BC produced 31.2 million cubic metres of lumber, or 50% of Canada's total softwood lumber production. BC sawmill sales (primarily lumber) were CA\$4.9 billion in 2015, or 57% of total Wood Product Manufacturing sales in BC.
- **Pulp and Paper Products:** BC pulp mills had sales of CA\$2.6 billion in 2015, or 57% of total Paper Manufacturing sales in BC.
- **Logs:** In 2015, 68.5 million cubic metres of logs were harvested. Exports of 5.6 million cubic metres (8.1% of harvest), mostly from coastal areas, were worth CA\$666 million.
- **Wood Product-Pellets:** BC exported 1.26 million tonnes of wood pellets worth CA\$201 million. The UK was the primary destination by weight (80%), followed by Italy (6.7%), Japan (6.4%), and South Korea (3.9%).

### BC Forest Product Exports by Market

- The **US, China, and Japan** are the top three export markets for the BC forest sector.
- The US is the largest market and has improved substantially since 2009. It still has significantly less share of BC forest exports compared to pre-2009, but its value continues to increase steadily.
- China has increased substantially over the last decade and is now in a strong second place. China's share has remained around 30% since 2011. Total export value to China declined for the first time since 2008.
- Japan has decreased since the late 1990s, but has been steady lately, and remains in third place since 2009. Lumber exports were up in terms of volume and value, but other products fell resulting in a net decline from 2014 to 2015 (-5.4%).
- Other export markets made up 14% of total forest sector exports in 2015, with notable destinations being South Korea, the UK, Taiwan, and Indonesia.

SOURCE: Competitiveness and Innovation Branch,  
British Columbia Ministry of Forests, Lands and Natural Resource Operations

# 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	320	330	-10	326	-6	266	+54
WSPF KD R/L 2x6	304	310	-6	310	-6	272	+32
SYP KD R/L East Side 2x4	405	415	-10	415	-10	315	+90
SYP KD R/L East Side 2x6	375	385	-10	370	+5	285	+90
ESPF KD R/L 2x4	420	430	-10	425	-5	365	+55
WSPF KD PET 2x4 Stud	285	295	-10	285	0	245	+40
WSPF KD PET 2x6 Stud	235	235	0	255	-20	260	-25
Douglas Fir Green R/L 2x4	330	345	-15	350	-20	310	+20
Douglas Fir Green R/L 2x10	340	340	0	330	+10	415	-75
ESPF KD 2x4 8ft Stud	365	375	-10	365	0	315	+50
OSB Ontario 7/16" (CDN\$/msf)	375	395	0	370	+5	260	+115
CSplywood Toronto 3/8" (CDN\$/msf)	491	491	0	485	+6	447	+44

## Madison's Weekly Softwood Lumber News

### Hampton Acquires...

CONT'D FROM PG 2 Hampton Lumber, out of Portland, OR, has acquired the assets of the Banks Lumber Mill, just months after the Washington County mill had laid off its employees and ceased operations.

Hampton plans to upgrade the mill "to improve safety and productivity," the company said in a news release Tuesday.

Hampton said it will keep the mill shut for about six months. The mill, which closed about two months ago, had up to 60 workers at the time.

During the closure, Hampton "will hire some of the workers laid off by the previous owner to help with mill im-

provements and employ a number of local contractors for the more technical electrical and mechanical projects," the news release says.

"The Banks mill is conveniently located 25 miles from Portland's urban markets and transportation systems. Most importantly, the mill is situated near several state and private forestlands, including lands managed by Hampton near the Wilson River," said the press release.

### Canada Industrial and Raw Materials Prices, July 2016

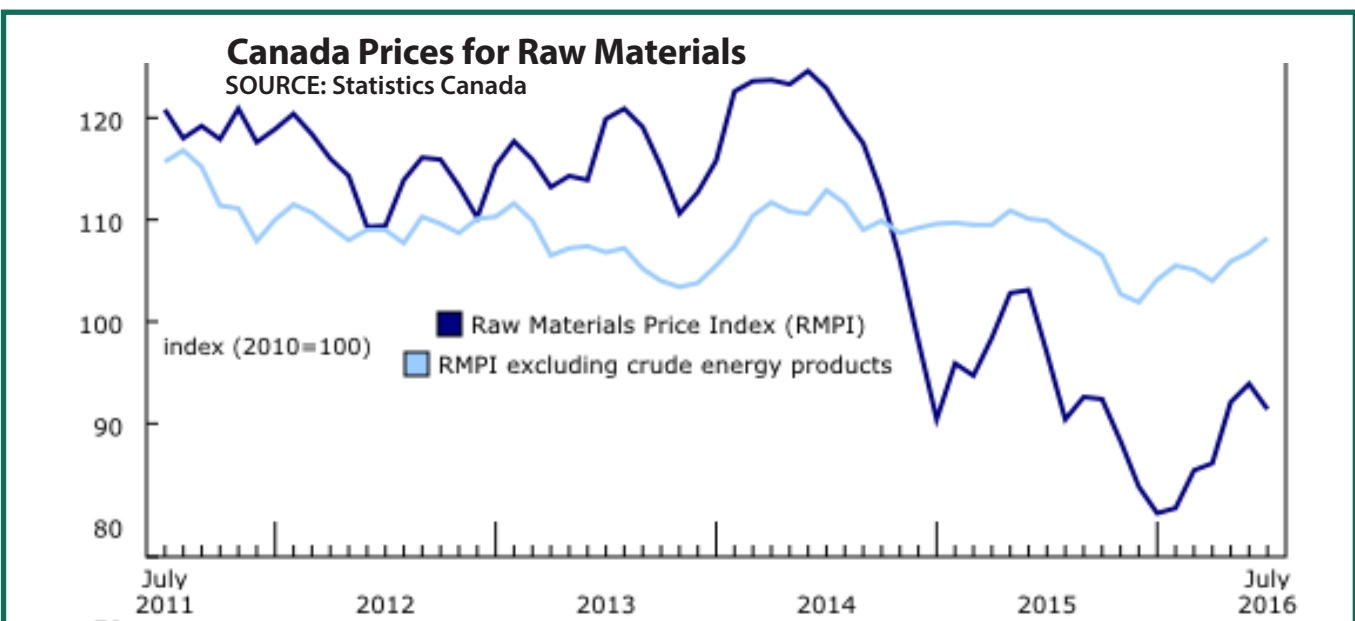
CONT'D FROM PG 2 Canada's The Industrial Product Price Index

(IPPI) rose 0.2 per cent in July, said Statistics Canada Tuesday. Higher prices for primary non-ferrous metal products were largely moderated by a decline in prices for energy and petroleum products.

The Raw Materials Price Index (RMPI) decreased 2.7 per cent, as a result of lower prices for crude energy products.

The IPPI edged up 0.2 per cent in July, after rising 0.7 per cent in June. Of the 21 major commodity groups, 13 were up, 5 were down and 3 were unchanged.

The RMPI fell 2.7 per cent in July, after gaining 2 per cent in June. Of the six major commodity groups, three were up and three were down.



## British Columbia Government Set Forest Sector Agenda

CONT'D FROM PAGE 2

The provincial government Thursday released its agenda to enhance the competitiveness of BC's forest sector so that it continues to make investments and provide family-supporting jobs in communities throughout the province.

The agenda called "Strong Past, Bright Future" contains 49 strategic actions to address three key inter-related goals: healthy, resilient forests; diverse, globally competitive industry; and stable communities and First Nations. This agenda sets the stage to improve BC's competitive position, maximize the value derived from BC's forests, and tap into innovation. The agenda is supported by other recent government programs, including the three-year \$75-million Rural Dividend and \$85 million for the newly created Forest Enhancement Society of BC.

### Other key actions in the plan announced today include:

- Enhancing the promotion of BC wood products globally, focussing on the province's strong regulatory environment and the benefits of BC's wood products.
- Through Forestry Innovation Investment, promoting new wood-construction technology to global markets and developing non-traditional uses of wood and wood-pulp fibres.
- Advancing opportunities for forest carbon management and promoting greater use of lower-value wood and wood residue in support of the province's climate leadership goals.
- Investing in timber supply and restoring forests impacted by the mountain pine beetle and wild-fire.
- Strengthening timber-supply data using state-of-the-art technology to provide a completely updated forest inventory by 2023.
- Maintaining healthy forest ecosystems that support values such as fish and wildlife ecosystem biodiversity, clean water, recreation, fibre for forest products, and forest carbon storage.
- Continuing to enhance First Nations' participation in the forest sector, and encouraging business-to-business relationships between First Nations tenure holders and forestry firms.
- Creating more trades and training seats at post-secondary institutions, targeting funding for occupations in demand.

The agenda released Thursday is supported by two additional forest sector plans, the Value-Added Sector Action Plan, and British Columbia Pulp and Paper Sustainability: Sector Challenges and Future Opportunities. These follow the Province's Forest Fibre Action Plan released in September 2015.

### GOVERNMENT COMMENTS

BC's Forests, Lands and Natural Resource Operations Minister, Steve Thomson, said to the *Prince George Citizen* Thursday the aim is to start by replanting 20,000 hectares and increase that by 20,000 each year to reach a goal of 300,000 replanted in five years.

The newly-created Forest Enhancement Society is getting \$85 million to reduce wildfire risk around communities and rehabilitate forests damaged by

the beetle, and \$75 million over three years will go to a rural dividend program to help small communities through economic transition, Prince George-Valemount MLA Shirley Bond said.

"BC's economy has diversified in recent years and forests may not be the predominant sector it once was but it's still absolutely a critical component of our province's economic backbone," Bond said to the *Prince George Citizen*.

NDP Opposition Forests, Lands and Natural Resource Operations critic Harry Bains said the strategy consists of "stuff that should've gone on for the last 15 years."

"I think it's more electioneering than a real forestry plan because if they wanted to do it, they should've done it 10 years ago, they haven't done it and now they're talking about even further down the road," Bains added.

### BC'S CLIMATE LEADERSHIP PLAN

According to Caren Dymond, a research scientist with the forests ministry, the B.C. Climate Leadership Plan, revealed in mid-August, will begin with a baseline goal to reforest 20,000 hectares in the first year of the project, which begins in March 2017, and steadily increase production each year, up to 100,000, said *CBC Monday*.

Some of the trees would be available to be logged after 50 years of growth.

To meet carbon reduction goals, the province has called for 300,000 hectares of forests damaged by wildfire and pine beetle to be rehabilitated over the next five years in order to turn the forests back into a carbon sink. It's titled the Forest Carbon Initiative.

"If this is really 300,000 hectares that are going to be treated over five years, then that would amount to [the replanting] of hundreds of millions of seedlings," said John Betts, director of the Western Silvicultural Contractors' Association to *CBC*.

"That would be huge."

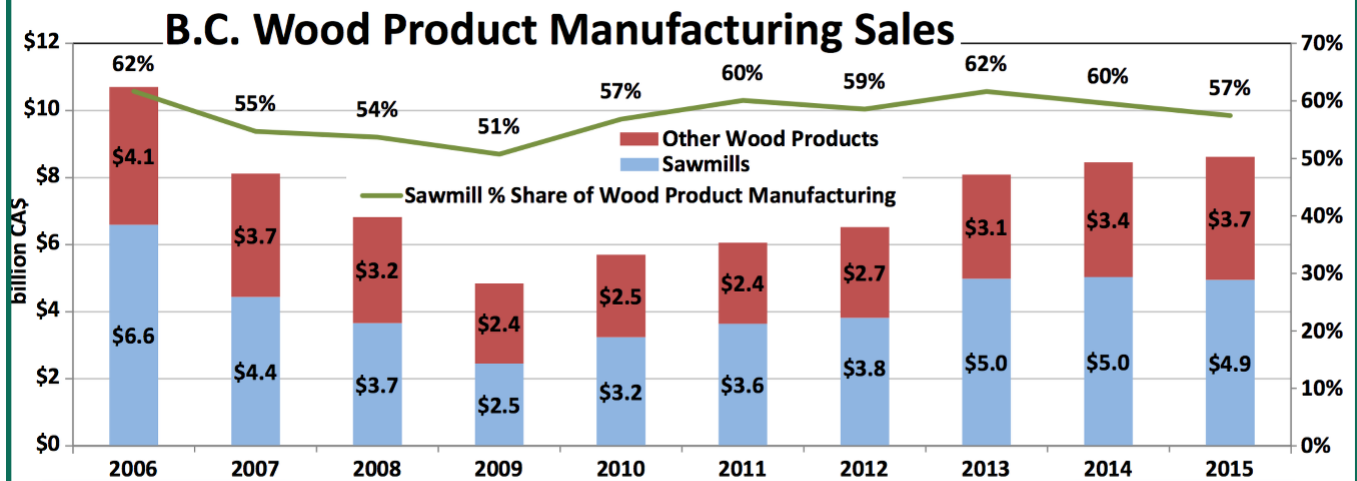
Betts says the Forest Carbon Initiative represents the largest commitment the industry has seen out of the government in decades.

According to B.C.'s GHG inventory, forests sent over 60,000 megatons of carbon into the atmosphere in 2014 — almost half of the provincial total — due in large part to wildfires, decay from pine beetle devastation and slash burning.

CONT'D PAGE 9

## British Columbia Forest Plan "Strong Past, Bright Future"

CONT'D FROM PAGE 8



Data source: Statistics Canada; CANSIM 304-0015. Sawmill sales are primarily lumber, and include chip and sawdust sales. Other wood products include veneer, plywood, oriented strand board, shake and shingles, wood pellets, and many other products.

**Products – Wood Products – Wood Product Manufacturing sales totaled CA\$8.6 billion in 2015. Sawmill sales accounted for 57% of Wood Product Manufacturing sales. From 2014 to 2015, Sawmill sales declined 1.7%, and Other Wood Products increased 9.4%.**



Ministry of Forests, Lands and Natural Resource Operations

### INDUSTRY REACTION

Russ Cameron, President of the **Independent Wood Processors Association of British Columbia** detailed to **Madison's** Thursday in an email:

The key point for us is the GBC's 'in writing' recognition that the products produced by non-tenured, non-affiliated, wood processors should not be subject to duties, border taxes, or quotas.

Pursue an exemption for value-added companies from duties under a new Canada-U.S. Softwood Lumber Trade Agreement since they buy input material from the open market.

Our 2 principles:

- The dispute is about the administrative pricing of the non-competitive harvest and those companies that enjoy these exclusive benefits should pay the entire cost of retaining their benefits.
- And if non-tenured producers do get exemption, while it is technically none of our business if the tenured producers negotiate a border tax based agreement or a quota based agreement, a quota based agreement is infinitely easier to manage in terms of the US circumvention concerns that would arise if the non-tenured companies no longer had to subsidize part of the cost of retaining administrative pricing and it would free BC from US oversight of BC's forest policy.

We are very pleased with Minister Thompson's efforts to help us and particularly pleased that he has acknowledged that we should not be penalized for the tenured companies desire to retain their status quo.

John Betts, Executive Director of the **Western Silvicultural Contractors' Association** wrote to **Madison's** in an email Friday:

Part of the agenda, as you point out, refers to the Forest Enhancement Society of BC and Forests For Tomorrow. So that is not new news. But what it does show, along with a series of announcements this year including: the formation of the Forest Enhancement Society of BC, signing on to a revision of the National Wildfire Strategy, including forestry investments as a significant part of the the Climate Action Leadership Plan; is our government continuing to frame a major commitment to getting our forests back into shape. That has to be good news for the silviculture sector and for the province's forests.

Elsewhere, the **Truck Loggers Association of British Columbia** supports the BC government's newly released agenda, the agency said in a press release late Thursday:

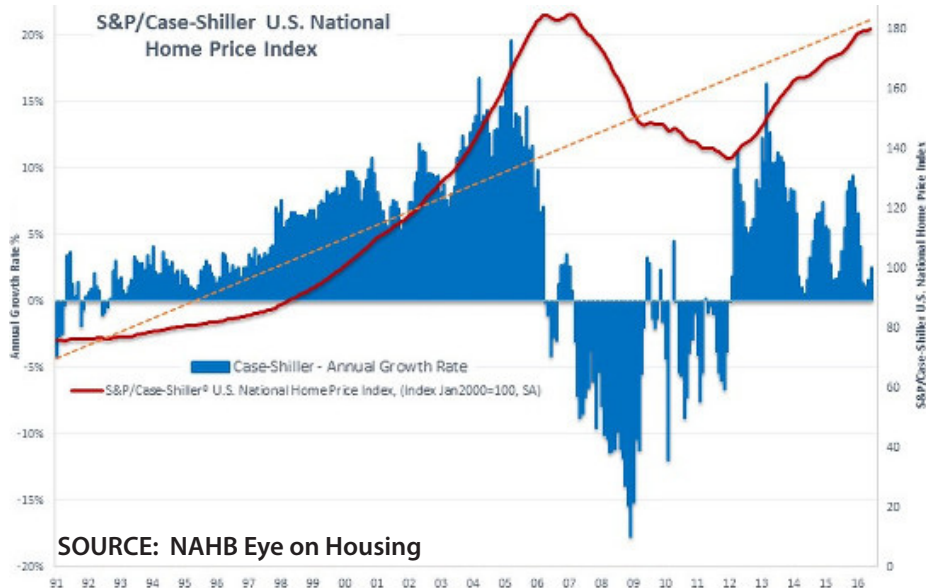
There are three critical goals within this Competitiveness Agenda and the third one—Stable Communities and First Nations Partners—aligns well with the TLA's strategic plan. TLA members are the economic backbone of BC's rural coastal communities with over 90 per cent of the provincial harvest done by independent logging contractors in one shape or another. This means the success of the forest sector is very much linked to the success of independent business owners—our members—in their coastal communities.

## US House Prices: June 2016

CONT'D FROM PAGE 2

The Case-Shiller (CS) National Home Price Index, reported by S&P Dow Jones Indices, continued its upward trend in June. The index rose at a 2.5 per cent seasonally adjusted annual pace, faster than the 1.6 per cent in May.

House prices declined at the fastest pace in late 2008 as the housing bust approached its trough. Most of the time between 2007 and 2011, the annual growth rate of home prices remained below zero. It turned negative to positive in 2012 and 2013 as the housing recovery gained momentum. The average annual growth rate of home prices in 2014 and 2015 was 4.9 per cent, faster than the 2.9 per cent average increase in the first half of 2016. The relative stability in the trend recently represents a housing market settling back toward long term sustainable growth rates.



## US Residential Construction Spending: July 2016

NAHB analysis of Census Construction Spending data shows that total private residential construction spending for July registered a seasonally adjusted rate of US\$445.5 billion, slightly up from the June downwardly revised estimate.

The monthly gains are largely attributed to the strong growth of private construction spending on home improvements that rose to a seasonally adjusted annual rate of US\$147.5 billion in July, up by 1.5 per cent since last month. Meanwhile, spending on single-family and multifamily both declined in July. Single-family spending edged down to US\$238.1 billion in July, down 0.2 per cent over the revised June estimate. After hitting the record-breaking highs earlier this year, multifamily spending decreased to US\$59.8 billion, down by 0.6 per cent since June. On an annual basis, however, multifamily spending increased by 19.8 per cent. Single-family spending was also 1.7 per cent higher since July 2015.

