

MADISON'S LUMBER REPORTER



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News & Updates

US Sawmill Fatality

A Laona, WI, man was killed in a sawmill accident Tuesday at Chitko Brothers Lumber in the town of Tipler, WI, Florence County Sheriff Jeff Rickaby said November 17 according to the *Iron Mountain Daily News*. CONT'D PAGE 7

US Files Softwood Lumber Trade Dispute

Friday morning: "US Lumber Industry Petitions for Relief From Canadian Subsidies, Dumping"
<http://madisonsreport.com/u-s-lumber-industry-petitions-for-relief-from-canadian-subsidies-dumping/>

Also: "Fact Sheet"
<http://madisonsreport.com/us-petitions-for-ad-and-cvd-investigations-of-imports-of-softwood-lumber-products-from-canada/>

Canada Tariff on US Gypsum Imports

A new trade dispute has broken out between Canada and the US that threatens to raise prices in Canada's already overheated housing markets, said the *Globe and Mail* Thursday.

The Canada Border Services Agency imposed a provisional tariff as high as 277 per cent on US drywall imports in September after ruling that manufacturers were dumping the product, or selling it below the price in their home market, undercutting local suppliers.

The tariff has raised the price of drywall, or gypsum board as it's also called, by as much as 30 per cent and is causing "chaos" and delays as contractors scramble for alternative sources. Some builders say the tariff could add as much as \$13,000 to the cost of a new home, which would amount to a \$2.6-billion increase to the roughly 200,000 homes built in Canada each year. CONT'D PAGE 6

Manufacturing Orders, US: October 2016

The flash Markit US PMI manufacturing index, released Wednesday, strengthened to 53.9 for November from 53.4 the previous month. The figure was higher than the consensus forecast of 53.4 and also the highest reading for 13 months.

Production increased for the sixth consecutive month and the November reading was the strongest since March 2015. CONT'D PAGES 6 & 8

Biomass Fuel Facility Investment, Funding

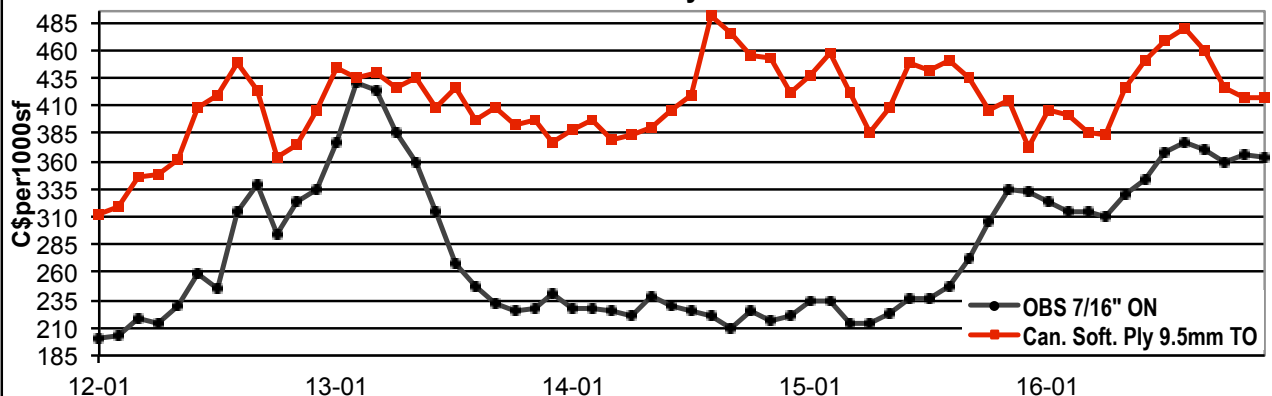
In signing Senate Bill 859, California Governor Jerry Brown temporarily saved the biomass facility and sawmill Shasta Green, CA, from having to shut down and send more than 80 people to the unemployment line, according to the *Redding Record Searchlight* November 19.

Assemblyman Brian Dahle, R-Bieber, amended the bill that allocates US\$900 million in cap and trade funds to various initiatives. CONT'D PAGE 7

US New & Existing Home Sales, House Prices: Oct 2016

Both new and existing home sales figures for October were released in the US this week, showing signs of steady, if muted, improvement. CONT'D PAGES 9 and 10

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



Canada - US Trade: Gypsum

CONT'D FROM PAGE 2

Canada Border Services, which will issue a final report on the dumping on December 5, and the Office of the US Trade Representative declined to comment on the tariff, said the *Globe and Mail* Thursday. Finance Minister Bill Morneau has asked the Canadian International Trade Tribunal to fast-track a study on the impact of the duties. The study is due by January 4, the same day the tribunal issues a final ruling on the tariff. Morneau has final say on what duties are applied.

“Ensuring fair trade practices is important, but delays in reconstruction are a serious concern,” Morneau said in the House of Commons last month. “That is why I have asked the Canadian International Trade Tribunal to investigate whether or not tariffs are in the public interest immediately, instead of after its final determination is made.”

““

It’s certainly interesting this has come in amid the lumber-trade dispute. This is the issue our entire industry is focusing on now. It has the potential to affect billions of dollars of building contracts.”

- Bob Finnigan, president of the Canadian Home Builders’ Association and a principal of real estate developer Heron Group of Companies to Bloomberg News November 8

CANADIAN GYPSUM WHOLESALERS

Wholesalers including Mississauga, ON-based CGC Inc have already increased their prices for certain panel products by as much as 30 per cent, documents sent to contractors show. Canada imported about \$277-million worth of lime and gypsum products last year, about 97 per cent of it from US manufacturers, according to **Statistics Canada**.

The tariff was imposed this year after Canada’s largest drywall maker, CertainTeed Gypsum Canada Inc., filed a complaint to border services in April that they were being injured due to US dumping. The department launched an investigation with an initial finding that the foreign firms were, indeed, dumping.

Matt Walker, general manager of Mississauga-based CertainTeed Gypsum Canada, said to *Globe and Mail* in an e-mail statement through an external spokesman that US companies have been selling product in Canada at as much as half the price they sell it south of the border.

CertainTeed Gypsum Canada is a unit of Malvern, Pennsylvania-based CertainTeed Corp., which in turn is a subsidiary of France’s Cie de Saint-Gobain. Walker said in September that U.S. imports account for more than half the Western market in Canada.”

US Manufacturing Orders: October 2016

CONT'D FROM PAGE 2

As well, demand for long-lasting manufactured goods rose in October at the fastest pace in a year.

Orders for durable goods rose 4.8 per cent to a seasonally adjusted US\$239.4 billion from a month earlier, the Commerce Department said Wednesday.

October’s jump was driven by a near doubling in orders for civilian aircraft, a highly volatile segment,

but demand for most other categories increased as well. When excluding orders tied to transportation, demand increased 1 per cent.

September’s overall orders were revised to a 0.4% gain from a previously estimated decline. As a result, orders have increased for four straight months, but are still down slightly through the first ten months of this year, compared with the same period in 2015.

CONT'D PAGE 8



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	314	306	+8	318	-4	258	+56
WSPF KD R/L 2x6	284	275	+9	278	+6	254	+30
SYP KD R/L East Side 2x4	430	430	0	440	-10	400	+30
SYP KD R/L East Side 2x6	345	345	0	365	-20	310	+35
ESPF KD R/L 2x4	395	395	0	405	-10	355	+40
WSPF KD PET 2x4 Stud	280	265	+15	270	+10	215	+65
WSPF KD PET 2x6 Stud	240	220	+20	220	+20	225	+15
Douglas Fir Green R/L 2x4	330	315	+15	325	+5	295	+35
Douglas Fir Green R/L 2x10	330	315	+15	325	+5	385	-55
ESPF KD 2x4 8ft Stud	355	355	0	360	-5	290	+65
OSB Ontario 7/16" (CDN\$/msf)	365	365	0	360	+5	335	+30
CSplywood Toronto 3/8" (CDN\$/msf)	417	417	0	416	+1	408	+9

Madison's Weekly Softwood Lumber News

Sawmill Fatality, US

CONT'D FROM PG 2 The Occupational Safety and Health Administration office in Green Bay, WI, is investigating the fatal accident of a Laona, WI, man at Chitko Brothers Lumber sawmill, said *Iron Mountain Daily News*.

The 53-year-old victim, whose name was withheld while family is notified, apparently was trying to repair a deck that moves logs to the saw, Rickaby said.

"During the process a hydraulic system was activated and the victim was pinched between a hydraulic ram in the log deck and the stationary frame of the log deck, crushing him," he said.

Only two men were at the mill when the accident was reported about 2:11 pm. Tuesday, the sheriff said. Long Lake Rescue and Fire found the victim unresponsive when they arrived.

Biomass Fuel Production Funding

CONT'D FROM PG 2 PG&E, the utility company, was paying more for energy from Burney Forest Power than it could recoup from customers. Without that customer — the utility buys 92 per cent of all biomass energy produced in the state — Burney Forest Power planned to close and lay off its 25 employees. Shasta Green would also shut down because it provides the wood chips to Burney Forest Power in exchange for steam Shasta Green uses in its drying sheds.

Danny Osborne, vice president at Shasta Green, said to the *Redding Record Searchlight*, "We would have to bring in our own boiler to produce our own steam. That's expensive and probably not feasible."

Calendar

January 2017

3rd Annual Western Forest Industry Conference

January 17, 2017 – Vancouver, WA
<http://westernforestry.org/-2017>

Truck Loggers Association Convention & Trade Show

January 18-20, 2017 – Vancouver, BC
www.tla.ca/convention

February 2017

Western Silvicultural Contractors' Association Annual Conference

February 1-3, 2017 – Victoria, BC
<http://wsca.ca/wsca-agm/>

Association of BC Forest Professionals AGM

February 22-24, 2017 – Prince George, BC
<https://abcfpc.ca/ABCFPCconference/>

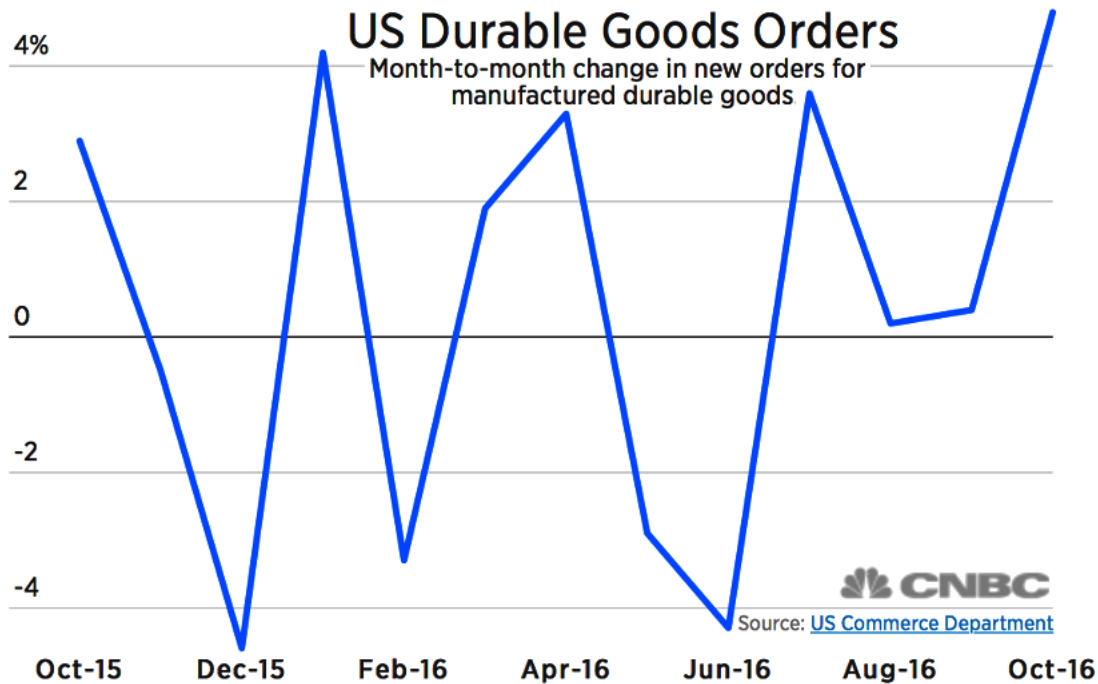


US Manufacturing Orders: October 2016

CONT'D FROM PAGE 6

The category that tracks business investment plans was up a slight 0.4 per cent, erasing only a small part of a 1.4 per cent plunge in September. Business investment spending has been a drag on the economy this year, reflecting in part big cutbacks in the energy sector.

The economy, as measured by the gross domestic product, grew at a 2.9 per cent rate in the third quarter, a significant improvement after growth averaged just 1.1 per cent in the first half of the year.



In October, orders for machinery edged up a slight 0.2 per cent, while demand for primary metals such as steel fell 0.1 per cent. Orders for computers rose 6.8 per cent.

Meanwhile, September's slight decline was revised to up 0.4 per cent.

NEAR-TERM EXPECTATIONS

The figures signal a gradual turn in investment spending that has suffered from contraction in the energy sector and weak export demand. While a recent surge in the dollar may become a headwind for equipment makers, prospects of more infrastructure development improve the outlook for capital outlays in the coming year.

“

We expect a modest positive trend for business investment as the negative drag from the energy sector fades. The underlying domestic demand picture looks quite healthy. We'll wait to see whether fiscal policy can be supportive next year.”

- David Sloan, senior economist at 4CAST-RGE in New York

The jump in total bookings in October was the biggest in a year and included more orders for fabricated metals, machinery, computers and electrical equipment.

US DOLLAR RESPONDS UPWARD

Versus the Japanese yen, the US dollar traded sideways in Asia and briefly edged down to 110.86 ahead of European open before surging to a 7-1/2 month peak 112.98 Thursday morning, due to the release of robust US data and other slew of upbeat US data. However the price eased near New York close.

The single currency briefly edged up to 1.0644 at European open before retreating to 1.0600 in European morning. Euro met renewed selling at 1.0637 and tumbled to a fresh 11-1/2 trough at 1.0526 Thursday morning.

The British pound remained under pressure in Asia and weakened to 1.2368 in European morning.

OTHER INDICATORS POINT TO IMPROVEMENT

Wednesday's report entirely represents activity that occurred before the presidential election. Like recent durable-goods orders, other data points to signs of improvement. The **Institute for Supply Management's manufacturing index** rose for the fourth time in five months in October, but that index remains slightly down from a year earlier.

Wednesday's report showed an important proxy for business investment, nondefense capital goods excluding aircraft, rose 0.4 per cent last month, but it is down 4 per cent through October, compared with the first ten months of last year.

US New Home Sales: October 2016

CONT'D FROM PAGE 2

The **US Census Bureau** and **Department of Housing and Urban Development** in a joint release reported that newly constructed single family homes sold at a seasonally adjusted annual pace of 563 thousand in October, down slightly from September but continuing the slow, steady upward trend of the last several years. Sales were down 1.9 per cent from September but up 17.8 per cent from last October. Builders cautiously added to available inventories.

The inventory of new single family homes for sale was 246 thousand, the highest level since the downturn.



The months of supply increased in October to 5.2 months. This is now in the normal range (less than 6 months supply is normal).

The all time record was 12.1 months of supply in January 2009.

In October 2016, 45 thousand new homes were sold (not seasonally adjusted). This was the highest sales for October since 2007.

Last year, 39 thousand homes were sold in October.

The all time high for October was 105 thousand in 2005, and the all time low for October was 23 thousand in 2010.

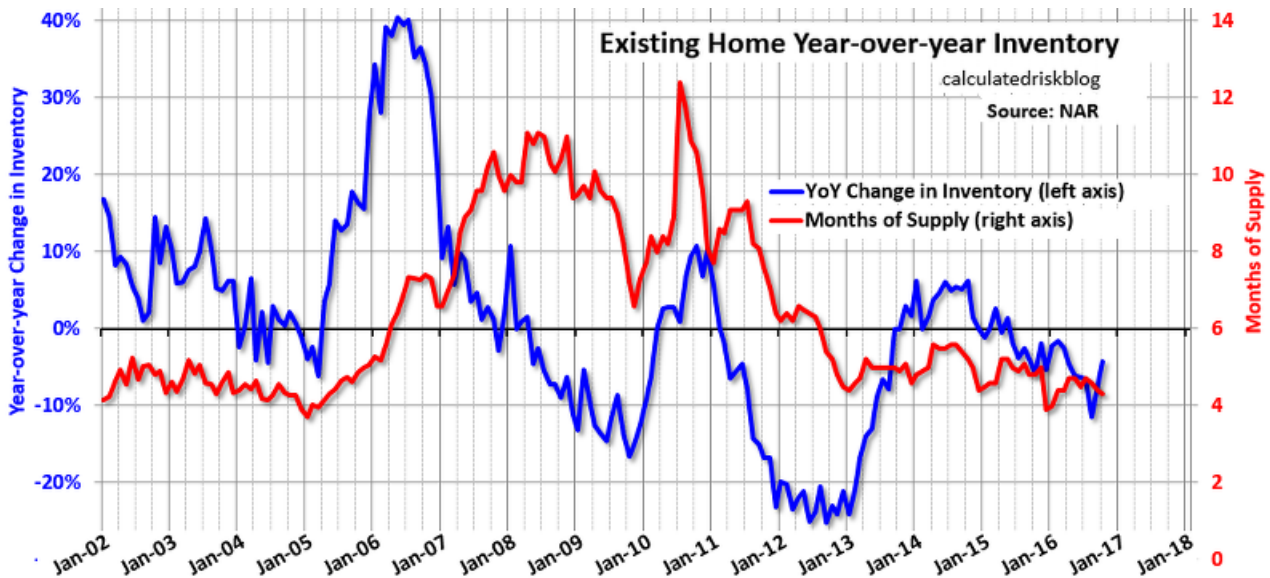
This was below expectations of 590,000 sales SAAR in October.



“A house is considered for sale when a permit to build has been issued in permit-issuing places or work has begun on the footings or foundation in nonpermit areas and a sales contract has not been signed nor a deposit accepted.”

- US Census Bureau

CONT'D PAGE 8



US Existing Home Sales: October 2016

CONT'D FROM PAGE 9

Existing home sales, as reported by the National Association of Realtors (NAR), increased 2.0% in October and reached the highest pace since February 2007. In October sales increased for the second straight month, and were up 5.9% from the same month a year ago. Total existing home sales in October increased to a seasonally adjusted rate of 5.60 million units combined for single-family homes, townhomes, condominiums and co-ops, up from an upwardly adjusted 5.49 million units in September.

October existing sales increased in all four regions, ranging from 2.8 per cent in the South to 0.8 per cent in the West. Year-over-year, October sales also increased in all regions, ranging from 10.4 per cent in the West to 1.4 per cent in the Northeast.

EXISTING HOMES FOR SALE INVENTORY

Total housing inventory decreased slightly by 0.5 per cent in October, and remains 4.3 per cent lower than its level a year ago. At the current sales rate, the October unsold inventory represents a 4.3-month supply, compared to a 4.4-month supply in September.

Inventory is still very low and falling year-over-year, down 4.3 per cent year-over-year in October, said **Calculated Risk** Tuesday. More inventory would probably mean smaller price increases and slightly higher sales, and less inventory means lower sales and somewhat larger price increases.

Two of the key reasons inventory is low:

1) A large number of single family home and condos were converted to rental units. Last year, housing economist Tom Lawler estimated there were 17.5 million renter occupied single family homes in the US, up from 10.7 million in 2000.

Many of these houses were purchased by investors, and rents have increased substantially, and the investors are not selling (even though prices have increased too). Most

of these rental conversions were at the lower end, and that is limiting the supply for first time buyers.

2) Baby boomers are aging in place. Instead we are seeing a surge in home improvement spending, and this is also limiting supply.

Of course low inventory keeps potential move-up buyers from selling too. If someone looks around for another home, and inventory is lean, they may decide to just stay and upgrade.

PENDING HOME SALES

Pending sales increased 1.5 per cent last month, and September new home sales increased 3.1 per cent. Builders continue to address the low inventory of homes as October single-family starts jumped 10.7 per cent from September. Builder sentiment remains solid, and both jobs and incomes are growing. These positive reports suggest a steady upward path for existing sales.

HOUSE PRICES

The October median sales price of US\$232,200 was 6.0 per cent above the same month a year ago, and represents the 56th consecutive month of year-over-year increases. The median condominium/co-op price dropped for the fourth consecutive month to US\$220,300 in October, but was up 6.2 per cent from the same month a year ago.

