

# MADISON'S LUMBER REPORTER

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## News & Updates

### Canada-US Softwood Lumber Trade Update

Last week at the **Western Wood Products Association** AGM and forecast conference, **Madison's** got some solid updates on the state of a possible trade action on the part of the US against Canadian softwood lumber imports:

Should there be a trade action led by the US Department of Trade on softwood lumber imports from Canada, it seems there will first be a CVD (countervailing duty) and if more action should be pursued, an AD (anti-dumping duty) would be applied. Both would be applied individually to companies according to the pricing system of logs in their supply area.

Atlantic Canada is no longer automatically exempt, due to some provinces increasing timber harvest on public land.

Southern Quebec mills will be exempt where they source logs from the US regularly.

A new development compared to other disputes is the three largest forestry operators in North America, all based in British Columbia, each now have sizable capacity in the US southern pine belt. It will be interesting how this new supply-demand reality plays out in the future management decisions of those companies, such as at how much capacity each sawmill is going to run.

As reported by the mainstream media this week, the heads of several Canadian lumber producers met with Canada's Trade Minister, who also held a meeting with her US counterpart. At this late date, with the US no longer obligated to not file a trade action next week, there is little hope that these last-minute meetings yielded any tangible solutions.

### Japan Wood Self-Sufficiency: 2015

The degree of Japan's self-sufficiency of wood in 2015 was 33.3 per cent, up 2.1 points from 2014 and continuing five straight years of improvement, said *Japan Lumber Reports* Friday. CONT'D PAGE 6

### Japan Housing Starts: August 2016

Total housings starts in Japan for August increased by 2.5 per cent compared to the same month last year, to 82,242 units, which is a 3.5 per cent drop from July 2016, according to *Japan Lumber Reports* Friday. CONT'D PAGE 7

### BC Softwood Lumber Exports: August 2016

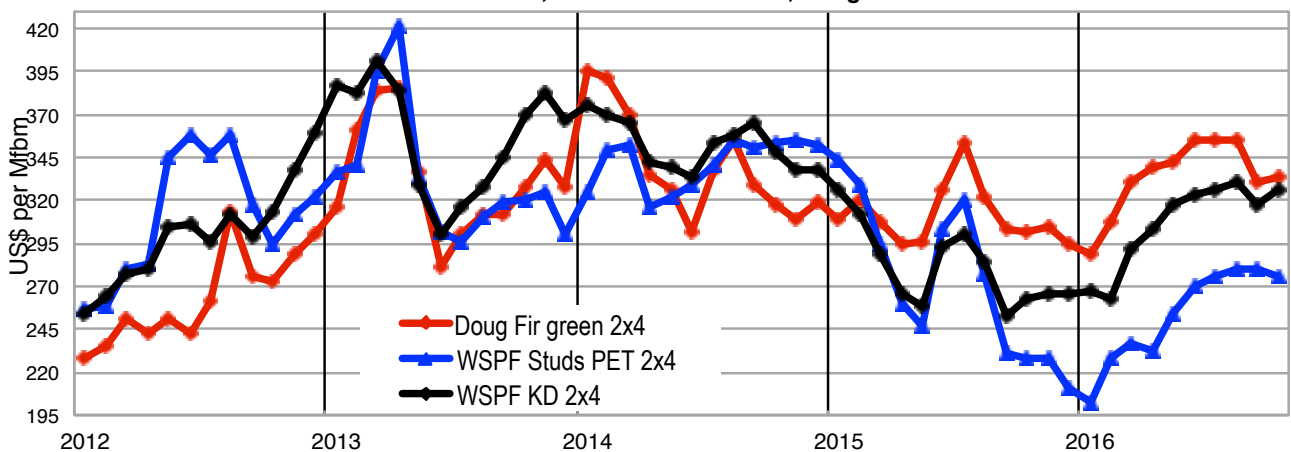
The value of British Columbia forest product exports for January to August 2016 totalled \$9.22 billion, up 7.1 per cent from \$8.61 billion in the first eight months last year, said the **Competitiveness and Innovation Branch of the BC Ministry of Forests, Lands, and Natural Resource Operations** Wednesday. CONT'D PAGE 8

### Madison's Forest Pulse: Issue 9

The current issue of our quarterly *Madison's Forest Pulse* has been sent to subscribers! Don't miss out on this vital and timely information, subscribe today...

CONT'D PAGES 9 & 10

2x4 Prices : WSPF KD R/L #2&Btr, WSPF KD PET Studs, Douglas fir Green - 2012 - OCT 2016



## Japan Wood Self-Sufficiency: Fiscal Year 2015

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The degree of Japan's self-sufficiency of wood in 2015 was 33.3 per cent, up 2.1 points from 2014 and continuing five straight years of improvement, said *Japan Lumber Reports* Friday. Total wood demand in Japan for 2015 was 95,300 thousand cubic metres, a 0.7 per cent drop from 2014, while demand of domestic wood was 25,060 thousand cubic metres, a 6 per cent increase over the previous year.

### Wood demand by use

Industrial use		2015	'15/'14
Lumber	Total demand	25,358	-781
	Self supply rate	47.3%	+0.6 points
Pulp, chip	Total demand	31,783	+350
	Self supply rate	16.4%	+0.3 points
Plywood	Total demand	9,914	-1,230
	Self supply rate	35.8%	+5.6 points
Others	Total demand	3,829	-1
	Self supply rate	27.7%	+4.5 points
Total industrial use	Total demand	70,883	-1,664
	Self supply rate	30.8%	+1.2 points
<b>Fuel use</b>			
	Total demand	4,102	+1,162
	Self supply rate	71.8%	+9.1 points
<b>Grand total</b>	Total demand	75,300	-499
	Self supply rate	33.3%	+2.1 points

SOURCE: Japan Lumber Reports

Total wood demand of industry was 70,880 thousand cubic metres, a 2.3 per cent drop from 2014. Of this total, domestic production accounted for 21,080 thousand cubic metres of demand, a 3.9 per cent drop over last year.

This means the degree of self-sufficiency of wood for industry was 30.8 per cent.

Wood demand for both domestic and import was lower in 2015 than it was the previous year.

Japan's target for degree of self-sufficiency in 2025 is 51 per cent. That would make total wood demand in 2025 at 79,000 thousand cubic metres, out of which domestic supply would be 40,000 thousand cubic metres. Using 2015 numbers, this target would mean it is necessary for Japan producers to add 3,700 thousand cubic metres for a domestic supply of 14,940 thousand cubic metres and a degree of self-sufficiency of 17.7 points.

### Japan Housing Starts: 2015

For full-year 2015, total housing starts in Japan were 910,000 units, a 1.9 per cent improvement over 2014.

New building of wood-based units were 504,000, up 3 per cent from 2014, but wood demand for housing starts has decreased.

### Japan Plywood Demand: 2015

Demand for plywood shows an obvious trend of shifting toward domestic wood manufacturer in Japan. Demand for domestic plywood increased by 5.5 per cent while demand for imports dropped by 18.1 per cent compared to 2014.

Total demand for plywood dropped by 11 per cent, but the degree of self-sufficiency increased by 5.6 points.

### Japan Wood Demand for Fuel: 2015

Japan's wood demand for fuel increased by 39.5 per cent, out of which domestic supply accounted for 59.3 per cent.

The driving factor of this increase is the increase in residual supply due to more wood biomass power generation facilities. Japan's FIT system to promote the growth of biomass power means that there were only 9 plants in 2014, while operating biomass fuel plants in Japan were 25 in 2015 and more will be coming online for fiscal year 2016.

# 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	326	322	+4	320	+6	248	+78
WSPF KD R/L 2x6	286	286	0	304	-18	242	+44
SYP KD R/L East Side 2x4	420	410	+10	405	+15	335	+85
SYP KD R/L East Side 2x6	380	380	0	375	+5	295	+85
ESPF KD R/L 2x4	410	415	-5	420	-10	335	+75
WSPF KD PET 2x4 Stud	275	270	+5	285	-10	225	+50
WSPF KD PET 2x6 Stud	220	215	+5	235	-15	245	-25
Douglas Fir Green R/L 2x4	333	330	+3	330	+3	300	+33
Douglas Fir Green R/L 2x10	325	325	0	340	-15	395	-70
ESPF KD 2x4 8ft Stud	370	365	+5	365	+5	300	+70
OSB Ontario 7/16" (CDN\$/msf)	365	365	0	375	-10	283	+82
CSplywood Toronto 3/8" (CDN\$/msf)	425	452	-27	491	-66	412	+13

## Madison's Weekly Softwood Lumber News

### Japan Housing Starts: August 2016

CONT'D FROM PG 2 Japan's high level of housing starts continued to increase in August, said *Japan Lumber Reports* Friday. Total housing starts in August were 82,242 units, a 2.5 per cent increase over August 2015 but a 3.5 per cent drop over July 2016.

Peak building seemed to happen in June and July, each with over 85,000 new units built, with starts of owner's units, rentals, and units built for sale all having improved over the previous month.

For year-to-date August, accumulated starts were 630,919, making the monthly average at 79,000 units. This is a 5.3 per cent increase over January to August 2015.

If this building pace continues, full-year 2016 will come in at about 945,000 starts for the annual total, which would be a 2.8 per cent increase over 2015.

New building of units for rent continues active, with 36,678 units, a 9.9 per cent increase over August last year and a 2.5 per cent drop over July 2016.

New units built for owners stayed strong at 26,341 which is a 4.3 per cent

climb from one year ago but a 2.1 per cent drop from July. It does, however, mark three straight months of more than 26,000 units built for rental.

New units built for sale were 18,509 which is a 12.7 per cent decline from August one year ago and a 7 per cent decrease over July.

Detached units built for sale came in at 11,401, which is a 5.9 per cent improvement from one year ago but a 3.9 per cent drop from July. This makes three straight months for increasing building of new detached housing units in Japan.

### JAPAN HOUSING STARTS: AUGUST 2016

#### Production and Imports with Housing Starts

	Housing Starts (unit)					Production				
	Total	Owners	Rental	Built for sale	Wood-framed	Lumber	Plywood (m <sup>2</sup> )			
						1,000m <sup>3</sup>	Standard	Half inch	Structural	Softwood
16 Jan.	67,815	20,264	28,288	18,903	37,516	724	239,496	2,628	215,327	224,544
Feb.	72,831	20,984	28,871	22,404	38,605	764	250,684	4,586	227,518	235,888
Mar.	75,744	22,274	30,572	22,125	41,154	826	268,788	4,534	243,453	253,536
Apr.	82,398	23,567	35,504	23,029	44,091	812	251,930	3,444	227,803	237,082
May	78,728	23,501	32,427	22,213	42,794	746	238,300	2,867	216,207	224,364
June	85,953	26,944	36,910	21,617	47,502	809	265,683	3,234	243,914	251,376
July	85,208	26,910	37,745	19,867	48,693	783	260,754	1,635	239,904	246,758
Aug.	82,242	26,341	36,784	18,509	48,717	743	242,771	1,369	222,867	229,949

SOURCE: Japan Lumber Reports

## British Columbia Lumber Exports: August 2016

CONT'D FROM PAGE 2

### HIGHLIGHT OF EXPORTS IN AUGUST 2016, COMPARED TO AUGUST 2015:

- BC forest product exports totalled \$1.20 billion, up 8.5% from \$1.11 billion.
- Share of export value by market: US (55.2%, up from 51.7%), China + Hong Kong (22.5%, down from 26.9%), Japan (8.7%, up from 7.6%).
- Share of export value by product: Softwood Lumber (51.1%, up from 45.3%), Pulp (20.9%, down from 26.9%), Other Wood Products (16.6%, up from 15.8%).

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

Destinations	Current Month 2015		Current Month 2016		Change %	YTD 2015		YTD 2016		Change %
	\$	Share %	\$	Share %		\$	Share %	\$	Share %	
U.S.	0.57	51.7%	0.66	55.2%	16.0%	4.04	46.8%	4.96	53.8%	23.0%
China + Hong Kong	0.30	26.9%	0.27	22.5%	-9.2%	2.60	30.2%	2.17	23.5%	-16.6%
Japan	0.08	7.6%	0.10	8.7%	24.2%	0.77	8.9%	0.80	8.6%	4.2%
Other	0.15	13.8%	0.16	13.5%	6.7%	1.21	14.1%	1.29	14.0%	6.8%
<b>Total</b>	<b>1.11</b>	<b>100.0%</b>	<b>1.20</b>	<b>100.0%</b>	<b>8.5%</b>	<b>8.61</b>	<b>100.0%</b>	<b>9.22</b>	<b>100.0%</b>	<b>7.1%</b>

### HIGHLIGHT OF EXPORTS YTD 2016 (AUGUST), COMPARED TO YTD 2015 (AUGUST):

- BC forest product exports totalled \$9.22 billion, up 7.1% from \$8.61 billion.
- Share of export value by market: US (53.8%, up from 46.8%), China + Hong Kong (23.5%, down from 30.2%), and Japan (8.6%, down from 8.9%).
- Share of export value by product: Softwood Lumber (49.4%, up from 45.7%), Pulp (21.5%, down from 25.7%), Other Wood Products (17.1%, up from 14.6%).

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

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

Products Category	Current Month 2015		Current Month 2016		Change %	YTD 2015		YTD 2016		Change %
	\$	Share %	\$	Share %		\$	Share %	\$	Share %	
Lumber (softwood)	0.50	45.3%	0.61	51.1%	22.4%	3.93	45.7%	4.56	49.4%	16.0
Pulp	0.30	26.9%	0.25	20.9%	-15.5%	2.21	25.7%	1.99	21.5%	-10.3
Other Wood Products	0.17	15.8%	0.20	16.6%	14.4%	1.26	14.6%	1.58	17.1%	25.8
Other Paper Products	0.08	7.5%	0.08	6.4%	-7.7%	0.75	8.7%	0.62	6.7%	-16.8
Logs	0.05	4.6%	0.06	5.0%	18.4%	0.46	5.4%	0.47	5.1%	2.7
<b>Total</b>	<b>1.11</b>	<b>100%</b>	<b>1.20</b>	<b>100.0%</b>	<b>8.5%</b>	<b>8.61</b>	<b>100.0%</b>	<b>9.22</b>	<b>100.0%</b>	<b>7.1</b>

### B.C. Forest Products Export Volume (million) by Product Current Month (August) and YTD, 2015 and 2016

Products Category	Current Month 2015	Current Month 2016	Change %	YTD 2015	YTD 2016	Change %
Lumber (softwood) - m <sup>3</sup>	2.21	2.52	14.1%	17.16	19.65	14.5%
Pulp - tonne	0.39	0.34	-12.1%	2.84	2.70	-4.9%
Logs - m <sup>3</sup>	0.44	0.49	11.2%	3.87	3.87	0.1%



# MADISON'S Forest Pulse

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## North America Timber Industry Analysis and Projection : 2Q 2016

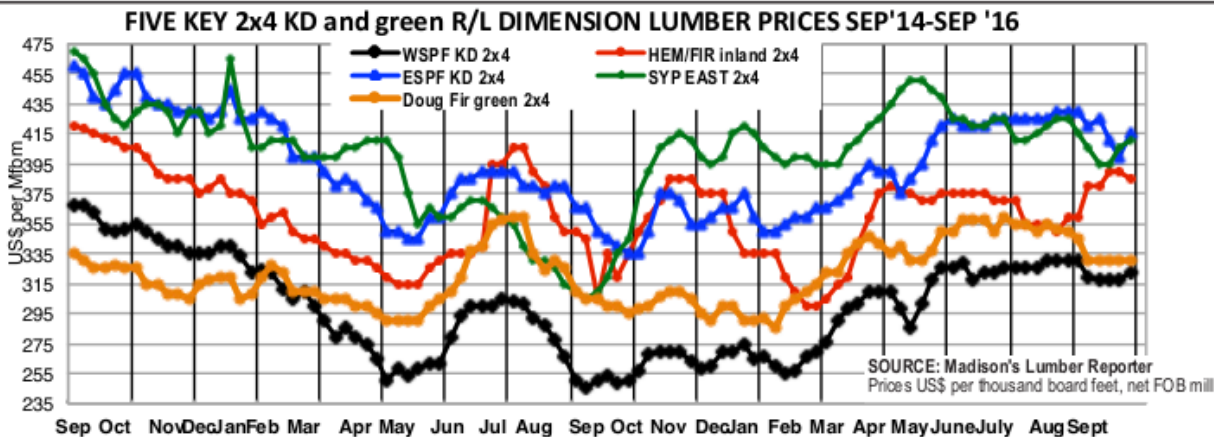
By Keta Kosman, Publisher and Editor, *Madison's Lumber Reporter*

October 6, 2016

### OVERVIEW

**US softwood lumber consumption** "Apparent Consumption" for Jan-June 2016 **jumped by +14.5%**, to **24,950 million fbm**, compared to 21,785 million fbm for the same time period in 2015, according to **Western Wood Products Association's Lumber Track**. This increase was +14.6% for the 1Q 2016 issue of *Madison's Forest Pulse*. **Canadian Sawmill Products exports to the world for Jan - JUNE 2016 increased +10.0%**, to **C\$5.1 billion**, from C\$4.6 billion in the first six months of 2015. This increase was +9.9% for the 1Q 2016 issue of *Madison's Forest Pulse*.

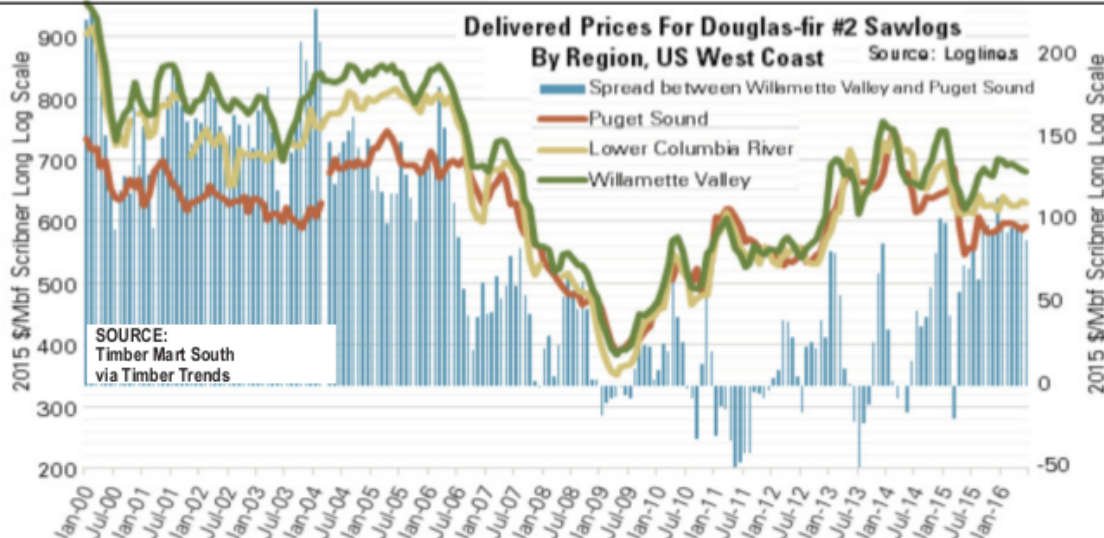
**To the US alone Canada's sawmill products exports for Jan - JUNE 2016 were C\$3.8 billion, up +19.7%** from C\$3.0 billion, according to the latest Statistics Canada data, compared to up +20.4% for our 1Q 2016 report. As domestic production continues it's steady increases, **US sawmill product imports from Canada grew by +16%** for 2Q 2016, to US\$3.4 billion, from US\$2.9 billion in 1Q 2015. This compares to a +9.1% increase in our last issue.



### ONE-YEAR KEY DIMENSION LUMBER PRICE TRENDS: Madison's Lumber Reporter

Benchmark Western Spruce-Pine-Fir R/L KD 2x4 #2&Btr	Sep 2016 ... US\$318	Sep 2015 ... US\$250	+ 21.4%
Hem-Fir Inland R/L KD 2x4 #2&Btr	Sep 2016 ... US\$390	Sep 2015 ... US\$305	+ 21.8%
Eastern Spruce-Pine-Fir R/L KD 2x4 #2&Btr	Sep 2016 ... US\$400	Sep 2015 ... US\$345	+ 13.7%
Southern Yellow Pine East Side R/L KD 2x4 #2&Btr	Sep 2016 ... US\$405	Sep 2015 ... US\$310	+ 23.5%
Douglas fir green R/L 2x4 #2&Btr	Sep 2016 ... US\$330	Sep 2015 ... US\$300	+ 9.1%

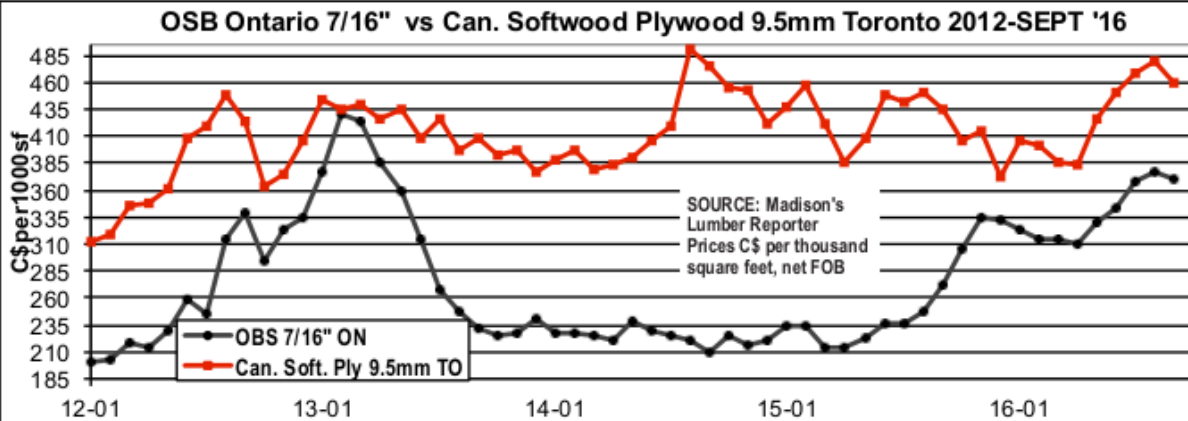
All prices US dollars per thousand board feet net fob mill



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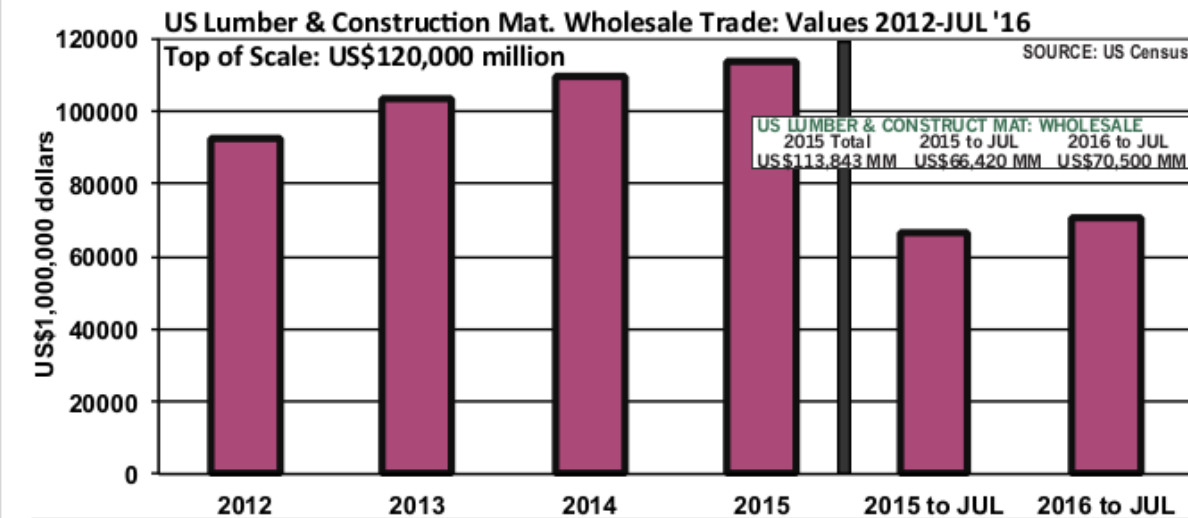
### THREE-YEAR KEY CONSTRUCTION PANEL PRICE TRENDS: Madison's Lumber Reporter

Benchmark Oriented Strand Board 7/16" Ontario prices    Sept 2016 US\$370    Sept 2015 US\$236    + 36%  
 Canadian Softwood Plywood 9.5mm Toronto prices    Sept 2016 US\$460    Sept 2015 US\$407    + 12%  
 All prices C\$ dollars per thousand square feet net fob mill



### FIVE-YEAR US LUMBER & CONSTRUCTION MATERIAL: WHOLESALE TRADE, VALUES

Source: US Census, Monthly Wholesale Trade: Sales and Inventories  
 4233: Lumber and Other Construction Materials: U.S. Total — Not Seasonally Adjusted Sales - Monthly [Millions of Dollars]



### SHORT TERM ANALYSIS CONT'D

... CONT'D FROM PG 1

#### Madison's Observations:

- Canadian softwood lumber volumes to China and Japan to remain relatively stable for at least the next 4 quarters if not the next six. As volume diversifies, customers in China are sourcing timber and lumber locally from

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