

# MADISON'S LUMBER REPORTER



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## News & Updates

### Japan Log and Lumber Imports: 1H 2016

The Japan Lumber Importers' Association, Japan North American Lumber Conference, Japan Southsea Lumber Conference, Japan Russian Wood Products Conference, and Japan New Zealand-Chile Pine Lumber Conference together comprise the Overall Supply and Demand of Imported Timber Liaison Committee which recently announced the amount of supply and demand of main foreign timber from January to June 2016, said the *Japan Lumber Journal* September 15

Also, Japan's Forestry Agency submitted its budget for FY 2016, asking for an almost 75 per cent increase due to the impact of the Kumamoto earthquake as well as heavy rain, according to *Japan Lumber Reports* Friday. CONT'D PAGE 6

### North America Sawmill Capacity: June 2016

US softwood lumber production as percent of practical capacity through the first half of 2016 improved by 4% from the same six-month period last year, according to the **Western Wood Products Association's** *Lumber Track*. Sawmill capacity utilization rose to 86%, from 82% in the first six months of 2015.

In Canada, softwood lumber production as percent of practical capacity rose by 5%, from 86% in January to June 2016 to 91% this year. CONT'D PAGE 7

### Japan Housing Starts: July 2016

Japan's housing starts in July were 85,208 units (up 8.9 per cent from the same month in the previous year), said the *Japan Lumber Journal*. The seasonally-adjusted annual rate was 1,005,000 units (up 0.1 per cent from the previous month), remaining above 1,000,000 units for three consecutive months. CONT'D PAGE 7

### US Housing Starts: August 2016

Housing starts in the US last month fell 5.8 per cent from July to an annual rate of 1.142 million, **US Commerce Department** said Tuesday. CONT'D PAGE 8

### BC Lumber Exports: July 2016

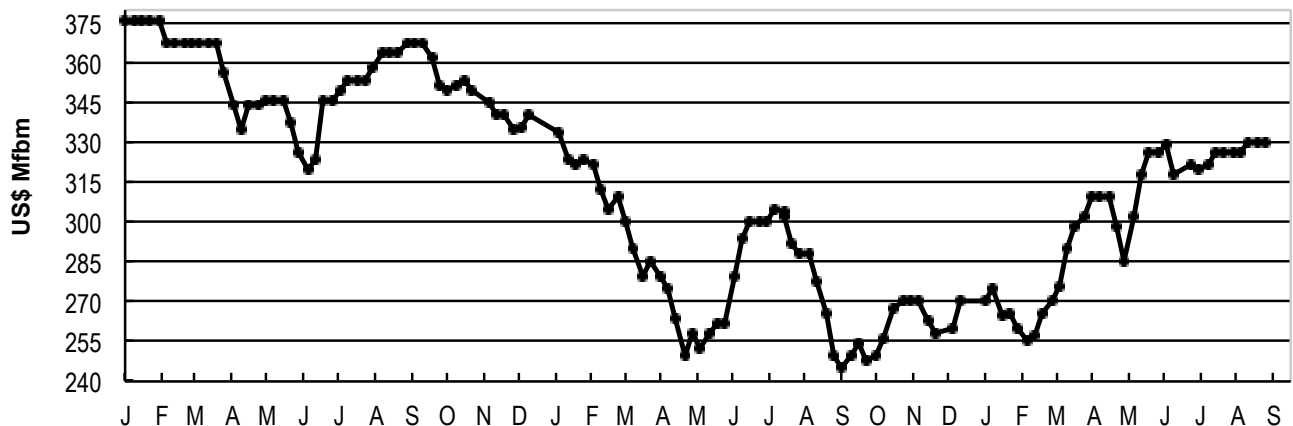
British Columbia's forest product exports totalled \$1.19 billion in July 2016, up 11 per cent from \$1.07 billion the same month the previous year, said the Competitiveness and Innovation Branch, Ministry of Forests, Lands, and Natural Resource Operations Wednesday. CONT'D PAGE 9

### Madison's North American Wood Pellet Price Guide

After an EXTREMELY SUCCESSFUL North American wood pellet conference held by the Wood Pellet Association of Canada at Harrison, BC, this week, **Madison's** is stocked with sources, contacts, and the latest information on the North American wood pellet industry.

Among the attendees were industry leaders and CEOs, researchers, pellet producers, equipment suppliers, policy makers, and other important players. **Madison's** spoke with all of them and will be providing detailed and timely information on Canadian and US wood pellet prices, sales volumes, and other data to provide a look at trends and some forward-looking indication for North American wood pellet supply and demand. CONT'D PAGES 10

WSPF KD #2&Btr 2x4 : SEPTEMBER 2014 to SEPTEMBER 2016



## Japan Timber Demand January-June 2016

CONT'D FROM PAGE 2

According to the Imported Timber Liaison Committee of Japan report, the amount of imported logs received during the first six months of 2016 was 1,914,580 cubic metres, a 12 per cent increase compared to the same period last year, and the amount of lumber products received was 3,243,295 cubic metres, a 6.2 per cent increase for a total of 5,157,875 cubic metres, a 8.3 per cent improvement, according to *Japan Lumber Journal* September 15.

With factors such as the high yen in the exchange rate in the background, the total amount exceeded the results of the same period last year, which were at low levels.

### LUMBER IMPORTS FROM NORTH AMERICA

Among the amount of lumber products received, European lumber increased to 1,419,329 cubic metres, a 24 per cent increase). The amounts were 1,069,885, a 7.1 per cent decrease of North American lumber, 358,780 cubic metres, a 6.2 per cent increase of Russian lumber, and 250,367 cubic metres a 3.1 per cent decrease of Southsea lumber.

### LOG IMPORTS FROM NORTH AMERICA

The amount of logs included 1,497,355 cubic metres, a 16.8 per cent increase from North America, 230,180 cubic metres, a 1.4 per cent decrease from New Zealand, 92,615 cubic metres, a 19.4 per cent decrease from the Southsea region, and 87,940 cubic metres, a 21.7 per cent increase from Russia.

Although demand in Japan for North American logs did not expand, the amount received largely exceeded the results of the same period last year due to factors such as the high yen in the exchange rate and a decrease in stocks. The share of North American logs accounted for 78.2 per cent of imported logs rising 3.2 points compared to the same period last year.

### LOG IMPORTS FROM NORTH AMERICA

Because factors such as a decrease in domestic stocks, a recovery in new housing construction starts, and demand from the Kumamoto earthquake reconstruction are forecasted in the second half of this year, an overall increase in demand for lumber is expected. Concerning imported logs, the amount centering on American logs is forecasted to increase.

SOURCE: Japan Lumber Journal

## Import Results for Foreign Timber

(cubic meters; %)

		2016 (Jan-June)		2015 (Jan-Dec)	
		Results	y/y	Results	y/y
<i>Southsea</i>	Logs	92,615	-19.4	243,359	-8.5
	Lumber	250,367	-3.1	508,221	-12.7
	<b>Total</b>	342,982	-8.1	751,580	-11.4
<i>North American</i>	Logs	1,497,355	16.8	2,565,063	-17.1
	Lumber	1,069,885	-7.1	2,339,457	-1.0
	<b>Total</b>	2,567,240	5.5	4,904,520	-10.1
<i>Russian</i>	Logs	87,940	21.7	136,966	-31.2
	Lumber	358,780	6.2	611,876	-4.6
	<b>Total</b>	446,720	9.0	748,842	-10.9
<i>New Zealand</i>	Logs	230,180	-1.4	421,850	-20.2
	Lumber	36,927	-11.9	75,936	-10.5
	<b>Total</b>	267,107	-3.0	497,786	-18.9
<i>Chilean</i>	Lumber	108,007	-9.6	222,353	-14.3
<i>African</i>	Logs	1,846	-14.5	4,838	71.6
<i>European</i>	Logs	4,644	-11.6	7,576	-6.5
	Lumber	1,419,329	24.0	2,384,345	-4.6
	<b>Total</b>	1,423,973	23.9	2,391,921	-4.6
<i>Total</i>	Logs	1,914,580	12.0	3,379,652	-17.5
	Lumber	3,243,295	6.2	6,142,188	-4.5
	<b>Total</b>	5,157,875	8.3	9,521,840	-9.5

Source: Japan Foreign Timber General Supply and Demand Liaison Conference



	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	318	318	0	330	-12	250	+68
WSPF KD R/L 2x6	282	290	-8	310	-28	250	+32
SYP KD R/L East Side 2x4	405	395	+10	425	-20	310	+95
SYP KD R/L East Side 2x6	375	370	+5	395	-20	270	+105
ESPF KD R/L 2x4	400	410	-10	430	-30	345	+55
WSPF KD PET 2x4 Stud	270	275	-5	290	-20	230	+40
WSPF KD PET 2x6 Stud	215	220	-5	245	-30	250	-35
Douglas Fir Green R/L 2x4	330	330	0	350	-20	300	+30
Douglas Fir Green R/L 2x10	330	330	0	345	-15	385	-55
ESPF KD 2x4 8ft Stud	365	360	+5	375	-10	305	+60
OSB Ontario 7/16" (CDN\$/msf)	360	363	-3	385	-25	270	+90
CSplywood Toronto 3/8" (CDN\$/msf)	462	466	-4	491	-29	416	+46

## Madison's Weekly Softwood Lumber News

### Canada and US Lumber Production: June 2016

CONT'D FROM PG 2 US lumber production through the first half of 2016 totalled 16.62 billion board feet, up 4.4 per cent from the same six-month period last year, according to the **Western Wood Products Association's Lumber Track**. Lumber production in the South totalled 8.81 BBF year-to-date through June, an increase of 6.9 per cent over the same period in 2015.

Total US production in June increased 7.6 per cent from May and 5.4 per cent from June 2015.

Lumber production in Canada totalled 14.31 BBF, up 8.4 per cent from the same six-month period last year.

### Japan Housing Starts: July 2016

CONT'D FROM PG 2 Total housing starts in Japan during January to July were 548,677 units, up 5.7 per cent from the same period of the previous year, remaining solid said the *Japan Lumber Journal* September 15.

Those of built-for sale houses were 19,897 units, up 9.1 per cent.

New construction of Two-by-for houses remained above 100,000 units for two consecutive months due to strong demand for rental houses.

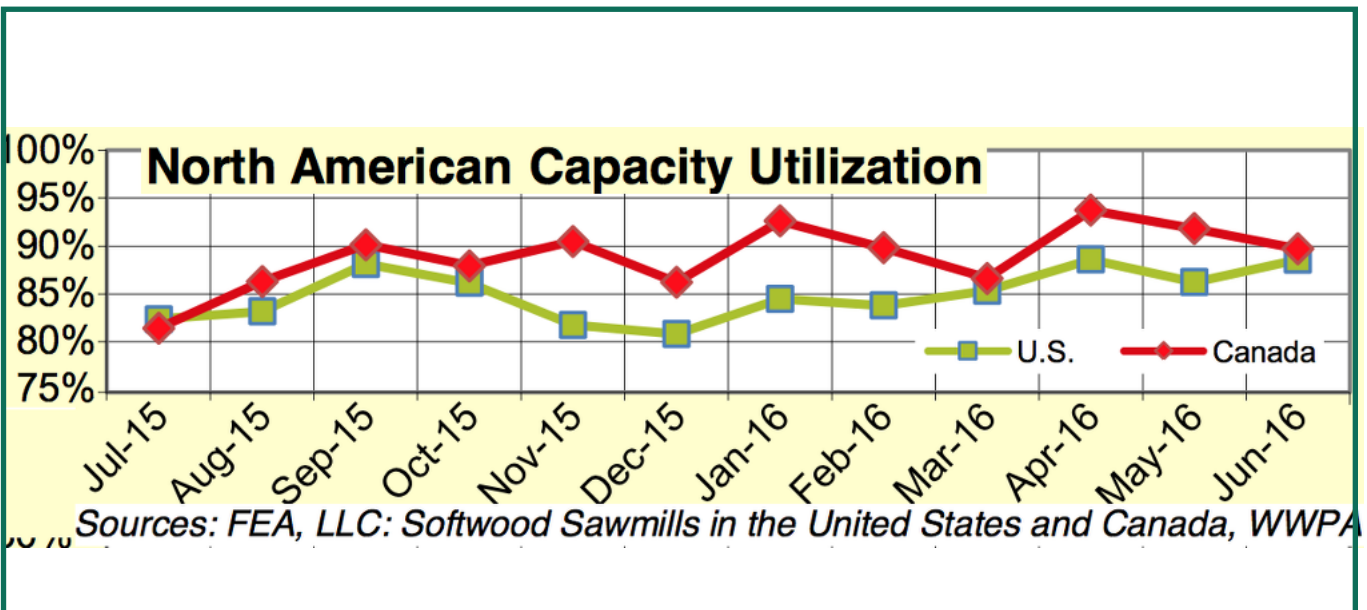
By structure, housing starts of wooden houses were 48,693 units, up 11 per cent. The ratio of wooden houses by the number of units was 57.1 per

cent, an increase of 1.8 per cent from the previous month, said the *Journal*.

### Tolko Closes....

Recent reductions in the annual allowable cut (AAC) as the result of the conclusion of pine beetle harvest have impacted the Merritt and Kamloops timber supply areas (TSA) in British Columbia are responsible today for the permanent closure of Tolko's Nicola Valley sawmill this December, a company representative explained to *CJFC Radio* Friday. The closure, announced Thursday, will see 203 Merritt-area employees lose their jobs.

This change really stabilizes Tolko's other southern Interior operations, the rep said to *CJFC*.



## US Housing Starts: July 2016

CONT'D FROM PAGE 2

Building permits issued for privately owned housing units in the US fell 0.4 per cent in August from the prior month to a seasonally adjusted annual level of 1.139 million the **Commerce Department** said. July permits were revised to a 1.144 million rate from 1.152 million. That revised figure remained an 0.8 per cent decline from June. July starts were revised higher by just 1,000, but June starts were revised up more significantly. As a result, starts advanced 1.4 per cent in July, a smaller gain than initially estimated.

Permits for single-family homes, about 60 per cent of all permits, increased 3.7 per cent last month, the largest gain since June 2014 and suggesting a break between that segment and apartment and condominium building. The August decrease in starts was in part driven by a sharp decline in the South, an area of the country hit with heavy rain and flooding last month.

Through the first eight months of the year, permits were down 0.8 per cent compared with 2015, but single-family permits were up 8.4 per cent, year to date. Single-family starts were up 9.1 per cent through eight months.

### US HOUSE INVENTORY

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### US EXISTING HOME SALES

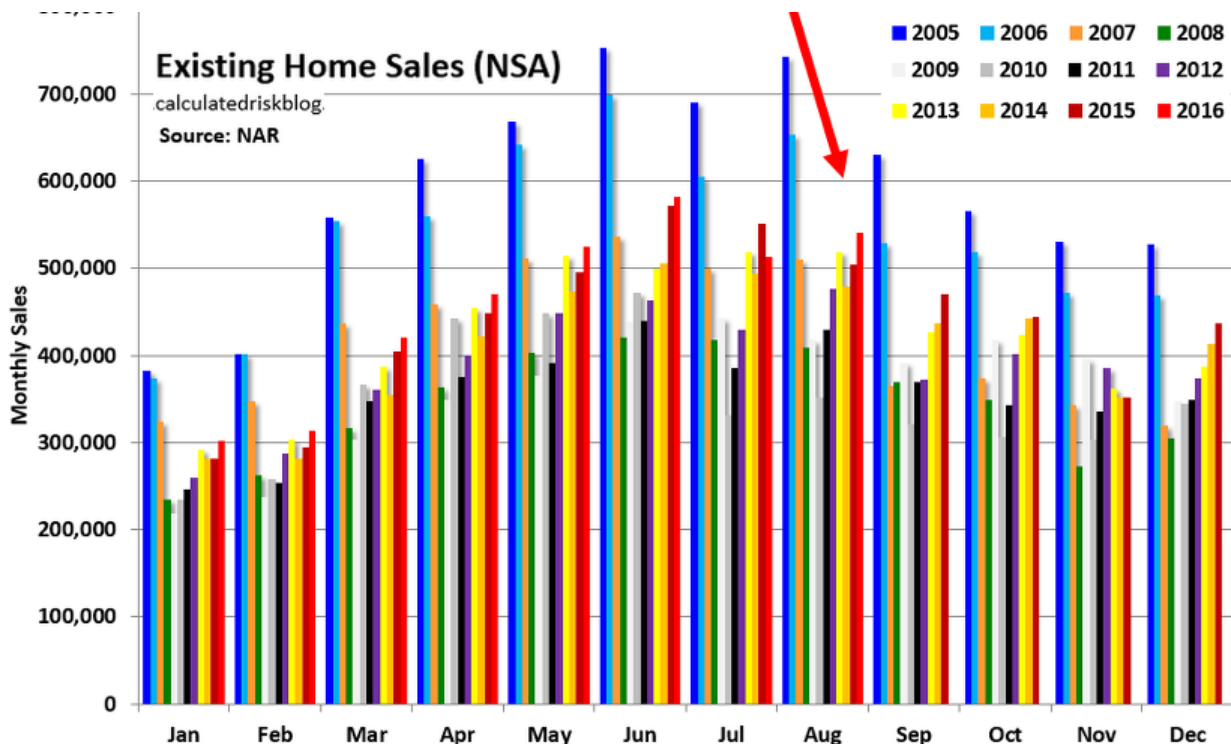
The **National Association of Realtors** said Thursday existing home sales declined 0.9 percent to an annual rate of 5.33 million units.

July's sales pace was also revised lower to 5.38 million units from the previously reported 5.39 million units. However, despite sales being at their second-lowest pace of the year, home resales were still up 0.8 percent from one year ago.

The number of unsold homes on the market fell 3.3 percent to 2.04 million in August from July. Inventories were down 10.1 percent compared to a year ago.

At August's sales pace, it would take 4.6 months to clear the stock of houses on the market. A six-month supply is viewed as a healthy balance between supply and demand. One year ago it was 5.1 months.

With inventory tight, the median house price rose 5.1 per cent from a year ago to US\$240,200 last month.





## British Columbia Lumber Exports: July 2016

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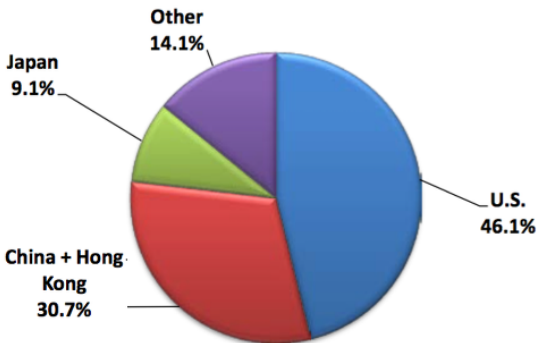
- BC forest product exports totalled \$1.19 billion, up 11 per cent from \$1.07 billion.
- Share of export value by market: US (55 per cent, up from 46.4 per cent), China + Hong Kong (21 per cent, down from 29.1 per cent), Japan (8.3 per cent, down from 10.1 per cent).
- Share of export value by product: Softwood Lumber (48.8 per cent, up from 43.9 per cent), Pulp (21.6 per cent, down from 26.8 per cent), Other Wood Products (17.6 per cent, up from 15.2 per cent).

### YEAR-TO-DATE EXPORTS

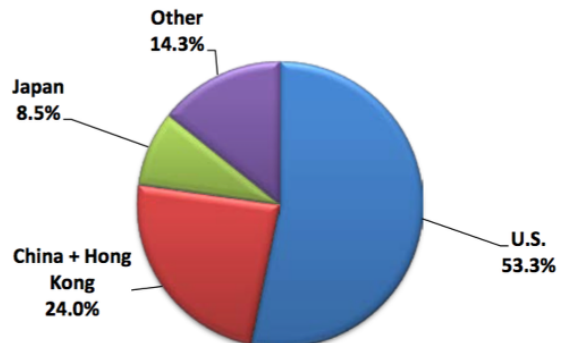
- BC forest product exports totalled \$8.07 billion, up 7.5 per cent from \$7.51 billion.
- Share of export value by market: US (53.3 per cent, up from 46.1 per cent), China + Hong Kong (24.0 per cent, down from 30.7 per cent), Japan (8.5 per cent, down from 9.1 per cent).
- Share of export value by product: Softwood Lumber (49.6 per cent, up from 45.7 per cent), Pulp (21.5 per cent, down from 25.5 per cent), Other Wood Products (17.1 per cent, up from 14.4 per cent).

## B.C. Forest Product Exports - July 2016

**B.C. Forest Product Export Value  
(C\$7.51 billion)  
Share by Market, YTD July 2015**



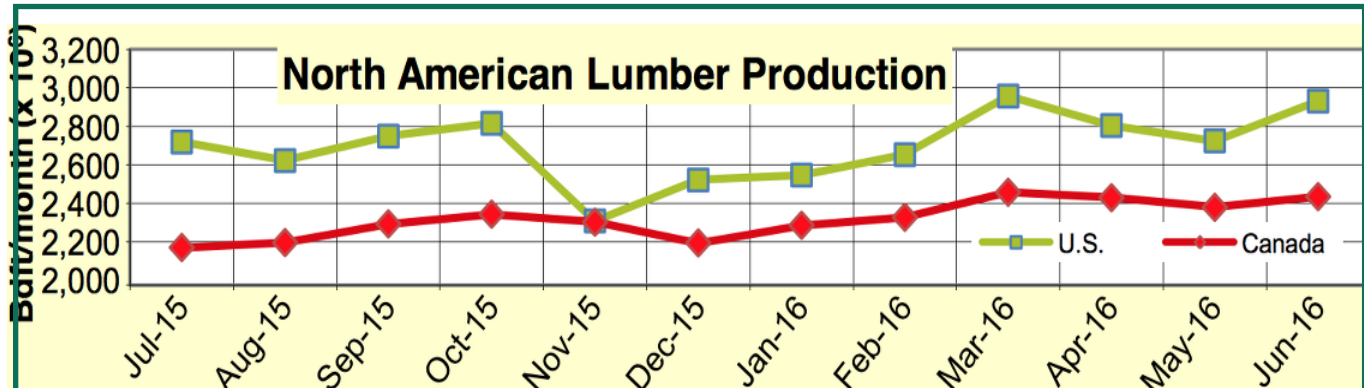
**B.C. Forest Product Export Value  
(C\$8.07 billion)  
Share by Market, YTD July 2016**



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

**B.C. Forest Product Export Value (C\$ billion) and Share (%) by Market  
Current Month (July) and YTD, 2015 and 2016**

Destinations	Current Month 2015		Current Month 2016		Change %	YTD 2015		YTD 2016		Change %
	\$	Share %	\$	Share %		\$	Share %	\$	Share %	
U.S.	0.50	46.4%	0.65	55.0%	31.7%	3.46	46.1%	4.30	53.3%	24.1%
China + Hong Kong	0.31	29.1%	0.25	21.0%	-19.6%	2.30	30.7%	1.93	24.0%	-16.0%
Japan	0.11	10.1%	0.10	8.3%	-8.3%	0.68	9.1%	0.69	8.5%	0.9%
Other	0.15	14.5%	0.19	15.6%	19.7%	1.06	14.1%	1.15	14.3%	8.7%
<b>Total</b>	<b>1.07</b>	<b>100.0%</b>	<b>1.19</b>	<b>100.0%</b>	<b>11.0%</b>	<b>7.51</b>	<b>100.0%</b>	<b>8.07</b>	<b>100.0%</b>	<b>7.5%</b>



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

## Regional Pricing of Wood Pellets • North America Standard

		DOMESTIC (7,800 to 8,400 BTUs)		INDUSTRIAL (to 9,000 BTUs)	
		Producer (wholesale) /ton or tonne	Retail /40 lb bag	Producer (wholesale) /ton or tonne	Retail /40 lb bag
<b>CANADA</b>	West	●	C\$5.99 - 7.29	West	●
	Central	C\$270/t (US\$209)	●	CANADA Central	●
	Atlantic	●	C\$12	Atlantic	●
<b>USA</b>	NorthEast	US\$229 - \$250/t	●	NorthEast	●
	NorthWest	US\$245/t (C\$325)	US\$5.50- \$7	USA NorthWest	●
	All Other	●	●	All Other	●

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