

MADISON'S LUMBER REPORTER

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News & Updates

Canada Softwood Lumber CVD and AD Possible Retroactive Dates

Clarification this week on the latest US Commerce Dept announcement from intrepid [US customs broker Mike Jones](#):

CVD Preliminary Determination Postponed - CVD Retroactive Date Jan. 24, 2017 - ADD Feb 3, 2017

"[...] the Commerce's attached January 27th (just last Friday) announcement postponing their CVD Preliminary Determination until April 24th, we can now correct and confirm that US Customs' retroactive CVD collection actions, in the event of a finding of surging and the invoking of Critical Circumstances, can only be assessed against scope confirmed captured materials imported into the US **on or after January 24, 2017**.

Because the ADD Preliminary Determination date is presently scheduled for May 4th, retroactive collection actions, under the same conditions as described above, would only impact the captured materials imported into the US **on or after February 3, 2017**."

Madison's is waiting to hear back from **Global Affairs Canada** and the **BC Ministry of Forests** regarding the implications of these dates.

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Conifex to Restart El Dorado

Conifex Timber, out of Vancouver, BC, Monday announced it is modernizing and will re-start a state-of-the art sawmill complex in El Dorado, AR. The site was formerly owned by Georgia Pacific. Conifex will create approximately 120 new, full-time jobs as a result of its approximate \$80 million commitment to the facility. Arkansas Governor Asa Hutchinson joined the company's leadership and local officials at the announcement in El Dorado.

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Southern Pine Lumber Exports: November 2016

China imported record-high volumes of softwood lumber in 2016 and softwood log imports reached their second highest level on record, according to **Wood Resource Quarterly (WRQ)** Tuesday. Despite relatively pessimistic forecasts for wood demand early in 2016, China's need for imported wood picked up during the summer and fall with import volumes of both logs and lumber being up about 20 per cent in the 4Q/16 as compared to the 4Q/15.

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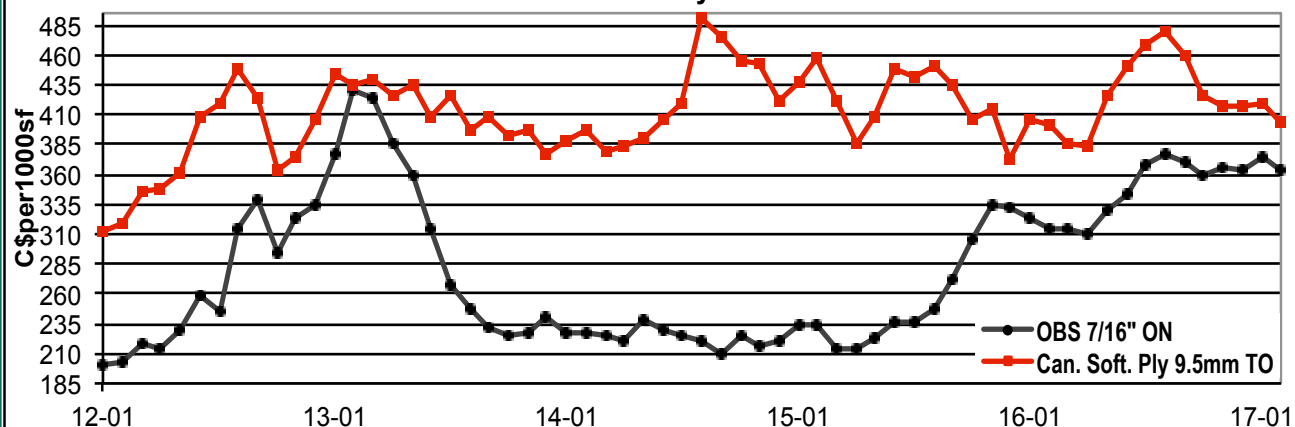
US House Prices, Home Sales: November 2016

US home prices marched steadily higher in November, pushed up by healthy demand for homes and a shrinking supply of available properties. The **Standard & Poor's CoreLogic Case-Shiller 20-city home index**, released Tuesday, rose 5.3 per cent, slightly faster than October's gain of 5.1 per cent

Elsewhere, pending home-sales gauge rises 1.6 per cent from previous month after falling 2.5 per cent the prior month, according to figures released Monday from the **National Association of Realtors**.

CONT'D PAGES 9 and 10

OSB Ontario 7/16" vs Can. Softwood Plywood 9.5mm Toronto 2012-FEB '17



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"I am amazed at the data you've been able to collect in this report and find it all very interesting. I can see this kind of information being especially desired by economists / bankers / the investment community and perhaps Industry CFO's and such for help formulating reports and such."

I like the trend data on capacity / efficiency plus export import ratios."

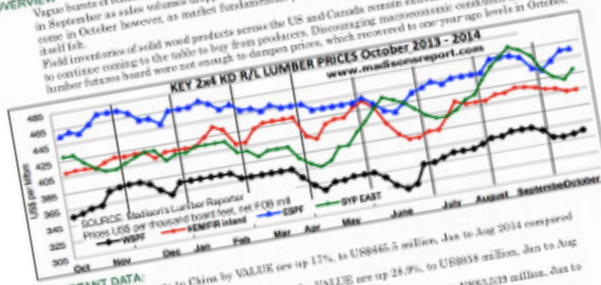
- Michael Low | Scotiabank | Director & Group Lead, Commercial Banking

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- foreshadows spot shortages, overages, and balance of supply with demand
- the latest on North American solid wood and paper companies
- presented in a compact six-page format every quarter

MADISON'S
3Q 2014 North America Timber Industry Analysis and Projection

By Rita Korman, Publisher and Editor, Madison's Lumber Reporter
November 1, 2014



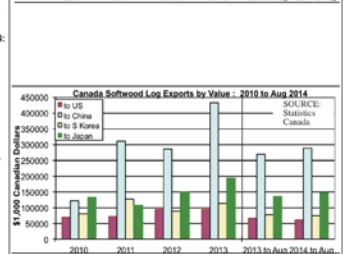
IMPORTANT DATA:
 - US LOG exports to China by VALUE are up 17%, to US\$445.5 million, Jan to Aug 2014 compared to one year ago.
 - US SAWNLOG products exports to China by VALUE are up 24.9%, to US\$658 million, Jan to Aug 2014 over 2013.
 - US SAWNLOG products imports from Canada by VALUE are up 39.2%, to US\$3,519 million, Jan to Aug 2014 compared to 2013.
 - Canadian LUMBER exports to US by VALUE are up 16.7%, to C\$1,795 million, Jan to Aug 2014 over last year.



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Madison's Weekly Softwood Lumber Key Prices Table

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	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	316	316	0	318	-2	255	+61
WSPF KD R/L 2x6	288	288	0	292	-4	255	+33
SYP KD R/L East Side 2x4	455	450	+5	460	-5	396	+60
SYP KD R/L East Side 2x6	325	320	+5	355	-30	285	+40
ESPF KD R/L 2x4	410	400	+10	410	0	355	+55
WSPF KD PET 2x4 Stud	310	285	+25	290	+20	220	+90
WSPF KD PET 2x6 Stud	285	265	+20	265	+20	215	+70
Douglas Fir Green R/L 2x4	352	345	+7	354	-2	300	+52
Douglas Fir Green R/L 2x10	410	395	+15	375	+35	340	+70
ESPF KD 2x4 8ft Stud	370	355	+15	365	+5	290	+80
OSB Ontario 7/16" (CDN\$/msf)	363	358	+5	375	-12	305	+58
CSplywood Toronto 3/8" (CDN\$/msf)	409	393	+16	417	-8	404	+5

Madison's Weekly Softwood Lumber News

Conifex US Sawmill Restart

CONT'D FROM PG 2 Conifex is primarily engaged in the manufacture of structural grade Spruce Pine Fir dimension lumber. The company plans to create a state-of-the-art mill in El Dorado producing 180 million board feet initially. Sawtimber purchases are expected to amount to 700,000 tons per year, or \$30 million, from suppliers within an approximate 60-mile radius.

China Log Imports

CONT'D FROM PG 2 Total importation of logs and lumber (in roundwood equivalents) reached almost 76 million cubic metres in 2016, which was up 17 per cent from 2015, and al-

most 38 per cent higher than five years ago, said **Wood Resource Quarterly**.

Over the past decade, the importation of softwood lumber has grown much faster than that of softwood logs. From 2006 to 2016, lumber imports were up from just over two million cubic metres to over 21 million cubic metres, while log import volumes were up from 20 million cubic metres to 34 million cubic metres during the same period.

From 2015 to 2016, Russia has increased its shipments of lumber to China by over three million to a total of 11.6 million cubic metres.

Import values for lumber to China rose during most of 2016 with average prices in December 2016 being about

six per cent higher than in December 2015. The increases during 2016 came after two years of sharply declining prices.

The lower-cost lumber has consistently been from Russia and Canada, while the cost for lumber from Europe and Chile has been higher than the average prices, which have ranged between US\$160-180/m³ in 2016.

Lumber supply from Finland and Sweden still account for only six per cent of the total lumber imports, the share can be expected to increase in the coming years because of more intense marketing of predominantly higher-quality spruce lumber for the Chinese furniture, millwork and construction industries.

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Calendar

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/ABCFCFPConference/>

Canada - US Softwood Trade Update

CONT'D FROM PAGE 2

Quebec-based **Resolute Forest Products** CEO Richard Garneau said to the *Globe and Mail* Thursday he is confident he can demonstrate to American authorities this month that the region deserves free and unencumbered access to the US market.

The forestry sectors of Ontario and Quebec are modelled after the market-based systems in the US, and that should convince the US Commerce Department that the region doesn't engage in the unfair trade of softwood lumber, Garneau said.

The Montreal company was recently selected by the US Commerce Department – along with BC companies **West Fraser Timber, Canfor, and Tolko Industries** – to provide details on how they operate as part of its investigation into alleged unfair trade.

The producers are required to respond to a questionnaire by the end of the month. A US auditor will then visit the four companies for follow-up.

The US Commerce Department is expected to take the information into account when it decides on the imposition of preliminary duties on Canadian lumber imports this spring.

Duties on the four producers will be based on their responses. Other Canadian producers will be subject to rates that are the average of those polled, said Garneau to *Globe and Mail*.

QUEBEC SEEKS NEGOTIATING SEAT

Still in Quebec, leaders of that province this week announced that province wants a seat at the negotiating table if the North American Free Trade Agreement is reopened, said the *Montreal Gazette* Tuesday.

Quebec Economy Minister Dominique Anglade made it clear on Monday the Philippe Couillard government will demand a place on the negotiating team.

Anglade said Quebec will defend its historic position of protecting supply management in the agricultural sector, an issue that is constantly coming up in the free trade negotiations with all international partners.

POTENTIAL SOFTWOOD LUMBER DUTY IMPACT ON PALLETS

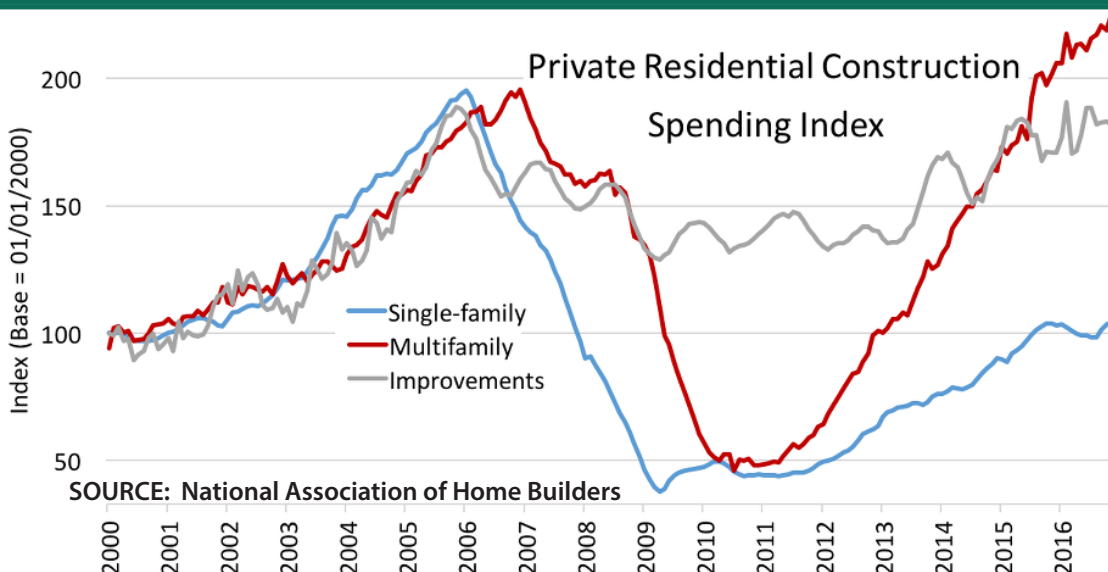
This latest lumber battle covers a wide swath of softwood lumber material, writes Chaille Brindley in *Pallet Enterprise* Wednesday. The petition lists a number of lumber products and categories that previously had exemptions from duties under the North American Trade Agreement (NAFTA). These exemptions had allowed the free flow of those products and materials from Canada without duties or quotas in the past.

Unassembled pallets (pallet kits) and notched stringers are included in the expanded scope of the U.S. petition, and the DOC has decided to go ahead with the full scope of the petition in its investigation phase. The DOC might decide to limit the scope of any trade action if it finds that duties are warranted.

Some pallet companies are trying to switch customers to hardwood, says Brindley. Others are looking to softwood from the United States. What is clear is that any decision to impose duties would have significant market impacts.

Although the Canadian government will likely challenge in international courts any duty assessed, they would still have to put up the money ahead of time as bond, which would amount to a significant price increase for Canadian material.

This could be good news for the U.S. hardwood sector, which has lost some market share for pallets to softwood. And it also is positive for pallet rental companies, which have existing pools and longstanding contracts for its lumber sourcing. Also, domestic pallet producers with their own sawing capacity may benefit if they have lower cost sources of logs and don't need Canadian material, according to *Pallet Enterprise*.



US House Prices, Home Sales: November 2016

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The **Case-Shiller** index covers roughly half of US homes. The index measures prices compared with those in January 2000 and creates a three-month moving average. The November figures are the latest available.

Svenja Gudell, chief economist at housing data provider **Zillow**, said some relief from higher prices may be on the horizon. Rising mortgage rates and a levelling off of rents in many cities could cool demand for homes in the coming months, potentially slowing price gains.

The flattening of rents could also encourage developers to build more single-family homes rather than apartment buildings, which would provide more choices to potential buyers.

NEW AND USED HOME SALES, US

Sales of both new and existing homes slipped in December after posting solid gains in November, said the *Missoulan* Tuesday. But the number of Americans signing contracts to buy homes climbed last month, a sign that sales may soon increase. A signed contract is usually followed a month or two later by a closed sale.

Steady job growth and modest wage gains have helped fuel a rebound in home sales and prices following the housing bust that began in late 2006. Home prices nationwide began to rebound in 2012 and by some measures fully recovered to their pre-recession levels in September.

Low mortgage rates have been critical to the recovery. The average 30-year fixed mortgage fell below 4.5 per cent in 2011 and averaged just 3.65 per cent for all of last year. They have risen since the election as investors have pushed up interest rates on expectations of faster growth.

The 30-year fixed averaged 4.19 per cent last week, mortgage buyer Freddie Mac said, up from 4.09 per cent the week before.

PENDING HOME SALES

- Pending home-sales gauge rises 1.6 per cent from previous month after falling 2.5 per cent the prior month
- Index dropped 2 per cent from December 2015 on an unadjusted basis
- Pending sales increased in two of four US regions from November
- Signings rose 2.4 per cent in the South, the biggest increase since April, while the 5 per cent jump in the West was a three-month high; index fell 1.6 per cent in the Northeast and 0.8 per cent in the Midwest
- National Association of Realtors projects existing-home sales to rise 1.7 per cent in 2017, with median price up 4 per cent
- December's seasonally adjusted pending-sales gauge rose 0.3 per cent from a year earlier.

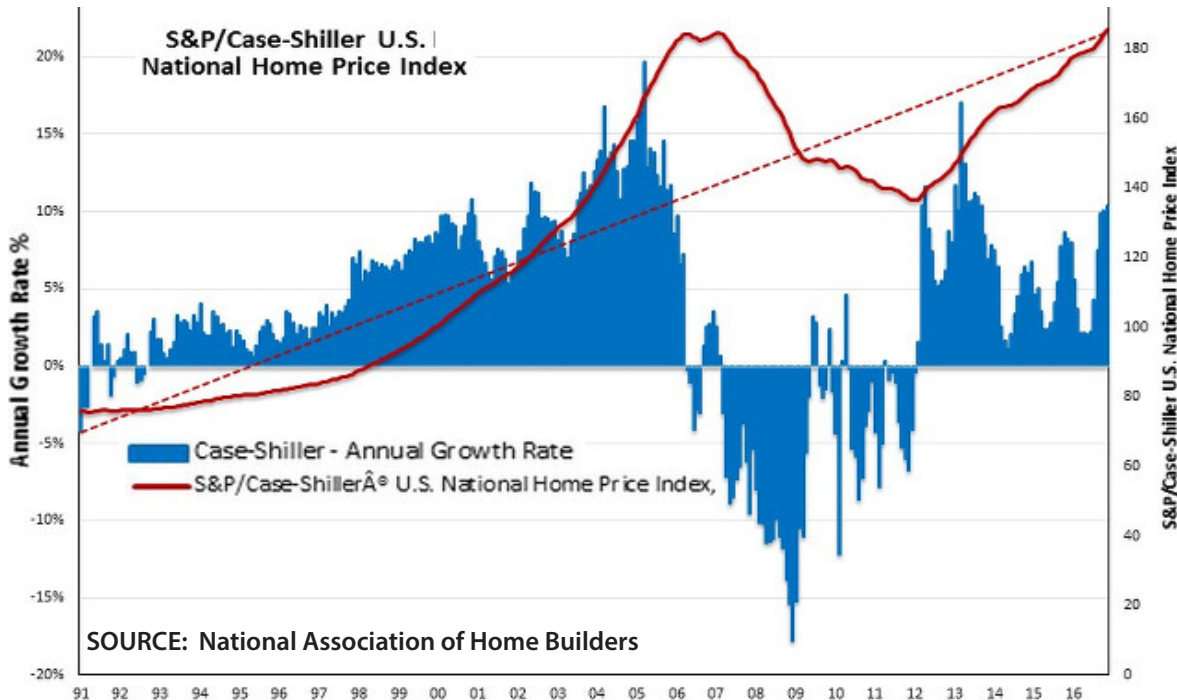
HOUSE PRICES

Home prices climbed strongly in November, as price growth showed no signs of slowing even after mortgage rates began to tick up during the month.

The S&P CoreLogic Case-Shiller Indices, covering the entire nation rose 5.6 per cent in the 12 months ended in November, up slightly from the revised 5.5 per cent year-over-year increase reported in October.

The 10-city index gained 4.5 per cent over the year, up from 4.3 per cent in October and the 20-city index gained 5.3 per cent year-over-year, up from a 5.1 per cent increase in October.

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US House Prices: November 2016

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Home prices set a record in September and have continued climbing by more than 5 per cent year-over-year since then.

The volume of sales has cooled in recent months, as rising mortgage rates have collided with higher prices and a shortage of inventory. Purchases of previously owned homes slid 2.8% in December from a month earlier, the **National Association of Realtors** said last Tuesday. US new home sales dropped by 10.4 per cent in December, the Commerce Department said Thursday.

Month-over-month prices in the US Index rose 0.2 per cent in November before seasonal adjustment, while the 10-city and the 20-city index also increased 0.2 per cent from October to November.

After seasonal adjustment, the national index rose 0.8 per cent month-over-month, while both the 10-city and 20-city index rose 0.9 per cent month-over month.

All 20 cities in the report registered an increase in home prices for the third consecutive month, according to Rob Martin, an analyst at **Barclays**, said *Wall Street Journal* Tuesday.

MORTGAGE RATES

Average rates for 30-year fixed mortgages rose from roughly 3.5 per cent around Election Day to 4.32 per cent at the end of December, according to mortgage company Freddie Mac. In the past week they averaged 4.19 per cent, **Freddie Mac** said Thursday.

Higher mortgage rates tend to put a damper on price growth because they drive up the monthly cost of a mortgage. That combined with the fact that prices have risen faster than incomes could pose challenges to the market this year.

Cooling rent growth also could put downward pressure on home prices as purchases begin to look less attractive than renting. Developers, meanwhile, could shift more to single-family building, easing supply pressures.

US HOUSING STARTS FORECAST

For the past five years, homebuilding markets have been striving to regain equilibrium. Over the forecast period, there is still plenty of room for catching up, according to economist Alex Carrick in *Daily Commerical News* Thursday.

Single-family starts are expected to increase from just over 780,000 units in 2016 to nearly 1.1 million in 2021. The gain over the total five-year period will be +40 per cent.

Multi-family housing demand has traditionally been strongest when the economy is weakest and jobs are scarce. During such times, the need for rental housing becomes more critical.

Multi-family starts began roaring back in 2011. In 2015, they exceeded their previous peak, although they still fell short of their levels achieved in the early 1970s and mid-1980s. Multi-family starts are expected to continue climbing, but only gradually, out to 2021. They will experience a five-year increase of +15 per cent as they move from 386,000 units last year to 445,000 units at the end of the forecast period.

The addition of the single-family and multi-family numbers yields total starts that will step up from a little less than 1.2 million units in 2016 to a bit more than 1.5 million units in 2021, +32 per cent.

