

# MADISON'S LUMBER REPORTER



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## News & Updates

### Softwood Lumber Trade Update

British Columbia's new NDP Premier John Horgan said Thursday after talks with Trump administration officials he was hopeful a dispute between Canada and the United States over softwood lumber could be resolved before NAFTA talks begin in mid-August, according to *Reuters*. [CONT'D PAGE 6](#)

### British Columbia Lumber Exports: May 2017

Paul Ferley, assistant chief economist of the Royal Bank of Canada said at a briefing on the outlook for the US and Canadian economies and the impact of China, July 20 in Markham, ON.

The top Canadian exports to China are resource-based goods such as pulp, paper and paperboard, seeds and beans, wood and wood products, mineral ores, motor vehicles and seafood.

China is Canada's second-largest trading partner in terms of bilateral trade and is second only to the US in both imports from and exports to China, according to China Daily Thursday.

Elsewhere, the **BC Ministry of Forests, Lands, and Natural Resource Operations'** Economic Analysis Branch release Wednesday the last data for BC wood products exports, to May 2017. [CONT'D PAGE 6](#)

### West Fraser Buys, Western Forest Products Curtails, Canfor Pulp Invests

West Fraser Timber, based in Vancouver, BC, said Thursday it has agreed to buy a US lumber business for about US\$430-million.

The company said it will acquire the operations of the Gilman Companies from the Howard Gilman Foundation and other shareholders. The Gilman Companies are comprised of six sawmills and a finger-joint mill in Florida and Georgia as well as an administrative office in Georgia. [CONT'D PAGE 7](#)

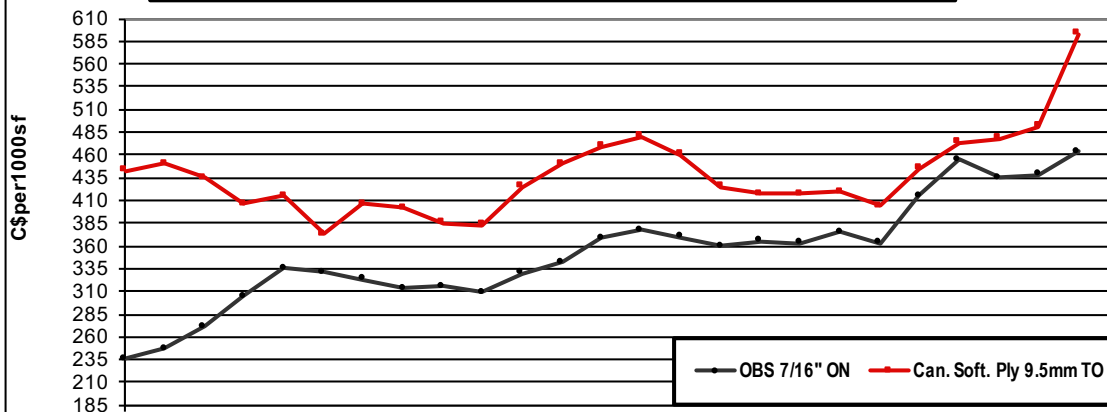
### US Home Sales, Prices, Ownership Rates: May, June, 2Q 2017

According to the Census Bureau's Housing Vacancy Survey, released Thursday the US homeownership rate was 63.7 per cent in 2Q 2017, which is statistically no different from its last quarter reading of 63.6 per cent. The rate of homeownership appears to be stabilizing after reaching a cycle low of 62.9 per cent in 2Q 2016 said the Census Bureau. [CONT'D PAGE 9](#)

### Japan Wood Demand Projection: 2017

**Japan's Forestry Agency** projected the country's wood supply of structural laminated lumber for 2017 is up +5.2 per cent, and that of plywood is up +3.2 per cent compared to the previous year, said *Japan Lumber Reports* Friday. [CONT'D PAGE 10](#)

OSB Ontario 7/16" vs Can. Softwood Plywood 9.5mm Toronto '15-JULY '17



## SOFTWOOD LUMBER TRADE UPDATE

**CONT'D FROM PG 2** Horgan told *Reuters* he saw no reason why the dispute should be part of the three-way North American Free Trade Agreement (NAFTA) talks between the United States, Canada and Mexico, which begin on August 16.

Horgan made the comments Thursday during a conference call from Washington, DC, said *Canadian Press*, following two days of meetings with trade officials from President Donald Trump's administration and Canada's ambassador to the US.

Horgan said talks between Canada's Foreign Affairs Minister Chrystia Freeland and US Secretary of Commerce Wilbur Ross are ongoing and it appears they are close to reaching a market-share agreement.

The BC premier met with Ross and Robert Lighthizer, the US trade secretary, and one of the top officials in charge of negotiations on the North American Free Trade Agreement. Horgan also met with Washington state Rep. Congressman Dave Reichert, who sits on the Ways and Means committee overseeing tax-writing policy.

A person familiar with the negotiations said to *Reuters* that Canada so far has not made sufficient moves towards agreeing to a new quota system that would placate US lumber producers, leaving prospects for a near-term deal in doubt.

As well, according to *Canadian Press*, Montreal, QC's, Tembec CEO James Lopez said during a conference call Thursday to discuss its 3Q results, "We understand that some progress is being made and that the differences of the gap between the two countries has narrowed."

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## BRITISH COLUMBIA FOREST PRODUCT EXPORTS: MAY 2017

**CONT'D FROM PG 2** BC export values are up +5 per cent for 2017 YTD May compared to the same period in 2016 (\$5.97 billion compared to \$5.71), said the **Competitiveness and Innovation Branch of the Ministry of Forests, Lands, and Natural Resource Operations** Wednesday.

Lumber value is up 5 per cent (volumes are down -11 per cent). Pulp

export value is up (+7 per cent). The value of Other Wood Products has declined (-3 per cent). The value of Other Paper Products is up (+5 per cent).

In terms of value by destination country China (+11 per cent) and Japan (+10 per cent) are up. Value to Other countries (+6 per cent) is also up. The value to the United States (0 per cent) is relatively unchanged.

Value and Quantity by Product (YTD)

	Value		Quantity	
	Value (\$m)	Change from 2016	Quantity (thousands)	Change from 2016
Lumber	\$ 2,921	5%	10,919 m3	-11%
Pulp	\$ 1,357	7%	1784 t	3%
Other Wood	\$ 949	-3%	-	-
Other Paper	\$ 415	5%	-	-
Logs	\$ 325	14%	2,491 m3	7%
<b>Total</b>	<b>\$ 5,967</b>	<b>5%</b>	-	-

	2017										2016									
	Lumber	Pulp	Other Wood	Other Paper	Logs	Country Total	Country Share	Change In Total YoY	Lumber	Pulp	Other Wood	Other Paper	Logs	Country Total	Country Share					
U.S.A.	1,853	138	752	251	21	3,014	51%	0%	1,814	154	754	266	22	3,010	53%					
China	479	836	17	72	188	1,592	27%	11%	429	771	17	45	158	1,430	25%					
Japan	309	111	43	1	76	539	9%	10%	281	66	62	1	79	489	9%					
Other	280	273	137	91	41	822	14%	6%	249	274	164	82	27	776	14%					
<b>Product Total</b>	<b>2,921</b>	<b>1,357</b>	<b>949</b>	<b>415</b>	<b>325</b>	<b>5,967</b>	<b>100%</b>	<b>5%</b>	<b>2,782</b>	<b>1,266</b>	<b>978</b>	<b>394</b>	<b>285</b>	<b>5,705</b>	<b>100%</b>					
<b>Product Share</b>	49%	23%	16%	7%	5%	100%			49%	22%	17%	7%	5%	100%						
<b>Change in Total YoY</b>	5%	7%	-3%	5%	14%	5%														

Data Source: B.C. Stats tabulation from Statistics Canada data

Prepared by Alex Barnes of Competitiveness and Innovation Branch, Ministry of Forests, Lands, and Natural Resource Operations

	Year to Date	Previous YTD	Change %	Trend	Full Year 2016	Change % Year Ago	Trend
<b>Five Key 2x4 Lumber Prices: Aggregate US\$/mfbm</b>	(THIS MONTH) 461	(MONTH AGO) 424	+8.9%	▲	(YEAR AGO) 374	+23.3%	▲
<b>VOLUMES</b>							
<b>Canada Lumber Production: softwood, million m3</b>	<b>17.1</b>	16.7	+2.4%	▲	66.9	-74.4%	▼
<b>BC Lumber Production: softwood, million m3</b>	<b>7.9</b>	5.5	+43.6%	▲	32.0	-75.3%	▼
<b>VALUES</b>							
<b>Canada Sawmill Manufacturing Sales: million C\$</b>	<b>4,462</b>	4,057	+10%	▲	11,284	-60.5%	▼
<b>US Total Sawmill Products Imports: million US\$</b>	<b>2,235</b>	1,858	+20.3%	▲	6,128	-63.5%	▼
<b>US Total Sawmill Products Exports: million US\$</b>	<b>433</b>	414	+4.4%	▲	1,021	-66.5%	▼
<b>Canada Sawmill Exports to USA: million C\$</b>	<b>2,324</b>	2,144	+8.4%	▲	7,501	-69%	▼

SOURCE: Madison's Lumber Reporter

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# Madison's Weekly Softwood Lumber Key Prices Table

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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	414	410	+4	+1.0%	▲	374	+40	+10%	▲	326	+88	+27%	▲		
WSPF KD R/L 2x6	426	422	+4	+0.9%	▲	366	+60	+16%	▲	310	+116	+37%	▲		
SYP KD R/L East Side 2x4	410	405	+5	+1.2%	▲	415	-5	-1.2%	▼	415	-5	-1.2%	▼		
SYP KD R/L East Side 2x6	345	340	+5	+1.5%	▲	330	+15	+4.5%	▲	370	-25	-6.8%	▼		
ESPF KD R/L 2x4	510	470	+40	+8.5%	▲	470	+40	+8.5%	▲	425	+85	+20%	▲		
WSPF KD PET 2x4 Stud	405	405	0	0%	-	365	+40	+11%	▲	285	+120	+42%	▲		
WSPF KD PET 2x6 Stud	420	420	0	0%	-	390	+30	+7.7%	▲	255	+165	+65%	▲		
Douglas Fir Green R/L 2x4	483	460	+23	+5.0%	▲	430	+53	+12%	▲	350	+133	+38%	▲		
Douglas Fir Green R/L 2x10	550	520	+30	+5.8%	▲	475	+75	+16%	▲	330	+220	+67%	▲		
ESPF KD 2x4 8ft Stud	495	495	0	0%	-	465	+30	+6.5%	▲	365	+130	+35%	▲		
OSB Ontario 7/16" (CDN\$/msf)	481	480	+1	+0.2%	▲	440	+41	+9.3%	▲	370	+111	+30%	▲		
CS Plywood Toronto 3/8" (CDN\$/msf)	652	604	+48	+7.9%	▲	525	+127	+24%	▲	485	+167	+34%	▲		

## Madison's Weekly Softwood Lumber News

### West Fraser, Western Forest Products, Canfor

#### CONT'D FROM PG 2

Meanwhile, Western Forest Products, also out of Vancouver, BC, announced as well Thursday the indefinite curtailment of its Somass Sawmill, located in Port Alberni, BC. The Somass Sawmill has been temporarily curtailed since February 2017, prior to which it operated on a single shift basis. Western intends to offer voluntary severance to its Somass Sawmill hourly employees.

The Gilman Companies which West Fraser Timber will be acquiring are comprised of six sawmills and a finger-joint mill in Florida and Georgia as well as an administrative office in Georgia.

The operations employ approximately 900 people and have a combined annual production capacity of 700 million board feet of lumber. The deal, which is subject to US regulatory approval and customary conditions, is anticipated to close in 3Q this year.

The acquisition will increase West Fraser's U.S. capacity to 43 per cent of its overall production—though the majority of its capacity remains in Canada in BC and Alberta.

Elsewhere, Western Forest Products today announced the indefinite curtailment of its Somass Sawmill, located in Port Alberni, B.C.

The difficult decision to indefinitely curtail operations is in response to the lack of log supply to operate the mill efficiently, as well as the uncer-

tainty caused by duties recently applied to Canadian softwood lumber products sold into the United States. Western is focused on reducing costs to remain competitive. Cost reductions will be delivered through operational consolidation. The Company expects to offset lost production from Somass by increasing production at its other operations on Vancouver Island.

Wednesday, Canfor Pulp Products, also out of Vancouver, BC, has announced that they will be undertaking a capital project at its Bleached Chemi-Thermo Mechanical Pulp Mill in Taylor, BC.

The company also announced that they will undertake another similar project in Prince George at its Northwood Northern Bleached Softwood Kraft Pulp Mill.

The Taylor project will upgrade the refining line for an estimated cost of \$40 million. The project will be partially funded through BC Hydro's conservation program incentives.

The Northwood project will install a new 32 megawatt condensing turbo-generator for an estimated cost of \$65 million.

And on Friday, Seattle-based Weyerhaeuser reported 2Q net income of US\$24 million.

On a per-share basis, the company said it had net income of 3 cents USD. Earnings, adjusted for asset impairment costs and non-recurring costs, were 28 cents per share.

The timber and paper products company posted revenue of US\$1.81 billion in the period.

Weyerhaeuser shares have climbed 14 per cent since the beginning of the year, while the Standard & Poor's 500 index has risen 11 per cent. The stock has increased 5 per cent in the last 12 months.

### Sawmill Fires, US

Sticks and Stones Lumber Mill in Shoshone, ID, was completely lost to fire Wednesday night, leaving behind a total loss, said *KMVT News 11*.

Mill owner Dave Zortman said it took between five and 10 minutes for the Lagoon Fire to make it from one end to the other, eating all but 10 per cent of his sales stock. He estimates the damage at US\$1 million.

At the time, crews from Shoshone Rural Fire Department were assisting the Bureau of Land Management with other parts of the fire.

Because of the extent of the damage, Zortman is unsure where the mill will go from here. He still considers himself lucky that everyone got out alive.

The Bureau of Land Management says the fire had been reported after midnight. This morning the fire is estimated to have burned roughly 1,000 acres.

BLM determined the cause of this fire is lightning. Evacuation orders have been lifted for people living north of Shoshone after being issued Tuesday evening, according to *NewsRadio 1310*.

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	<b>VAVENBY, BC</b> Accountant, Woodlands

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# US HOME SALES AND INVENTORY, PRICES, OWNERSHIP RATES

## Home Ownership Rates, Household Formation: 2Q 2017

[CONT'D FROM PAGE 2](#)

The rate of homeownership appears to be stabilizing after reaching a cycle low of 62.9 per cent in 2Q 2016. It was 1.3 per cent higher than a year ago and follows the first annual gains since the Great Recession recorded in the first quarter of 2017 (0.2 per cent increase). This may be a sign that the homeownership rate has bottomed out, said **US Census Bureau** Thursday.

Compared to a year ago, homeownership increased among all age groups, with the largest gains recorded by millennials. The millennial homeownership rates increased 1.2 per cent, followed by the households aged 55-64 rose by 0.7 per cent. This suggests that households, especially younger and middle-age homebuyers, are gradually returning to the housing market after the Great Recession.

## US House Inventory: June

Sales of new single-family homes rose 0.8 per cent in June 2017 to 610,000 as reported jointly by the **Census Bureau** and the **Department of Housing and Urban Development** Wednesday. The June increase reflected a downward revision to the estimate of new home sales in May. If the May sales number remained at its initially reported level of 610,000, then sales would have been unchanged.

However, additional information suggests that nationwide sales are expanding. Sales are 9.1 per cent above their level 12 months ago. At the same time, on a year-to-date basis (Jan-Jun 2017), sales are 10.9 per cent above their pace over the first half of 2016.

The inventory of homes rose 1.1 per cent to 272,000 over the month of June. This level is also 11.9 per cent above the inventory in June 2016. Over June, the months' supply increased by 1.9 per cent to 5.4 months, 3.8 per cent higher than one year ago. Nevertheless, the months' supply remains below the healthy 6.0 benchmark.

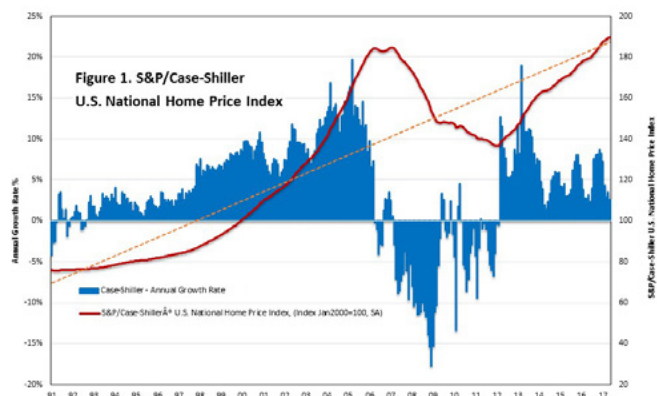
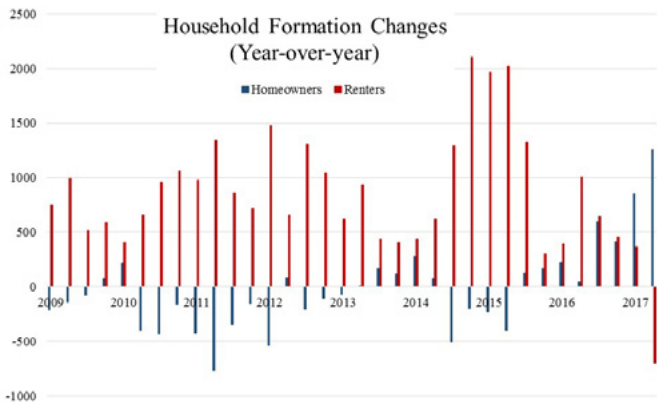
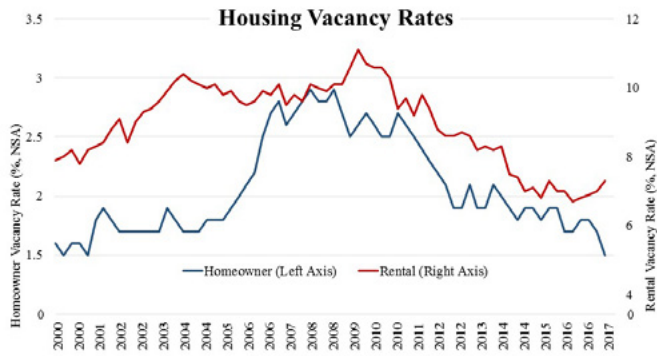
The median sales price fell 3.4 per cent over the past 12 months to US\$310,800.

## US House Prices: May

In May national home prices rose slowly, while the pace of gains varied by market.

The **Case-Shiller U.S. National Home Price Index**, reported Monday by S&P Dow Jones Indices, rose at a growth rate of 2.6 per cent in May, the slowest rate of growth in the past 11 months. After reaching 8.7 per cent in November 2016, house price appreciation has been decelerating and averaged 4.8 per cent over the last six months.

The Home Price Index, released also Monday, from the **Federal Housing Finance Agency** rose at a seasonally adjusted annual rate of 4.7 per cent in May, following the 8 per cent increase in April, confirming the deceleration in home prices in the US.

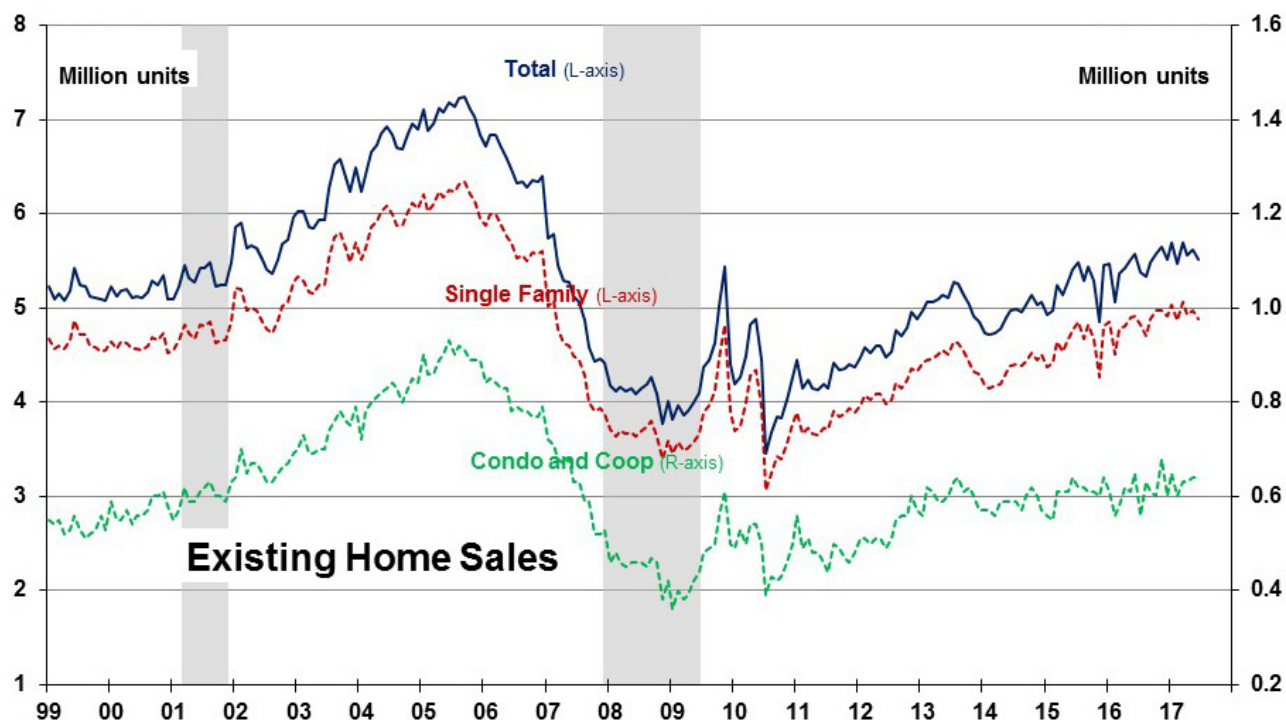


## US Home Sales: June 2017

Still on Monday, existing home sales decreased 1.8 per cent in June, but remain 0.7 per cent above the pace a year ago, reported the National Association of Realtors. Some 54 per cent of existing homes sold last month were on the market less than a month as buyers overcame low inventory and higher prices. June inventory declined 0.5 per cent, and remains 7.1 per cent lower than a year ago, having fallen year-over-year for the 25th consecutive month. At the current sales rate, the June unsold inventory represents a 4.3-month supply, down from a 4.6-month supply a year ago. June existing sales reached a seasonally adjusted rate of 5.52 million units.

The June median sales price jumped 6.5 per cent from last year to US\$263,800, representing the 64th consecutive month of year-over-year increases. The June median condominium/co-op price of US\$245,900 was also up 6.5 per cent from the same month a year ago.

May pending sales dipped for the third consecutive month, so the June decline in existing sales was not unexpected. NAR reported that many markets face severe housing shortages. However, builder confidence remains solid, and single-family starts bounced back in June as both jobs and incomes continue to grow.



## Japan Wood Demand Projection 2017

[CONT'D FROM PAGE 2](#) New housing starts in Japan are forecast by eleven private think tanks based on GDP for 1Q 2017 is 940,000 units, a drop of 3.5 per cent from 2016's 974,000 units, said Japan Lumber Reports Friday.

The Japan Forestry Agency wood demand 2017 projection for structural laminated lumber is up 7.4 per cent for domestic products and 1 per cent for imports.

Domestic production rose 15.3 per cent in 1Q 2017 over the same period last year, and for 2Q 2017 is projected to increase another 10 per cent.

Domestic plywood supply production for 1Q 2017 was projected to be up 3.6 per cent and imports would be up for 2.7 per cent

### Wood supply projection for 2017

Unit: 1,000 cbms ( ): '17/'16 in %

	Domestic logs		Imported lumber	Plywood	Structural laminated lumber
	Lumber	Plywood			
Jan-Mar. actual	3,113(98.3)	893(97.9)	1,599(100.1)	1,541(105.6)	594(119.0)
Apr.-Jun. estimate	3,050(96.8)	930(95.8)	1,600(97.4)	1,482(102.2)	565(101.8)
Jul.-Sept. estimate	2,900(99.4)	945(106.1)	1,570(95.8)	1,491(102.7)	565(98.8)
Oct.-Dec. estimate	3,000(95.5)	960(102.1)	869(98.6)	1,507(102.2)	580(102.7)
2017 estimate	12,063(97.5)	3,728(100.4)	6,364(98.5)	6,021(103.2)	2,304(105.2)

