

MADISON'S LUMBER REPORTER

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News & Updates

US ITC Confirms "Material Injury"

An email this week from Canada's federal department of Global Affairs provides the latest updates on this Canada-US softwood lumber dispute:

"The US International Trade Commission (ITC) today confirmed that they have preliminarily determined that the **US industry is materially injured** by virtue of imports of Canadian softwood lumber into the United States. **This is the first time** that the ITC has found that Canadian producers cause material injury in a softwood lumber investigation. Historically, the ITC has found only that **Canadian producers threaten** the US industry with injury.

In addition, the US ITC **rejected the arguments of the Canadian parties that certain products were not sufficiently similar to softwood lumber** and should be excluded from the investigation."

- *Senior Trade Policy Officer | Agente principale des politiques commerciales, Softwood Lumber Division | Direction du bois d'œuvre résineux*

Canada Railcar Loadings: October 2016

The volume of rail freight carried in Canada totalled 31.3 million tonnes in October, down 0.6 per cent from the same month last year, said **Statistics Canada** Thursday. In October, freight originating in Canada decreased 0.3 per cent from the same month last year to 28.5 million tonnes.

In comparison, tonnages of logs and other wood in the rough (+148.2 per cent) were up in October compared with the same month last year. **CONT'D PAGE 6**

US Housing Starts: December 2016

US housing starts rose 11.3 per cent in December to a seasonally adjusted annual rate of 1.23 million, the **Commerce Department** said Thursday. Permits were down 0.2 per cent to 1.21 million. **CONT'D PAGE 7**

Japan Housing Starts: November 2016

Housing starts in Japan for November were 85,051 units, a 6.7 per cent increase over 2015 and a 2.5 per cent drop from October, according the *Japan Lumber Reports* Thursday. **CONT'D PAGE 7**

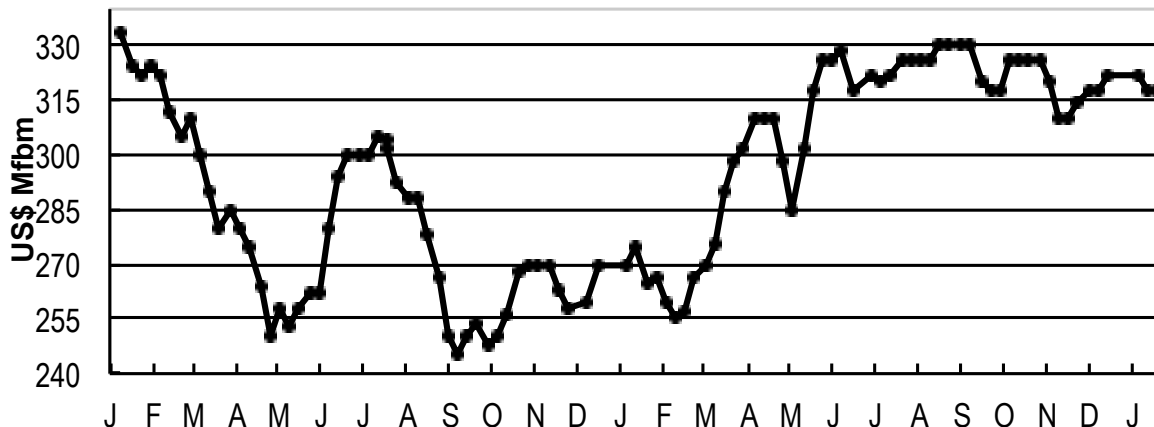
US Railcar Loadings, Trucking Index: January 2017

The **Association of American Railroads** Wednesday reported week ending January 14, 2017 total US weekly rail traffic was 516,229 carloads and intermodal units, up 2 per cent from the same week last year. **CONT'D PAGES 8 and 9**

Building Materials Price Index, US: December 2016

The price of softwood lumber rose by 2.3 per cent in December, while prices paid for ready-mix concrete, gypsum products, and OSB all fell, according to the latest **Producer Price Index** release by the **Bureau of Labor Statistics** January 13. The 2.3 per cent increase in the softwood lumber price index is the largest monthly increase since April 2016. **CONT'D PAGE 10**

WSPF KD #2&Btr 2x4 : JANUARY 2015 to JANUARY 2017



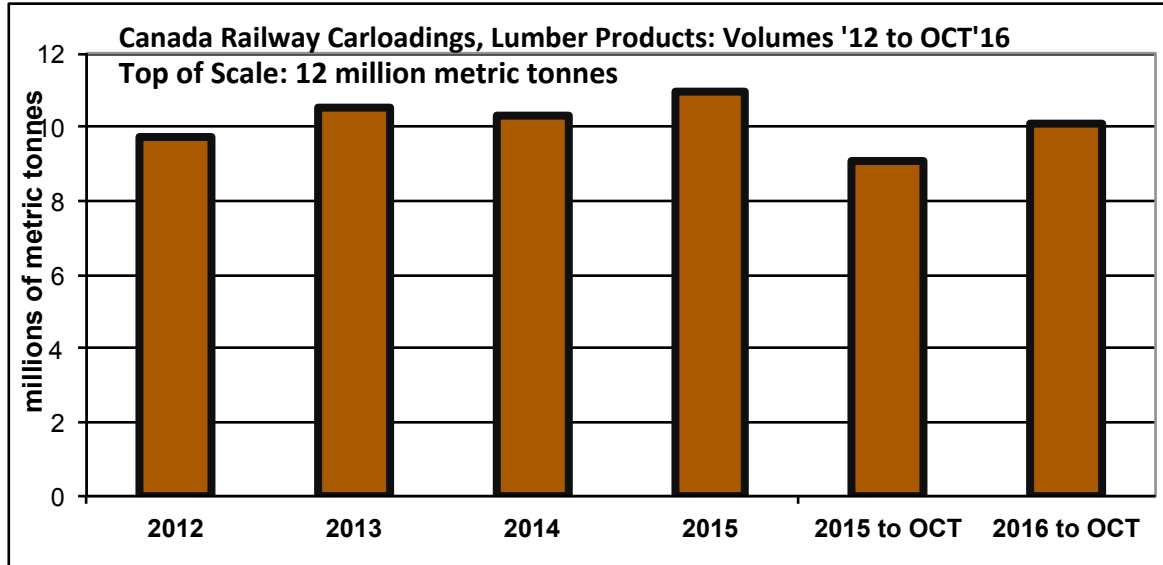
Canada Railcar Loadings: October 2016

The volume of rail freight carried in Canada totalled 31.3 million tonnes in October, down 0.6 per cent from the same month last year, said **Statistics Canada** Thursday.

In October, freight originating in Canada decreased 0.3 per cent from the same month last year to 28.5 million tonnes.

Non-intermodal freight decreased 0.8 per cent to 307,260 carloads in October. The amount of freight loaded onto these cars declined 0.1 per cent from the same month a year earlier to 25.7 million tonnes.

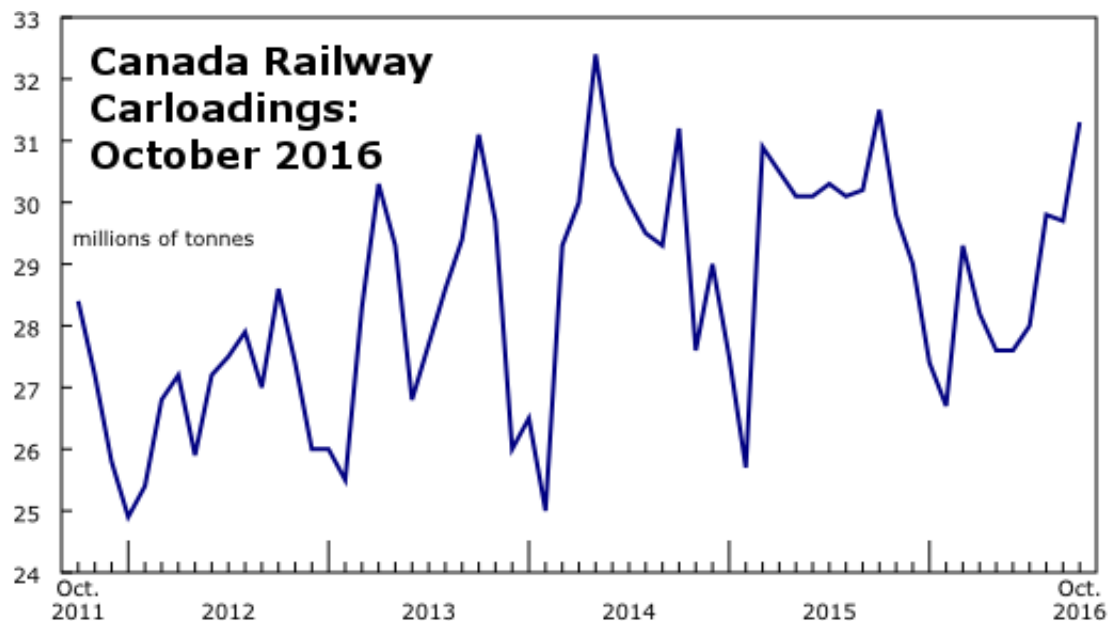
Tonnages of iron ores and concentrates (-5.8%), fuel oils and crude petroleum (-20.4%), other chemical products and preparations (-53.1%) and nickel ores and concentrates (-72.6%) shipped by rail declined in October on a year-over-year basis.



In comparison, tonnages of other oil seeds and nuts and other agricultural products (+40.0%), colza seeds (canola) (+14.7%), gasoline and aviation turbine fuel (+55.2%) and logs and other wood in the rough (+148.2%) were up in October compared with the same month last year.

Intermodal freight loadings decreased 1.7 per cent to 190,737 units from October 2015 to October 2016. The 1.4 per cent decrease in containers-on-flat-cars moderated the 15.9 per cent decline in trailers-on-flat-cars. In terms of weight, intermodal traffic decreased 1.9 per cent to 2.8 million tonnes.

Freight traffic received from the United States fell 3.8 per cent to 2.8 million tonnes as a result of a 3.7 per cent decrease in non-intermodal freight and a 4.9 per cent decrease in intermodal freight from the United States.



Madison's Weekly Softwood Lumber Key Prices Table

www.madisonsreport.com



	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	322	-4	266	+52
WSPF KD R/L 2x6	292	292	0	292	0	268	+24
SYP KD R/L East Side 2x4	450	455	-5	460	-10	405	+45
SYP KD R/L East Side 2x6	325	355	-10	355	-30	295	+30
ESPF KD R/L 2x4	405	410	-5	410	-5	350	+55
WSPF KD PET 2x4 Stud	295	285	+10	295	0	200	+95
WSPF KD PET 2x6 Stud	270	265	+5	255	+15	215	+55
Douglas Fir Green R/L 2x4	345	350	-5	342	+3	292	+53
Douglas Fir Green R/L 2x10	390	385	+5	360	+30	337	+53
ESPF KD 2x4 8ft Stud	355	365	-10	370	-15	275	+80
OSB Ontario 7/16" (CDN\$/msf)	370	375	-5	375	-5	320	+50
CSplywood Toronto 3/8" (CDN\$/msf)	396	420	-24	429	-33	404	-8

Madison's Weekly Softwood Lumber News

US Housing Starts

CONT'D FROM PG 2 Housing starts rose 11.3 per cent in December to a seasonally adjusted annual rate of 1.23 million, the **Commerce Department** said Thursday. Permits, an indication of how much construction is in the pipeline, were down 0.2 per cent to 1.21 million.

The rise in starts follows a drop in activity in November, when new starts dropped by a revised 16.5 per cent. The drop was largely propelled by a 38.7 per cent drop in the construction

of buildings with two or more units, which includes apartments and condos.

Single-family housing starts dropped 4 per cent in December while multifamily rebounded 53.9 per cent from a month earlier.

Housing Starts, Japan

CONT'D FROM PG 2 November housing starts in Japan were 85,051 units, a 6.7 per cent increase over 2015 and a 2.5 per cent drop from October, said *Japan Lumber Reports* Thursday.

The accumulated total of starts for eleven months in 2016 was 888,831, a

6.8 per cent increase over the previous year.

Housing starts in Japan have been over 80,000 units for six straight months. Assuming starts continue with this pace, annual starts will be more than 970,000 units.

Units built for owners have grown consistently through 2016, to level higher than the previous year.

Total starts for wood-based units were 16,728.

Units built for sale exceeded 20,000 units for the third straight month, said the *Reports*.



Weyerhaeuser



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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

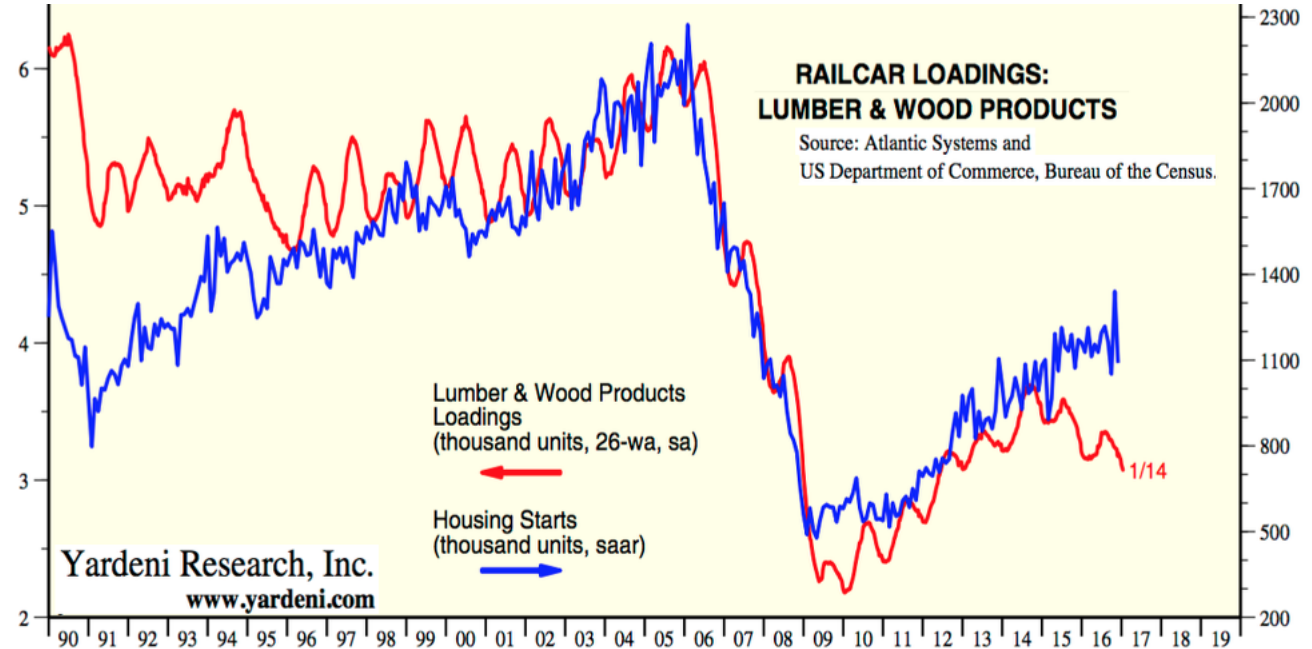
<https://abcfp.ca/ABCFPConference/>

US Railcar Loadings, Trucking Index: January 2017

CONT'D FROM PAGE 2

The Association of American Railroads Wednesday reported for the week ending January 14, 2017 total US weekly rail traffic was 516,229 carloads and intermodal units, up 2 per cent compared with the same week last year.

Total carloads for the week ending January 14 were 253,223 carloads, up 4.4 per cent compared with the same week in 2016, while US weekly intermodal volume was 263,006 containers and trailers, down 0.3 per cent compared to 2016.



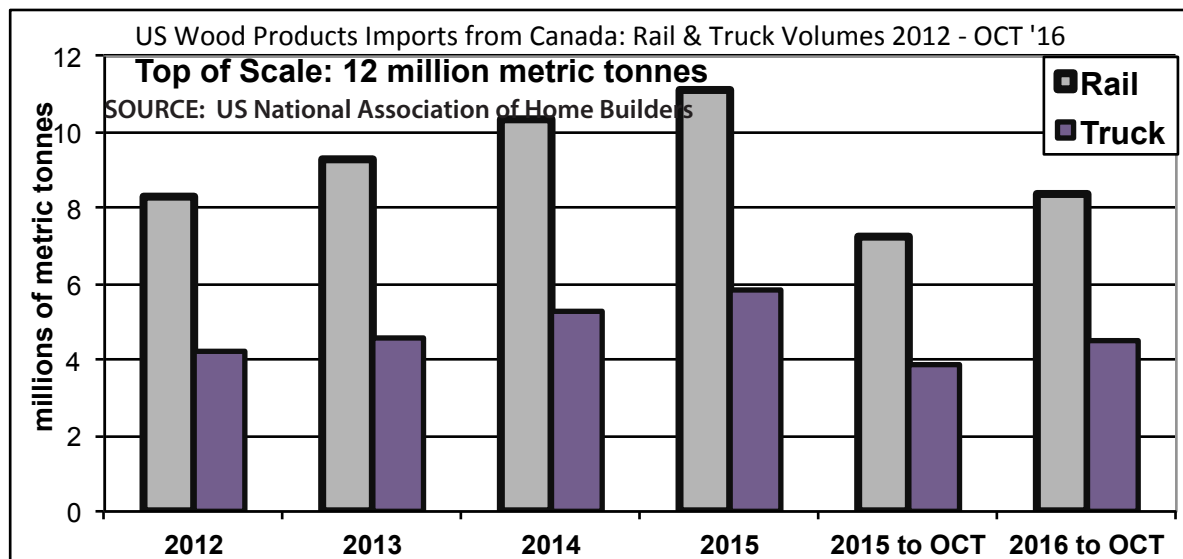
Commodity groups that posted decreases compared with the same week in 2016 included petroleum and petroleum products; forest products, down 5.8 per cent to 9,492 carloads; and chemicals.

Canadian railroads reported 75,862 carloads for the week, up 10.5 per cent, and 60,227 intermodal units, up 3.6 per cent compared with the same week in 2016. For the first two weeks of 2017, Canadian railroads reported cumulative rail traffic volume of 257,169 carloads, containers and trailers, up 1.3 per cent.

“ ” RAIL TRAFFIC PROJECTION

“We remain focused on providing the best possible rail network for our customers and all Americans, and as a result, the freight rail industry will advocate for a simpler and fairer tax code to enhance US economic development, promote growth and reduce debt. Freight railroads will also push for a sustainable funding source that provides for aggressive investment in public infrastructure..”

- Edward R. Hamberger, President and CEO of the Association of American Railroads



US ATA Trucking Index: January 2017

CONT'D FROM PAGE 8

The most recent edition of the **Trucking Conditions Index** issued this week by freight transportation consultancy **FTR** remained in familiar territory, as market conditions appeared to show signs of stabilization at the end of 2016 heading into 2017, said *Logistics Management* Tuesday.

The TCI reflects tightening conditions for hauling capacity and is comprised of various metrics, including capacity, fuel, bankruptcies, cost of capital, and freight.

TRUCKING CONDITIONS INDEX

According to FTR, a TCI reading above zero represents an adequate trucking environment, with readings above ten indicating that volumes, prices, and margin are in a good range for carriers.

For November, the most recent month for which data is available, the TCI was 4.38, which is in line with October's 4.58. FTR observed that the TCI is consistent with the firm's forecasts of steadily improving trucking conditions early into the New Year.

And looking ahead, FTR expects the TCI to hit positive double digits by the end of 2017, citing things like expectations for stronger demand and the electronic logging device mandate expected to tighten capacity.

Truck utilization has improved by 3 percentage points, and the Market Demand Index from Truckstop.com jumped by 40 per cent to end 2016.

MARKET OUTLOOK

Even though the market outlook is showing signs of optimism, the freight environment remains in a pattern of largely flat growth, including a better than expected third quarter GDP estimated approaching 3.5 per cent, decent job growth figures, and signs of increased consumer spending.

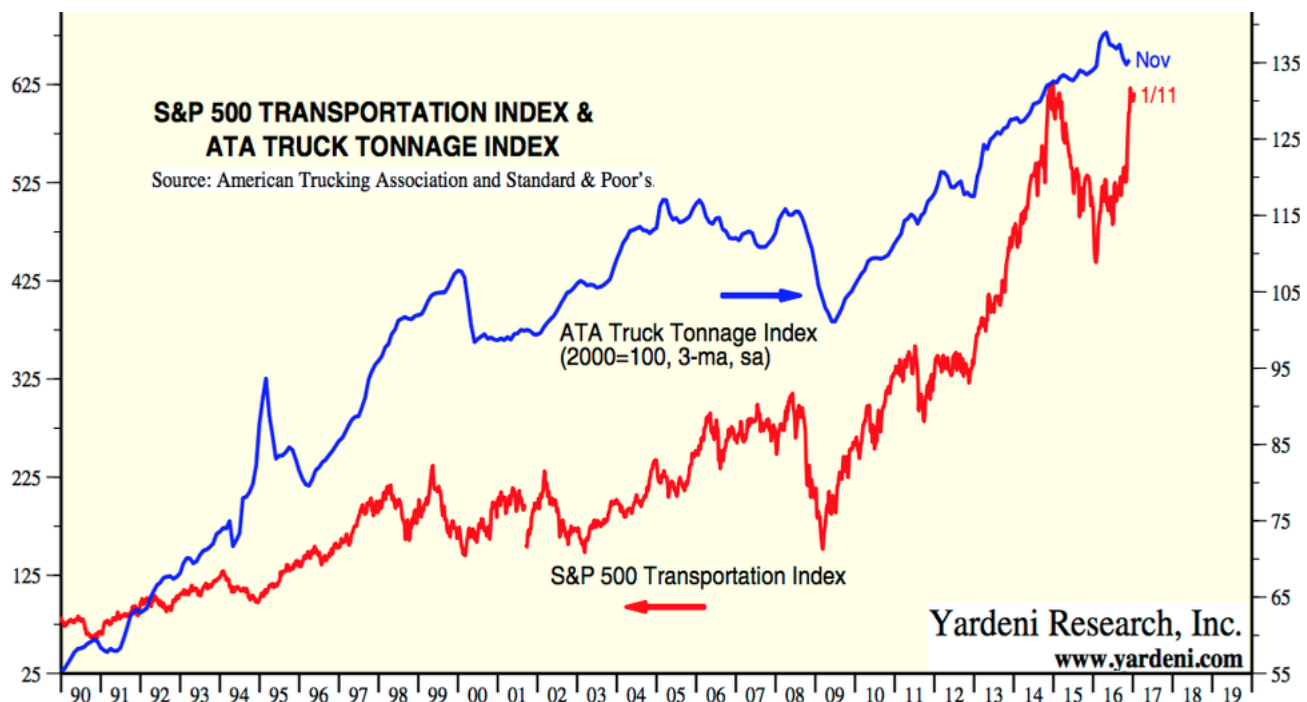
But these alone have not been consistent enough to translate into sustained economic growth, coupled with excess trucking capacity still being hampered by elevated inventories, which have shown signs of heading down recently.

This sentiment was in line with commentary from **American Trucking Associations** Chief Economist Bob Costello who said in December that retail sales are good, the housing market is solid, and the inventory overhang throughout the supply chain is coming down, all of which will help support truck freight volumes in 2017.

Stifel analyst John Larkin said in the LM 2017 Rate Outlook that this year may lead to evidence of the tight supply/demand dynamic flexing its muscles as early as the second quarter volume peak, with truck-load carriers approaching shippers asking for price increases.

MORTGAGE RATES

The **Mortgage Interest Rate Survey** conducted monthly by the **Federal Housing Finance Agency** reported also Tuesday that contract mortgage rates rose in November 2016. Over the month, rates on all loans increased from 3.60 per cent to 3.64 per cent. Contract rates on both purchases of newly built homes and purchases of existing homes climbed during the month. Rates on purchases of newly built homes increased by 5 basis points to 3.59 per cent while the average rate on purchases of existing homes rose by 4 basis points to 3.66 per cent.



US Building Materials Price Index: December 2016

CONT'D FROM PAGE 2

The price of softwood lumber rose by 2.3 per cent in December, while prices paid for ready-mix concrete, gypsum products, and OSB all fell, according to the latest Producer Price Index (PPI) release by the **Bureau of Labor Statistics** January 13. Ready-mix concrete, gypsum products and OSB prices fell by 0.1 per cent, 0.2 per cent, and 1.3 per cent, respectively. The 2.3 per cent increase in the softwood lumber price index is the largest monthly increase since April 2016.

Over the course of 2016, softwood lumber prices rose nearly 8.7 per cent while prices paid for OSB spiked by 13.8 per cent. In November, the cost of ready-mix concrete and gypsum products rose 3.5 per cent and 5 per cent, respectively, on a year-over-year basis.

OSB PRICE INDEX

In contrast to the price of softwood lumber—which has been relatively stable over the last two years—OSB prices have risen almost 30 per cent during the same period. OSB prices levelled off in August 2016, but remain near their two-year high.

PRODUCER PRICE INDEX

The economy-wide PPI increased 0.3 per cent in December, 80 per cent of which was driven by a 0.7 per cent rise in prices paid for goods. Prices for final demand services rose only 0.1 per cent. A 0.3 per cent increase in the final demand prices for core goods (i.e. goods excluding food and energy) continued a positive trend that started with a 0.2 per cent increase in November. Prices for core goods less trade services climbed 0.1 per cent and rose 1.7 per cent in 2016, far outpacing the 0.3 per cent rise seen in 2015.

Sixty per cent of the rise in prices for goods—the fourth straight increase—was due to the increase in prices of final demand energy. Gasoline prices alone (+7.8%) accounted for nearly half of the increase. In contrast, prices of fruit and residential electric power led declines among goods. The increase in prices for final demand services

was led by securities brokerage, investment advice, and related services, which advanced 4.4 per cent.

NONRESIDENT INPUT PRICES

Nonresidential input prices collectively experienced a slightly larger increase, due in part to surging iron and steel prices, rising 0.6 per cent for the month and 2.2 per cent on the year, said the **Associated Builders and Contractors** also January 13. Though a number of input categories have experienced significant increases in prices in recent months, the overall price gains are largely attributable to energy prices. Crude petroleum prices rose 18.9 per cent for the month, natural gas prices rose 23.1 per cent and unprocessed energy materials rose 14.6 per cent. Concrete products and the category that includes prepared asphalt experienced minimal declines in prices in December.

STEADY RISE IN BUILDING MATERIALS PRICES

Other factors have also led to a steady rise in materials prices including an improving global economy. While not accelerating dramatically, global economic growth in 2017 is expected to exceed 2016's performance, with nations like Brazil and Russia no longer mired in deep recessions. US economic growth is also expected to be stronger in 2017, lifting the overall global economic outlook and supporting more bullish commodity markets. Despite recent signs of economic improvement, massive levels of debt and commercial vacancy in much of the world will constrain both worldwide economic growth and global construction.

