

# MADISON'S LUMBER REPORTER



Publisher  
**KetaDesign Productions**

Editor  
**Kéta Kosman**

Market Analyst  
**Earl Heath**

Print Production  
**Pauline Petit**



Annual Subscription Prices  
E-mail/Fax: US\$408.45  
Discounts available for multiple  
subscriptions

Published 50 times a year



www.madisonsreport.com  
madrep@shawcable.com  
604 319-2266

PO Box 2486 Vancouver, BC  
V6B 3W7 Canada



In Canada, add GST or HST  
ISSN 0715-5468

Printed in Canada © 2017

All material contained within is the property  
of KetaDesign Productions Inc. Reproduction  
or retransmission is expressly forbidden.



## News & Updates

**Madison's Lumber Reporter** has just learned from a valued long-term and very credible source of the possibility of a tentative deal on Canadian softwood lumber exports to the USA:

“The SLA would terminate the present Canadian Softwood Lumber AD/CVD case, and be replaced with volume restrictions in the form of a quota, similar to the 2006 SLA, but without Export Surcharges. Instead of export surcharges, volume violations would involve significant penalties.

The exact volume restrictions are as yet unconfirmed, but are understood at this time to involve a 30% reduction in year one, 20% in year two, with the following eight at 10%. It is understood at this time that the 2017 SLA would follow the provisions of the 2006 SLA”

We are working right now to confirm this information and find out more.

Please contact our office any time.

### Japan Annual Report on Forest and Forestry: 2017

The government of Japan adopted its “Annual Report on Forest and Forestry in Japan” and “Measures for Forest and Forestry in Fiscal 2017” (white paper on forest and forestry) at the Cabinet meeting on May 26, according to *Japan Lumber Journal* June 30. [CONT'D PAGE 6](#)

### US Institute of Supply Management Indices: June 2017

The ISM manufacturing index indicated expansion in June, said the **US Institute for Supply Management** Monday. The PMI was at 57.8 per cent in June, up from 54.9 per cent in May. The employment index was at 57.2 per cent, up from 53.5 per cent last month, and the new orders index was at 63.5 per cent, up from 59.5 per cent.

The June ISM Non-manufacturing index, meanwhile, released Thursday, was at 57.4 per cent, up from 56.9 per cent in May. The employment index decreased in June to 55.8 per cent, from 57.8 per cent (above 50 indicates expansion, below 50 contraction). [CONT'D PAGE 7](#)

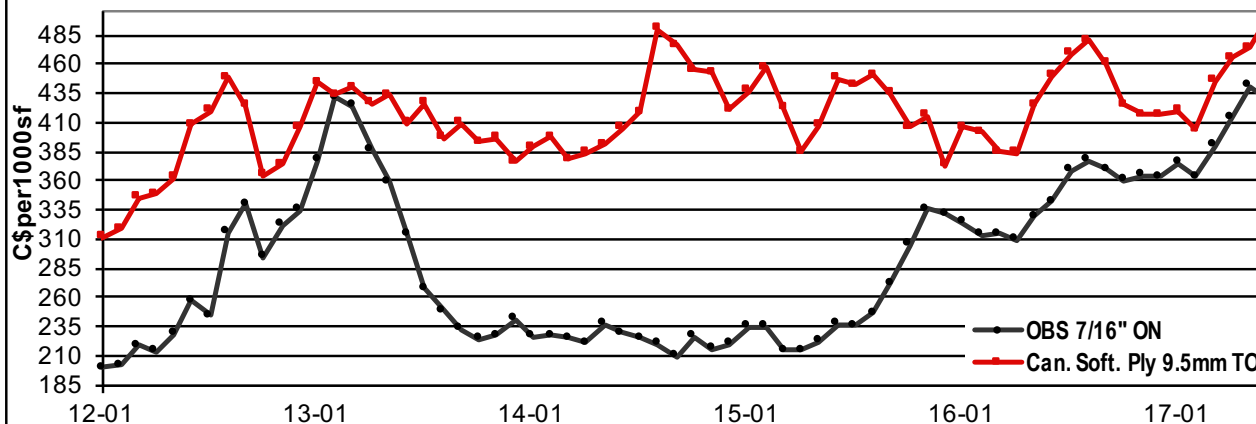
### US Residential Construction Spending and Investment: May and 1Q 2017

**National Association of Home Builders** analysis of **Census Construction Spending** Wednesday data shows that total private residential construction spending in the US fell -0.6 per cent in May, the first decline after a strong start this year and the largest one since June 2014.

Elsewhere, final estimates of 1Q 2017 GDP growth (revised up two-tenths of a percentage point to 1.4 per cent) released June 30, show that housing's share of gross domestic product (GDP) was unchanged at 15.6 per cent.

[CONT'D PAGES 9 & 10](#)

OSB Ontario 7/16" vs Can. Softwood Plywood 9.5mm Toronto 2012-APR '17



## JAPAN ANNUAL REPORT ON FOREST AND FORESTRY: 2017

CONT'D FROM PAGE 2

SOURCE: *Japan Lumber Journal*

The government of Japan adopted its "Annual Report on Forest and Forestry in Japan" and "Measures for Forest and Forestry in Fiscal 2017" (white paper on forest and forestry) at the Cabinet meeting on May 26, according to *Japan Lumber Journal* June 30. The government plans to contribute to the revitalization of local areas by growing the forestry and timber industry and those to prevent global warming and to promote the conservation of biodiversity are included in the "master plans for forest and forestry", which was revised for the first time in five years.

### JAPAN'S FOREST AREA

The report mentions that Japan's forest area is about 25 million hectares (two-thirds of the total national land area) and 10 million hectares in it is planted forests and that the growing stock of forest is about 4.9 billion cubic meters. Main policies and current situation of forest improvement and management, and efforts to cope with the international challenges (global warming and international cooperation) are also described.

### JAPAN FORESTRY PRODUCTION

Forestry production in Japan for 2015 was 436.3 billion yen (down -3 per cent from the previous year) and that output of domestic wood was 20.05 million cubic metres (up +0.7 per cent from the previous year). The report also contains descriptions about the circumstances of forestry production, management, and the labor force, and the situation of mountain villages and programs to activate them.

### NEW TECHNOLOGIES

New technologies which will be the basis of "making forestry a growing industry" are explained in the report, by showing the situation of their introduction and sorting out the results and issues of the introduction. At the same time, conditions to be prepared to introduce new technologies are also described.

### TREND IN SUPPLY AND DEMAND OF LUMBER IN JAPAN

Supply of domestic lumber is on an increasing trend, having increased by +5 per cent from the previous year, to 24.92 million cubic meters in 2015. Lumber imports in the year decreased -3.7 per cent from the previous year, to 5,024 cubic meters, of which 90 per cent was lumber products. In fiscal 2015, self-sufficiency rate of lumber continued to increase for five consecutive years with a growth rate of +33.2 per cent, according to *Japan Lumber Journal*.

#### Supply/Demand of American Timber

	Import			Consumption			Stocks		
	Log	Lumber	Total	Log	Lumber	Total	Log	Lumber	Total
2013	3,420	2,867	6,287	3,421	2,837	6,258	269	223	492
2014	3,093	2,362	5,455	3,073	2,430	5,503	288	155	443
2015	2,565	2,340	4,905	2,622	2,350	4,972	231	170	401
2016	2,791	2,236	5,026	2,780	2,271	5,052	231	170	401
2017									
YTD	897	701	1,598	926	702	1,628			
Jan.	227	180	407	184	180	364	292	135	427
Feb.	229	151	379	263	153	416	258	132	390
Mar.	260	189	449	266	184	449	252	137	389
Apr.	182	182	363	213	185	398	220	134	354

SOURCE:  
*Japan Lumber Journal*

	Year to Date	Previous YTD	Change %	Trend	Full Year 2016	Change % Year Ago	Trend
<b>Five Key 2x4 Lumber Prices:</b> Aggregate US\$/mfbm	(THIS MONTH) 427	(MONTH AGO) 422	+1.1%	▲	(YEAR AGO) 380	+12.1%	▲
<b>VOLUMES</b>							
<b>Canada Lumber Production:</b> softwood, million m3	17.1	16.7	+2.4%	▲	66.9	-74.4%	▼
<b>BC Lumber Production:</b> softwood, million m3	7.9	5.5	+43.6%	▲	32.0	-75.3%	▼
<b>VALUES</b>							
<b>Canada Sawmill Manufacturing Sales:</b> million C\$	4,462	4,057	+10%	▲	11,284	-60.5%	▼
<b>US Total Sawmill Products Imports:</b> million US\$	2,235	1,858	+20.3%	▲	6,128	-63.5%	▼
<b>US Total Sawmill Products Exports:</b> million US\$	342	328	+4.3%	▲	1,021	-66.5%	▼
<b>Canada Sawmill Exports to USA:</b> million C\$	2,324	2,144	+8.4%	▲	7,501	-69%	▼

SOURCE: Madison's Lumber Reporter

www.madisonreport.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	378	374	+4	+1.1%	▲	370	+8	+2.2%	▲	322	+56	+17.4%	▲		
WSPF KD R/L 2x6	376	366	+10	+2.7%	▲	346	+30	+8.7%	▲	290	+86	+29.7%	▲		
SYP KD R/L East Side 2x4	400	415	-15	-3.6%	▼	450	-50	-11.1%	▼	425	-25	-5.9%	▼		
SYP KD R/L East Side 2x6	325	330	-5	-1.5%	▼	350	-25	-7.1%	▼	340	-15	-4.4%	▼		
ESPF KD R/L 2x4	475	470	+5	+1.1%	▲	465	+15	+3.3%	▲	425	+50	+11.8%	▲		
WSPF KD PET 2x4 Stud	370	365	+5	+1.4%	▲	340	+30	+8.8%	▲	270	+100	+37%	▲		
WSPF KD PET 2x6 Stud	395	390	+5	+1.3%	▲	370	+25	+6.8%	▲	250	+145	+58%	▲		
Douglas Fir Green R/L 2x4	445	430	+15	+3.5%	▲	395	+50	+12.7%	▲	360	+85	+23.6%	▲		
Douglas Fir Green R/L 2x10	490	475	+15	+3.2%	▲	440	+50	+11.4%	▲	387	+103	+26.6%	▲		
ESPF KD 2x4 8ft Stud	470	465	+5	+1.1%	▲	465	+5	+1.1%	▲	360	+110	+30.6%	▲		
OSB Ontario 7/16" (CDN\$/msf)	445	440	+5	+1.1%	▲	420	+25	+6%	▲	315	+130	+41.3%	▲		
CS Plywood Toronto 3/8" (CDN\$/msf)	544	525	+19	+3.6%	▲	478	+66	+13.8%	▲	440	+104	+23.6%	▲		

## Madison's Weekly Softwood Lumber News

### US Institute of Supply Management Indices: June 2017

[CONT'D FROM PG 2](#) The ISM manufacturing index indicated expansion in June, said the US Institute for Supply Management Monday. The PMI was at 57.8 per cent in June, up from 54.9 per cent in May. The employment index was at 57.2 per cent, up from 53.5 per cent last month, and the new orders index was at 63.5 per cent, up from 59.5 per cent.

The June ISM Non-manufacturing index, meanwhile, released Thursday, was at 57.4 per cent, up from 56.9 per cent in May. The employment index decreased in June to 55.8 per cent, from 57.8 per cent (above 50 indicates expansion, below 50 contraction).

### Canada Building permits: May 2017

[CONT'D FROM PG 2](#) Canadian municipalities issued \$7.7 billion worth of building permits in May, up +8.9 per cent from April and the third highest value on record, according to Statistics Canada Thursday. The national increase was mainly the result of higher construction intentions for residential buildings, particularly in Ontario. Seven provinces registered gains in the total value of building permits in May, and every building component increased except institutional structures.

The value of residential building permits issued by Canadian municipalities increased +10.8 per cent from April to \$5 billion in May. Six provinces registered gains in the month, with Ontario reporting the largest increase,

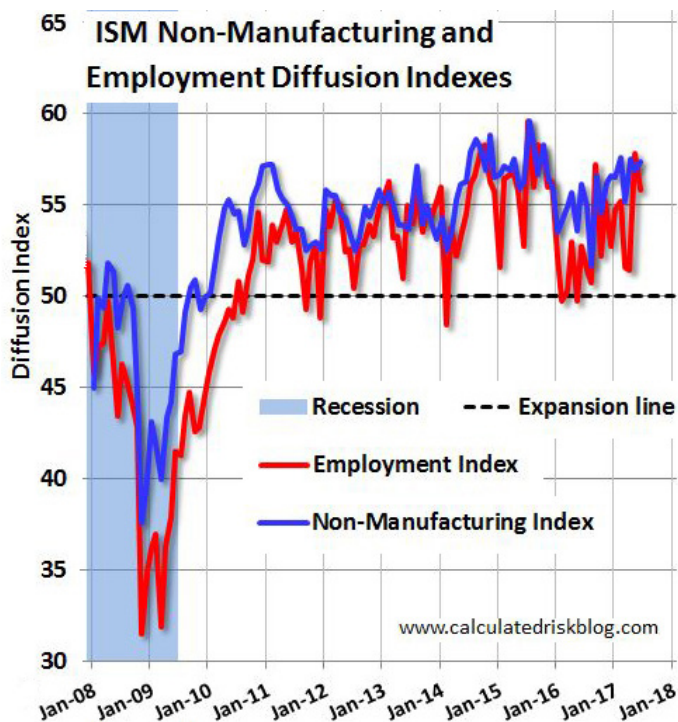
followed distantly by Alberta and British Columbia.

The multi-family component rose +15 per cent in May to \$2.3 billion, following a +6.9 per cent gain in April. Construction intentions were up for every type of multi-family dwelling, led by row houses. Meanwhile, the value of single-family building permits rose +7.4 per cent to \$2.7 billion in May, stemming mainly from single homes in Ontario.

The value of building permits issued for non-residential structures rose +5.6 per cent in May to \$2.7 bil-

lion, marking a third consecutive monthly increase. Alberta and New Brunswick led the five provinces that posted gains in the non-residential sector in May.

The commercial component rose +12.9 per cent in May to \$1.5 billion, as increases were registered across several building categories, led by retail and wholesale construction intentions. Every province except Nova Scotia and Alberta reported gains in the value of commercial building permits.



## JOB CENTRE

### CANFOR IS HIRING IN CANADA

**CHETWYND, BC**  
Certified Millwright

**FORT ST. JOHN, BC**  
Certified Millwright

**MACKENZIE, BC**  
Divisional Controller

**PRINCE GEORGE, BC**  
Manager, Manufacturing Systems  
Supervisor, Maintenance - Relief

**VAVENBY, BC**  
Woodlands Accountant



[www.canfor.com](http://www.canfor.com)

### CANFOR IS HIRING IN THE U.S.

**CAMDEN, S. CAROLINA**  
CDL Driver  
Electrician  
Millwright  
Sawfiler

**DARLINGTON, S. CAROLINA**  
Mobile/Heavy Duty Mechanic  
Hydraulics Technician



[www.canfor.com](http://www.canfor.com)

**10 reasons why you  
should consider Tolko  
for your career move.**

Discover more about Tolko by visiting  
[www.tolko.com/work-with-us](http://www.tolko.com/work-with-us)

TRUE  
TRUSTED.  
TOLKO.

**TOLKO**

**WE'RE HIRING**

MILLWRIGHT  
CAMDEN, SOUTH CAROLINA

[www.canfor.com/careers](http://www.canfor.com/careers)



*Tolko blue  
is a  
great fit for you!*

WELCOME TO  
**HIGH PRAIRIE**  
ALBERTA - CANADA

## ANNOUNCEMENTS

**reThink Wood**  
WOOD. 3,478 followers  
22h

WoodWorks is now accepting submissions for the 2018 Wood Design Awards. Find the details on their website.



Nominate a Project for a 2018 Wood Design Award  
[woodworks.org](http://woodworks.org)

**2017 FORESTRY  
PHOTO CONTEST**



BC COUNCIL  
OF FOREST  
INDUSTRIES



FOREST  
INDUSTRIES

## C.D. Howe Institute Researcher: Raise BC Stumpage Rates

Said Benjamin Dachis, associate director of research at the C.D. Howe Institute, a Canadian think tank, to *Business in Vancouver* Tuesday that an auction for BC timber “is a great way of getting a lot of this revenue up front”.

Dachis is proposing cutting rights would be auctioned, with the highest bidder winning the right to harvest a certain volume of trees.

British Columbia companies pay stumpage fees and a logging tax for the right to harvest trees on Crown land, explained **BIV**. Stumpage rates are fees charged on a per-cubic-metre basis. The fees vary, depending on the area and the species of tree cut. But they are flat fees that are not reflective of real market values, Dachis argued.

Under the model Dachis is proposing, cutting rights would be auctioned, with the highest bidder winning the right to harvest a certain volume of trees.

In addition to raising revenue through the auction, the government would tax the companies’ profits on the trees they harvested, after input costs are deducted. It is a model similar to the one used for other Crown resources, like minerals and oil and gas.

While much of the timber in BC is allocated under long-term tree farm licences, timber that isn’t locked up in those licences (about 20 per cent of the provincial allowable annual cut) is auctioned through the BC Timber Sales program, established in 2003. The prices the government gets through those auctions set the stumpage rate for the rest of the province, said **BIV**.

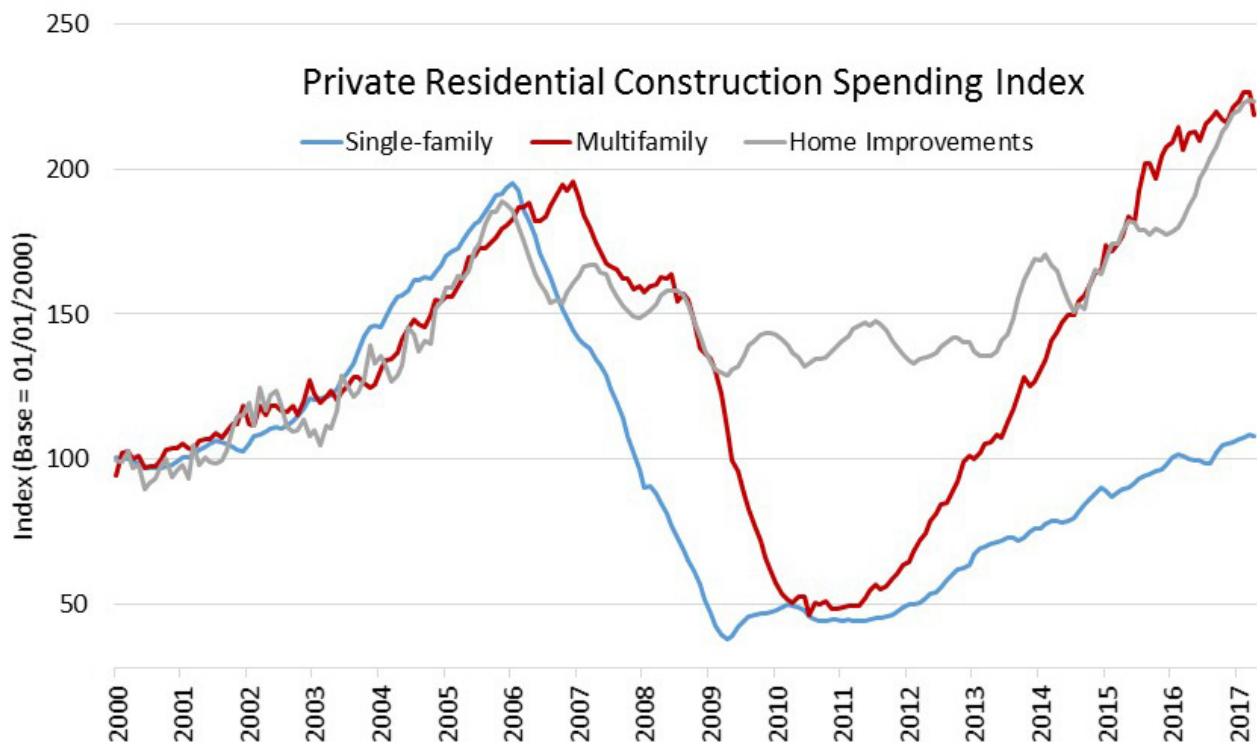
## US Residential Construction Spending and Investment: May and 1Q 2017

[CONT'D FROM PAGE 2](#)

National Association of Home Builders analysis of Census Construction Spending data Wednesday shows that total private residential construction spending fell -0.6 per cent in May, the first decline after a strong start this year and the largest one since June 2014. The recent slowdown follows the housing starts declines over the three consecutive months. Nevertheless, the total private residential construction spending is +11.2 per cent higher than a year ago, NAHB said.

The monthly declines are largely attributed to the slowdown of multifamily construction spending. It slipped -3.3 per cent after a decrease of -0.2 per cent in April, but was +3 per cent higher since a year ago. Spending on single-family and home improvements halted their monthly gains in May, declining -0.3 per cent and -0.1 per cent, respectively. Nevertheless, on an annual basis, spending on single-family increased by +7.9 per cent. Home improvement spending was +3 per cent higher since May 2015.

Private nonresidential construction spending slipped -0.7 per cent on a monthly basis. However, it was +0.8 per cent higher than a year ago.



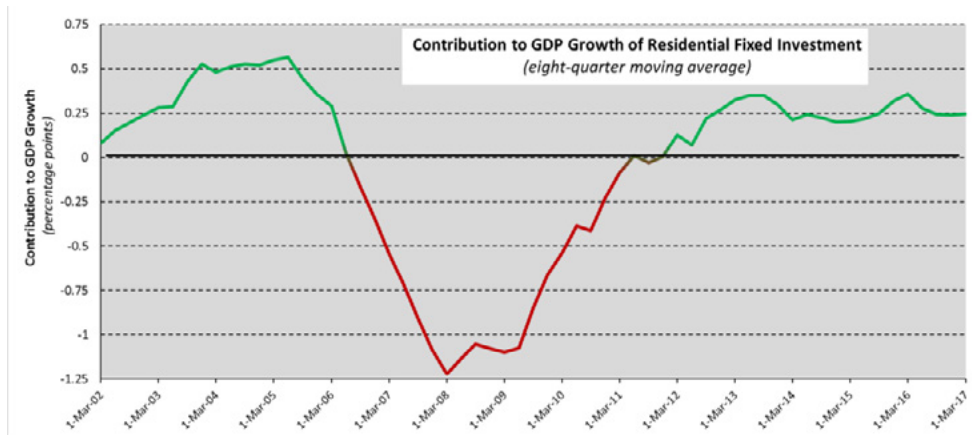
## US Residential Fixed Investment

[CONT'D FROM PAGE 9](#)

Final estimates of 1Q 2017 GDP growth (revised up two-tenths of a percentage point to 1.4 per cent), show that housing's share of gross domestic product (GDP) was unchanged at 15.6 per cent, said NAHB June 30.

The home building and remodelling component—residential fixed investment (RFI)—increased 0.1 percentage point to 3.6 per cent as a share of GDP. The first-quarter expansion of RFI added 0.48 percentage point to the headline GDP growth rate (i.e. GDP would have expanded only 0.9% had RFI remained unchanged). Of the 31 quarters since the end of the Great Recession, only five times has residential fixed investment contributed more to GDP than it did in Q1 2017.

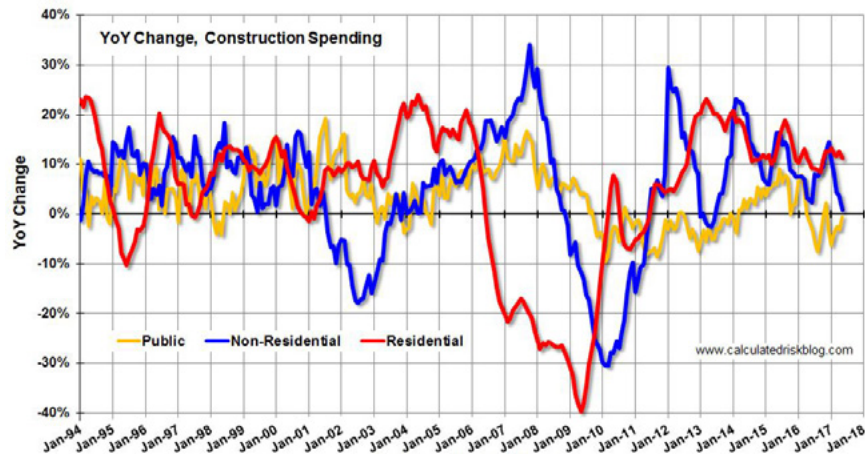
The second impact of housing on GDP is the measure of housing services, which includes gross rents (including utilities) paid by renters, and owners' imputed rent (an estimate of how much it would cost to rent owner-occupied units) and utility payments. The inclusion of owners' imputed rent is necessary from a national income accounting approach, because without this measure, increases in homeownership would result in declines for GDP. In the first quarter, housing services comprised 12 per cent of the economy or US\$2.03 trillion, falling 0.1 percentage point from 4Q 2016.



## Year-Over-Year Residential Construction Spending

On a year-over-year basis, private residential construction spending is up +11 per cent, according to Calculated Risk Monday. Non-residential spending is up slightly year-over-year. Public spending is down slightly year-over-year.

However spending for previous months were revised up.



## Home Purchases Boost to Consumer Spending

Using the **Consumer Expenditure Survey (CES)** data from the **US Bureau of Labor Statistics (BLS)**, **NAHB Economics** research released Thursday shows that a home purchase triggers additional spending on appliances, furnishings, and remodelling. NAHB's most recent estimates are based on the 2012-2014 data and show that during the first two years after closing on the house, a typical buyer of a newly-built single-family detached home spends on average US\$4,500 more than a similar non-moving home owner. Likewise, a buyer of an existing single-family detached home tends to spend over US\$4,000 more than a similar non-moving home owner, including close to US\$3,700 during the first year.

NAHB's latest research updates the 2008 study that was based on 2004-2007 data.

The NAHB analysis controls for the impact of household characteristics on expenditures, and, nevertheless, finds that a home purchase alters the spending behaviour of homeowners and that otherwise similar homeowners spend more across all three categories compared to non-moving owners during the first two years after moving.