

MADISON'S LUMBER REPORTER

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News & Updates

US Softwood Lumber Duty 2017: Complete Confusion

Operators are suffering total bewilderment as US Customs and Border officials can not provide clarity on vital details of application of the new softwood lumber duties to entry waybills and pro-forma invoices.

An experienced US customs broker, a good source for *Madison's*, upon finally speaking to decision-makers at the US Commerce Department this week about critical questions of definition and distinction, was told two manifestly contradictory things within one minute:

"The DOC conveyed **Tuesday** that "If an exporter who is not one of the five listed manufacturers, sources from any of these manufacturers, the exporter is to use the specific manufacturer's Case Number and Rate".

Wednesday they said there may have been some confusion – only in those instances where the reman sourced from one of the five specifically listed manufacturers and then sold and exported the wood direct to the U.S., would the manufacture's specific case number and rate be allowed.

They conveyed that the whole issue of when a reman was involved with respect to case numbers and rates, had really yet to be officially decided.

What they'd just conveyed, **contradicted what they said less than a minute before.**

They said that we should wait to disseminate anything further regarding the applicable case number and rate to be used when remans were involved until they could discuss this further with the DOC Case."

Wood destined for the US from Canadian sawmills two weeks ago is literally trapped at the border right now because operators and agents **do not know** how to fill out the Customs forms. This is quite **outrageous**, we don't mind saying that out loud. How can a duty come into effect then a week later the responsible government agency still doesn't know/won't say what the terms are??

Biewer Lumber New Sawmill

Biewer Lumber, out of St. Clair, MI, officially opened its US\$85 million state-of-the-art sawmill in Newton, MS, Mississippi Development Authority reported Friday.

Biewer Sawmill-Newton LLC operates four sawmills in the Midwest, as well as three lumber treating/distribution centers, according to the Mississippi Development Center. This is its first facility in the South. It plans to employ 125 workers.

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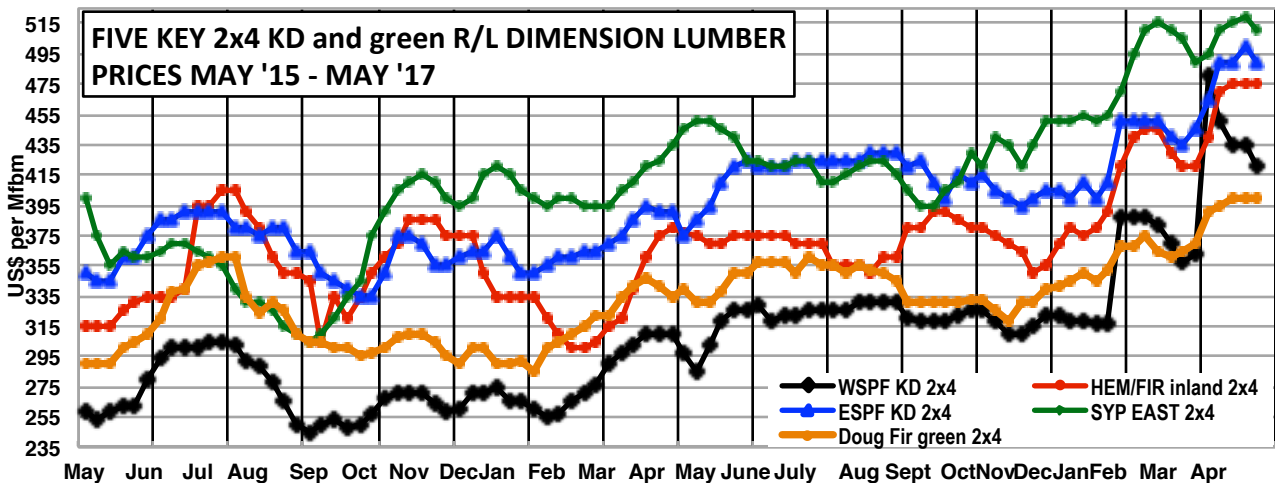
Canada Trade Update: 1Q 2017

Canada's merchandise trade deficit shrank to near-zero in March, as a surge in demand for Canadian goods, especially among non-U.S. trading partners, lifted exports to record levels.

Statistics Canada estimated Thursday the trade deficit at a thin \$135-million for the month, down from \$1.1-billion in February.

Canadian exports surged to a record \$47 billion in March, and imports also rose. Exports rose 3.8 per cent in March, more than twice as much as the 1.7 per cent growth in imports.

CONT'D PAGES 9 and 10



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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.

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Canada Log Exports Jan-Aug '14:
China +7.40%
Japan +8.30%
S Korea -5.80%
USA -7.0%

It is interesting to note that the VALUE of both log and lumber exports from each country to China have increased, while VOLUMES remain relatively flat.

Also noteworthy is the steady increase in VALUES of lumber shipped from Canada to the US in the first eight months of this year.

Canada Softwood Log Exports by Value - 2010 to Aug 2014
SOURCE: Statistics Canada

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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	420	435	-15	480	-60	302	+118
WSPF KD R/L 2x6	390	395	-5	464	-74	288	+102
SYP KD R/L East Side 2x4	510	520	-10	495	+15	450	+60
SYP KD R/L East Side 2x6	400	410	-10	380	+20	330	+70
ESPF KD R/L 2x4	490	500	-10	465	+25	395	+95
WSPF KD PET 2x4 Stud	370	370	0	355	+15	240	+130
WSPF KD PET 2x6 Stud	380	380	0	350	+30	220	+160
Douglas Fir Green R/L 2x4	400	400	0	390	+10	330	+70
Douglas Fir Green R/L 2x10	505	505	0	490	+15	390	+115
ESPF KD 2x4 8ft Stud	485	485	0	450	+35	330	+155
OSB Ontario 7/16" (CDN\$/msf)	450	440	+10	425	+25	315	+135
CSplywood Toronto 3/8" (CDN\$/msf)	473	483	-10	468	+5	415	+58

Madison's Weekly Softwood Lumber News

New Sawmill Opens, USA

CONT'D FROM PG 2 The Newton facility, which is officially known as Biewer Sawmill-Newton LLC, expands the company's mill production into the South. The company also operates four sawmills in the Midwest, as well as three lumber treating/distribution centers.

The Mississippi Development Authority provided assistance in support of the project for site preparation and rail and road improvements. Newton County and the city of Newton also assisted with the project.

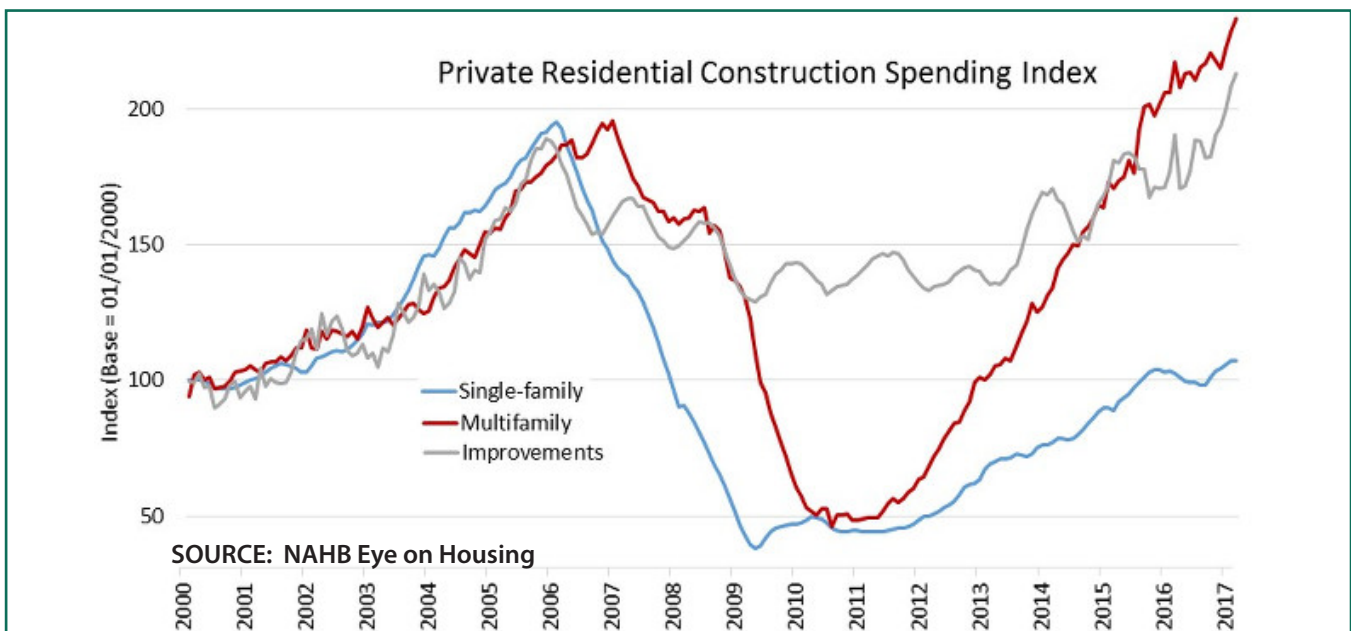
"Mississippi offers numerous advantages to agribusiness companies, including 19.7 million acres of forestland. The state's abundant timber resources allow Biewer Lumber to compete successfully in today's global economy," MDA Executive Director Glenn McCullough Jr said in a statement. "We thank the teams at the Mid-Mississippi Development District, the city of Newton and Newton County for working with MDA since day one to ensure Biewer Lumber's seamless transition into the East Mississippi business community."

Canada Sawmill Production: Feb 2017

Lumber production in Canada fell 6.6 per cent in February from January, with sawmills producing 5,429.2 thousand cubic metres of lumber, according to **Statistics Canada** Friday.

Production was 3.5 per cent lower than in February 2016.

In February 2017, sawmills shipped 5,119.2 thousand cubic metres of lumber, down 6.1 per cent from January and 8.1 per cent lower than in February 2016.



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ANNOUNCEMENTS

Since 2002, the value of
Canadian softwood lumber
exports to China **has increased**
more than **30 times**, to **\$1B**

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Canada Balance of Trade: March 2017

CONT'D FROM PAGE 2

Most of the gains in exports were due to stronger volumes, **Statistics Canada** said Thursday, up 2.5 per cent, although they were also aided by a 1.3-per-cent rise in prices. The gains were broad-based, with energy, consumer goods, metal and mineral products, forest products, and the aerospace sector all showing strong gains.

Energy products and consumer goods were responsible for much of the increase in exports.

The main contributor was a rebound in exports after an off month in February – returning Canada’s trade data to the improved tone of recent months that has been fed by a strengthening US and global economy, a relatively weak Canadian dollar and generally improved energy commodity prices.

MOST COMMODITIES INCREASE

Only raw metals and minerals (down 1.9 per cent) and autos (down 1.8 per cent) exports dropped.

Compared to the same month last year, exports are now almost 13 per cent higher than they were in 2016.

INCREASES TO OVERSEAS

Most of the surge in exports is going to countries other than the United States, which is a sign that Canada’s economy is diversifying. Exports to countries other than the U.S. rose 15.3 per cent in March to a record high \$12.6 billion.

TRADE WITH USA

It’s estimated that 78 per cent of Canadian exports to the US are raw materials, parts and components, and services used to create other goods in the United States.

Much of the time, the US is buying raw materials and intermediate goods, which get used in final products destined for domestic and global markets. Many of those even get sold directly back to Canada.

TRADE VS GDP

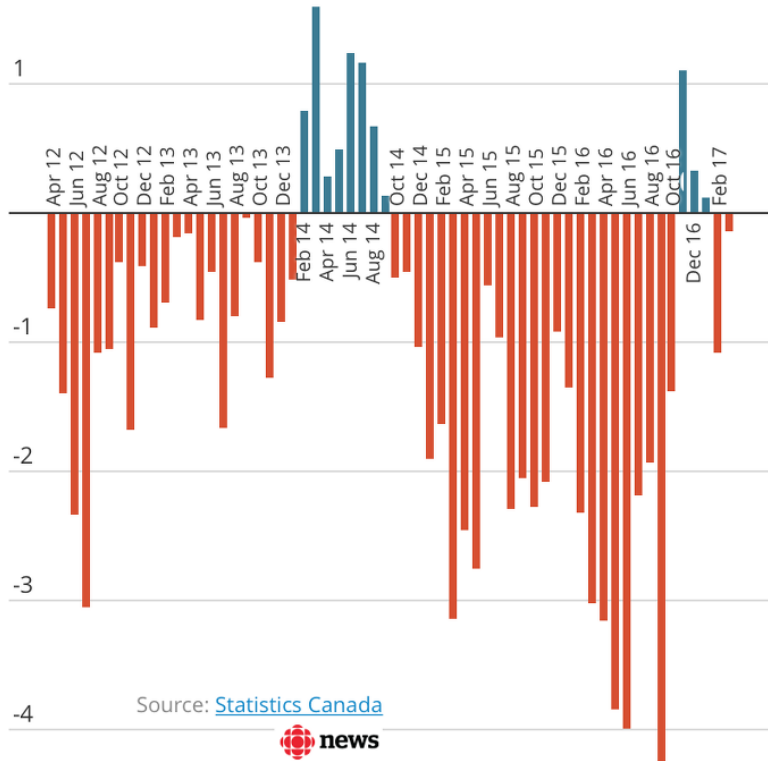
Despite the improvement, goods trade did remain in the red for the second straight month, after a three-month string of surpluses from November to January. For the first quarter overall, Canada posted a trade deficit of \$1.1-billion, as growth in imports (up 2.6 per cent) outpaced exports (up 1.7 per cent).

That implies that net trade subtracted from Canada’s gross domestic product in the first quarter, after being the biggest net contributor to the country’s relatively strong fourth-quarter GDP growth of 2.6 per cent annualized..

The biggest increases came from China, India and South Korea.

Exports to markets outside of the United States surged 15 per cent month over month, to a record \$12.6-billion, or 27 per cent of the month’s total. While recent growth in non-U.S. exports has been encouraging, particularly in light of the steady stream of protectionist rhetoric coming from the United States since last fall’s election of President Donald Trump, the big gains in March may prove to be only temporary. It was driven substantially by a big jump in demand for Canadian coal in Asia, after Cyclone Debbie disrupted coal shipments from Australia.

Canada Balance of Trade: March 2017



Source: [Statistics Canada](#)



OVERALL IMPROVEMENTS

Even with net trade subtracting from first-quarter GDP, economists still believe the economy generated strong gains in the quarter, aided by a buoyant consumer sector and booming regional housing markets. Most forecasters peg growth in the quarter at about 3.5 per cent annualized.

Economists said that expected further improvements in the US and global economies, coupled with the continued weakness of the Canadian dollar, should keep the fire lit under exports this year. However, the looming danger is that the US will follow through on its protectionist threats and impose concrete measures that would damage exports to Canada’s biggest market.

Canada Merchandise Trade: March 2017

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CANADA TRADE SURPLUS

In real (or volume) terms, exports were up 2.5 per cent and imports edged down 0.2 per cent in March, said *Stats Can*. Canada's real trade balance therefore went from a deficit of \$324 million in February to a surplus of \$765 million in March.

After falling 4.1 per cent in the last quarter of 2016, real imports increased 3.6 per cent in the first quarter of 2017. Given that exports were relatively stable, Canada's real trade surplus narrowed from \$5.6 billion in the previous quarter to \$1.2 billion in 1Q of 2017.

MACROECONOMIC

Real gross domestic product (GDP) by industry increased in eight provinces and two territories in 2016, said **Statistics Canada** Monday. GDP declined for the second consecutive year in Alberta and Saskatchewan, largely as a result of low oil and commodity prices. GDP also declined in Northwest Territories. Nationally, real GDP by industry rose 1.3 per cent in 2016, following a 0.9 per cent increase in 2015.

REGIONALLY

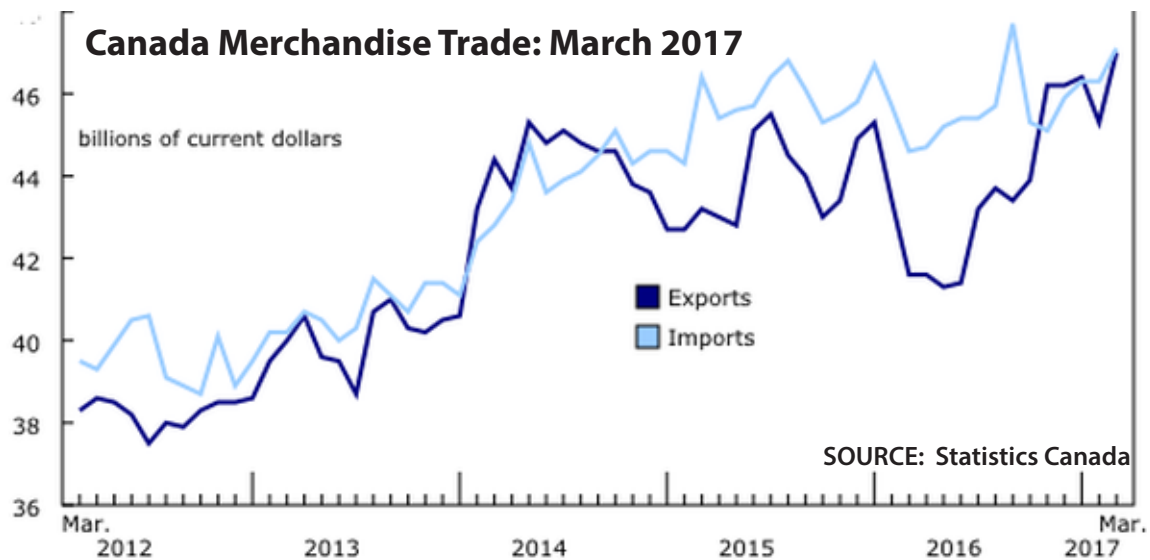
British Columbia led the provinces with GDP growth at 3.7 per cent, followed by Ontario (+2.6 per cent), Man-

itoba (+2.4 per cent) and Prince Edward Island (+2.4 per cent). For the second consecutive year, the largest decline in GDP was in Alberta (-3.8 per cent).

Ontario's GDP rose 2.6 per cent in 2016, following the same gain in 2015. Service-producing industries (+3 per cent) contributed more to the growth than goods-producing industries (+1.3 per cent).

A robust housing market led to a 7.5 per cent increase in residential construction and influenced gains in banking services, lessors of real estate, real estate agents and brokers, and insurance carriers. Total construction activity (+1.6 per cent) was tempered by declines in engineering construction and, to a lesser extent, non-residential construction.

Wholesale trade grew 3.9 per cent and retail trade advanced 3.5 per cent, with growth reported in all but one trade industry.



Quebec's GDP grew 1.7 per cent in 2016, following a 1.2 per cent increase in 2015. Services output rose 2.2 per cent and contributed the most to the increase. Gains were reported by banking, financial investment services, lessors of real estate, retail trade, and wholesale trade, as well as air and truck transportation. In the public sector, hospitals, universities, and local, municipal and regional public administration services also contributed to the growth.

Goods-producing industries advanced 0.5 per cent. Construction output grew 1.5 per cent, the first increase since 2012.

In British Columbia, GDP rose 3.7 per cent in 2016 following a 3.1 per cent gain in 2015, the strongest growth among the provinces for the second consecutive year. While both goods-producing (+4.6 per cent) and service-producing (+3.5 per cent) industries contributed to growth, the service sector contributed more than twice as much as goods to growth.

Strong demand in the housing market, largely in the lower mainland, led to a 17 per cent increase in residential construction, and contributed to gains in offices of real estate agents and brokers, lessors of real estate, banking and insurance carriers. Retail trade advanced 5.4 per cent on gains across all store types.