

# MADISON'S LUMBER REPORTER

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## News & Updates

### North America Full-Year '16 Lumber Production: WWPA

The latest issue of 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.

Softwood lumber production by US sawmills reached 32.772 billion board feet (bbf) in full year 2016, a gain of 3.4 per cent from 31.643 bbf in the same period the previous year, Portland, OR's, according to *Lumber Track*.

Canadian sawmills produced 28.335 billion board feet of softwood lumber last year, a gain of 6.2 per cent from 26.687 bbf in 2015.

US sawmill production as per cent of practical capacity for full year 2016 was 86 per cent, compared to 83 per cent in the same period last year.

Canadian sawmills production as per cent of practical capacity in 2016 was 90 per cent, compared to 86 per cent in the same period last year. **CONT'D PAGE 6**

### China Log Imports: Full Year 2016

China imported 48.7 million cubic meters of logs during 2016. This represents a 9.33 per cent increase over 2015, an increase of 415.7 million cubic meters, said *IHB Monday*. Softwood logs accounted for 336,656 million cubic meters, or 59 per cent of the total log imports. Hardwood logs were 30.9 per cent of the total imports, at a volume of 155,961 million cubic meters. **CONT'D PAGE 7**

### Japan Housing Starts: January 2017

Housing starts in Japan were 76,491 unit, a 12.8 per cent improvement over January 2015 and a 2.4 per cent drop over December, said the *Japan Lumber Reports Friday*. **CONT'D PAGE 7**

### New JAS Standards: Japan

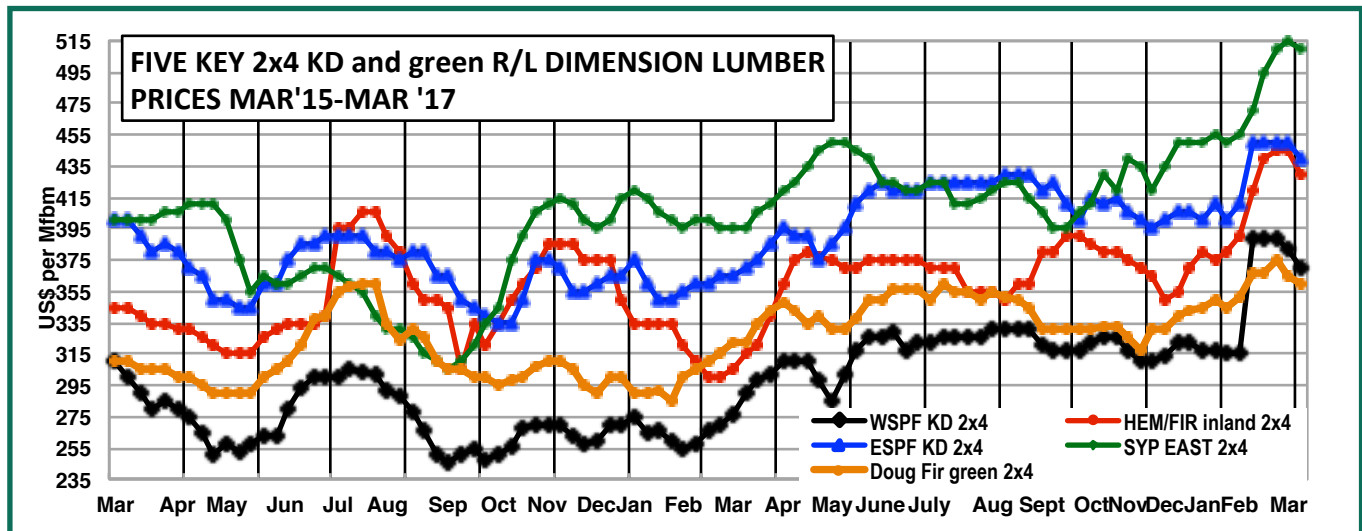
The Japan Agricultural Standard (JAS) is being revised with the purpose of promoting the export of Japanese agricultural and marine products, according to *Japan Lumber Reports Friday*. **CONT'D PAGE 7**

### Construction Employment, US: February 2017

The US economy added 298,000 private, non-farm jobs in February, according to the monthly employment report released this morning by payroll-management firm **ADP** and its partner **Moody's Analytics** Wednesday. The seasonally adjusted result is a 14 per cent increase from January's upwardly revised 261,000 jobs, and 16 per cent higher than the previous February, when 255,000 jobs were created. **CONT'D PAGE 8**

### Canada Trade Update

Canada kicked off 2017 with a third-straight monthly trade surplus that saw exports reach a record high. **Statistics Canada** said Tuesday the country's merchandise trade balance with the world widened to \$807 million in January. **CONT'D PAGES 9 AND 10**

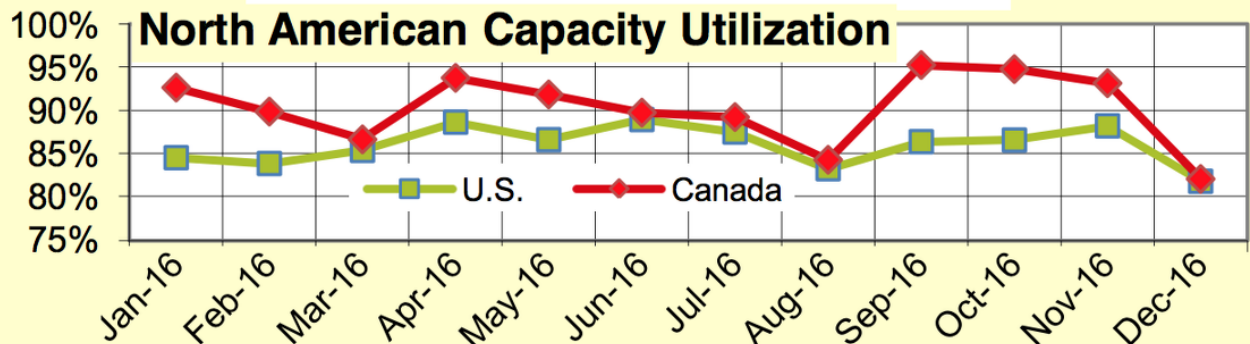


## Canada and US Lumber Production, Sawmill Capacity: Full Year 2016

CONT'D FROM PAGE 2

### WESTERN WOOD PRODUCTS ASSOCIATION: LUMBER TRACK

US softwood lumber consumption was 48.341 bbf in 2016, a 9.7 per cent increase from 44.082 bbf in the year before.

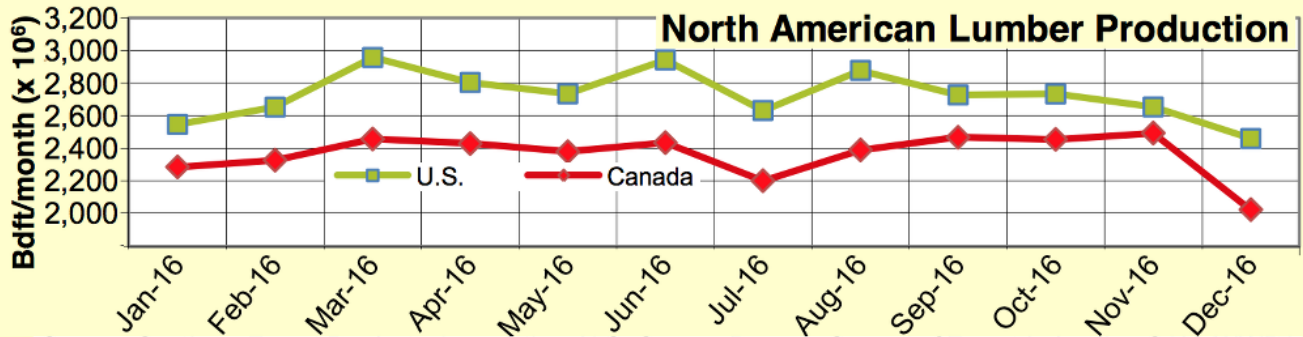


Sources: FEA, LLC: Softwood Sawmills in the United States and Canada, WWPA

### PRODUCTION AS PERCENT OF PRACTICAL CAPACITY

US sawmill production as per cent of practical capacity for full year 2016 was 86 per cent, compared to 83 per cent in the same period last year.

Canadian sawmills production as per cent of practical capacity in 2016 was 90 per cent, compared to 86 per cent in the same period last year.



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

### Japan Housing Starts: January 2017

#### January starts

	January	'17/'16
Total	76,491	112.8
Owners' units	20,228	99.8
Rental units	31,684	112.0
Units built for sale	24,061	127.3
(condominiums)	(13,098)	(156.2)
Wood based units	39,079	104.2
Prefabricated	11,396	95.9
2x4	8,308	104.0

SOURCE: Japan Lumber Reports

### 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/ABCFPConference/>



	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	370	382	-12	388	-18	257	+113
WSPF KD R/L 2x6	362	276	-14	282	-20	257	+105
SYP KD R/L East Side 2x4	510	515	-5	470	+40	400	+110
SYP KD R/L East Side 2x6	390	390	0	340	+50	295	+95
ESPF KD R/L 2x4	440	450	-10	540	-100	360	+80
WSPF KD PET 2x4 Stud	340	352	-12	325	+15	230	+110
WSPF KD PET 2x6 Stud	325	320	+5	290	+35	215	+110
Douglas Fir Green R/L 2x4	365	375	-10	367	-2	305	+60
Douglas Fir Green R/L 2x10	460	465	-5	435	+25	355	+105
ESPF KD 2x4 8ft Stud	415	425	-10	375	+40	295	+120
OSB Ontario 7/16" (CDN\$/msf)	390	390	0	375	+15	305	+85
CSplywood Toronto 3/8" (CDN\$/msf)	445	442	+3	430	+15	406	+39

## Madison's Weekly Softwood Lumber News

### China Log Imports: 2016

CONT'D FROM PG 2 China's log imports increased due to the growth of international log market transactions, according to IHB Monday.

In 2016, New Zealand increased its logs exports by 11.7 per cent, and amounted to 120,304 million cubic meters, out of which 24.7 per cent went to China. Russia also increased its log exports by 5.1 per cent, as compared to the previous year and amounted to a volume of 11,156,200 cubic meters, accounting for 22.9 per cent China's log imports.

The US exported 28.6 per cent more logs in 2016, out of which 10.9 per cent went to China. At the same time, Papua New Guinea made up for 6.7 per cent of China's log imports while it also increased the country's exports volume by 2.5 per cent.

Canada exported 28,421 million cubic meters in 2016, 20.3 per cent more than in the previous year, out of which 5.8 per cent went to China.

Imports from Australia increased by 28.2 per cent, to 3,361 million cubic meters, while the log imports from Equatorial Guinea 1.08 million cubic meters, went up by 63.6 per cent.

### Housing Starts, Japan

CONT'D FROM PG 2 Seasonally-adjusted annual starts in Japan were 1 million units for January 2017, said the *Japan Lumber Reports* Friday.

Last year that figure was 887,000 units.

New units built for owners dropped by 3,500 units in January from December. The building of new rental units increased by 12 per cent from January 2016, at 31, 684 units.

New units built for sale improved by 4,000 over December, to 24, 061 units for January 2017. Of those, starts of new condominiums climbed 56 per cent over January 2016 and 57 per cent from December, to 13,098 units said the *Reports*.

### New JAS Standards

CONT'D FROM PG 2 Until now, JAS rules applied only to the quality of products, explains the Japan Lumber Reports Friday. After the code revision, there will be partial standards on manufacturing, method of measurement, and analysis.

For the new wood manufacturing standard, there will be standardization of drying, fire proofing, and anti-fungus techniques to differentiate those value-added products from other products.

Regarding measuring and analysis standards, new objective visual standards about the lustre of wood, number of dead knots, and size of large knots would create a method of appealing the beauty of solid wood by JAS.

### Sawmill Fires

More than 30 firefighters were needed to bring a sawmill fire in the Shuswap under control, said *Global News BC* Thursday morning.

The blaze at Elite Forest Products in Malakwa, BC, was called in just before 6 am. Fast moving flames destroyed the sawmill operation and about half of the buildings at the site.

Malakwa fire chief Joanne Held said the level of devastation may never let investigators understand what caused the blaze.

The mill was closed for the winter, but production was supposed to resume Friday. Held said the mill manager is staying on site overnight into Friday to ensure the fire doesn't reignite.

The mill's planer was saved.

Also Thursday, *WANE-TV* reported that an Indiana lumberyard on its fifth generation of ownership was destroyed by fire Wednesday.

Yarnelle Lumber Company of Wabash, ID, was completely lost to the blaze.

Jill Yarnelle, wife of current owner Ken Yarnelle, said that the her husband heard a buzzing sound coming from a fuse box when the fire was discovered. Within an hour the downtown Wabash building was fully engulfed.

Fire chief Barry Stroup told reporters on the scene that strong winds propelled the fire to spread quickly. A YMCA next door was evacuated before it also sustained damage.

The Indiana Historical Society reports that Yarnelle Lumber Company was founded in 1864.

Jill Yarnelle said, "Well they're already talking about getting a bulldozer and pushing it all in."

## Construction Employment, US

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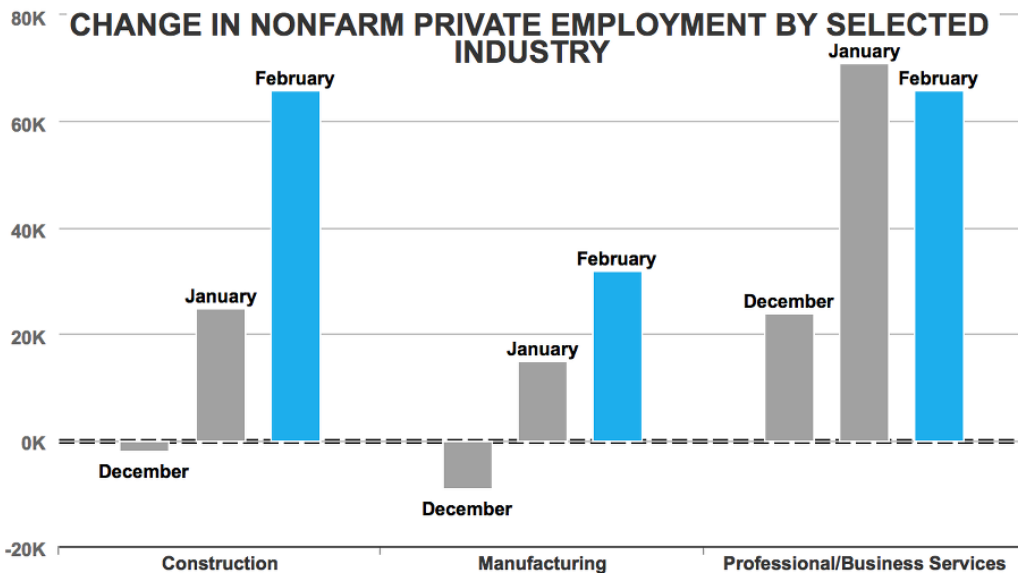
### US CONSTRUCTION EMPLOYMENT

Moody's Analytics chief economist Mark Zandi echoed Yildirmaz's sentiment, attributing February's gains primarily to the construction, mining, and manufacturing industries in the goods-producing sector. In January, the sector saw the strongest job growth in two years, and February saw continued gains with the addition of 106,000 jobs.

Following a volatile pattern of growth and contraction over the past five months, the construction sector continued its rebound first seen last month, adding 66,000 new jobs in February. The goods-producing sector as a whole experienced growth not seen in six months, adding 106,000 jobs in total, with 32,000 of those jobs added in manufacturing. The professional and business services sector continued its steady growth, creating 66,000 new payroll positions during the same period.

"Unseasonably mild winter weather undoubtedly played a role," Zandi said. "But near record high job openings and record low layoffs underpin the entire job market."

In fact, since 2012 the pace of growth in the CS national home price index has been highly correlated with the pace of existing home sales in the prior two quarters. The strong price growth in 4Q reflects brisk sales in 2Q of the year, and a slowdown in 3Q sales points to a deceleration in house price appreciation in the current quarter.



SOURCE: Builder Online

## JOB CENTRE



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## Canada Trade: 2017

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### CANADA TRADE SURPLUS, EXPORTS

Canada kicked off 2017 with a third-straight monthly trade surplus that saw exports reach a record high. **Statistics Canada** said Tuesday the country's merchandise trade balance with the world widened to \$807 million in January.

The agency says exports increased 0.5 per cent to hit a record \$46.5 billion in January.

Canada's exports to the United States rose 2.3 per cent, while imports from its neighbour rose 0.3 per cent. The country's trade surplus with the US grew from \$3.8 billion in December to \$4.5 billion in January. As a result, Canada's trade surplus with the U.S. grew from \$3.8 billion in December to \$4.5 billion in January.



The Statistics Canada report said the January trade gains were offset in part by decreases in the exports of consumer goods as well as metal and non-metallic mineral products. In all, there were declines in six out of 11 categories.

Overall imports to Canada, the report said, decreased in January by 0.3 per cent.

The decline was due to a drop in imports of metal and non-metallic mineral products, industrial machinery, equipment and parts, but was offset in part by an increase in imports of motor vehicles and parts.

Statistics Canada also released a revision Tuesday showing that December's trade surplus was only about half as strong as a previous estimate. The figure was lowered to \$447 million, down from the \$923-million reading released a month ago.

**Canadian merchandise exports:** Exports were up 0.5 per cent (or \$237.2 million), to \$46.5 billion in January, despite 6 of 11 sectors recording declines. Higher exports of motor vehicles and parts (+7.7%, to \$7.8 billion), as well as farm, fishing and intermediate food products (+12.8%, to \$3.1 billion) contributed to this increase. In January, exports were up 1.8 per cent, or \$840.4 million, compared to January 2016.

**Canadian merchandise imports:** Imports edged down 0.3 per cent, to \$45.6 billion, with 7 of 11 sectors posting declines. Imports of metal and non-metallic mineral products fell 5.5 per cent to \$3.8 billion and imports of machinery, equipment and parts decreased by 4.3 per cent, to \$4.1 billion. In January, imports were down 2.1 per cent, or \$971 million, compared to January 2016. CONT'D PAGE 10

#### Changes in Canadian Trade: monthly, year-to-date and by principal trading partners

January 2017	Exports (\$ millions)	Monthly Change	Year-to-date % change previous year	Imports (\$ millions)	Monthly Change	Year-to-date % change previous year
All Countries	46,450	237	1.8	45,643	-122	-2.1
% Change	n.a.	0.5%	n.a.	n.a.	-0.3%	n.a.
Volume change	n.a.	1.0%	n.a.	n.a.	2.5%	n.a.
Price change	n.a.	-0.5%	n.a.	n.a.	-2.7%	n.a.
United States	34,647	775	-0.2	30,129	77	-4.0
EU	3,378	-607	0.1	4,684	265	11.0
United Kingdom	1,359	-17	1.0	697	108	37.4
China	2,430	298	23.2	3,153	-28	-2.4
Japan	1,076	66	21.5	732	-273	-16.5

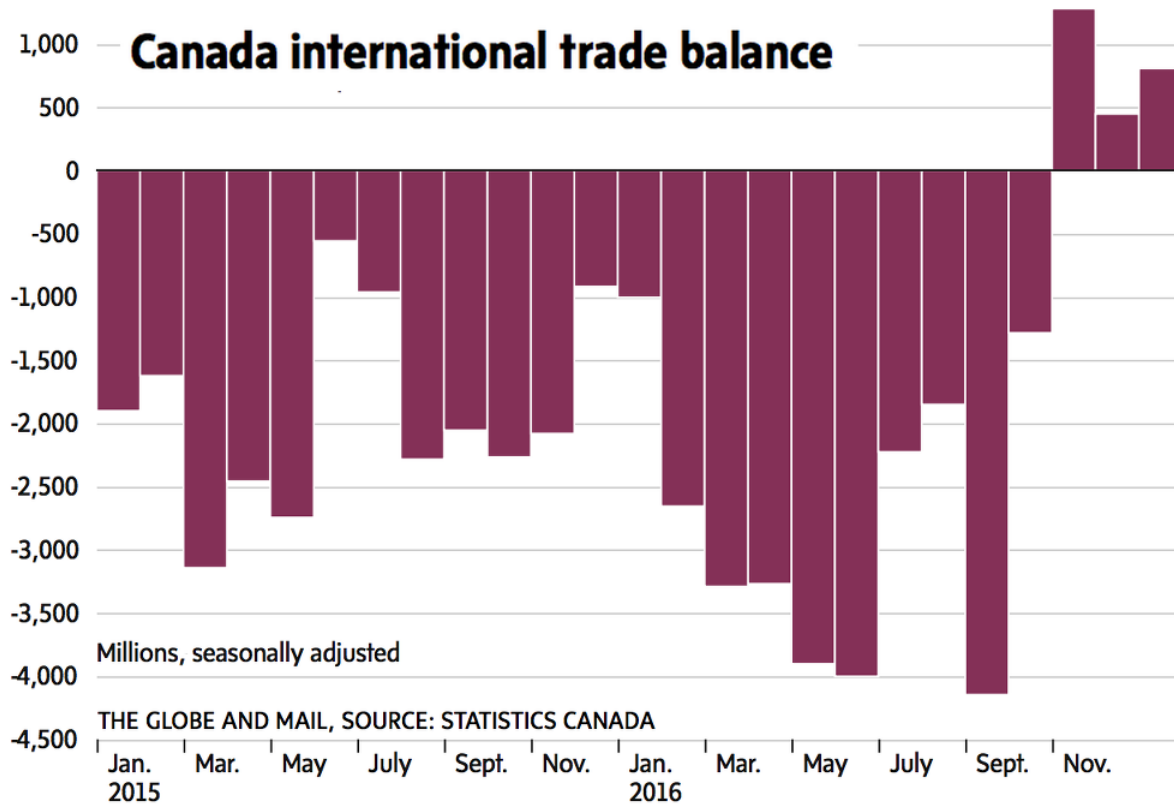
## Canada Balance of Trade, Exports: January 2017

CONT'D FROM PAGE 9

### EXPORT HIGHLIGHTS, COMMODITIES/PRODUCTS

In January, exports rose 0.5 per cent to \$46.5 billion, despite declines in 6 of 11 sectors. Export volumes increased 1 per cent while export prices edged down 0.5 per cent.

- Exports of motor vehicles and parts rose 7.7 per cent to \$7.8 billion.
  - Exports of passenger cars and light trucks increased 12.3 per cent to \$5.4 billion.
- Exports of farm, fishing and intermediate food products increased 12.8 per cent to \$3.1 billion, on larger volumes.
  - Exports of canola rose 38.4 per cent to a record high of \$845 million and have more than doubled since October.
- Exports of metal ores and non-metallic minerals increased 5.9 per cent to \$1.6 billion.
  - On higher exports of metal ores and concentrates (+53.8 per cent to \$960.5 million).
- Exports of consumer goods decreased 3.9 per cent to \$6.0 billion.
  - Exports of food, beverage and tobacco products fell 4.1 per cent to \$2.7 billion.
- Exports of metal and non-metallic mineral products fell 4.6 per cent to \$4.9 billion.



### ECONOMIST ANALYSIS

**Peter Hall**, chief economist at **Export Development Canada**, said he saw no signs that the uncertainty highlighted by the central bank was weighing on Canadian exporters.

"This is no longer a blip. We've got a good run going here," he said in a phone interview with *BNN* Tuesday, noting the strong performance of the crucially important auto sector.

"Strong US demand ... combined with the Canadian dollar hovering in the mid-70 US cent range throughout the year, should bode well for Canadian-made goods," wrote **TD Economist** Dina Ignjatovic in a report to clients. "Of course, the potential for protectionist measures to be implemented south of the border presents some downside risk to this outlook."

"The gains in two-way trade volumes signal an economy that continues to be on the mend," said Nick Exarhos of **CIBC Economics** in his own note.

### CANADA - US BALANCE OF TRADE

Canada's trade surplus with the United States widened to \$4.5 billion in January, from \$3.8 billion in December.

Exports to the United States rose 2.3 per cent to \$34.6 billion in January, on higher exports of passenger cars and light trucks.

Imports from the United States increased 0.3 per cent to \$30.1 billion.