

MADISON'S LUMBER REPORTER

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News & Updates

Canada Lumber Production: April 2017

Lumber production in Canada was down 7.1 per cent from March, to 5,778.2 thousand cubic metres of lumber in April, according to **Statistics Canada** July 7. Production was 1.8 per cent lower than in April 2016.

Sawmills shipped 5,886.6 thousand cubic metres of lumber in April 2017, up 0.8 per cent from March and 4.1 per cent higher than in April 2016.

US Home Builders Report Lumber Shortages: May 2017

According to the May 2017 survey for the **NAHB/Wells Fargo Housing Market Index**, out Tuesday, the availability of building materials, especially framing lumber, significantly jumped on the list of homebuilder concerns, revealing that 21 per cent of single-family builder respondents reported a shortage of framing lumber.

This is a striking jump from 2014 when no product or material was cited as being in short supply by more than 15 per cent of builders. In fact, this remained true for most other materials in the 2017 survey. Next to framing lumber, the most widespread shortages reported in 2017 were ready-mix concrete and trusses, with 14 per cent of builders reporting shortages of each. [CONT'D PAGE 6](#)

Construction Job Openings, US: May 2017

The count of unfilled jobs in the US construction sector declined in May, falling to level below that recorded a year ago, said to the **BLS Job Openings and Labor Turnover Survey (JOLTS)** and **National Association of Home Builders** analysis released Wednesday, the number of open construction sector jobs stood at 154,000 in May. The cycle high was 238,000, set in July of last year.

The open position rate (job openings as a per cent of total employment) for May came in at 2.2 per cent. On a smoothed twelve-month moving average basis, the open position rate for the construction sector declined to a still elevated level of 2.6 per cent). [CONT'D PAGE 7](#)

Canada New Housing Price Index: May 2017

Toronto, ON, and Vancouver, BC, were largely responsible for a 0.7 per cent monthly rise in new house prices in Canada in May, said **Statistics Canada** Thursday.

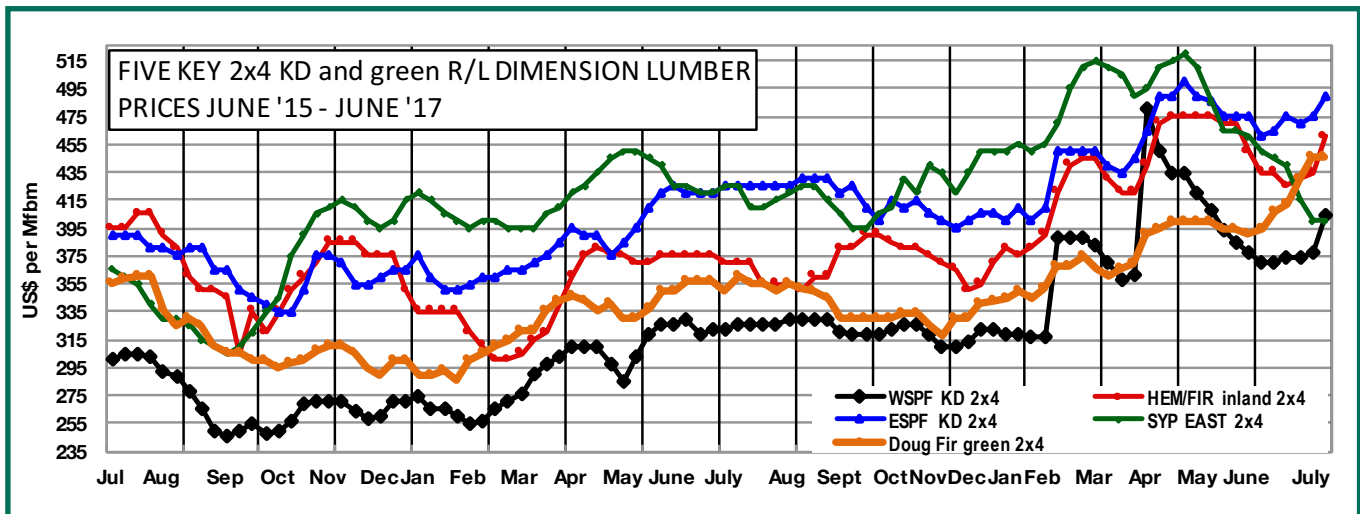
Toronto was the largest contributor to the national gain, rising 1.1 per cent from April to May. Builders linked higher prices to market conditions, a shortage of developed land and higher construction costs. [CONT'D PAGE 7](#)

British Columbia Wildfires 2017

Weather experts in western Canada have deemed wildfire season in British Columbia this year as "hazard index high" explained wildfire ecologist Robert Gray to **Madison's** Thursday in a phone interview. The weather service expects this hot, dry weather pattern will likely hold for 10 - 12 weeks.

"This year is shaping up like 2003," detailed Gray.

In 2003 was the catastrophic wildfire which was extremely damaging to the town of Kelowna, BC, and which actually melted the Tolko sawmill at Barriere, BC. That mill was never rebuilt. [CONT'D PAGES 9 and 10](#)



US LUMBER SHORTAGES: MAY 2017

For nearly all of these materials and products, the recent history has been relatively stable, with the share of builders reporting shortages moving only a couple of percentage points between 2014 and 2017, said the **NAHB/Wells Fargo Housing Market Index**. Next to framing lumber, the most widespread shortages reported in 2017 are for ready-mix concrete and trusses, with 14 per cent of builders currently reporting shortages of each.

RELATIVELY STABLE SUPPLY UNTIL RECENTLY

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

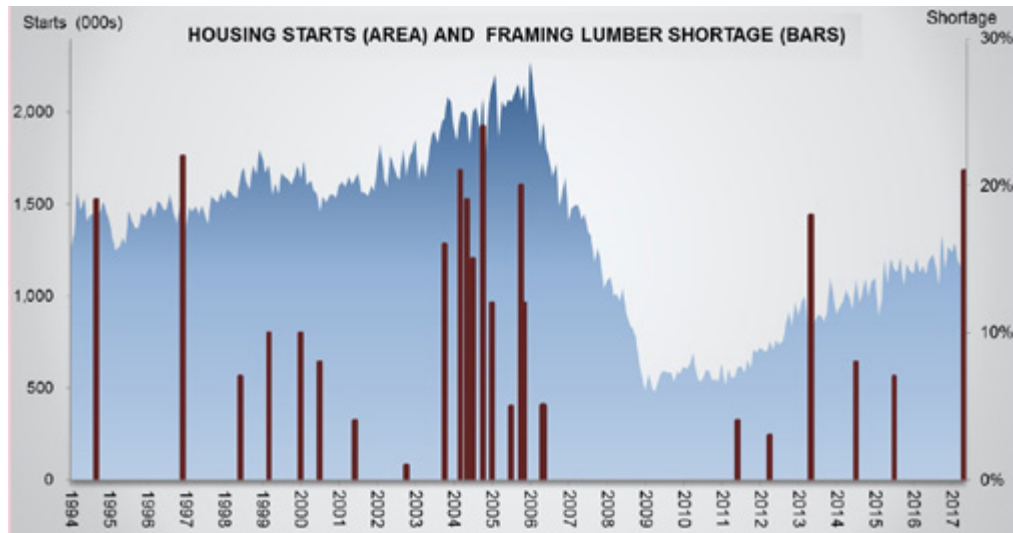
For nearly all of these materials and products, the recent history has been relatively stable, with the share of builders reporting shortages moving only a couple of percentage points between 2014 and 2017. Framing lumber is the single, notable excep-

tion. In 2013, it looked as though a problem with the supply of framing lumber was starting to emerge, but the situation subsequently eased. Only 8 per cent of builders reported a shortage of framing lumber in July of 2014 and 7 per cent in July of 2015. But then, the share more than doubled in May of 2017, to 21 per cent—a post-housing recession high. The last time framing lumber shortages were as widespread as they are now was in October of 2004, at a time when the annual rate of housing starts was hovering around 2 million (compared to the current rate of about 1.1 million).

LUMBER PRICE INCREASES RESPONSIBLE FOR SHORTAGES

The rising share of builders reporting shortages of framing lumber is consistent with recent increases in prices for softwood lumber. It is virtually certain that an underlying factor contributing to the shortages and price increases is the ongoing softwood lumber trade dispute between the US and Canada, including the duties on lumber imported from Canada levied by the Department of Commerce in 2017.

NAHB analysis found that in 2016, the U.S. consumed more than 47 billion board feet (bbf), while it produced slightly more



	Year to Date	Previous YTD	Change %	Trend	Full Year 2016	Change % Year Ago	Trend
Five Key 2x4 Lumber Prices: Aggregate US\$/mfbm	(THIS MONTH) 440	(MONTH AGO) 425	+3.4%	▲	(YEAR AGO) 374	+17.5%	▲
VOLUMES							
Canada Lumber Production: softwood, million m ³	17.1	16.7	+2.4%	▲	66.9	-74.4%	▼
BC Lumber Production: softwood, million m ³	7.9	5.5	+43.6%	▲	32.0	-75.3%	▼
VALUES							
Canada Sawmill Manufacturing Sales: million C\$	4,462	4,057	+10%	▲	11,284	-60.5%	▼
US Total Sawmill Products Imports: million US\$	2,235	1,858	+20.3%	▲	6,128	-63.5%	▼
US Total Sawmill Products Exports: million US\$	342	328	+4.3%	▲	1,021	-66.5%	▼
Canada Sawmill Exports to USA: million C\$	2,324	2,144	+8.4%	▲	7,501	-69%	▼

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	404	378	+26	+6.9%	▲	370	+34	+9.2%	▲	326	+78	+24%	▲		
WSPF KD R/L 2x6	412	376	+36	+9.6%	▲	346	+66	+19%	▲	294	+118	+40%	▲		
SYP KD R/L East Side 2x4	400	400	0	0%	-	445	-45	-10%	▼	410	-10	-2.4%	▼		
SYP KD R/L East Side 2x6	330	325	+5	+1.5%	▲	345	-15	-4.3%	▼	360	-30	-8.3%	▼		
ESPF KD R/L 2x4	490	475	+15	+3.2%	▲	470	+20	+4.3%	▲	410	+80	+19%	▲		
WSPF KD PET 2x4 Stud	380	370	+10	+2.7%	▲	330	+50	+15%	▲	270	+110	+41%	▲		
WSPF KD PET 2x6 Stud	400	395	+5	+1.3%	▲	360	+40	+11%	▲	255	+145	+57%	▲		
Douglas Fir Green R/L 2x4	445	445	0	0%	-	407	+38	+9.3%	▲	355	+90	+25%	▲		
Douglas Fir Green R/L 2x10	505	490	+15	+3.1%	▲	450	+55	+12%	▲	360	+145	+40%	▲		
ESPF KD 2x4 8ft Stud	475	470	+5	+1.1%	▲	465	+10	+2.2%	▲	360	+115	+32%	▲		
OSB Ontario 7/16" (CDN\$/msf)	450	445	+5	+1.1%	▲	435	+15	+3.4%	▲	368	+82	+22%	▲		
CS Plywood Toronto 3/8" (CDN\$/msf)	570	544	+26	+4.8%	▲	512	+58	+11%	▲	427	+143	+33%	▲		

Madison's Weekly Softwood Lumber News

US Construction Job Openings: May 2017

[CONT'D FROM PG 2](#) The overall trend for open construction jobs has been increasing since the end of the Great Recession. This is consistent with survey data indicating that access to labor remains a top business challenge for builders. However, recent data indicate a slowing in the count of unfilled construction jobs, albeit at levels higher prior to 2016.

The construction sector hiring rate, as measured on a twelve-month moving average basis, increased slightly to 5.2% in May. The twelve-month moving average for layoffs was steady (2.7%), remaining in a range set in 2014. The

recent increase in the quits rate, an indicator of labor market churn, slowed in May to a 2% rate.

Overall, the labor market for construction workers remains tight as it continues to expand. Home builders and remodelers added 115,600 job over the last 12 months, and industry employment has increased by almost 713,000 since the low point after the Great Recession. As housing starts continue to increase, more workers will be needed in the residential construction sector.

New Housing Price Index, Canada: May 2017

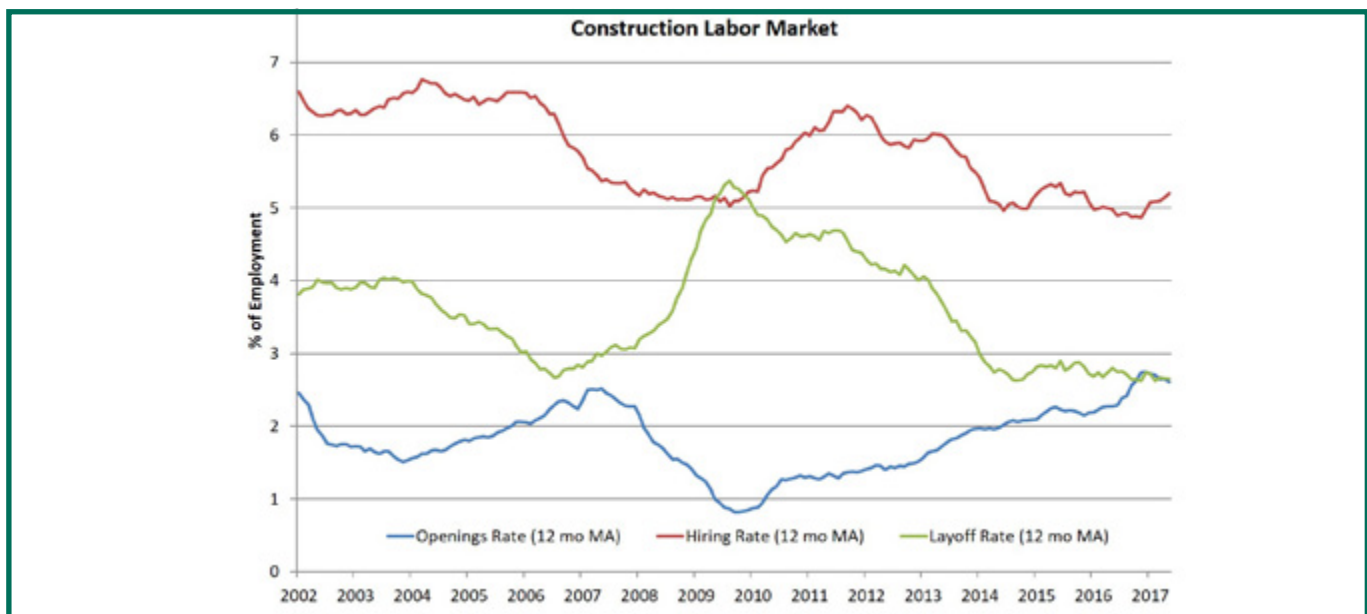
[CONT'D FROM PG 2](#) Prices for new houses in Vancouver rose for a

third consecutive month, up 2.2 per cent in May and the largest increase for this census metropolitan area since May 2007. Builders cited favourable market conditions as the main reason for the gain.

New house prices in Canada rose 3.8 per cent over the 12-month period ending in May, led by a 9 per cent increase in Toronto, ON.

Other notable year-over-year gains were in the Southern Ontario communities of St. Catharines–Niagara (+7.2 per cent), Kitchener–Cambridge–Waterloo (+6.5 per cent) and London (+6.5 per cent).

Prices were down in six metropolitan areas, with Calgary (-0.9 per cent) posting the largest decrease.



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 IN PAYROLL**
U.S. Private-forest owners support 2.8 million jobs and \$87 billion in payroll.
Source: Bureau of Economic Analysis & National Institute of Forest Statistics, 2018

WOOD.
 Why Wood Products Bolster Economies
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FROM WELL-MANAGED
 FORESTS IS AN EXCELLENT
 CHOICE FOR ANY GREEN
 BUILDING PROJECT




CONT'D FROM PAGE 2

As of Friday morning the number of wildfires in British Columbia was reduced to over 100, from almost 200 earlier in the week.

A media representative at BC Ministry of Forests replied to *Madison's* by email Thursday, that so far, the fires have burned over 111,251 hectares, "but we don't yet know how much of that is timber harvesting land base."

West Fraser Timber, Tolko Industries, and orient-ed-strand-board manufacturer **Norbord** are among the companies that have suspended operations at mills in and around 100 Mile House and Williams Lake, BC, with 1,000 employees from West Fraser alone off work due to the closures, said the *Vancouver Sun* Wednesday.

Tolko also indefinitely suspended operations at its two Williams Lake sawmills releasing employees to look after their families while the town remains under evacuation alert.

As well, about 30 to 40 logging companies spanning from Merritt, BC, to several hundred kilometres north in Williams Lake have also shut down harvesting operations, according to GlobalNews Monday.

The fire response in BC is starting to include industrial crews, explained wildfire ecologist Robert Gray to *Madison's* in a phone interview Thursday.

"Heavy mechanical equipment for forest firefighters is starting to arrive [at the worst-hit] locations," said Gray. "We may see forest shutdowns [to the public], if the provincial fire rating is high enough the province could put in a fire ban."

This would be in addition to the usual summer bans for industrial equipment — specifically timber harvesting — during the hottest weeks of the summer.

Gray likened conditions in this year's fire season to the catastrophic 2003 fire around Kelowna, BC.

"The wet winter this year combined with very hot weather coming on quickly has resulted in heavy fuels in the forest, which have long burnout times."

In 2003, wildfires in the province cost the B.C. economy \$1.3 billion in direct fire suppression costs and indirect economic losses, according to a paper by the provincial Ministry of Forests, Lands and Natural Resource Operations.

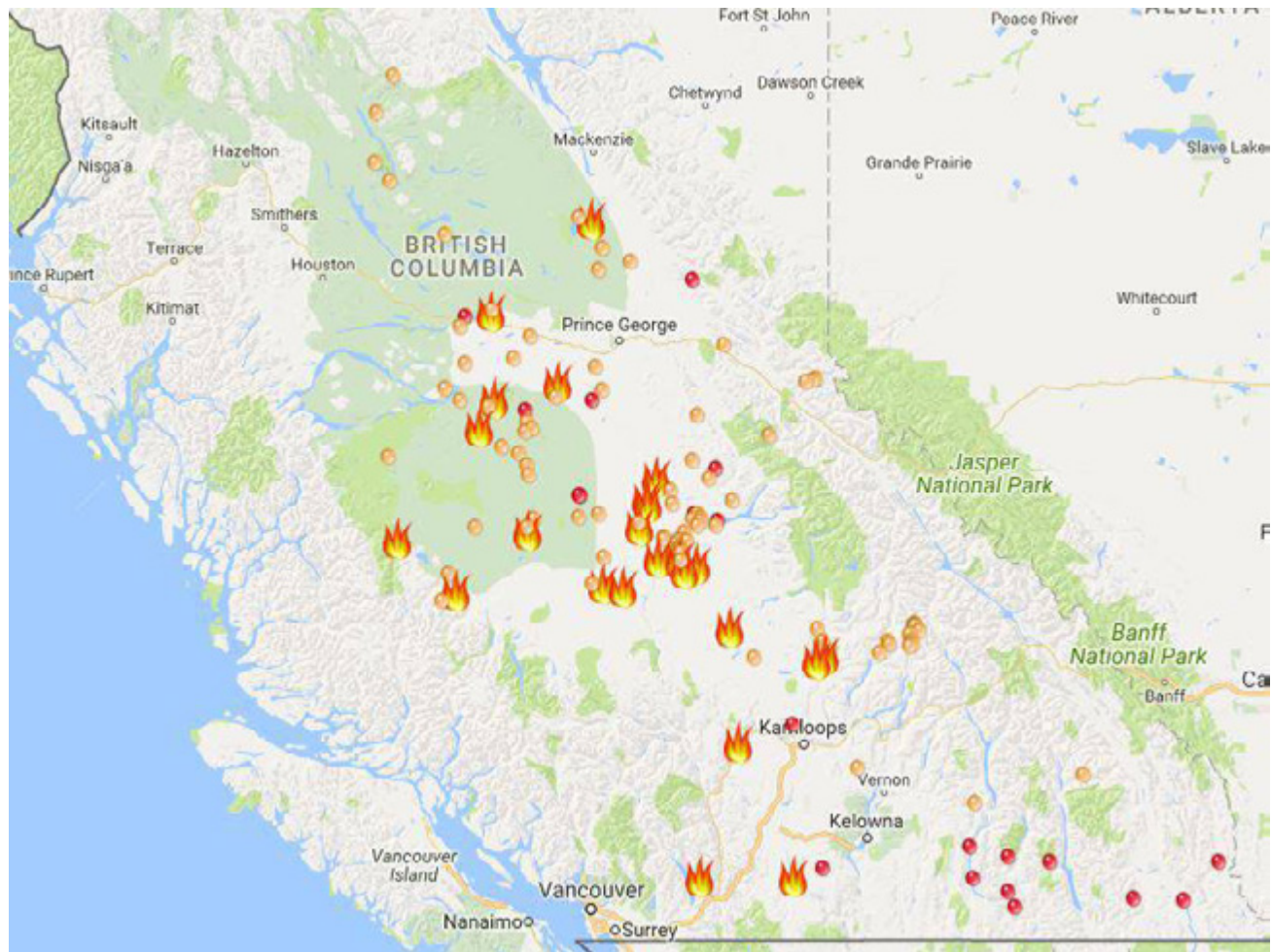
The difference this year is that the worst fires so far are located not at a big town but where there are many wood production facilities.

In addition is the bad timing, as these are the very two weeks that the Québec forest industry takes it's annual two-week summer shutdown. Most players will have ordered wood for their needs in advance of these usual closures, but the coincidence with BC wildfires this week could cause a perception of looming shortage of supply.

With the recent lumber price volatility due to countervailing and anti-dumping imposed by the US this year, even a perception of threat to supply could cause lumber and especially panel prices to rise. Possibly in the short term, or even further out through summer as US home building activity continues muted but improving.

by Kéta Kosman

SOURCE: BC Fire Info, Government



Japan Housing Starts: April 2017

According to a report released by Japan's Ministry of Land, Infrastructure, Transport and Tourism on June 30th, **Japan's housing starts in May** were 78,481 units (down 0.3 per cent from the same month in the previous year), falling below the previous year's results for the first time in three months, said the *Japan Lumber Journal* Friday. When compared to the previous month, the results decreased by 6.5 per cent, the seasonally-adjusted annual rate falling below 1,000,000 units for the first time in two months.

New housing starts of owner occupied houses in Japan were 23,846 units (up 1.5 per cent from the same month of the

previous year), surpassing the previous year's results for two consecutive months, said the *Japan Lumber Journal* Friday.

Housing starts of built-for-sale houses were 21,347 units (down 3.9 per cent). Out of the built-for-sale houses, condominiums were 9,823 units (down 12.6 per cent), decreasing for the first time in two months.

By structure, housing start of wooden houses were 44,761 units (up 4.6 per cent). The ratio of wooden houses by the number of units was 57 per cent (up 3.2 points from the previous month), according to the *Journal*.

SOURCE: Japan Lumber Journal

May housing starts

	May	'17/'16	Jan.-May	'17/'16
Total	78,481	99.7	385,750	102.2
Owners	23,846	101.5	110,615	100.0
Rental	32,956	101.6	165,613	106.4
Units built for sale	21,347	96.1	107,241	96.7
(condos)	(9,823)	87.4	51,129	93.6
Wood based	44,761	104.6	210,168	102.9
Prefabricated	11,148	100.2	54,950	98.8
2x4	9,636	102.4	45,691	99.9



SOURCE: Japan Lumber Reports

North American Softwood Lumber Production WWPA: April 2017

Rates of production as per cent of practical capacity for North American sawmills remained stable at 85 per cent in the US for April 2017 compared to March. It was 86 per cent for full year 2016, said the latest issue of the **Western Wood Products Association's Lumber Track** Friday.

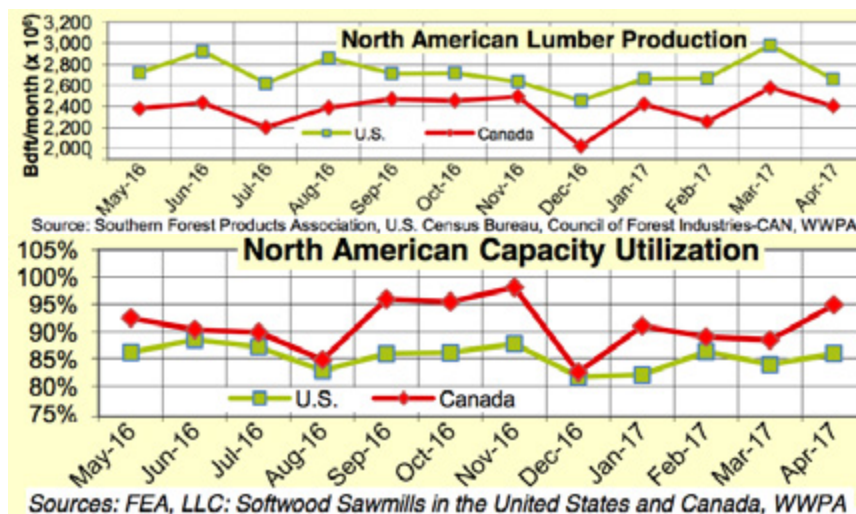
Capacity utilization of sawmills in Canada in April also remained flat at 91% from 91% in April last year, and compared to 91% for full year 2016.

Softwood lumber production by US sawmills reached

10,967 million board feet (bbf) in the first four months of 2017, a gain of 0.6 per cent from 10,897 million board feet in the same period the previous year, according to the **Western Wood Products Association's monthly Lumber Track** Friday.

Canadian sawmills produced 9,652 million board feet of softwood lumber for Jan-Apr 2017, a gain of 1.6 per cent from 9,496 million board feet in the first four months of 2016.

SOURCE: Western Wood Products Association



SOURCE: Western Wood Products Association