

MADISON'S LUMBER REPORTER

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News & Updates

Canada's Lumber Market Forecast: Conference Board

Following its strongest showing in three years, production growth in Canada's wood products industry is expected to moderate significantly in 2017 due to the incoming US trade restrictions on Canadian softwood lumber, according to The **Conference Board of Canada's Canadian Industrial Outlook: Canada's Wood Products Manufacturing Industry**, released Friday.

Canada's wood products manufacturers will see pre-tax profits shrink from \$1.8 billion in 2016 to \$1.4 billion this year and \$1.1 billion in 2018, as the United States issues duties averaging 30 per cent on Canada's softwood lumber, said the Conference Board.

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US Construction Job Openings: April 2017

The count of unfilled jobs in the construction sector climbed in April, rising to the highest level since September of last year.

According to the **BLS Job Openings and Labor Turnover Survey (JOLTS)** and **NAHB** analysis released Monday, the number of open construction sector jobs stood at 203,000 in April. The cycle high was 238,000, set in July of last year.

The open position rate (job openings as a percent of total employment) for April came in at 2.9 per cent. On a smoothed twelve-month moving average basis, the open position rate for the construction sector held steady at 2.7 per cent, near the cycle high.

The overall trend for open construction jobs has been increasing since the end of the Great Recession.

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Mass Timber Tall Wood Building: Portland, OR:

Fast on the heels of last week's announcement of building of the world's tallest hybrid timber structure in downtown Vancouver, BC, Portland, OR, this week announced construction of it's own mass timber tall wood building.

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Canada and US Softwood Lumber Update: 1Q '17

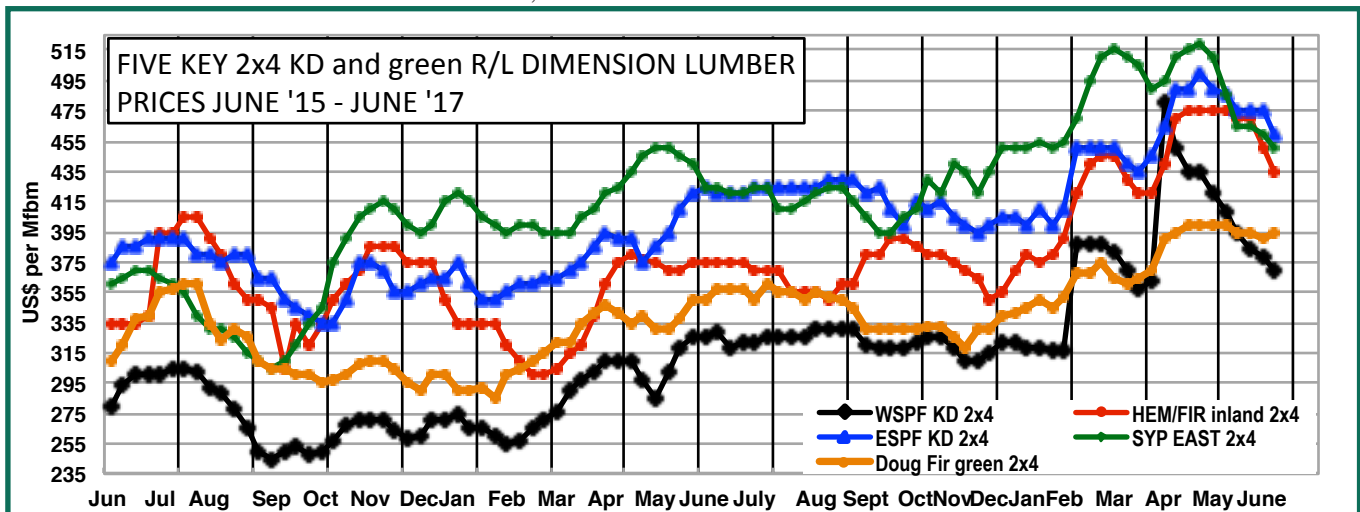
New data this week out of **Statistics Canada**, on Canadian softwood lumber production and sawmill sales, as well as from the **US Department of Commerce**, on US coniferous wood imports and exports, give an excellent update to the economic state of the North American forest products industry for 1Q 2017.

According to figures Wednesday from the **US Department of Agriculture's Foreign Agriculture Service**, the USA imported 8.5 million cubic metres of softwood lumber from Canada in 1 Q 2017, a 16 per cent reduction against last year's volume in the first quarter.

Meanwhile, sawmills in the western US produced 4.5 billion board ft. (bbf) of softwood lumber in the first four months of 2017, a decline of 3.2 per cent from 4.7 bbf in the same period last year, according to the data released also Wednesday by the **Western Wood Products Association (WWPA)** of Portland, OR.

In April alone, sawmills in the US West produced 1.1 bbf of lumber, down 6.9 per cent from 1.2 bbf in April 2016, and down 13.8 per cent from 1.2 bbf in March 2017, said WWPA.

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Conference Board of Canada: Softwood Lumber Market Forecast

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"The Canadian wood products industry's financial performance is forecast to deteriorate in the years ahead as import duties cut into shipments to the U.S. and act as a drag on industry growth," said Michael Burt, Director, Industrial Trends, The **Conference Board of Canada**. "Revenues that would previously flow into the pockets of Canadian lumber producers will now be diverted to US Customs and Border Protection in the form of cash deposits. While Canadian producers will not bear the total cost of the new duties, revenues will be impacted and revenue growth is not projected to keep pace with cost increases in the near term."

Highlights:

- Wood products manufacturers can expect to see pre-tax profits drop to \$1.4 billion this year and \$1.1 billion in 2018;
- Softwood lumber duties will cause production within the industry's sawmills segment to contract in 2017;
- Non-lumber production will help the industry manage GDP growth of 0.3 per cent this year; and
- Wood products manufacturers will continue to depend on the upturn in the U.S. housing market to drive production growth.

SAWMILLS SEGMENT

The sawmills segment, the largest contributor to the industry's production, is forecast to see exports contract in 2017, as U.S. lumber duties result in less profitable production being scaled back. Substantial employment losses are also anticipated in this segment, with a net loss of 1,100 workers forecast for the segment in 2017.

It is only due to a healthy outlook for non-lumber production (e.g., veneer, plywood, and other millwork) that the industry will expand, as GDP manages growth of 0.3 per cent this year and 1.8 per cent in 2018.

LUMBER PRICES

Recent increases in lumber prices support the notion that Canadian producers will be able to pass along a portion of the cost to consumers. Lumber prices are now 20 per cent higher compared to one year ago, as markets have begun to price in the effects of lumber duties. In addition, current market conditions suggest that upward pressure on lumber prices could continue as demand conditions south of the border improve and drive production growth.

Fortunately, U.S. housing starts are expected to grow from 1.2 million in 2016 to 1.7 million by 2018. In comparison, housing starts in Canada are expected to fall from 199,000 starts to 190,000 starts over the same period. And, while U.S. lumber duties will undoubtedly drive producers to explore other export markets, the ability to target these markets competitively will remain a challenge for many producers, particularly those with long-established logistical ties to the US market.

"Although the US remains the dominant destination for Canadian wood products exports, the new trade restrictions could encourage a further pivot toward Asian markets, particularly China where growing demand for wood products recently pushed imports of logs and lumber by this fibre-poor country to their highest level on record," said Burt.

	This Qtr / Month	Previous Qtr / Month	Change %	Trend	Full Year 2016	Change % Year Ago	Trend
Five Key 2x4 Lumber Prices: Aggregate US\$/mfbm	427	428	-0.2%	▼ (year ago)	381	+11%	▲
VOLUMES							
Canada Lumber Production: million cubic metres	6.08	5.32	+3%	▲	66.9	+5.8%	▲
BC Lumber Production: million cubic metres	2.61	2.61	+1.5%	▲	32.0	+2.5%	▲
VALUES							
Canada Sawmill Manufacturing Sales: million C\$		1,487	+6.3%	▲	11,284	+15%	▲
US Total Sawmill Products Imports: million US\$	2,235	1,858	+17%	▲	6,128	+20%	▲
US Total Sawmill Products Exports: million US\$	342	328	+14%	▲	1,021	+0.1%	▲
Canada Sawmill Exports to USA: million C\$	2,324	2,144	+7.7%	▲	7,501	+21%	▲
SOURCE: Madison's Lumber Reporter							
www.madisonsreport.com							

Madison's Weekly Softwood Lumber Key Prices Table

www.madisonreport.com



Prices are in U.S. dollars per 1,000 fbm (net FOB mill)	This Week					Month Ago			Year Ago				
	Week	Last Week	Change	%	Trend	Ago	Change	%	Trend	Ago	Change	%	Trend
WSPF KD R/L 2x4	370	378	-8	-2.1%	▼	408	-38	-10%	▼	322	+48	+15%	▲
WSPF KD R/L 2x6	346	356	-10	-2.8%	▼	390	-44	-11%	▼	304	+42	+14%	▲
SYP KD R/L East Side 2x4	450	460	-10	-2.2%	▼	485	-35	-7.2%	▼	420	+30	+7.1%	▲
SYP KD R/L East Side 2x6	350	355	-5	-1.4%	▼	380	-30	-7.9%	▼	315	+35	+11%	▲
ESPF KD R/L 2x4	460	465	-5	-1.1%	▼	485	-25	-5.2%	▼	420	+40	+9.5%	▲
WSPF KD PET 2x4 Stud	340	340	0	0%	-	375	-35	-9.3%	▼	270	+70	+26%	▲
WSPF KD PET 2x6 Stud	370	380	-10	-2.6%	▼	380	-10	-2.6%	-	245	+125	+51%	▲
Douglas Fir Green R/L 2x4	395	390	+5	+1.3%	▲	400	-5	-1.3%	▼	357	+38	+11%	▲
Douglas Fir Green R/L 2x10	440	460	-20	-4.3%	▼	490	-50	-10%	▼	410	+30	+7.3%	▲
ESPF KD 2x4 8ft Stud	465	470	-5	-1.1%	▼	485	-20	-4.1%	▼	355	+110	+31%	▲
OSB Ontario 7/16" (CDN\$/msf)	420	415	+5	+1.2%	▲	455	-35	-7.7%	▼	345	+75	+22%	▲
CS Plywood Toronto 3/8" (CDN\$/msf)	478	473	+5	+1.1%	▲	477	+1	0.2%	▲	458	+20	+4.4%	▲

Madison's Weekly Softwood Lumber News

Construction Jobs, US

CONT'D FROM PG 2 The construction sector hiring rate, as measured on a twelve-month moving average basis, held at 5.1 per cent in April, according to **NAHB**. The twelve-month moving average for layoffs was steady (2.6 per cent), remaining in a range set in 2014.

In May, the unemployment rate for construction workers stood at 5.9 per cent. The unemployment rate for the construction occupation had been on a general decline since reaching a peak rate of 22 per cent in February 2010, although it has levelled off in the 6 to 7 per cent range since the middle of 2016.

Monthly employment data for May

2017 indicate that home builder and remodeler employment increased by 7,100 jobs. The 6-month moving average of job gains for residential construction now stands at somewhat above 8,000 a month.

Residential construction employment is now 2.7 million, broken down as 767,000 builders and 1.93 million residential specialty trade contractors.

Tall Wood Building: Portland, OR

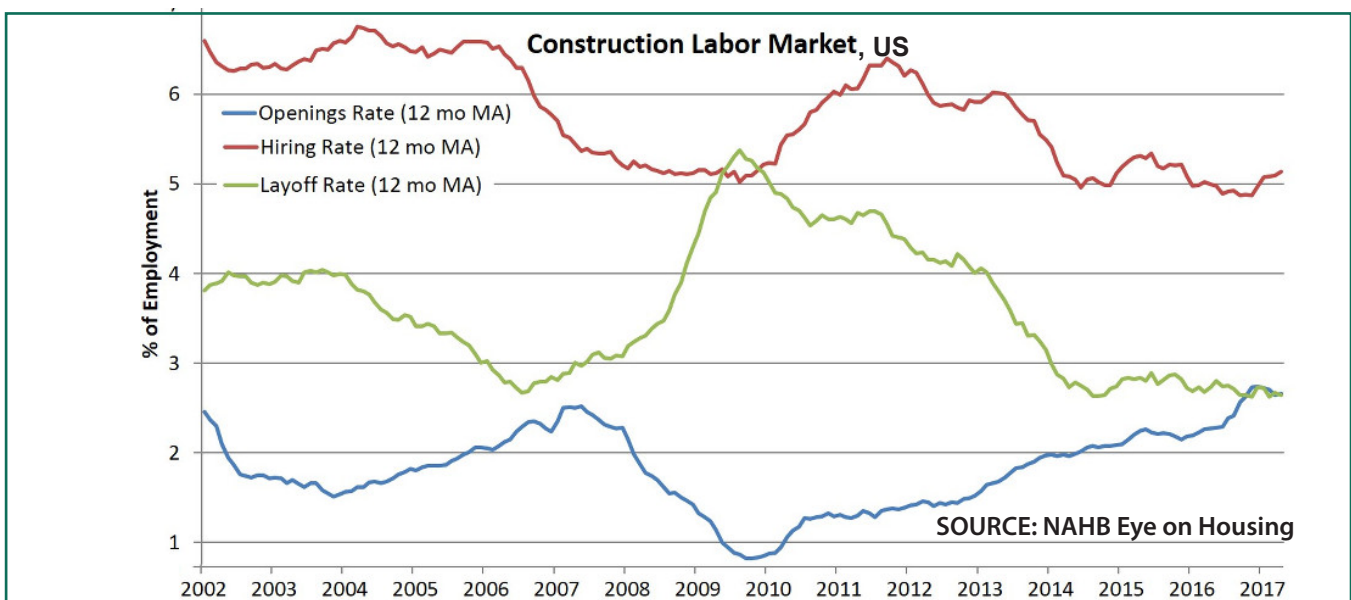
CONT'D FROM PG 2 Officials in Oregon have approved construction permits for the first all-wood high-rise building in the nation, according to the **Statesman Journal** Wednesday.

Construction on the 12-story building, called Framework, will break ground this fall in Portland's trendy and rapidly growing Pearl District and is expected to be completed by the following winter.

For this project, scientists at Portland State University and Oregon State University subjected large panels of cross-laminated timber, or CLT, to hundreds of thousands of pounds of pressure and experimented with different methods for joining them together.

The project materials also underwent extensive fire safety testing and met fire codes.

The Portland building will be filled with subsidized apartments and bank offices.



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ANNOUNCEMENTS

CANADA AND CHINA

Canada's natural resource exports to China were valued at **\$9.1B** (2016)

- forest products **\$4.8B**
- mineral and metal **\$4.2B**
- energy products **\$38M**

Existing forestry programs will receive **\$118M** in **additional investments**

Canada

CONGRÈS DE MONTRÉAL SUR LE BOIS

MONTRÉAL
WOOD
CONVENTION

20 au **22** mars 2018

Fairmont Le Reine Elizabeth

March 20 to **22**, 2018

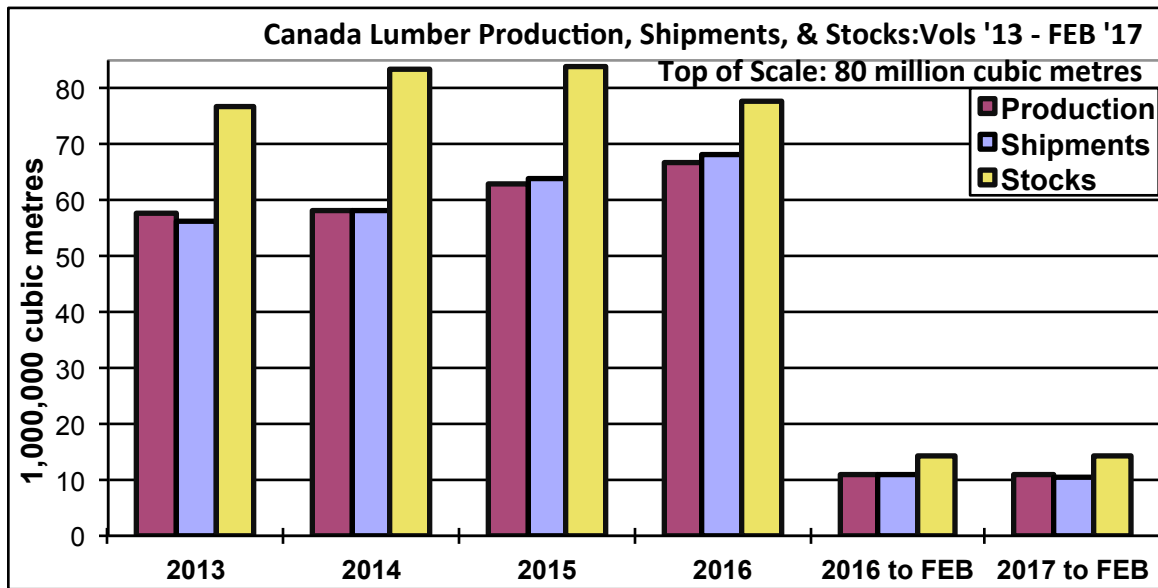
Fairmont The Queen Elizabeth

montrealwoodconvention.com #Mtlwood18

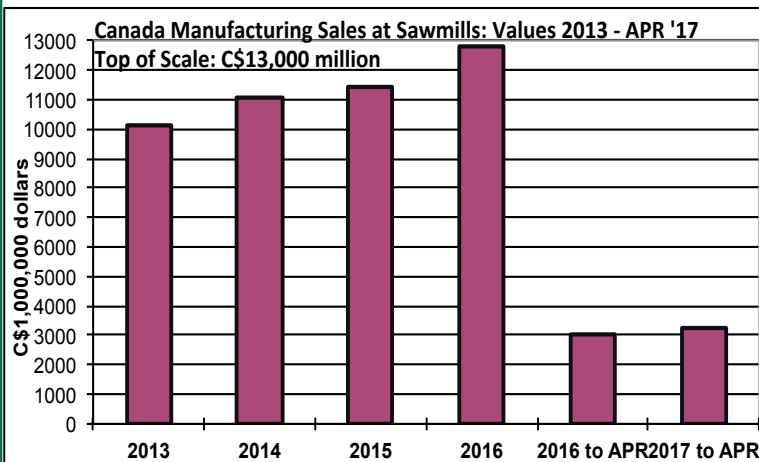
Canada Softwood Lumber Production, Sales, Exports: February and April 2017

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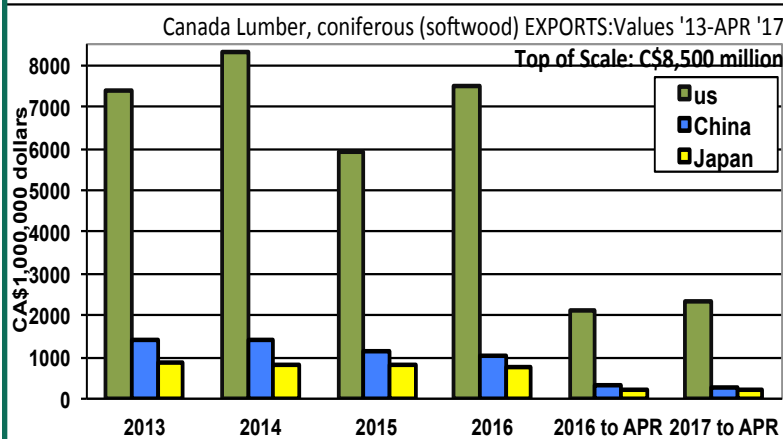
SOURCE: Statistics Canada



Lumber production was up 14.5% from February to 6 218.2 thousand cubic metres in March. Production was 4.4% higher than March, said the **Statistics Canada** Friday.



CANADA	2016 to FEB	2017 to FEB	% Change
Production	10.88	11.03	1.4%
Shipments	10.87	10.57	3.0%
Stocks	14.35	14.47	0.8%
Total softwood, production			
[4407.10]			



	Jan-Apr '16	Jan-Apr '17	% Change 2017/2016
US	2,144	2,324	20.40%
China	342	297	-18.50%
Japan	233	208	-5.30%
to World	3,119	2,842	9.90%
HS 440710 - Lumber, coniferous (softwood), of a thickness exceeding 6 mm			

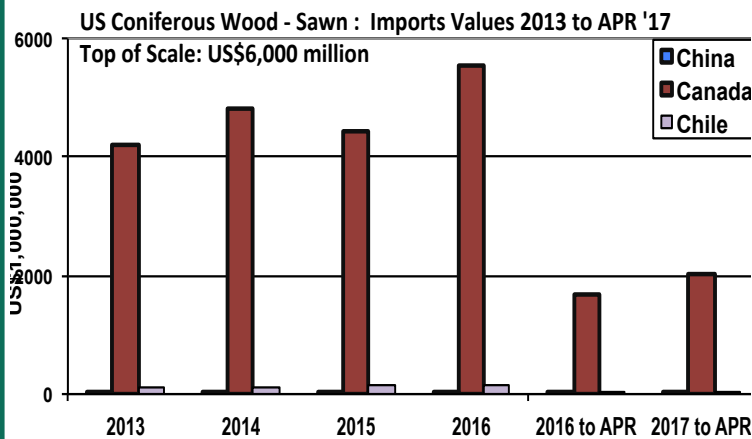
US Coniferous Sawn Wood Imports and Exports: April 2017

CONT'D FROM PAGE 9

SOURCE: US Census

According to figures from the **US Department of Agriculture's Foreign Agriculture Service**, the USA imported 8.5 million cubic metres of softwood lumber from Canada, which amounts to a 16 per cent reduction against last year's volume in the first quarter.

While January's import volume was slightly higher year-over-year at 1.6 per cent, reductions of 30 per cent and almost 15 per cent were recorded in February and March, respectively.



The value of Canadian softwood lumber rose by 15 per cent to US\$1.418 billion, and the value per unit rose to 36 per cent to US\$167.7/cubic metre.

On the export side, the USA's softwood lumber exports totalled 782,448 cubic metres for the first quarter, or 4 per cent below the figure recorded in the first quarter of last year.

DROP IN US LUMBER EXPORTS TO ASIA

EUWID attributes this drop to the 18 per cent reduction in lumber exports to Asia, which includes a 15 per cent reduction in exports to China and a 23 per cent reduction in exports to Japan. South American exports rose by 10 per cent over the same period, while Canadian exports rose by 6 per cent.

US WESTERN SAWMILL PRODUCTION

Sawmills in the western U.S. produced 4.5 billion board feet (bbf) of softwood lumber in the first four months of 2017, a decline of 3.2 per cent from 4.7 bbf in the same period last year, according to the latest data from the **Western Wood Products Association (WWPA)** of Portland, OR.

In April alone, sawmills in the US West produced 1.1 bbf of lumber, down 6.9 per cent from 1.2 bbf in April 2016, and down 13.8 per cent from 1.3 bbf in March 2017.

Coastal mills contributed 2.8 bbf to the four-month total, down 1.8 per cent from 2.8 bbf in the previous year, while inland mills produced 1.6 bbf, a drop of 3.6 per cent year-over-year from 1.7 bbf. California redwood production plunged 24 per cent to 128 million board ft. (mmbf), down from 168 mmbf.

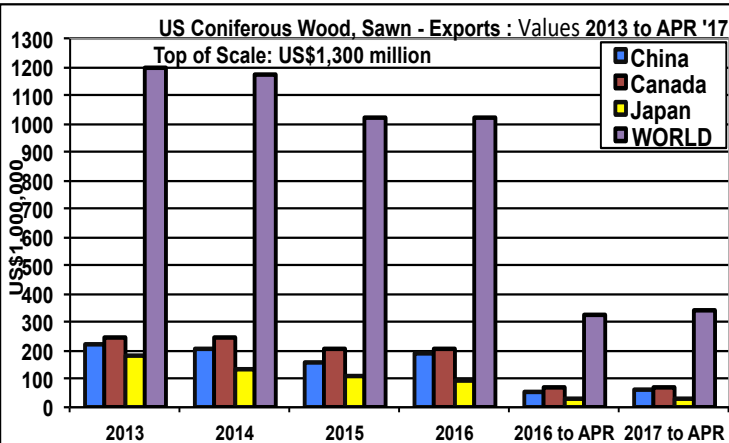
Coastal mills accounted for 666 mmbf of April's total, down 7 per cent from 717 mmbf in April 2016, and 13 per cent lower than output in March 2017 of 764 bbf. Inland mills accounted for 378 mmbf, a drop of 5.5 per cent from 400 mmbf in the previous year, and down 14 per cent from 442 mmbf in March of this year.

California redwood production in April dropped 20 per cent to 32 mmbf from 41 mmbf in April last year, and was down 25 per cent from 43 mmbf in March 2017.

US Coniferous Wood, Sawn - Imports : Values US\$1 million

		2017 to APR
13.010189	14.43	10%
1689.858018	2010.58	16%
48.186208	52.18	8%
1857.921257	2234.88	17%
2016 to APR	2017 to APR	

IMPORTS HS 440710 Coniferous Wood Sawn, Etc, Over 6 mm Thick



US Coniferous Wood, Sawn - Exports : Values US\$1 million

		2017 to APR
58.0	63.3	8.00%
70.4	67.1	-4.30%
33.9	26.7	-21%
327.9	342.3	3.80%
2016 to APR	2017 to APR	

Value of Exports by Coniferous Wood Sawn, Sliced Etc, Over 6 mm Thick