

# MADISON'S LUMBER REPORTER

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## News & Updates

### Canada-US Softwood Lumber Trade: Further Updates

Fast on the heels of British Columbia's new NDP Premier John Horgan's assertion last week that Canada and the US were "close" to a new softwood lumber trade deal, Canadian Prime Minister Justin Trudeau said on Tuesday he was "very hopeful" of getting a deal with the United States on softwood lumber, which has become an escalating trade dispute ahead of NAFTA talks this month.

The two countries must chop down one big, remaining impediment to a deal on softwood lumber and this obstacle involves wood from neither country but from other places: Germany, Sweden, Chile, Brazil and Russia, said *GlobalNews* Tuesday. [CONT'D PAGE 6](#)

### Wildfires: More Flareups

The two largest wildfires raging in British Columbia's Interior forced two new evacuation orders on Wednesday afternoon, said *CBC* Wednesday.

The evacuation order prompted by the Elephant Hill fire — which is now over 80,000 hectares — has expanded to include an area to the southwest of Clinton, BC, which was already under an evacuation order.

Further north, an evacuation order prompted by the wildfire to the west of Quesnel, BC, — which was over 35,000 hectares — has expanded to include the Tatelkuz Lake Area. [CONT'D PAGE 6](#)

### Resolute Forest Products Reports: 2Q 2017

Resolute Forest Products, out of Montreal, QC, on Thursday reported a loss of \$74 million in its second quarter. [CONT'D PAGE 7](#)

### US Private Residential Construction Spending: June 2017

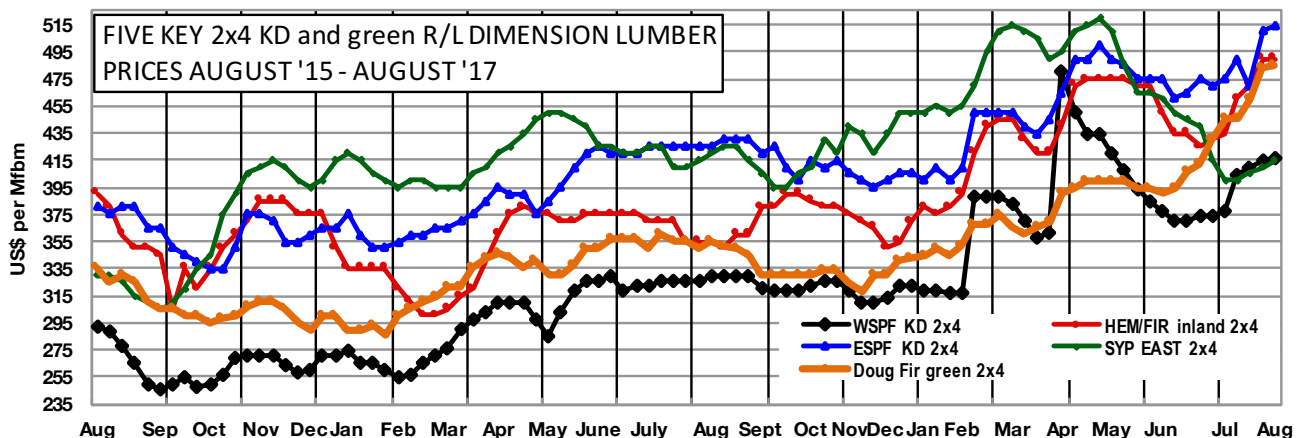
NAHB analysis of **Census Construction Spending** data released Tuesday shows that total private residential construction spending stood at a seasonally adjusted annual rate of \$US502.9 billion in June, 0.2 per cent lower than downwardly revised May estimates. It was the third consecutive monthly decrease after a strong start this year. Nevertheless, the total private residential construction spending was 9.2 per cent higher than a year ago. [CONT'D PAGE 7](#)

### Canada & US Lumber Production, Consumption, Imports: May 2017

**Latest data, for January - May 2017:**

- US wood imports, World +17%
- Canada wood exports, US +14%
- US softwood log exports, World -14%

Canada Softwood Lumber Production, Sawmill Manufacturing Sales were both essentially flat compared to the previous year. [CONT'D PAGE 9&10](#)



## CANADA-US SOFTWOOD LUMBER TRADE: FURTHER UPDATES

[CONT'D FROM PG 2](#) This sticking point involves third-country imports. according to *CBC* also Tuesday. More specifically, it's about who gets to fill the US demand for lumber in the event of a hot construction market like the present one, when American supply falls short.

The two governments have already agreed to split the US lumber market by percentage. According to Canada's ambassador to Washington, Americans would supply around 70 per cent; Canadian imports would be capped around 30 per cent, which falls somewhere in the historical average.

The basic point, when US lumber sales are high, is to allow Canadian

exporters to surpass that regular cap of 30 per cent, rather than have other countries fill the gap. Other countries, including Germany, Sweden, Chile, Brazil and Russia, currently supply a minuscule share of US imports.

In such an event, Canada is adamant that the agreement should contain what's called a hot-market provision. There are different ways to design it. One example appears in a sugar deal struck between the US and Mexico this June — if the US seeks additional sugar imports, Mexican suppliers would get a right of first refusal.

## WILDFIRES: NORTH AMERICA

[CONT'D FROM PG 2](#) Fire information officer Heather Rice said the order, which affects over 100 properties, is connected to a controlled burn that quickly got out of hand on Tuesday.

Fire crews across BC are bracing for an "extraordinarily" hot stretch of weather forecast to begin Thursday, which could be followed by dry lightning over the weekend.

"Until we see a significant downturn in temperatures, and certainly until we see any rain, it is only going to get drier out there," said Kevin Skrepnek, BC's chief fire information officer.

With the weekend's forecast calling for thunderstorms in many parts of the province, he said the province's 3,300 fire crews are anticipating a "significant number" of new fires if lightning were to strike without rain. There was some good news on Wednesday, as one evacuation order — for the Wildwood community just north of Williams Lake — was lifted in the early evening, said *CBC*.

The extent of the damage this season's fires have wrought on British Columbia's forestry sector won't be clear until the smoke clears, literally, according to *CBC* Saturday.

Major forestry-based employers in BC's Interior have been forced to halt operations in Chasm, 100 Mile House, Williams Lake and Quesnel due to evacuation orders and a shortage of raw materials.

"Already, the markets are responding with the perception that there are or will be lumber shortages," said Phil Burton, a professor of forest ecology and management at the University of Northern British Columbia.

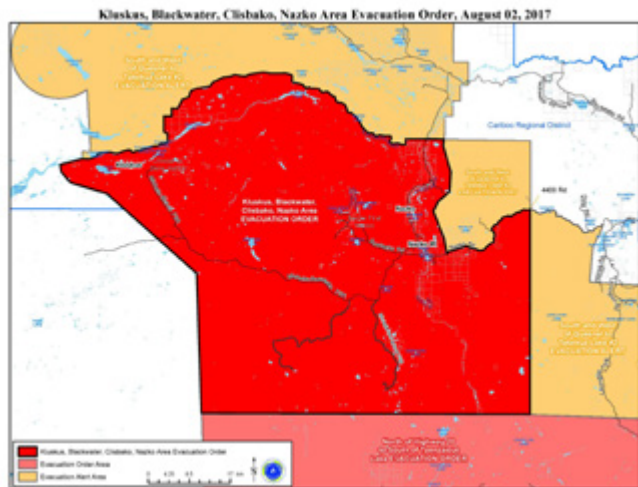
### Estimate of Losses

"Part of the tragedy we are dealing with is that fires are also burning through trees spared by the pine beetle outbreak, including young planted stands that were being counted on as timber supply over the next

several decades," said Burton to *CBC*.

The Ministry of Forests Lands and Natural Resources said it won't be able to determine the full impact until after the flames are extinguished, but the Cariboo has been one of the hardest hit areas.

The BC Wildfire Service reported that as of July 28, the Cariboo region accounted for 75 per cent of the total 426,719 hectares (1,054,446 acres) that have burned province-wide in 2017. The number includes five new fires reported over the weekend.



SOURCE: Cariboo Regional District

	Year to Date	Previous Change			Full Year Change %		
	(THIS MONTH)	YTD (MONTH AGO)	%	Trend	(YEAR AGO) 2016	(YEAR AGO)	Trend
<b>Five Key 2x4 Lumber Prices: Aggregate US\$/mfbm</b>	464	426	+8.8%	▲	377	+23.1%	▲
<b>VOLUMES</b>							
<b>Canada Lumber Production: softwood, million m3</b>	<b>22.78</b>	22.41	+1.7%	▲	66.9	-65.9%	▼
<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>4,271</b>	4,188	+2.0%	▲	11,284	-62.2%	▼
<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	+4.6%	▲	1,021	-57.6%	▼
<b>Canada Sawmill Exports to USA: million C\$</b>	<b>3,420</b>	2,949	+16%	▲	7,501	-54.4%	▼

SOURCE: Madison's Lumber Reporter

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# Madison's Weekly Softwood Lumber Key Prices Table

www.madisonsreport.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	416	414	+2	+0.5%	▲	378	+38	+10%	▲	330	+86	+26%	▲
WSPF KD R/L 2x6	426	426	0	0%	▲	376	+50	+13%	▲	310	+116	+37%	▲
SYP KD R/L East Side 2x4	415	410	+5	+1.2%	▲	400	+15	+3.8%	▼	420	-5	-1.2%	▼
SYP KD R/L East Side 2x6	355	345	+10	+2.9%	▲	325	+30	+9.2%	▲	380	-25	-6.6%	▼
ESPF KD R/L 2x4	515	510	+5	+1.0%	▲	475	+40	+8.4%	▲	425	+90	+22%	▲
WSPF KD PET 2x4 Stud	415	405	+10	+2.5%	-	370	+45	+12%	▲	285	+130	+45%	▲
WSPF KD PET 2x6 Stud	420	420	0	0%	-	395	+25	+6.3%	▲	255	+165	+65%	▲
Douglas Fir Green R/L 2x4	485	483	+2	+0.4%	▲	445	+40	+9.0%	▲	355	+130	+36%	▲
Douglas Fir Green R/L 2x10	545	550	-5	-0.9%	▲	490	+55	+11%	▲	345	+200	+58%	▲
ESPF KD 2x4 8ft Stud	500	495	+5	+1.0%	-	470	+30	+6.4%	▲	365	+135	+37%	▲
OSB Ontario 7/16" (CDN\$/msf)	495	481	+14	+2.9%	▲	445	+50	+11%	▲	378	+117	+31%	▲
CS Plywood Toronto 3/8" (CDN\$/msf)	672	652	+20	+3.1%	▲	544	+128	+23%	▲	476	+196	+41%	▲

## Madison's Weekly Softwood Lumber News

### Resolute Reports

[CONT'D FROM PG 2](#) On a per-share basis, Montreal-based Resolute said it had a loss of 82 cents. Losses, adjusted for asset impairment costs and non-recurring costs, came to 3 cents per share.

The maker of paper and wood products posted revenue of \$858 million in the period.

The company's shares closed at \$4.75. A year ago, they were trading at \$5.47.

### US Residential Construction Spending

[CONT'D FROM PG 2](#) The monthly declines in US construction spend-

ing are largely attributed to the slowdown of multifamily construction spending. That slipped 2.9 per cent after a decrease of 3.1 per cent in May, but was 0.6 per cent higher since a year ago. Spending on single-family inched up 0.3 per cent this month, resuming its steady growth after a decline last month. Spending on improvements was unchanged for the month, but was 12.8 per cent higher since June 2016.

### Carter Lumber Invests

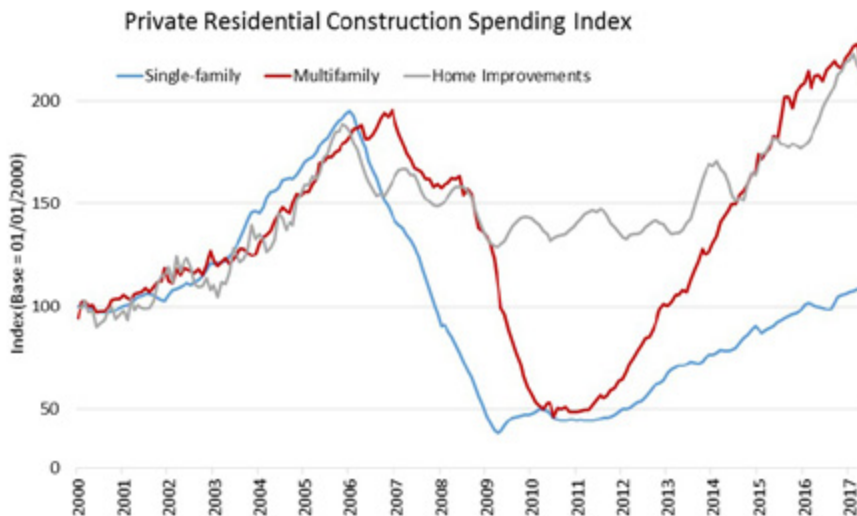
Carter Lumber, out of Frankfort, KY, a building materials supplier with more than 150 US locations, will invest US\$10 million and create 50 full-time jobs to locate a Kight Home Cen-

ter manufacturing facility in Warren County, Kentucky Gov. Matt Bevin has announced Monday.

The new Carter Lumber location in the Kentucky Transpark will operate under the Kight Home Center division. It will produce roof and floor trusses, wall panels and other engineered wood products. Construction of the 70,000-square-foot facility could begin in later this year, and company leaders plan to open the location in late 2018 or early 2019.

The manufacturing operation will support existing retail locations, including a Kight Home Center and building supply store and a Kight Kitchen and Design Center, both in Bowling Green.

US Private Residential Construction Spending: June 2017



SOURCE:  
National Association of Home Builders, Eye on Housing

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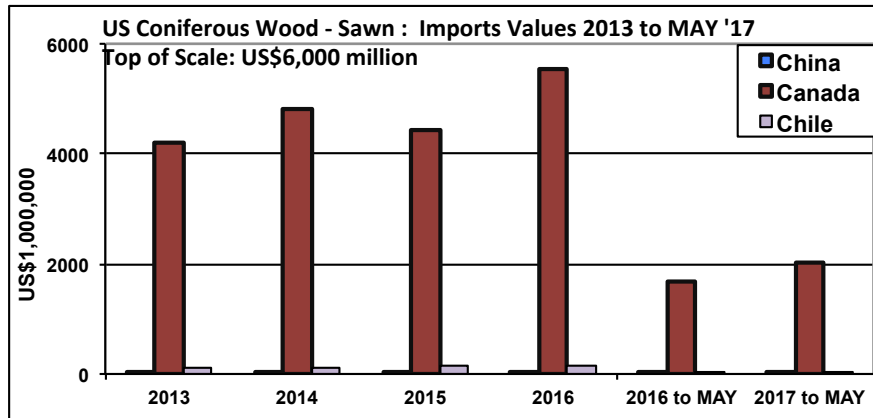
# CANADA & US LUMBER PRODUCTION, CONSUMPTION, IMPORTS: MAY 2017

## US Coniferous Sawn Wood Imports: May 2017

[CONT'D FROM PAGE 2](#)

According to the latest figures from the **US Department of Agriculture's Foreign Agriculture Service**, for January to May 2017 the USA imported US\$2,235 billion of softwood lumber from the World, which amounts to a 17 per cent increase from the first five months of the previous year, when it was US\$1,858 billion.

The vast majority of this wood came from Canada, with US imports of Canadian softwood lumber up 16 per cent to US\$2,011 for the first five months of this year, from US\$1,690 in January to May 2016.

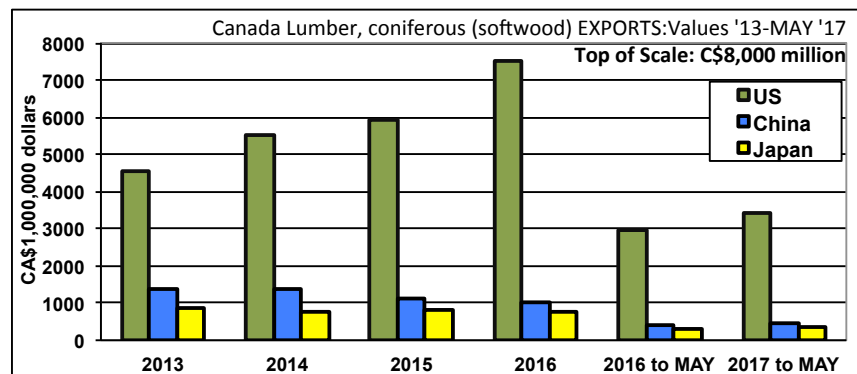


### IMPORTS HS 440710 Coniferous Wood Sawn, Etc, Over 6 mm Thick

Date	China	Canada	Chile	WORLD	2017 to MAY	
2012	6	3,246	83	3,532	China	+ 9.84%
2013	9	4,225	107	4,585	Canada	+15.95%
2014	11	4,809	123	5,213	Japan	+ 7.65%
2015	20	4,424	141	4,916	World	+16.87%
2016	45	5,551	153	6,128		
<b>2016 to MAY</b>	<b>13</b>	<b>1,690</b>	<b>48</b>	<b>1,858</b>		
<b>2017 to MAY</b>	<b>14</b>	<b>2,011</b>	<b>52</b>	<b>2,235</b>		

## Canada Coniferous Sawn Wood Exports: May 2017

Looked at another way, the latest **Statistics Canada** data shows that Canada exported C\$4,538 billion of softwood lumber to the World in January to May 2017, which amounts to a 13 per cent increase over the same time last year when it was C\$3,954. Exports of Canadian softwood lumber to the USA for the first five months of this year were up 14 per cent, to C\$3,420 from C\$2,949 for January to May 2016.



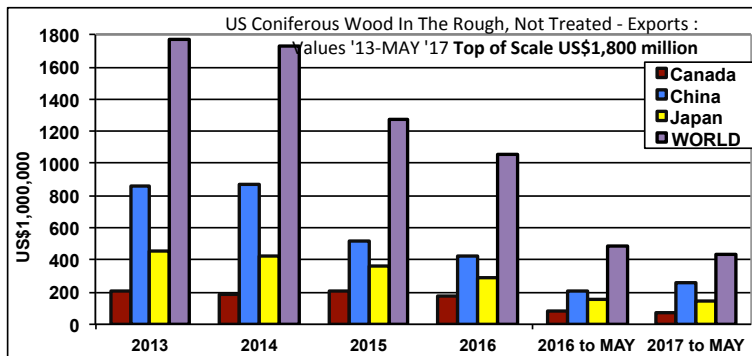
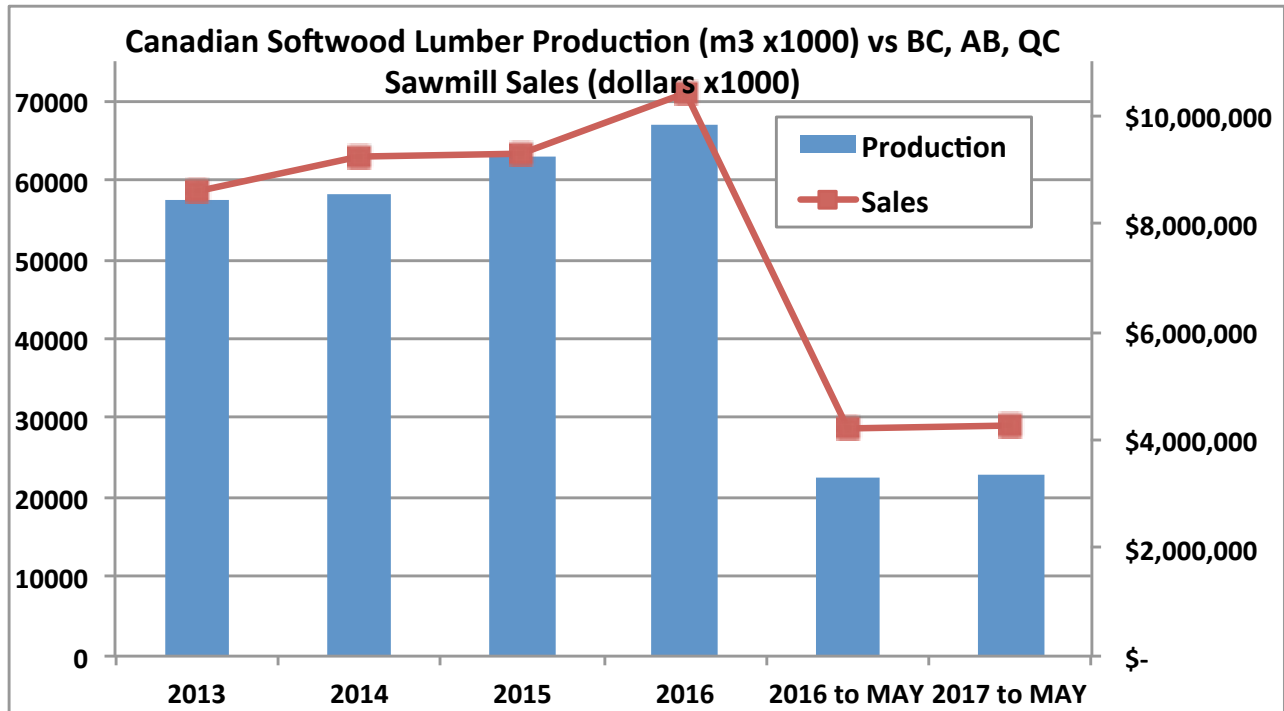
### HS 440710 - Lumber, coniferous (softwood), of a thickness exceeding 6 mm

Year	US	China	Japan	WORLD	2017 to May	
2013	4,549	1,401	888	7,413	US	+13.8%
2014	5,545	1,386	790	8,316	China	+ 9.5%
2015	5,933	1,122	794	8,494	Japan	+11.0%
2016	7,501	1,031	772	9,971	World	+12.9%
<b>2016 to MAY</b>	<b>2,949</b>	<b>430</b>	<b>297</b>	<b>3,954</b>		
<b>2017 to MAY</b>	<b>3,420</b>	<b>475</b>	<b>334</b>	<b>4,538</b>		

## Canada Softwood Lumber Production, Sawmill Manufacturing Sales: May 2017

Both were essentially flat compared to the previous year.

(blue bars are total Canada softwood lumber production, red line is BC, AB, QC combined sawmill manufacturing sales)



## US Log Exports: May 2017

Yet more proof of a very healthy US forest products manufacturing industry, US log exports continue to plummet as US domestic solid wood manufacturers are consuming logs at their own softwood lumber production facilities:

In January to May 2017, US log exports to the World dropped by 14 per cent, to US\$432 million, from US\$492 million in the first five months last year.

US log exports to China, by far the largest customer, increased by 3 per cent, from US\$205 million to US\$261 million for January to May 2017.

EXPORTS HS 440320 Coniferous Wood In The Rough, Not Treated						
Date	Canada	China	Japan	WORLD	2017 to MAY	
2012	189	568	350	1322	China	+ 2.8%
2013	210	858	455	1775	Canada	-21.7%
2014	188	866	424	1728	Japan	-11.9%
2015	203	523	361	1274	World	-13.7%
2016	175	429	289	1052		
<b>2016 to MAY</b>	<b>80</b>	<b>205</b>	<b>160</b>	<b>492</b>		
<b>2017 to MAY</b>	<b>77</b>	<b>261</b>	<b>143</b>	<b>432</b>		

SOURCE: US Census Censtats