

MADISON'S LUMBER REPORTER

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News & Updates

Madison's Announces...

It is very exciting for *Madison's* to announce a new product, initiated by the **Wood Pellet Association of Canada!**

Next week, at the WPAC AGM in Harrison, BC, *Madison's* will present this new publication, which tracks, on a regional basis, North American residential and industrial wood pellet prices — producer and retail — as well as pellet production and sales volumes, and wood pellet stove and boiler sales.

The new publication will be delivered monthly and the pre-publication sale starts next week. The first pre-publication issue will be November.

Be sure to sign up right away. Don't miss out on this exciting and relevant information!

Read more on Page 8, and stay tuned to the *Reporter* and our website for more.

Southern Pine Lumber Exports: July 2016

Exports of Southern Pine lumber remained at a hefty level in July, amounting to just over 59 million board feet (MMbf). This volume represents a big bump of 31 per cent above the same month last year, contributing to a significant year-to-date increase of 14 per cent when compared with the first seven months of 2015, as the **Southern Forest Products Association** said in the press release Monday.

Offshore shipments during July roughly break down as 30.1 MMbf dressed, 12.5 MMbf rough, and 16.6 MMbf treated lumber.

Through the first seven months of this year, softwood imports are also up 36 per cent, reaching 1.4 billion board feet, when compared with the same period a year ago.

Softwood Lumber Acrimony

Things got ugly fast as several sources on both sides of the border went on the record this week with strong statements on the lack of progress coming to a negotiated settlement on the thorny softwood lumber trade issue. **CONT'D PAGE 6**

US Building Materials Prices: August 2016

Inflation in prices received by producers held steady in August after a striking 0.4 per cent decline in July. The flat reading was the result of a 0.1 per cent increase in prices for services combined with a 0.4 per cent drop in goods prices, according to the Producer Price Index (PPI) release by the Bureau of Labor Statistics Thursday. **CONT'D PAGE 7**

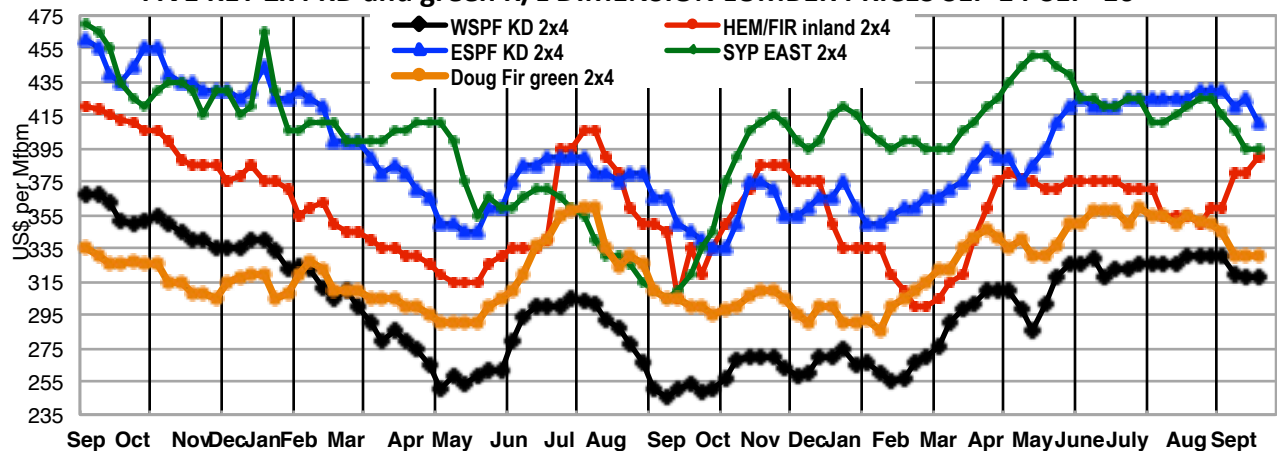
NAHB Seeks New Lumber Sources in Chile

US home builders last week completed four days of talks with Chilean government, trade, and industry to increase exports of softwood lumber and other wood products to America, the agency said in a press release Friday. **CONT'D PAGE 7**

North America Wood Pellet Market Update

The latest data on wood pellet production volumes, prices, and demand (pellet stove sales) in Canada and the US. **CONT'D PAGES 8 & 9**

FIVE KEY 2x4 KD and green R/L DIMENSION LUMBER PRICES SEP'14-SEP '16



Canada-US Softwood Rumlblings

CONT'D FROM PAGE 2

Tariff barriers imposed on Canadian softwood lumber have cost US consumers US\$6 billion, says the **Montreal Economic Institute** Friday, a Canadian public policy research centre.

Protective tariffs imposed since an agreement lapsed between the two nations is also enriching a limited group of producers, the centre contends in the viewpoint. Some US softwood lumber producers are calling for the imposition of limits and tariffs on Canadian imports, arguing that Canadian softwood represents unfair competition because it is subsidized.

US\$4.31 Billion

“Since the entry into force of the latest Softwood Lumber Agreement between Canada and the United States, tariffs at the border have reduced Canadian exports and have allowed American producers to increase their market shares,” the group said in a statement. “The latter thus registered additional net earnings of US\$4.31 billion between 2006 and 2015.”

The full report can be downloaded here:

<http://www.woodworkingnetwork.com/sites/woodworking/files/Montreal-economic-institute-moreau.pdf>

US LUMBER FIGHT

The US and Canada appear to be deadlocked on negotiations for a new softwood lumber agreement as the two sides still have fundamental differences on the basic structure of a deal, Canadian Trade Minister Chrystia Freeland said late Wednesday afternoon, according to *Politico* Thursday.

Freeland met face-to-face with U.S. industry representatives for the first time on Wednesday, said *Politico*.



“We would prefer peace but if we have to fight, we’ll fight and we are absolutely preparing to litigate if that’s the direction in which this issue goes. Canada has a very good record of winning cases at all levels on this issue and we’re confident of our litigation strategy.”



Chrystia Freeland
Canada’s Trade Minister

US TRADE REPRESENTATIVE

US Trade Representative Michael Froman will soon visit Canada for talks with the domestic lumber industry, Freeland said to Reuters Wednesday.

Froman, in a statement Thursday, said the US “is committed to continued engagement with Canada to see if a new agreement can be achieved.”

US RESPONSE

With no deal in sight, the influential US Lumber Coalition lobby group has assembled an entire office full of documents against Canada’s lumber industry, which it plans to submit to the US government after Oct. 12, according to *Business in Vancouver* Monday. That will

likely kick off a chain of events that will result in duties being applied to Canadian lumber by next year.

David Yocis, lead lawyer representing the U.S. Lumber Coalition, said to *Business in Vancouver* the coalition is ready to file, but he won’t say when.

“We are free to file on October 13,” Yocis said. “If there is no new agreement, sooner or later we will file.”

Yocis said the coalition intends to seek a countervailing duty and an anti-dumping duty on Canadian lumber, as well as seek redress for injury it says the Canadian industry has caused the US sector. In the previous softwood dispute, the US imposed duties totalling 27 per cent. It took five years of litigation by Canada at a cost of more than \$100 million to have the duty reduced to zero. By that time, the US had collected US\$5.4 billion in duties. Only US\$4.4 billion was returned.



“Given the increased protectionist political mood in the US, those inclined to bet should likely put their money on a new round of litigation.”



Henry Spelter
Forest Economic Advisors

NEVER ENDING

Don Wright, Deputy BC Forests Minister during the last dispute, to *Business in Vancouver* Monday:

It starts when US stakeholders notice that for whatever reason – global market forces or increased US demand – Canada’s share of the US lumber business is on the rise. US lumber consumption is increasing but American producers find that they are unable to increase their margins. Their solution? Raise Canadian lumber costs. They petition the US government to impose duties. The duties curtail Canadian exports and push prices higher in the US, making lumber producers there very happy. Their margins increase. But it’s only temporary, because higher lumber prices lead landowners to seek higher timber prices. After a few years, the US sawmillers again see their costs rising and their margins eroding. They wonder what happened, and look north to Canada, which, because it has more timber, often has lower operating costs. Their solution? Seek another countervailing duty to raise Canadian costs. The circle of hell continues.

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	318	318	0	330	-12	245	+73
WSPF KD R/L 2x6	290	290	0	310	-20	242	+48
SYP KD R/L East Side 2x4	395	395	0	425	-30	305	+90
SYP KD R/L East Side 2x6	370	370	0	395	-25	270	+100
ESPF KD R/L 2x4	410	425	-15	430	-20	350	+60
WSPF KD PET 2x4 Stud	275	280	-5	290	-15	225	+50
WSPF KD PET 2x6 Stud	220	235	-15	245	-25	240	-20
Douglas Fir Green R/L 2x4	330	330	0	352	-22	305	+25
Douglas Fir Green R/L 2x10	330	340	-10	350	-20	405	-75
ESPF KD 2x4 8ft Stud	360	370	-10	380	-20	315	+45
OSB Ontario 7/16" (CDN\$/msf)	363	377	-14	380	-17	272	+91
CSplywood Toronto 3/8" (CDN\$/msf)	466	470	-4	480	-14	434	+32

Madison's Weekly Softwood Lumber News

Building Materials, US

CONT'D FROM PG 2 In contrast to the steady overall index, prices of key building materials were anything but level. OSB prices rose sharply, up +1.5 per cent, continuing a 6-month, upward trend, **Bureau of Labor Statistics** data said Friday. The producer price of OSB has increased by 8.7 per cent over that period. Gypsum prices rose by 0.2 per cent as the price of ready-mix concrete rose modestly, up +0.1 per cent.

Softwood lumber prices rose relatively sharply, up +1.5 per cent in August following a July increase of +0.4 per cent. The US dollar has declined to July 2015 levels and all market indicators point to a continued narrowing of the currency advantage until 2017.

US to Import Softwood Lumber from Chile

CONT'D FROM PG 2 NAHB made contacts with two of the three largest Chilean lumber producers and a number of other smaller producers who all indicated that they will work together with their government to help increase exports, the agency press release said Friday. In addition, NAHB was able to meet with Swedish lumber producers in Chile, who expressed an interest in continuing conversations about increasing lumber exports to the US and building a stronger relationship.

The meetings in Chile come when the US and Canada are in discussions over a new softwood lumber trade agreement between the two nations.

Madison's Corrects...

Last week, in our update on Canada-US softwood trade, **Madison's** unfortunately misidentified US Customs Broker Michael Jones.

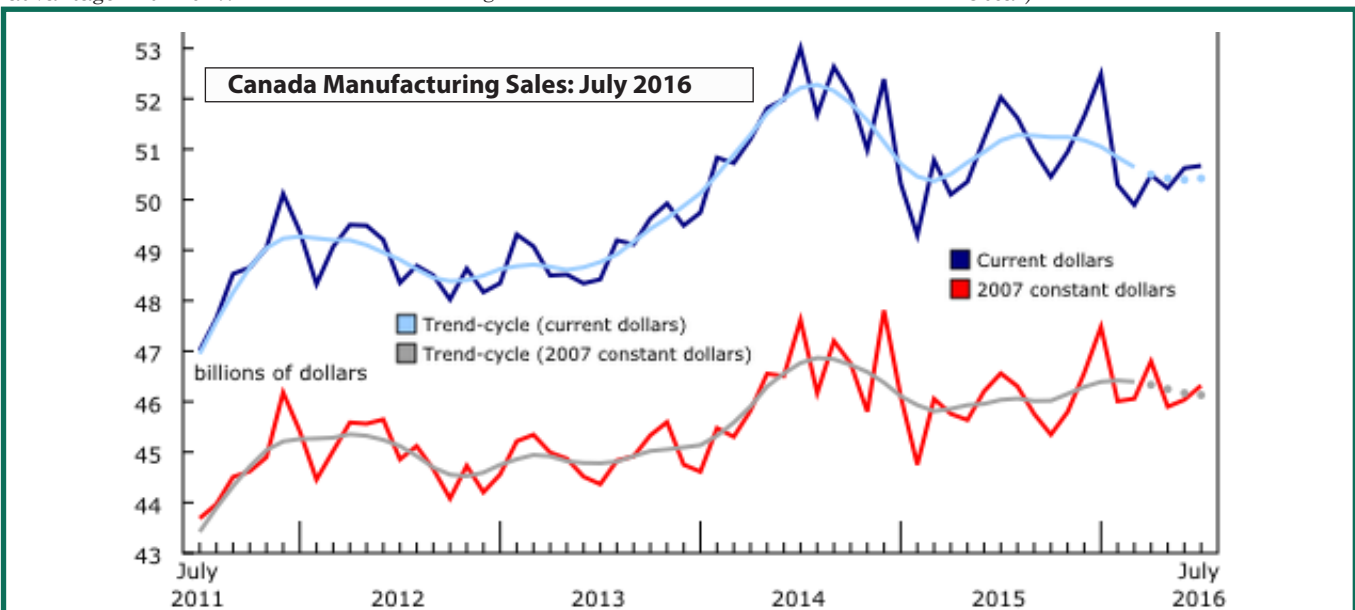
Mike's correct contact information is as below. We apologize for any problems or confusion this error may have caused.

Jones & Jones Customs Brokers and Trade Consultants
Blaine Phn: 360-332-6090 or 888-536-5079

638 Peace Portal Drive - Suite 202
Blaine, Washington 98230

www.joneschb.com
Cargo Tracking: www.smartborder.com

Filer Code: WQO (Whiskey-Queen-Oscar)



North America Wood Pellet Fuel Market

CONT'D FROM PAGE 2

INTERESTING FACTS ABOUT WOOD PELLET FUEL

- A typical US homeowner uses 3 tons of pellets per heating season at a cost of about US\$825. At an average retail price of US\$250/ton, pellets offer a fuel cost per million BTU of US\$19.05. To offer a fuel cost of US\$19.05 per million BTU, # 2 fuel oil and propane would have to be priced at US\$2.05/gal and US\$1.36/gal, respectively! (Fuel Value Calculator, USFS, 2008)
- One ton of wood pellets has the energy equivalency of 2.8 barrels of #2 fuel oil. (Energy Information Administration)
- Direct thermal conversion of 3 million tons of wood pellets displaces the equivalent of almost 8.5 million barrels of #2 fuel oil. That is 356 million gallons! (Energy Information Administration)
- Direct thermal conversion of pellets has an efficiency level of approximately 80%.
- The use of cord wood and wood pellets as the primary residential space heating fuel has increased by 33% since 2005, to about 2.6 million households in 2014.
- About 8% of households use wood as a secondary source of heat, making wood second only to electricity as a supplemental heating fuel.
- About 20% of homes in New England (1.1 million) used wood for space heating, water heating, or cooking in 2009 (EIA, Residential Energy Consumption Survey 2009), which is nearly twice the national rate.
- Almost half of all rural households in New England used wood, compared with only 12% of the region's urban households.
EIA, Residential Energy Consumption Survey (October 6, 2015: Today in Energy)

ONE-YEAR USA WOOD PELLET PRICE TRENDS:

MA Department of Energy Resources
NH Office of Energy and Planning

2014/15 Heating Season Began Surveys

Creating a Clean, Affordable and Resilient Energy Future for the Commonwealth



Wood Pellet Survey Prices

Type of Pellet	Fall 2014	Fall 2015	Winter 2015	Winter 2016	Spring 2015	Spring 2016
Bulk	\$297/ton	N/A	\$269/ton	\$260	\$257/ton	\$269/ton
Bagged/ton	\$297/ton	\$311/ton	\$294/ton	\$297/ton	\$300/ton	\$294/ton
Bag	\$6.69/bag	\$6.91/bag	\$6.75/bag	\$6.73/bag	\$6.85/bag	\$6.75/bag

Current Heating Fuel Values - Natural Gas Fuels		Price/Unit	Heat Content Per Unit (BTU)	Price Per Million BTU
Natural Gas 1st Tier (<20 Therms)		\$.87/Therm	100,000	\$8.71
Natural Gas 2nd Tier (>20 Therms)		\$.81/Therm	100,000	\$8.11
Electricity		\$0.1629/kwh	3,412	\$47.76

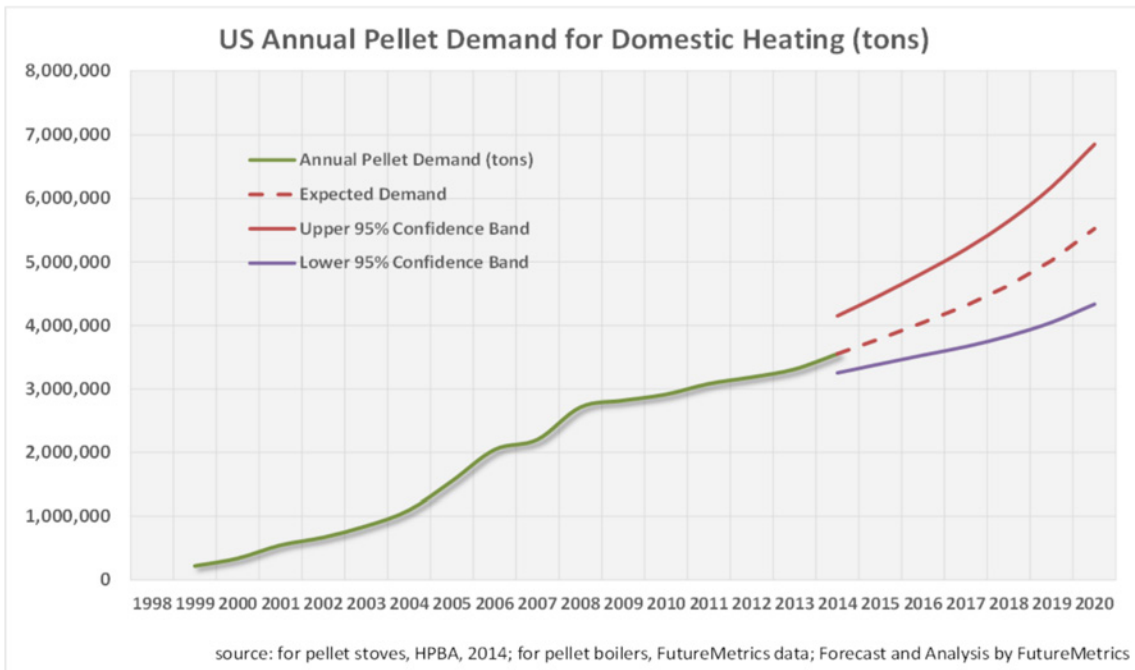
Current Heating Fuel Values - Petroleum Fuels		Price/Unit	Heat Content Per Unit (BTU)	Price Per Million BTU
Fuel Oil (#2)		\$1.98/Gallon	138,690	\$14.28
Propane		\$2.68/Gallon	91,333	\$29.36
Kerosene		\$2.76/Gallon	135,000	\$20.46

Current Heating Fuel Values - Biomass Fuels		Price/Unit	Heat Content Per Unit (BTU)	Price Per Million BTU
Wood (Bulk Delivered Pellets)		\$260.12	16,500,000	\$15.75
Wood (Cord)		\$315/Cord	20,000,000	\$15.75

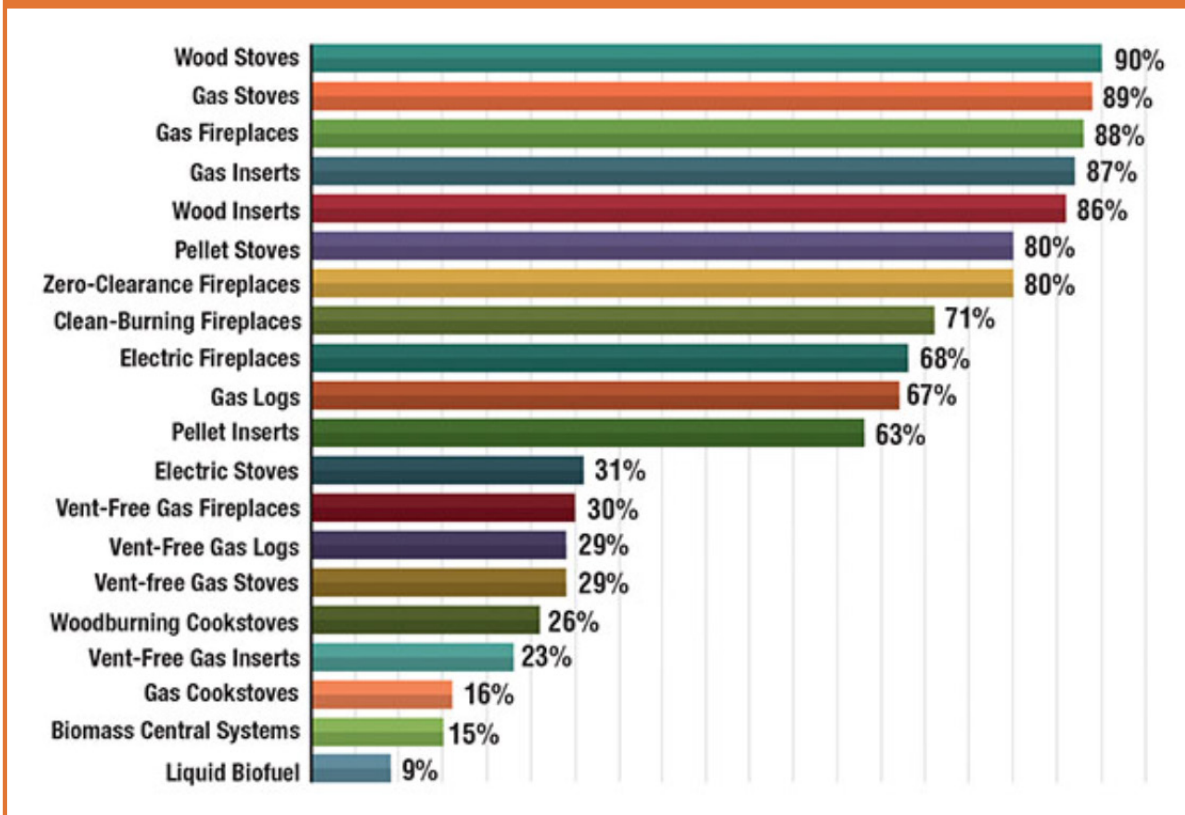
Pellet Prices and Sales

CONT'D FROM PAGE 8

The forecast is for 67% growth from 2013 to 2020 (3.3 to 5.5 million tons)



Product Category Penetration U.S. Retailers - Products Carried



There were few surprises here in 2015, with one exception. In 2014 only 77 percent of hearth retailers were selling gas fireplaces. In 2015, that figure rose to 88 percent.

Regional Pricing of Wood Pellets • North America Standard

		DOMESTIC (7,800 to 8,400 BTUs)				INDUSTRIAL (to 90,000 BTUs)	
		Producer (wholesale) /ton or tonne	Retail /40 lb bag			Producer (wholesale) /ton or tonne	Retail /40 lb bag
CANADA	West	●	C\$5.99 - 7.29	CANADA	West	●	●
	Central	C\$270/t (US\$209)	●		Central	●	●
	Atlantic	●	C\$12		Atlantic	●	●
USA	NorthEast	US\$229 - \$250/t	●	USA	NorthEast	●	●
	NorthWest	US\$245/t (C\$325)	US\$5.50- \$7		NorthWest	●	●
	All Other	●	●		All Other	●	●

Yes, I want to be regularly informed on the North American wood pellet industry.

Please sign me up for PRE-PUBLICATION SALE and big discounts:

_____ **Madison's Monthly PELLET MARKET GUIDE** US\$400/yr

and _____ **Canada / US 2016 Pellet Mill listings** US\$100 *GST applies to Canadian subscribers*

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Phone: _____ Email: _____

Please charge my VISA/MC: Card No. _____ Exp. ____ / ____

Please bill me: (signature) _____

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