

# MADISON'S LUMBER REPORTER

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## News & Updates

### Canada Sawmill Production: November 2016

Lumber production by sawmills rose 1.7 per cent from October to 6,019 thousand cubic metres in November, said Statistics Canada February 2. Production was up 7.8 per cent compared with November 2015.

Sawmills shipped 5,944 thousand cubic metres of lumber in November, up 1.3 per cent from October. Shipments were 8.6 per cent higher compared with November 2015.

### More Canada - US Softwood Lumber Trade Updates

New movements by the Canadian and US governments, as well as provincially in Quebec and British Columbia on softwood lumber trade between Canada and the US.

CONT'D PAGE 6

### WorkSafe BC Fines Sawmill

The owners of a sawmill and a pulp mill in Mackenzie were each fined \$75,000, according to an online posting at WorkSafeBC's website, said the *Prince George Citizen* Thursday.

Canadian Forest Products (Canfor) was levied the amount in September after officials notice on two separate occasions, maintenance being performed on machinery without ensuring it was locked out.

CONT'D PAGE 7

### Ontario Joins Call for Lumber Loans

The Ministry of Natural Resources and Forestry is lobbying the federal government for a loan guarantee program to help protect Canadian softwood lumber producers.

CONT'D PAGE 7

### BC Softwood Lumber Exports: 2016

The latest data released by BC Stats shows British Columbia softwood lumber export volumes and values continue to improve.

CONT'D PAGE 8

### North America Lumber Production: November 2016

The Western Wood Products Association's monthly Lumber Track shows steady improvement in Canadian and US sawmill capacity utilization rates and softwood lumber production volumes.

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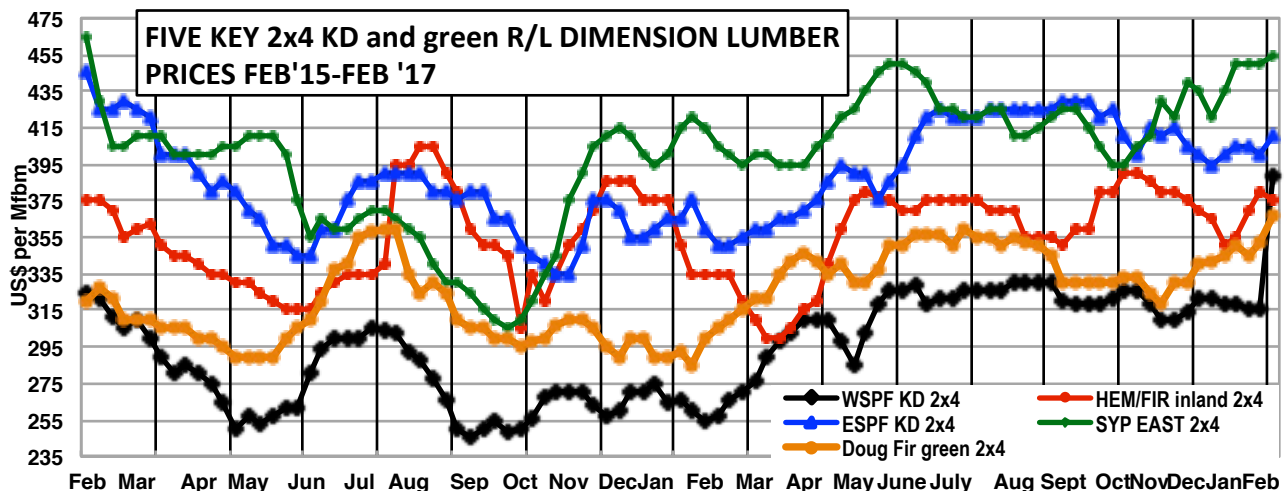
### Dimension Lumber Price Increases: February 2017

Recent drastic changes in specialty cedar and standard construction framing dimension lumber prices has prompted *Madison's* to fire up the the wayback machine.

Construction Framing Dimension Softwood Lumber Prices Jumped 15 – 20 per cent Week of February 10, 2017.

Price comparisons of current benchmark Western Spruce Pine Fir KD 2x4 #2&Btr, as well as ESPF and Southern Yellow Pine to 2002 show levels are still rather low compared to longer term historical trends.

CONT'D PAGE 10



## Canada - US Softwood Trade Update

CONT'D FROM PAGE 2

British Columbia Premier Christy Clark is set to announce a BC envoy to Washington, DC, charged with making a case for British Columbia's softwood lumber industry in hopes of reaching a new trade agreement with the US, according to the *Vancouver Sun* Tuesday.

### BC TO APPOINT SPECIAL LUMBER ENVOY

Clark said there were plans for BC officials to meet with Canadian Ambassador David MacNaughton, to get a better sense of how to present their case on Washington.

"There isn't a strong sense yet of where ... the Americans want to go on it — so he's going to be coming up and meeting with our cabinet in the next week or so and we'll be spending as much time as we need to with him to understand broadly what's happening down south," said Clark.

Clark did not name the envoy Tuesday but did say she had been speaking with former prime minister Brian Mulroney for guidance on the issue. It was during Mulroney's time in office that the free trade agreement between Canada and the US was introduced.

### NORTH AMERICAN FREE TRADE AGREEMENT

The process for making big changes to NAFTA has started, according to *The Economist* Thursday. On February 3rd the Mexican government began a 90-day consultation with businesses on what its negotiating position should be. Wilbur Ross, who will lead the American negotiators after the Senate confirms him as commerce secretary, says NAFTA is "logically the first thing for us to deal with". Notification to Congress, which must happen 90 days before talks can start, could come soon.

Mr Ross's language is less alarming than that of his soon-to-be boss, *The Economist* said. Yet he may do no more than put a friendlier face on Mr Trump's protectionism. A billionaire investor in old-technology companies that benefit from protection, Mr Ross is no free trader. According to a report by the *Globe and Mail*, a Canadian newspaper, he has identified two priorities for NAFTA renegotiation: the dispute-settlement process and "rules of origin". These rules put a ceiling on the value of inputs that an exporter to another NAFTA country can buy from outside the area. Both ideas are contentious.

The United States has long grumbled about the independent NAFTA panel that rules on anti-dumping duties, which a country imposes when it thinks that its trading partner is competing unfairly. It has ruled, for example, that duties on softwood lumber from Canada are a violation of American law. Mr Ross is likely to demand changes that weaken the panel.

One of the trade agreement's original negotiators and most ardent champions of NAFTA says the deal is out of date and needs to be brought into the 21st century, according to *The Star* February 1.

Mickey Kantor was the negotiator brought in by Bill Clinton to finalize the deal in 1993, when the then-rookie president promised to add side agreements on labour and the environment and appointed Kantor as his first US trade czar.

He remains a huge booster of the pact — he says it has promoted economic growth in all three signatory countries, in addition to encouraging more harmonious relations between neighbours.

Kantor said he would advise a Trump administration to make that among its top priorities. Indeed, Trump has promised to renegotiate or scrap the treaty, which has caused some anxiety among U.S. neighbours who send the overwhelming majority of their exports to the U.S.

Both Canada and Mexico have responded to the election result by saying they'd be willing to sit down for a discussion, prompting more debate about whether they've weakened their negotiating position with Trump.

A third former U.S. trade representative, Robert Zoellick, has suggested inviting the United Kingdom into NAFTA — especially as that country seeks new trade relationships in light of its vote to leave the European Union.

There are pros and cons to talk of reopening NAFTA, said Canadian trade lawyer Mark Warner.

A more modern trade deal could indeed produce better standards for labour, the environment, state-owned enterprises, fighting corruption and resolving disputes, as adjusted in more recent agreements, Warner said.

It would also allow Canada to revisit the energy rule that forces it to sell a certain amount of oil to the U.S., potentially limiting its options with market diversification. In addition, he said Canada could seek more beneficial rules on government procurement and worker mobility.

### BC SOFTWOOD LUMBER LOBBYING

The BC Lumber Trade Council and provincial government said Monday they will try to convince American consumers, politicians and lumber buyers that an equitable softwood lumber deal is needed to avoid the damage that will result from import restrictions into the U.S. and higher prices, according to *Canadian Press*.

Susan Yurkovich, the president of the council, and B.C. Forests Minister Steve Thomson said no budget has been set for the lobbying effort, though they expect fees covering legal, consulting and advertising costs will add up.

### QUEBEC CONCERS

Concerns about layoffs in the forestry sector, an important economic driver in Quebec, prompted Premier Philippe Couillard to commit to providing loan guarantees to help producers pay duties if the federal government doesn't, said *Canadian Press*.

# 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	388	316	+72	318	+70	257	+131
WSPF KD R/L 2x6	382	288	+94	292	+90	257	+125
SYP KD R/L East Side 2x4	470	455	+15	455	+15	400	+70
SYP KD R/L East Side 2x6	340	325	+15	335	+5	295	+45
ESPF KD R/L 2x4	450	410	+40	410	+40	360	+90
WSPF KD PET 2x4 Stud	325	310	+14	285	+40	230	+95
WSPF KD PET 2x6 Stud	290	285	+5	265	+25	215	+75
Douglas Fir Green R/L 2x4	367	352	+15	350	+17	305	+62
Douglas Fir Green R/L 2x10	435	410	+25	385	+50	355	+80
ESPF KD 2x4 8ft Stud	375	370	+45	365	+50	295	+120
OSB Ontario 7/16" (CDN\$/msf)	375	355	+20	375	0	305	+70
CSplywood Toronto 3/8" (CDN\$/msf)	430	409	+21	420	+10	406	+24

## Madison's Weekly Softwood Lumber News

### Canfor WorkSafeBC Fines

CONT'D FROM PG 2 In both cases, WorkSafeBC said the workers were following the firm's written procedures for removing lumber trapped within machinery, but these procedures did not meet lockout requirements.

In addition, the central control mechanisms for the machinery were located out of the line of sight for workers required to clear lumber jams, a routine occurrence at this mill, according to the agency.

In July, Mackenzie Pulp Mill Corporation was fined after a worker crossing a pulp bale conveyer deck at this firm's mill was seriously injured when a co-worker inadvertently started the conveyer.

### Softwood Lumber Loans

CONT'D FROM PG 2 In a letter to federal Minister of Natural Resources Jim Carr, released on February 10, Kathryn McGarry, Ontario's minister for natural resource and forestry, said she anticipates countervailing and anti-dumping duties will be levied by the U.S. against Canadian softwood lumber producers, according to *Northern Ontario Business* Wednesday.

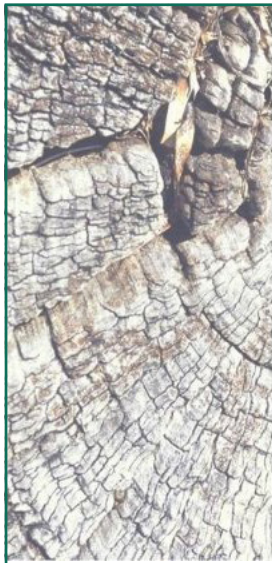
The province wants to see a federal loan guarantee program that would "help support the industry confidence and hundreds of communities during a time of uncertainty," McGarry writes, noting that this would allow for more equitable treatment among all producers, rather than provincially based programs.

Concerns about layoffs in the forestry sector, an important economic driver in Quebec, prompted Premier Philippe Couillard to commit to providing loan guarantees to help producers pay duties if Ottawa doesn't.

Canadian softwood producers were forced to pay about \$5 billion worth of duties during the last round of trade negotiations with the US.

McGarry said Canadian producers could be paying duties by May.

The province wants to see a federal loan guarantee program that would "help support the industry confidence and hundreds of communities during a time of uncertainty," McGarry writes, noting that this would allow for more equitable treatment among all producers, rather than provincially based programs.



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### Calendar

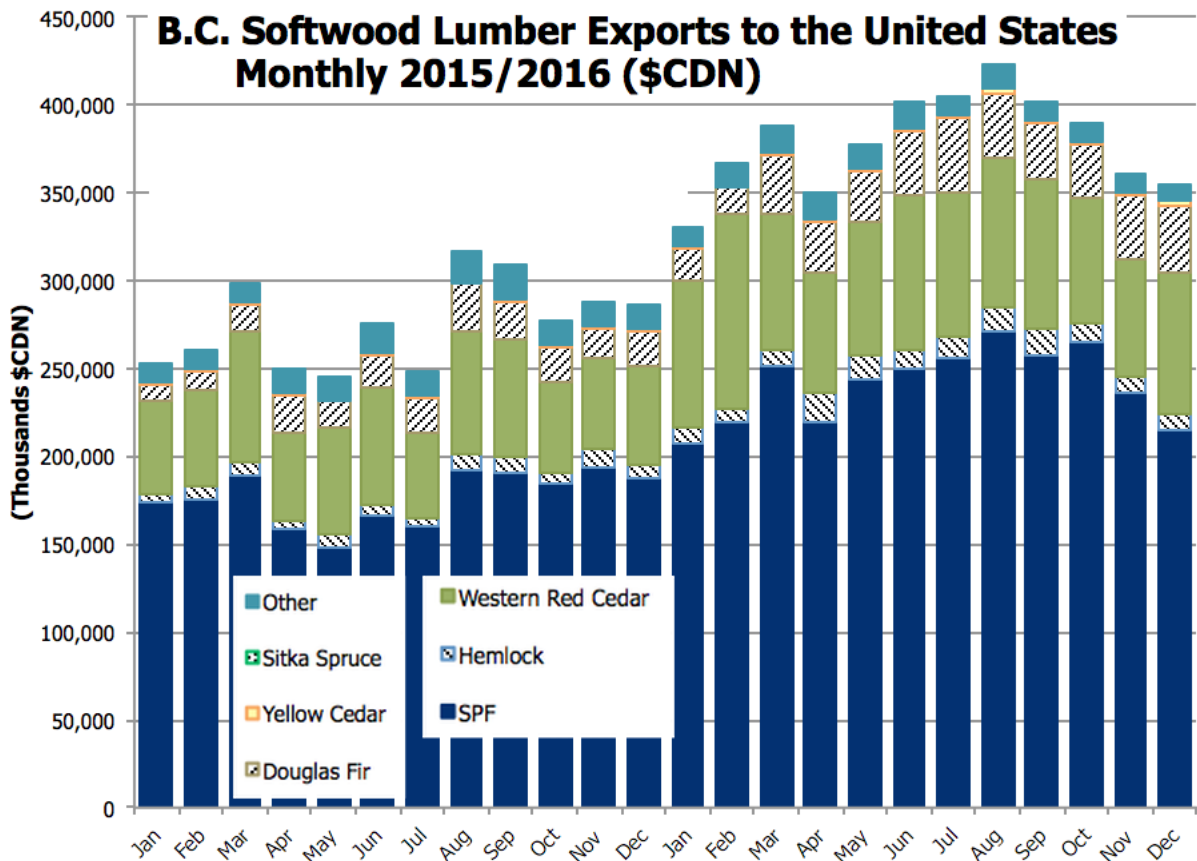
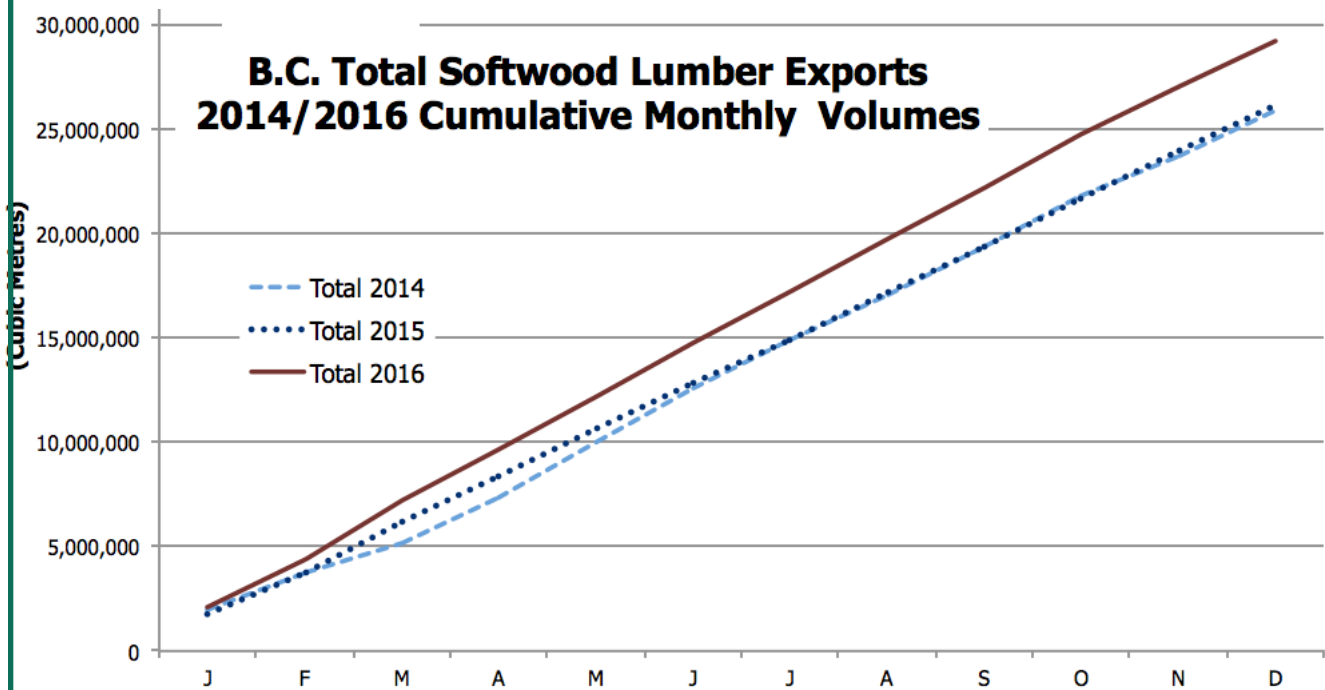
February 2017

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/ABCFCConference/>

## British Columbia Lumber Exports: 2016

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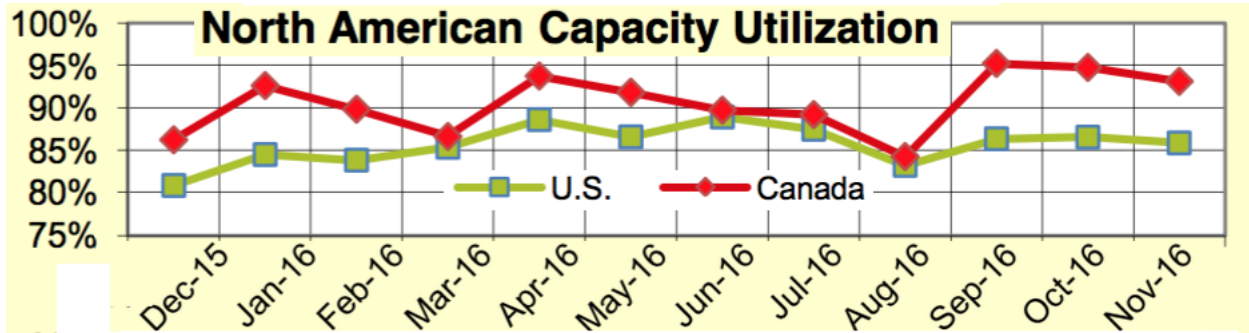
This week **BC Stats** released the latest data on British Columbia softwood lumber exports to main customer countries like USA, Japan, and China as well as world totals:



# North America Lumber Production, Sawmill Capacity: November 2016

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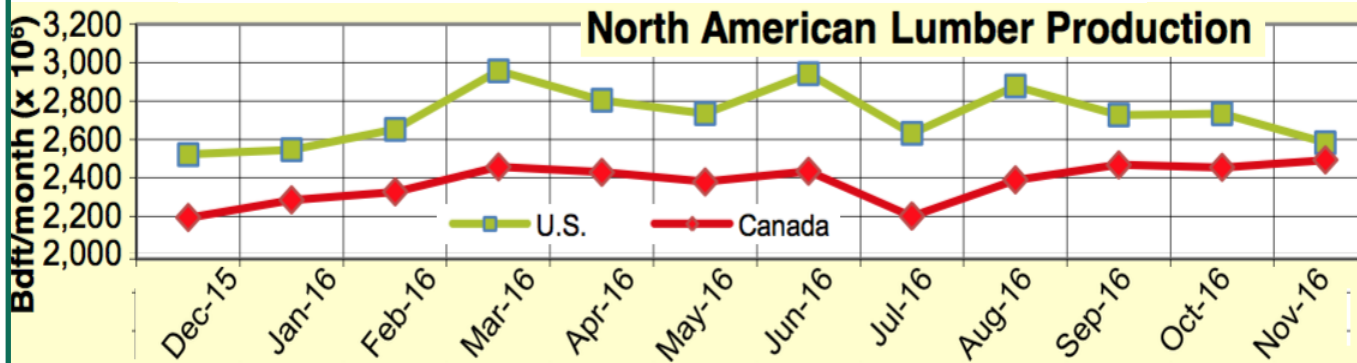
The **Western Wood Products Association's** latest issue of the monthly *Lumber Track*, released this week, shows Canadian and US lumber production volumes and sawmill capacity utilization rates continuing to improve:



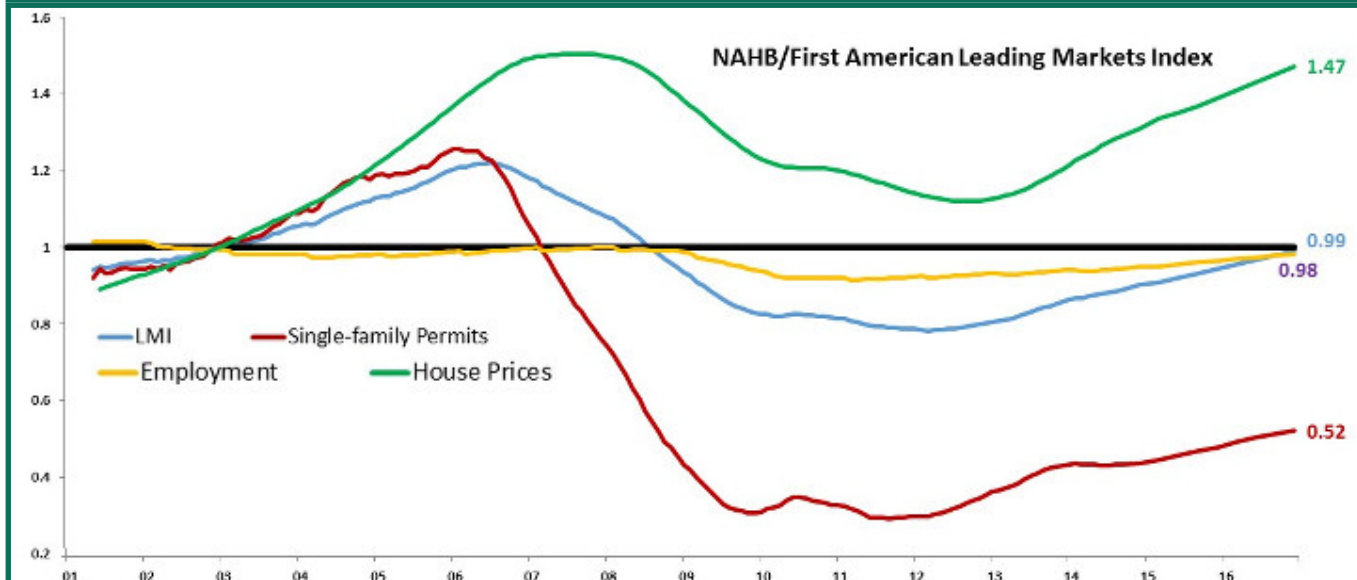
Sources: FEA, LLC: *Softwood Sawmills in the United States and Canada*, WWPA

## Production as Percent of Practical Capacity

	Full Year	11 months YTD				
	2015	2016	2015	Nov-16	Oct-16	Nov-15
West	78%	83%	78%	85%	84%	81%
South	89%	90%	89%	88%	89%	83%
Total U.S.	83%	86%	83%	86%	87%	82%
British Columbia	88%	91%	88%	88%	92%	89%
East of the Rockies	85%	90%	85%	98%	97%	92%
Total Canada	86%	91%	86%	93%	95%	90%



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



## Softwood Lumber Prices Jump 15% – 20% Week of Feb 10, 2017

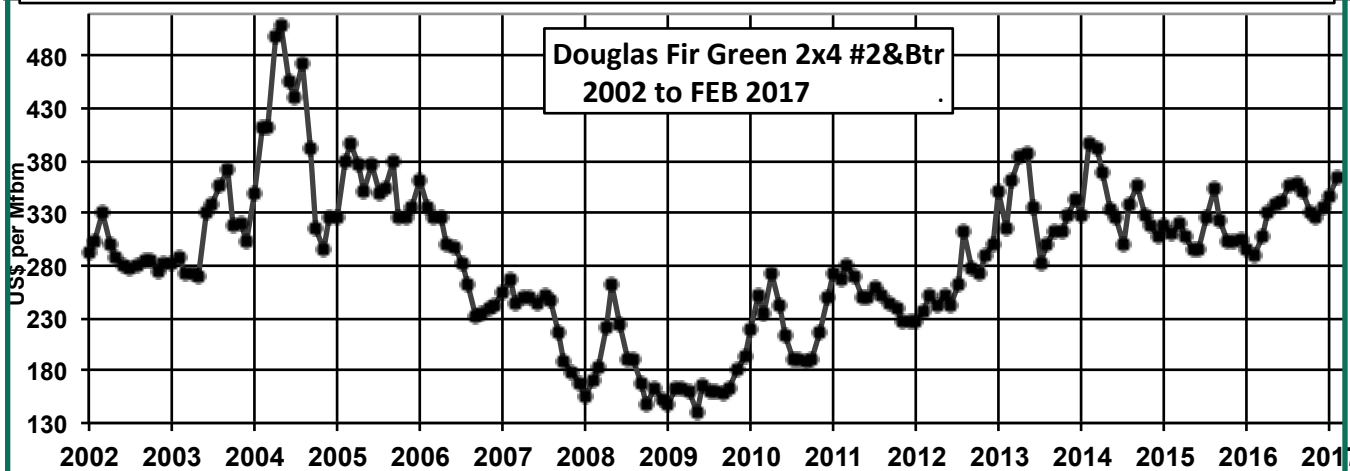
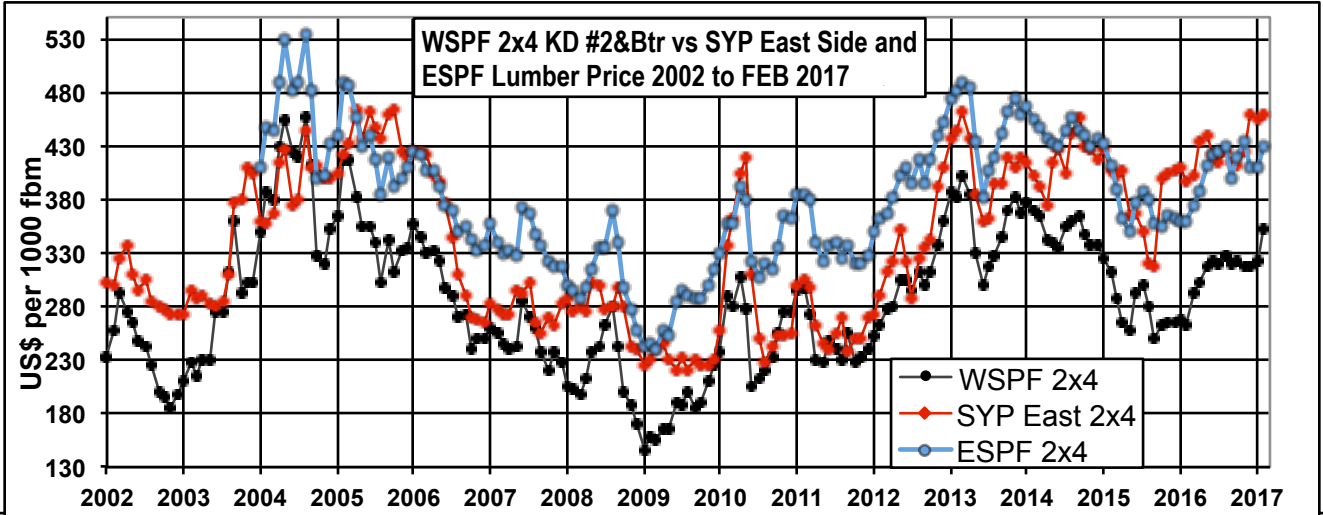
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**Benchmark dimension lumber commodity Western Spruce Pine Fir KD 2x4 #2&Btr** up US\$72 ( 19% ) to US\$388 mfbm compared to one year ago:

**Eastern Spruce Pine Fir KD 2x4 #2&Btr** up US\$24 ( 9% ) to US\$450 mfbm compared to one year ago.

**Southern Yellow Pine KD 2x4 #2&Btr** up US\$20 ( 4% ) to US\$470 mfbm compared to one year ago.

**Douglas Fir green 2x4 #2&Btr** up US\$15 ( 4% ) to US\$367 mfbm compared to one year ago.



**Oriented Strand Board 7/16" Ontario** up C\$20 ( 5% ) to C\$375 msf compared to one year ago.

**Canadian Softwood Plywood 9.5mm Toronto** up C\$21 ( 5% ) to C\$430 mfbm compared to one year ago.

