

# MADISON'S LUMBER REPORTER

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## News & Updates

### More Forestry Trade Issues Rumbling

This week there were some resolutions to forest industry trade issues between the US and Canada, and between the US and China.

The **US Department of Commerce** Wednesday issued its preliminary determination regarding **countervailing duties** against **hardwood plywood** manufactured in **China** and imported into the United States, according to the *Ottawa Citizen*.

As well, on Tuesday, a **NAFTA review panel** has unanimously ordered the US Department of Commerce to **reconsider its costly duties against Canadian mills** that produce **supercalendered paper**, said the *Globe and Mail*.

US President Donald Trump said at a White House press conference Wednesday that the US can't let Canada or anyone else take advantage of America in three specific areas: lumber, energy, and dairy, according to *Canadian Press*.

Elsewhere, in the *Globe and Mail* Thursday was an article titled, "*Canfor Makes 11th-Hour Plea in Trade War*".

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### BC Lumber Train Derailment

Two workers are dead and three were injured in a lumber train derailment Wednesday on Vancouver Island. The Western Forest Products mill is seen in Nanaimo, BC.

At the section of track where the accident occurred, the rail cars are not connected to train engines, Dave Rushton, the community's regional elected representative said in an interview with *Canadian Press*. The area is a transfer zone where the loaded rail cars pass through before being connected to locomotives and moved to sawmills elsewhere.

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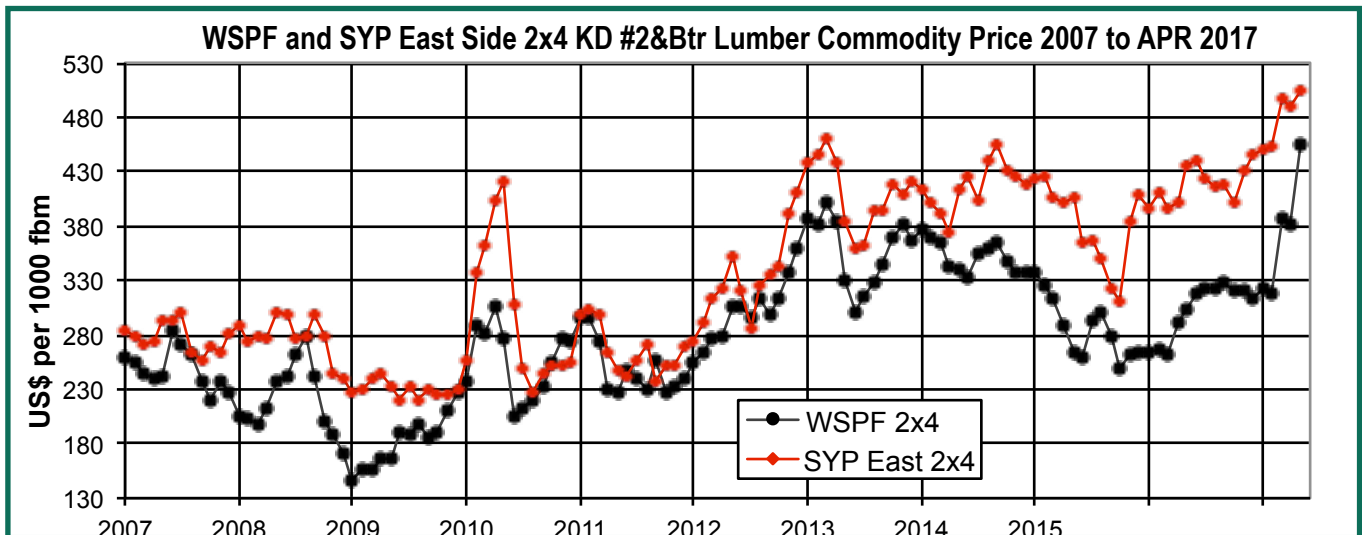
### US Housing Starts, Home Sales: February & March 2017

Total housing starts in the US declined in March, after a strong pace was recorded in February. Total starts were down almost 7 per cent, falling to a 1.215 million seasonally adjusted annual rate, according to the joint data release from the **Census Bureau** and **HUD** Tuesday. Single-family starts posted a monthly decline of 6 per cent in March, falling to an 821,000 annual rate. The February annualized rate, 875,000, was the fastest monthly pace since the Great Recession, while the March rate ranked fourth. Single-family permits were down 1 per cent in March, but recorded the third largest annual pace since the recession.

As well, existing home sales, as reported by the **National Association of Realtors** Friday, surged 4.4 per cent in March to the highest pace in ten years. At the current sales rate, the March unsold inventory represents a 3.8-month supply, unchanged from February. March existing sales were up 5.9 per cent from the same month a year ago.

Also interesting, the **National Association of Home Builders'** Remodeling Market Index posted a reading of 58 in 1Q 2017, up five points from the previous quarter. This reading is the highest since 4Q 2015.

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## US Trade Developments

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### US TRADE INVESTIGATION AGAINST CHINESE IMPORT PLYWOOD

On November 18, 2016 a trade case was filed in the United States seeking the imposition of countervailing duties and antidumping duties against Chinese hardwood plywood. The trade case was brought by a coalition of US plywood manufacturers, alleging that Chinese imports are subsidized by the Government of China and are sold in the United States at prices below cost.

Petitioner Hardwoods Distribution Inc. estimates that approximately 11 per cent of its total sales is product imported from China that would be subject to the trade case.

### US DUTY ON CANADIAN SUPERCALENDERED PAPER

Meanwhile, countervailing duties into Canadian imports of supercalendered paper, which is mainly used in magazines, catalogues, corporate brochures and advertising inserts were imposed in November, 2015, after a US investigation.

A NAFTA review panel this week unanimously ordered the US Department of Commerce to reconsider its costly duties against Canadian mills that produce glossy paper.

Among a list of issues, the panel said the United States needs another look at whether the Nova Scotia mill benefited by power rates set by the province's regulator, which the province maintains is an arms-length organization independent of government, said the *Globe and Mail* Tuesday.

The appeal by the Canadian mills was supported by the federal government and the governments of Ontar-

io, Quebec, British Columbia and Nova Scotia.

The NAFTA panel, comprised of three Americans and two Canadians, issued its memorandum opinion and order last week. Under the new ruling, the US Department of Commerce must reconsider some aspects of the reasoning behind its initial findings and respond to the NAFTA decision by mid-summer.

### CANADA LUMBER TRADE

"As Donald Trump added softwood lumber to his anti-Canada trade rhetoric Thursday, Trade Minister Francois-Philippe Champagne was on his way to China with an entourage of industry representatives looking for an alternative to the US market," said Canadian Press Thursday.

While exploratory talks on a Canada-China free trade deal between government officials take place in Ottawa next week, the first round of a high-level economic and financial dialogue will unfold in Beijing.

This week US President Donald Trump was quoted as calling Canada's actions a "disgrace." He also widened his attack, saying, that "included in there is lumber, timber and energy. We're going to have to get to the negotiating table with Canada very, very quickly."

Earlier Thursday, Canadian Prime Minister Justin Trudeau told media he wants to have a fact-based conversation with the Americans, noting the US -- like other countries -- subsidizes its dairy and agriculture industries to the tune of hundreds of millions, if not billions, of dollars.

Trudeau signalled that he is optimistic he can persuade Trump, saying the U.S. president is "unlike many politicians" and avoids the instinct to "stick with" a particular position.

### FOUR WAYS RESPONSIBLE FORESTRY SUPPORTS WOOD CONSTRUCTION



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## Calendar

### April 2017

#### NAWLA Vancouver Regional Meeting

April 27, 2017 – Vancouver, BC

<http://www.nawla.org/vancouver>

### May 2017

#### PwC 30th Annual Global Forest, Paper & Packaging Conference

May 10, 2017 – Vancouver, BC

<http://www.pwc.com/events.html>

#### 3LOG User Conference 2017

May 10 - 12, 2017 – Vancouver, BC

<http://www.3log.com/uc2017/>

#### International Pulp Week

May 9, 2017 – Vancouver, BC

<http://www.pulpweek.com/p.html>

# 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	435	450	-15	362	+73	299	+136
WSPF KD R/L 2x6	395	424	-29	350	+45	288	+107
SYP KD R/L East Side 2x4	515	510	+5	490	+25	445	+70
SYP KD R/L East Side 2x6	405	390	+15	365	+40	330	+75
ESPF KD R/L 2x4	490	490	0	445	+45	375	+115
WSPF KD PET 2x4 Stud	365	355	+10	325	+40	220	+145
WSPF KD PET 2x6 Stud	370	360	+10	320	+50	195	+175
Douglas Fir Green R/L 2x4	400	395	+5	370	+30	340	+60
Douglas Fir Green R/L 2x10	505	500	+5	465	+40	410	+95
ESPF KD 2x4 8ft Stud	475	475	0	420	+55	310	+165
OSB Ontario 7/16" (CDN\$/msf)	445	435	+10	405	+40	308	+137
CSplywood Toronto 3/8" (CDN\$/msf)	483	482	+1	464	+19	388	+95

## Madison's Weekly Softwood Lumber News

### Lumber Train Derailment, BC

CONT'D FROM PG 2 A train derailment in the tiny community of Woss on British Columbia's northern Vancouver Island killed two people and injured three others on Thursday.

The cause of the accident is under investigation but early reports indicate a crew was on the tracks when the rail cars approached without warning.

"Somehow the cars got away and ran down the track, and, of course, it's downhill," said Dave Rushton, a director of the Mount Waddington Regional District to the *Vancouver Sun* Thursday. "It's all gravity feed. They ended up right in behind our community here. It's amazing there wasn't more damage done."

Rushton said a backhoe loader, a speeder car and the workers were on the track when the accident occurred. A speeder car is a rail vehicle used to transport workers on rail tracks.

The train is operated by Western Forest Products, one of the area's major employers.

The company took over the historic forestry rail route in 2006. Construction of the 90-kilometre rail line started in 1917 and is now known as the Englewood Railway of Western Forest Products. It is the only remaining log transport railway on Vancouver Island.

Woss, about 75 kilometres southeast of Port McNeill, BC, has about 200 residents.

The derailment is being investigated by the BC Coroners Service,

the Transportation Safety Board and WorksafeBC.

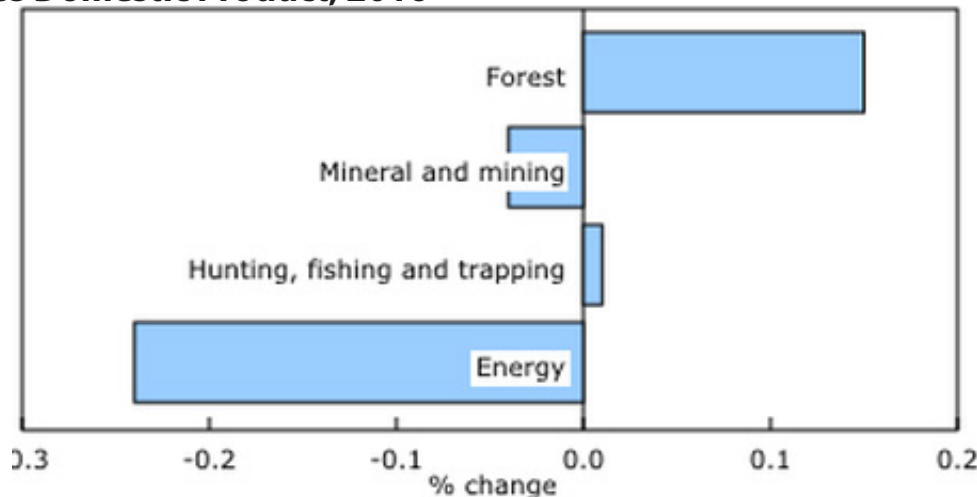
### Canada Investment in New Housing Construction

New housing construction investment totalled \$4 billion in February, an increase of 6.4 per cent compared with the same month in 2016, said Statistics Canada Friday. Spending on single-family dwellings led the advance at the national level.

Spending was up in five provinces in February, compared with the same month one year earlier. The national increase was largely the result of higher investment in Ontario and, to a lesser extent, in British Columbia and Manitoba. The largest decline was posted in Alberta.

### Contributions to Percentage Change of Natural Resources in Canada's Real Gross Domestic Product, 2016

SOURCE: Statistics Canada



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## US Housing Starts: February 2017

CONT'D FROM PAGE 2

Total housing starts declined in March, after a strong pace was recorded in February. Total starts were down almost 7 per cent, falling to a 1.215 million seasonally adjusted annual rate, according to the joint data release from the Census Bureau and HUD Tuesday.

### SINGLE FAMILY HOUSING STARTS

Single-family starts posted a monthly decline of 6 per cent in March, falling to an 821,000 annual rate. The February annualized rate, 875,000, was the fastest monthly pace since the Great Recession, while the March rate ranked fourth. Single-family permits were down 1 per cent in March, but recorded the third largest annual pace since the recession. Unseasonably warm weather for much of the country in February, followed by snow in March, likely affected the February-to-March changes.

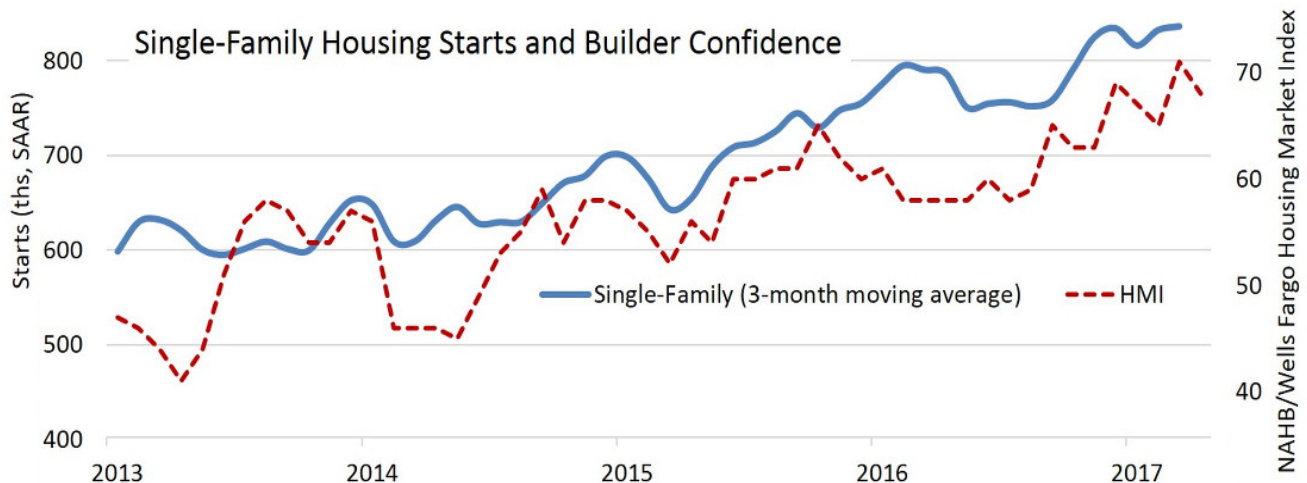
As measured on a three-month moving average, the data are consistent with recent trends in the NAHB/

Wells Fargo measure of single-family builder confidence. The three-month moving average of single-family starts reached a post-recession high in March, and NAHB is forecasting continued growth for this sector as the year progresses.

The all-time peak at US\$493.50 dates back to 1993.

### MULTI-FAMILY STARTS

Multifamily starts declined again in March. Total multifamily starts fell 8% to a 394,000 seasonally adjusted annual rate. However, multifamily permits recorded a nearly 14% increase in March. NAHB is forecasting that multifamily development will continue to level off over the course of 2017.



### SINGLE FAMILY STARTS REGIONALLY

Regionally, single-family starts posted a month-over-month gain in the South (3%) and were flat in the Northeast. Single-family starts were down 35% in the Midwest and 6% in the West. The Midwest decline was likely related to the positive weather in February followed by less favorable conditions in March..

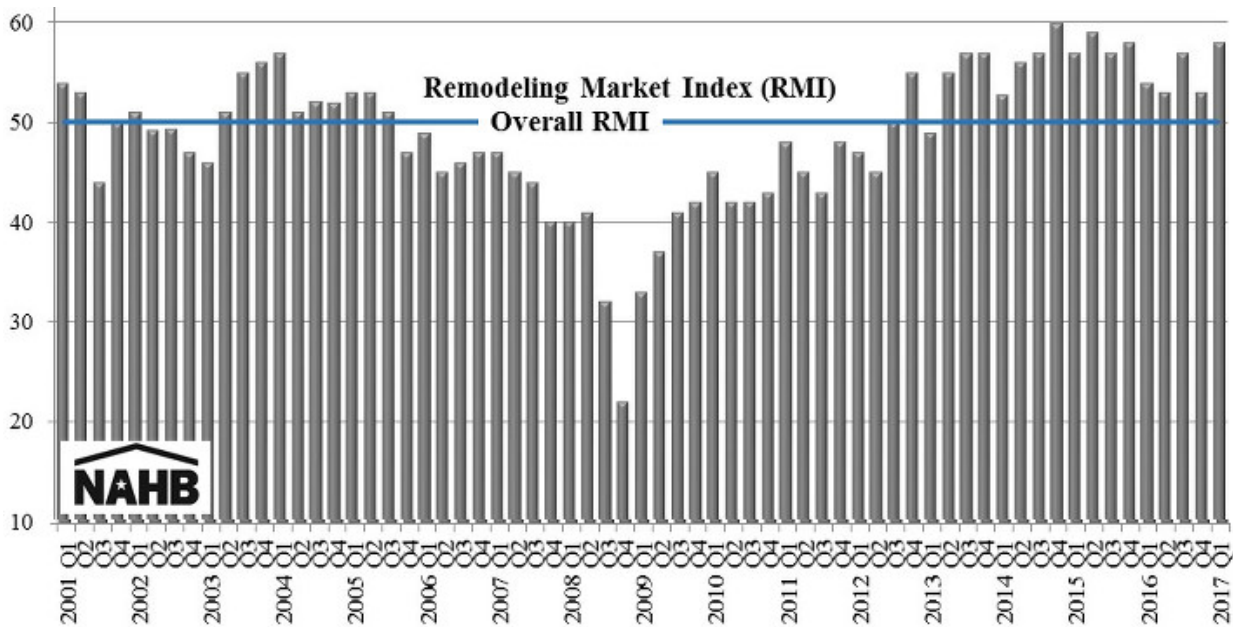
### US REMODELLING INDEX: 1Q 2017

The National Association of Home Builders' (NAHB) Remodeling Market Index (RMI) posted a reading of 58 in the first quarter of 2017, up five points from the previous quarter. This reading is the highest since the fourth quarter of 2015.

In the first quarter of 2017, the current market sub-index increased to 58 (Figure 2). Among its components, major additions and alterations rose 4 points to 57, minor additions and alterations climbed 7 points to 59, and maintenance and repair increased six points to 60.

The sub-index measuring future market activity also reached 58 in the first quarter of 2017 (Figure 3). Among its components, calls for bids rose significantly from 49 to 59, amount of work committed grew from 50 to 58, the backlog of remodeling jobs gained seven points from 55 to 62, while appointments for proposals remained unchanged at 54.

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## US Existing Home Sales: March 2017

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Existing home sales, as reported by the National Association of Realtors (NAR), surged 4.4% in March to the highest pace in ten years. At the current sales rate, the March unsold inventory represents a 3.8-month supply, unchanged from February. March existing sales were up 5.9% from the same month a year ago, and reached a seasonally adjusted rate of 5.71 million compared to a downwardly revised 5.47 million in February. Total existing home sales include single-family homes, townhomes, condominiums and co-ops..

### REGIONALLY

March existing sales increased 10.1% in the Northeast, 9.2% in the Midwest and 3.4% in the South, while decreasing 1.6% in the West. Year-over-year, all regions advanced, ranging from 8.5% in the South to 3.1% in the Midwest.

from 45 days in February and 47 days during the same month a year ago. Some 48% of homes sold in March were on the market less than a month, compared to 42% of homes sold in February and 38% January.

### INVENTORY

Total housing inventory increased 5.8% in March, but remained 6.6% below the level a year ago, and has declined year-over-year for 22 straight months. Homes stayed on the market for only 34 days in March, down

### HOUSE PRICES

The March median sales price jumped 6.8% from last year to \$236,400, representing the 61st consecutive month of year-over-year increases. The March median condominium/co-op price of \$224,700 was up 8.0% from the same month a year ago.

