

MADISON'S LUMBER REPORTER



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News & Updates

Softwood Lumber, Storms, and NAFTA

News out late in the afternoon Thursday suggests that some Canadian negotiators are considering trying to add softwood lumber in the North American Free Trade Agreement, or NAFTA.

According to *Global News*, **Canada's ambassador to the US, David MacNaughton**, expressed frustration at the US industry using what is effectively its veto power to block any deal between the national governments and he raised the possibility of working around it to achieve a long-term solution.

As for demand for wood needed to rebuild storm-ravaged areas of the US, **Canada's Natural Resources Minister Jim Carr** said demand for wood products to help rebuild will put pressure on the parties to get a deal. Carr made the comments in Ottawa at a meeting of the Canadian Council of Forest Ministers.

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Western Forest Products and Long Hoh Lay Off Workers

The Public and Private Workers of Canada and Unifor say 160 sawmill workers are being laid off, according to *My Comox Valley Now* Thursday. The layoffs are happening at the Ladysmith, BC, Western Forest Products sawmill and at Long Hoh Enterprises at Qualicum Beach, BC, both on Vancouver Island.

Forestry Officer Cam Shiell says that's because the sawmills are facing log and fibre shortages due to hot, dry weather and poor government policies. Shiell says more layoffs are expected and it is only a matter of time before secondary users, like pulp and paper mills and remanufacturing plants are forced to follow suit.

Sawmill Fires, Canada

A devastating fire at Port Dover, ON's, Porter Lumber Wednesday morning is expected to have caused \$3 million in damage to the solid wood production facility, said the *Simcoe Reformer*.

No injuries were reported. However, damage is pegged at \$3 million. The property was not insured.

As well, the local fire department was called Wednesday evening to the Galloway Sawmill located between the towns of Elko and Jaffray in British Columbia, according to the *Cranbrook Townsman*.

The cause of the fire is currently under investigation, but it originated in some machinery attached to the mill, more specifically a conveyor belt.

[CONT'D PAGE 7](#)

Natural Resources Canada Support for Innovation

Canada's **Minister of Natural Resources, the Honourable Jim Carr**, Thursday announced a call for proposals for funding of the next wave of highly innovative, first-in-kind technologies aimed at solidifying Canada's position as a leader in forest industry transformation and the bioeconomy.

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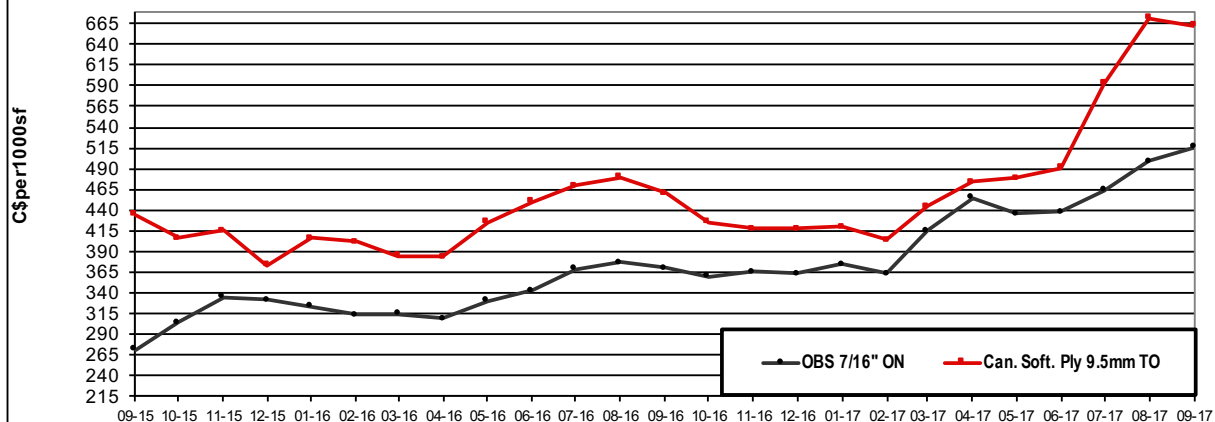
British Columbia New Government Budget Revealed

The newly-elected BC provincial government earlier this year has released its budget plan, for the general economy and for the forests ministry.

There are some changes in the dollars for the 2017/18 estimate from the previous year. *Madison's* caught up with the BC Ministry of Forests, Lands, Natural Resource Operations and Rural Development Thursday to get details on the new accounting.

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



Softwood Lumber, Storm Rebuilding Needs, NAFTA

[CONT'D FROM PAGE 2](#)

Indeed, the US government is facing increasing pressure to reach a deal with Canada on softwood lumber, as demand for construction materials is expected to spike higher in Texas and Florida in the wake of hurricanes Harvey and Irma, said the *Globe and Mail* also late Thursday afternoon.

However, during a visit to Washington, DC, Thursday, **Ontario**

Premier Kathleen Wynne said to the *Globe and Mail* that a resolution to the softwood stand-off currently looks unlikely.

Ms. Wynne met with **US Commerce Secretary Wilbur Ross** at his office in Washington.

"He didn't hold out, I would say, a clear hope that there is an easy resolution on the horizon," the Premier said in an interview at the Canadian embassy.

US Post-Storm Rebuilding

Hundreds of thousands of homes in Texas and Florida were damaged when hurricanes Harvey and Irma struck in recent weeks. The insurance industry estimated it could be on the hook for up to \$250 billion in damage claims from the two storms, which doesn't take into account uninsured losses.

On Wednesday, **Paul LePage, the Republican governor of Maine**, asked the US to at least suspend the tariffs until the hurricane rebuilding has been completed, according to *Canadian Press* Thursday.

LePage said "corporate greed from a coalition of big lumber companies" has already sent softwood market prices soaring.

"Making a profit is the goal of any company — and it should be," LePage wrote in an op-ed in *The Maine Wire*. "But it is unconscionable that this coalition is in a position that could

lead to price-gouging Americans in distress."

The **National Association of Home Builders** in the United States made a similar plea to the White House earlier this month.

Early estimates of the damage by the Texas Division of Emergency Management reports that the storm there destroyed 9,407 single family homes in that state. Another 44,013 experienced major damage. **Moody's Analytics** estimates that the cost of the hurricane will be in the US\$51-\$75 billion range. Statewide, more than 21,000 households have checked into temporary housing paid for by FEMA.

Texas had been on pace for 30,000 housing starts in 2017. Now, an estimated 200,000 more homes suddenly need to be repaired or rebuilt.

Softwood Lumber Tariffs

Meanwhile, Montana's two US senators testified Wednesday before a federal commission tasked with investigating Canadian lumber export practices, said Idaho's *Daily Inter Lake*.

Senators Steve Daines (R) and Jon Tester (D) were joined by colleagues from other western states and representatives of American timber producers at a hearing held by the US International Trade Commission (USITC), currently investigating whether Canadian softwood lumber imports have adversely affected US producers.

Mineral County, he continued, had gone from timber-powered prosperity to having "just a single lumber mill and folks there today are watching the very resources be mismanaged and are

facing unfair competition from subsidized Canadian lumber."

Their testimony marked a step forward for the investigation, and the latest turn in a long-running dispute between the US and Canada about trading this natural resource.

One of the Commission's investigators, Fred Ruggles, told the *Daily Inter Lake* that "The committee will wait until Commerce makes its final determination on subsidies and countervailing," and on dumping, due on November 13 at the latest. "Once they do that, the commission will make its final determination about who is adversely affected," within 45 days.



Madison's Weekly Lumber and Forestry Data Table

www.madisonreport.com

	Year to Date (THIS MONTH)	Previous YTD (MONTH AGO)	Change %	Trend	Full Year (YEAR AGO) 2016	Change % (YEAR AGO)	Trend
Five Key 2x4 Lumber Prices: Aggregate US\$/mfbm	456	454	+0.4%	▲	376	+21.4%	▲
Benchmark Panel Prices: Aggregate C\$/msf	584	588.5	-0.8%	▼	443	+31.8%	▲
VOLUMES							
Canada Lumber Production: softwood, million m3	22.78	22.41	+1.6%	▲	66.9	-65.9%	▼
VALUES							
Canada Sawmill Manufacturing Sales: million C\$	4,271	4,188	+1.9%	▲	11,284	-63.5%	▼
US Total Sawmill Products Imports: million US\$	2,235	1,858	+20.3%	▲	6,128	-63.5%	▼
US Total Sawmill Products Exports: million US\$	433	414	+4.6%	▲	1,021	-57.6%	▼
Canada Sawmill Exports to USA: million C\$	3,420	2,949	+16%	▲	7,501	-54.4%	▼

SOURCE: Madison's Lumber Reporter

www.madisonreport.com

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	414	406	+8	+2.0%	▲	402	+12	+3.0%	▲	330	+84	+25%	▲		
WSPF KD R/L 2x6	438	430	+8	+1.9%	▲	428	+10	+2.3%	▲	310	+128	+41%	▲		
SYP KD R/L East Side 2x4	400	390	+10	+2.6%	▲	405	-5	-1.2%	▼	415	-15	-3.6%	▼		
SYP KD R/L East Side 2x6	375	360	+15	+4.2%	▲	360	+15	+4.2%	▲	385	-10	-2.6%	▼		
ESPF KD R/L 2x4	525	500	+25	+5.0%	▲	495	+30	+6.1%	▲	430	+95	+22%	▲		
WSPF KD PET 2x4 Stud	360	360	0	0%	-	370	-10	-2.7%	▼	295	+65	+22%	▲		
WSPF KD PET 2x6 Stud	420	410	+10	+2.4%	▲	415	+5	+1.2%	▲	235	+185	+79%	▲		
Douglas Fir Green R/L 2x4	468	470	-2	-0.4%	▲	485	-17	-3.5%	▼	345	+123	+36%	▲		
Douglas Fir Green R/L 2x10	530	530	0	0%	-	545	-15	-2.8%	▼	340	+190	+56%	▲		
ESPF KD 2x4 8ft Stud	445	450	-5	-1.1%	▼	490	-45	-9.2%	▼	375	+70	+19%	▲		
OSB Ontario 7/16" (CDN\$/msf)	523	531	-8	-1.5%	▼	505	+18	+3.6%	▲	395	+128	+32%	▲		
CS Plywood Toronto 3/8" (CDN\$/msf)	645	672	-27	-4.0%	▼	672	-27	-4.0%	▼	491	+154	+31%	▲		

Madison's Weekly Softwood Lumber News

Sawmill Fires, Canada

[CONT'D FROM PG 2](#) By time Norfolk Fire & Rescue arrived at the scene of the fire at Porter Lumber on St. John's Road East in Port Dover, ON, the sawmill's main processing centre was fully involved.

The processing centre that was destroyed had a floor area of about 6,000 square feet and was filled with equipment. Norfolk Fire & Rescue has traced the origins of the fire to an electrical panel in a room at the rear of the mill.

The blaze prompted an overwhelming response from Norfolk Fire & Rescue and the Haldimand County Fire Department. A total of 51 firefighters pitched in to save the surrounding lumber and buildings. Pumpers, tankers and personnel responded from Port Dover, Simcoe, Waterford, Delhi, Vittoria, St. Williams, Jarvis and Hagersville.

The Porter family has run a lumber mill in this location since 1944. Porter estimates the fire will impact 200 jobs directly and indirectly once loggers, truckers and associated trades are factored in.

At the Galloway Sawmill in British Colum-

bia, there is damage to the conveyor system and the fire spread into the chip piles and brush areas surrounding it, though the full extent of the damage has yet to be determined. Jaffray Fire Chief Dave Boreen informed the Townsman that an investigation commenced early Thursday morning and that the fire was quickly responded to and contained within a relatively short time.

That fire was contained pretty quickly, crews were kept on overnight actioning a few non-serious hot spots.

Canada Support for Forestry Innovation

[CONT'D FROM PG 2](#) Canada's forest sector is an economic driver and major employer of Canadians, including Indigenous peoples. The Government of Canada is working to strengthen the long-term competitiveness of the forest sector by encouraging new technologies to support forest industry transformation through a more diversified portfolio of products and markets.

Established in 2010, the Investments in Forest Industry Transformation (IFIT) program was

renewed in June 2017, with an additional \$55 million provided over three years under Canada's Softwood Lumber Action Plan.

The purpose of the IFIT program is to support Canada's forest sector in becoming more economically competitive and environmentally sustainable through:

- new or increased production of bioenergy, biomaterials, biochemicals and next-generation building products by the forest sector;
- increased deployment and encouraging broader adoption of first-in-kind innovative technologies, particularly Canadian, across the industry; and
- the creation of innovative partnerships with non-traditional forest sector partners as a way to develop new business models for the sector.

IFIT provides non-repayable contributions of up to 50 per cent of a project's costs. Applicants are required to submit an expression of interest by October 12, 2017, followed by a full proposal by November 28, 2017.

Georgia Pacific Builds...

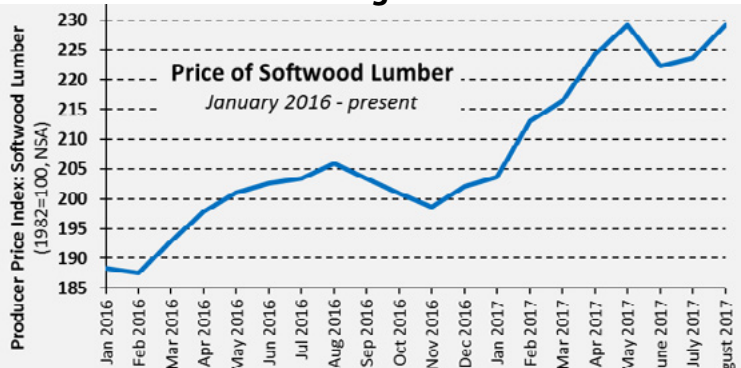
Georgia-Pacific, out of Atlanta, GA, announced Wednesday a new lumber production facility in Talladega, AL. Construction on the US\$100 million, 300,000-square-foot, technologically advanced plant is scheduled to begin immediately with an anticipated startup in late 2018. Once it is fully operational, the plant will employ more than 100 full-time employees and generate an estimated US\$5 million in annual payroll.

The location for the state-of-the-art facility will be Georgia-Pacific's former plywood plant that closed in 2008 after more than 30 years of operation.

Once in production, the new facility will receive about 150 log trucks a day and produce approximately 230 million board-feet of lumber a year, with plans to expand production to 300 million board-feet per year in the future.

US PPI Softwood Lumber Price: August 2017

SOURCE:
NAHB Eye
on Housing



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CANADA AND US WILDFIRE SEASON: 2017

[CONT'D FROM PAGE 2](#)

The only major change to the new budget for the BC Ministry of Forests, Lands, Natural Resource Operations and Rural Development is an increase in Salaries.

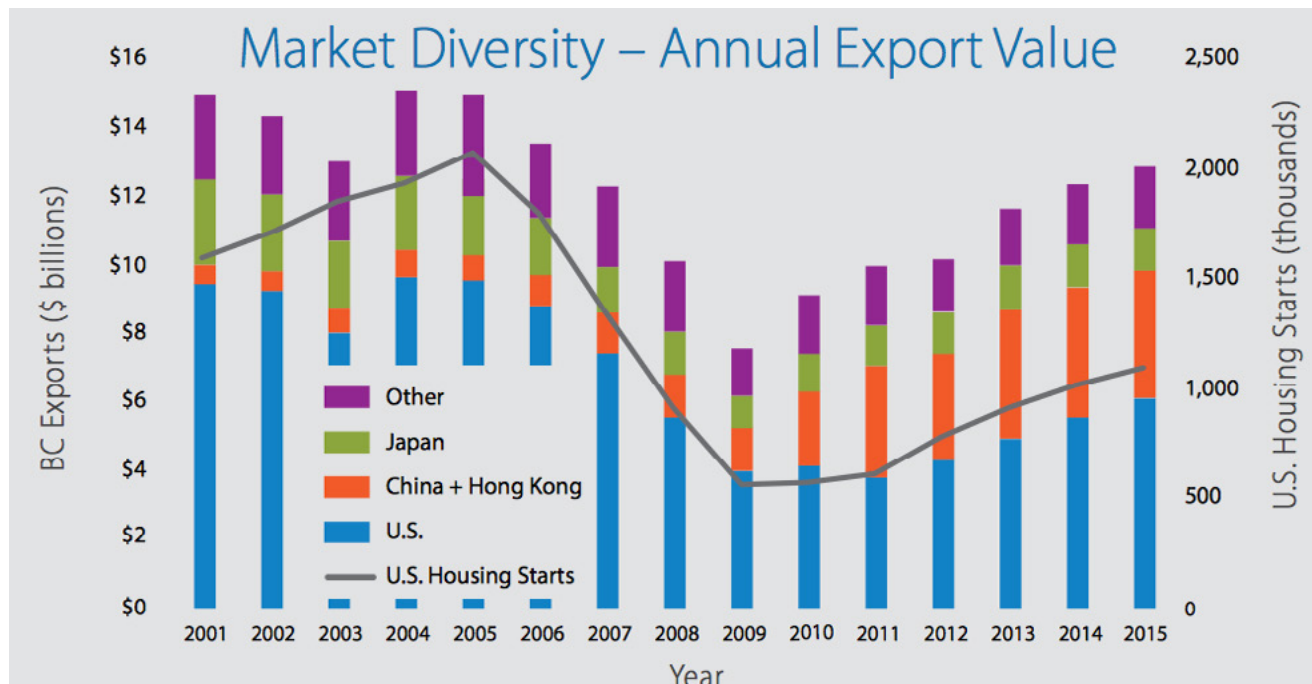
A media representative at the ministry explained to **Madison's** Thursday by email:

- The overwhelming majority of the salary increases reflect salary dollars for firefighters and wildfire support staff, given the record-breaking year for wildfires.
- Generally, over the past five years, there has been a gradual increase in salary dollars; however, not all of these hirings were for forestry staff.

To **Madison's** question, "Any information on changes on the ground for forest operators regarding wildfire mitigation / management, and an increase in money for that important issue would be great! also what differences / impact this would have on First Nations and municipalities in rural areas."

The ministry answered:

- Government has allocated \$140 million for the fiscal plan specifically for wildfire risk reduction, wildlife habitat restoration and promoting FireSmart. This includes funds that were directed to the **Forest Enhancement Society of BC**. The society engages First Nations and local governments and encourages them to submit applications for projects.



SOURCE: BC Ministry of Forests, Lands and Natural Resource Operations

Wildfire Mitigation

This follows an \$85 million increase in that budget in the BC Budget released under the Liberal government on February 26, 2017:

"The **Strategic Wildfire Prevention Initiative**, administered by the **Union of BC Municipalities**, focusses on reducing the wildfire risk in the two-kilometre wildland-urban interface surrounding communities. With its latest \$10-million commitment, government has provided \$78 million to this initiative since 2004. The **Forest Enhancement Society of BC** will complement the efforts of the Strategic Wildfire Prevention

Initiative by supporting critical wildfire prevention work outside of interface areas and providing a landscape-level approach to wildfire risk reduction."

That spending is part of a broader \$235 million the government has invested in the society.

The BC Wildfire Service has six fire centres as well as primary, secondary and forward attack bases and air tanker bases. Annual firefighting costs over the past decade have ranged from \$47 million in 2006 to \$382 million in 2010, according to the budget update.

BC General Budget

British Columbia's GDP grew by an estimated 3.7 per cent in 2016.

The August 22 government figures are largely in line with unaudited numbers the former Liberal government released in June.

According to a BC government release September, "*Building a Strong, Sustainable and Innovative Economy*":

Budget 2017 Update includes new investments that grow

jobs and help develop a strong, sustainable and innovative economy for the people and businesses of the province, including:

And specifically in regards to the forests:

- Helping evacuees, communities and businesses impacted by wild res with \$100 million in supports through the Red Cross along with \$140 million in forest projects focused on wild risk reduction, reforestation, wildlife habitat restoration, and raising awareness of the FireSmart program.



Forest Enhancement Society of BC

In February 2016, the BC Government announced the formation of a new organization called the Forest Enhancement Society of BC (FESBC). At the time of its formation, the BC Government provided an initial contribution of \$85 million to the Society.

According to it's website, the purposes of the **Forest Enhancement Society of British Columbia** are:

To advance environmental and resource stewardship of British Columbia's forests; and, to advocate for the environmental and resource stewardship of British Columbia's forests.

Full information on the agency's mandate can be found here: http://www2.gov.bc.ca/assets/gov/farming-natural-resources-and-industry/forestry/competitive-forest-industry/print_version_bcfs_agenda_final_lrsingles_r2.pdf