

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.madisonreport.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

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News & Updates

US Adjusts Softwood Lumber CVD/AD Date

The US **International Trade Commission** has revised the schedule for its antidumping and countervailing injury investigations of softwood lumber products from Canada. The deadline for post-hearing briefs is now September 25 and final comments are now due by December 4.

Canada State-of-the-Forests Report: 2017

This year Canada celebrates 150 years as a forest nation. Through *The State of Canada's Forests Annual Report*, **Natural Resources Canada** provides the only national snapshot of Canada's forests and forest industry. The federal agency has been tracking our journey towards sustainable forest management for 27 years.

Read about the history of Canada's forest sector and how the sector is leading the way in the global bioeconomy today. [CONT'D PAGE 6](#)

British Columbia Wildfire Damage Update

Later this autumn more information will come out regarding the actual loss of merchantable forest in BC due to the recent wildfires. It is only after the fires are out that a proper assessment can be made.

However some updates are available now. [CONT'D PAGE 7](#)

US New Home Sales: August 2017

Contracts for new single-family home sales in the US declined 3.4 per cent in August to a 560,000 seasonally adjusted annual rate, according to estimates from the joint data release of **HUD** and the **Census Bureau** Tuesday. This was the second month of decline for the pace of new home sales and the weakest rate since December of last year.

The three-month moving average of new home sales also weakened to 585,000, the lowest since January of this year. [CONT'D PAGE 7](#)

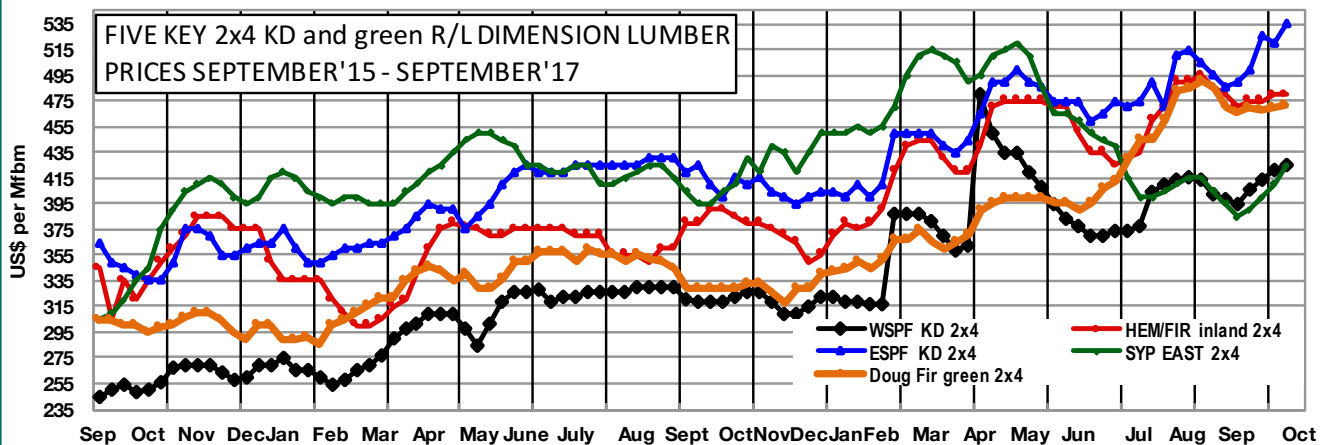
North America Lumber Market Update: 3Q 2017

As negotiations toward a Canada-US softwood lumber agreement furiously go on, different perspectives and data sets speak to the situation with Canadian softwood lumber exports into USA.

Since the beginning of September there have been hearings in Washington, DC, for various sides — mostly US domestic interests — to table comments and submit on the topic of injury.

Between now and the end of the year, Canada will have a chance to table some of its evidence.

A lot of this conversation is about the quantity of US lumber imports from Canada, and the ratio of that to US domestic production. *Madison's* takes a look at the latest data on these important metrics. [CONT'D PAGE 9&10](#)



Canada State-of-the-Forests Report: 2017

Canada Forest area

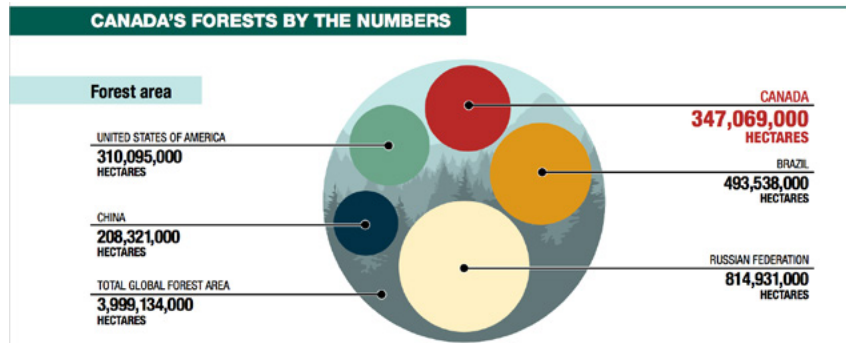
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Canada's forest area of 347 million hectares (ha) has been quite stable over the past 25 years.

- From 1990 to 2015, Canada's forest area has decreased by 1.2 million ha (0.34 per cent).
- The net reduction in forest area over this period is attributed to the clearing of forest land for new, non-forest land uses (for example, agriculture, roads and hydroelectric developments).

• While forest area is relatively constant, forest cover within is much more dynamic. Forest res, insect infestations, timber

Canada's Forests by the Numbers



SOURCE: Natural Resources Canada "State of the Forests Report 2017"

harvesting, growth and regeneration contribute to the ever-changing mosaic of forest cover within Canada's forest area.

Outlook

- The overall forest area is expected to remain stable over the next 10 to 20 years.
- Over the longer term, the effects of climate change on growing environments could redraw the boundaries within which forests grow.

• Federal, provincial and territorial governments are collaborating to track changes in forest area using a network of permanent photo plots across Canada. This information, paired with additional data from survey efforts focused on monitoring deforestation, is used to report on forest area and how it is changing over time.

Estimated area (hectares) of annual deforestation in Canada, by industrial sector, 1990–2015

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Estimated area (hectares) of annual deforestation in Canada, by industrial sector, 1990–2015

Sector	Year					
	1990	1995	2000	2005	2010	2015
Agriculture	42,100	22,300	20,500	18,000	12,300	12,300
Forestry*	3,700	3,300	3,600	3,400	1,400	1,400
Hydroelectric	2,700	1,500	900	800	1,900	900
Mining	2,800	2,700	2,900	3,000	3,600	3,200
Oil and gas	4,400	5,400	7,900	11,100	9,900	9,800
Transportation	2,000	1,700	3,000	2,800	2,600	1,900
Industry	900	900	900	1,000	1,200	1,200
Municipal	3,900	3,700	4,300	4,600	3,200	3,200
Recreation	600	700	700	600	300	300
Total	63,100	42,000	44,600	45,400	36,300	34,100

*Forestry numbers result from the creation of permanent forestry access roads.

focused on monitoring deforestation, is used to report on forest area and how it is changing over time.



Madison's Weekly Lumber and Forestry Data Table

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	Year to Date (THIS MONTH)	Previous YTD (MONTH AGO)	Change %	Trend	Full Year (YEAR AGO)	Change %	Trend
Five Key 2x4 Lumber Prices: Aggregate US\$/mfbm	467	441	+6.0%	▲	372	+25.6%	▲
Benchmark Panel Prices: Aggregate C\$/msf	578	583	-0.9%	▼	408	+41.6%	▲
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

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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	426	422	+4	+0.9%	▲	395	+31	+7.8%	▲	322	+104	+32%	▲		
WSPF KD R/L 2x6	450	446	+4	+0.9%	▲	418	+32	+7.7%	▲	286	+164	+57%	▲		
SYP KD R/L East Side 2x4	425	410	+15	+3.7%	▲	385	+40	+10.4%	▲	410	+15	+4%	▲		
SYP KD R/L East Side 2x6	410	385	+25	+6.5%	▲	345	+65	+18.8%	▲	380	+30	+8%	▲		
ESPF KD R/L 2x4	535	520	+15	+2.9%	▲	490	+45	+9.2%	▲	415	+120	+29%	▲		
WSPF KD PET 2x4 Stud	375	375	0	0.0%	-	355	+20	+5.6%	▲	270	+105	+39%	▲		
WSPF KD PET 2x6 Stud	415	425	-10	-2.4%	▼	405	+10	+2.5%	▲	215	+200	+93%	▲		
Douglas Fir Green R/L 2x4	472	470	+2	+0.4%	▲	465	+7	+1.5%	▲	330	+142	+43%	▲		
Douglas Fir Green R/L 2x10	525	530	-5	-0.9%	▼	530	-5	-0.9%	▼	325	+200	+62%	▲		
ESPF KD 2x4 8ft Stud	445	455	-10	-2.2%	▼	455	-10	-2.2%	▼	365	+80	+22%	▲		
OSB Ontario 7/16" (CDN\$/msf)	567	540	+27	+5.0%	▲	495	+72	+14.5%	▲	365	+202	+55%	▲		
CS Plywood Toronto 3/8" (CDN\$/msf)	590	604	-14	-2.3%	▼	672	-82	-12.2%	▼	452	+138	+31%	▲		

Madison's Weekly Softwood Lumber News

BC Wildfire Damage Update

[CONT'D FROM PG 2](#) In what government officials say was the worst forest fire season on record, fires have scorched 1.19 million hectares in BC, according to *Business in Vancouver* Tuesday.

The 2017 fire season began slowly, with a wet and cooler than normal spring, but took off on about July 7 and remains in full swing, wrote the **BC Forest Practices Board** in *BC Local News* Thursday. This year dwarfed the historic records for area burned in British Columbia at well over a million hectares, or 12,000 square kilometres, and it's still going.

Whereas the insurance claims for B.C.'s wildfires are estimated at \$127 million, Fort McMurray's totalled \$3.7 billion, according to the Insurance Bureau of Canada.

Not all the timber that was scorched is a writeoff. Some trees can still be turned into lumber, although it won't do pulp mills much good, since they can't use wood waste contaminated by charcoal.

Doug Donaldson, BC's minister of forests, lands, natural resource operations and rural development, said last week that his government is working to speed up salvage operations.

The B.C. government has either spent or earmarked more than \$600 million on this year's fires: \$518 million to the BC Wildfire Service; \$100 million to the Red Cross

to assist in evacuations; \$600,000 to the Cariboo Chilcotin, Thompson Okanagan and Kootenay Rockies tourism associations; \$20 million (includes federal funding) to ranchers; and \$6 million to repair Crown rangeland fences.

From 2008 to 2017, BC has spent an average of \$200 million a year on wildfire suppression, said the Forest Practices Board. In contrast, our 2015 report found that just \$60 million was invested in wildland fire prevention in the preceding 10 years and only a fraction of the necessary area was treated. Since our 2015 report came out, less than \$20 million more has been spent on prevention work.

New Home Sales, US

[CONT'D FROM PG 2](#) Inventory growth of US new homes for sale continued in August, rising to 284,000 homes, said **HUD** and the **Census Bureau**. The current

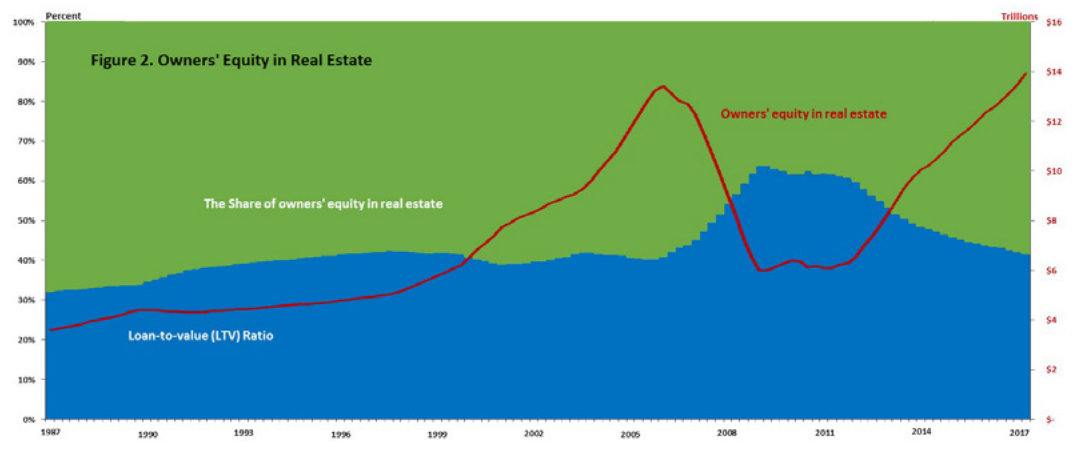
months' supply stands at 6.1, the highest since July 2014.

Census inventory estimates show a growing share of homes listed for sale that have not begun construction. On a year-over-year not seasonally adjusted basis, homes under construction in inventory have increased by 17 per cent over the last year. Completed, ready-to-occupy homes (there are only 62,000) are up 7 per cent since August 2016. In contrast, homes not-yet-started listed in inventory have increased 43 per cent, from 40,000 in August of 2016 to 57,000 last month.

Median new home sales price stands at US\$300,200, just slightly higher than a year ago. Average home price stands at US\$368,100. The agencies said they continue to expect a broadening of the new home inventory base and slight declines in median new home size.

Value of Owners' Equity in US Real Estate

SOURCE: NAHB Eye on Housing



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US CONIFEROUS SAWN WOOD IMPORTS: JULY 2017

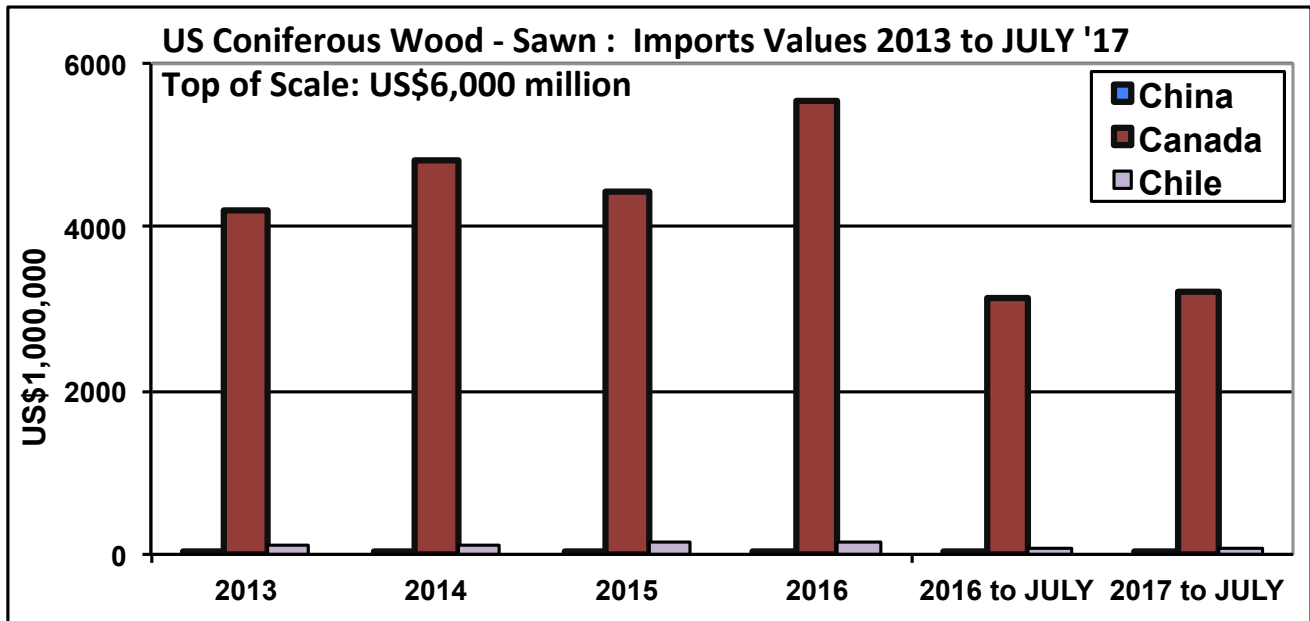
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Heard at the **Union of BC Municipalities AGM** from a British Columbia forestry delegate this week in Vancouver, BC, when updating on the softwood lumber dispute: **"What are members of the US lumber coalition complaining about?? Times have never been better..."**

According to the latest figures from the **US Department of Agriculture's Foreign Agriculture Service**, for January to July

2017 the USA imported US\$3,655 billion of softwood lumber from the World, which amounts to a 5.4 per cent increase from the first seven months of the previous year, when it was US\$3,457 billion.

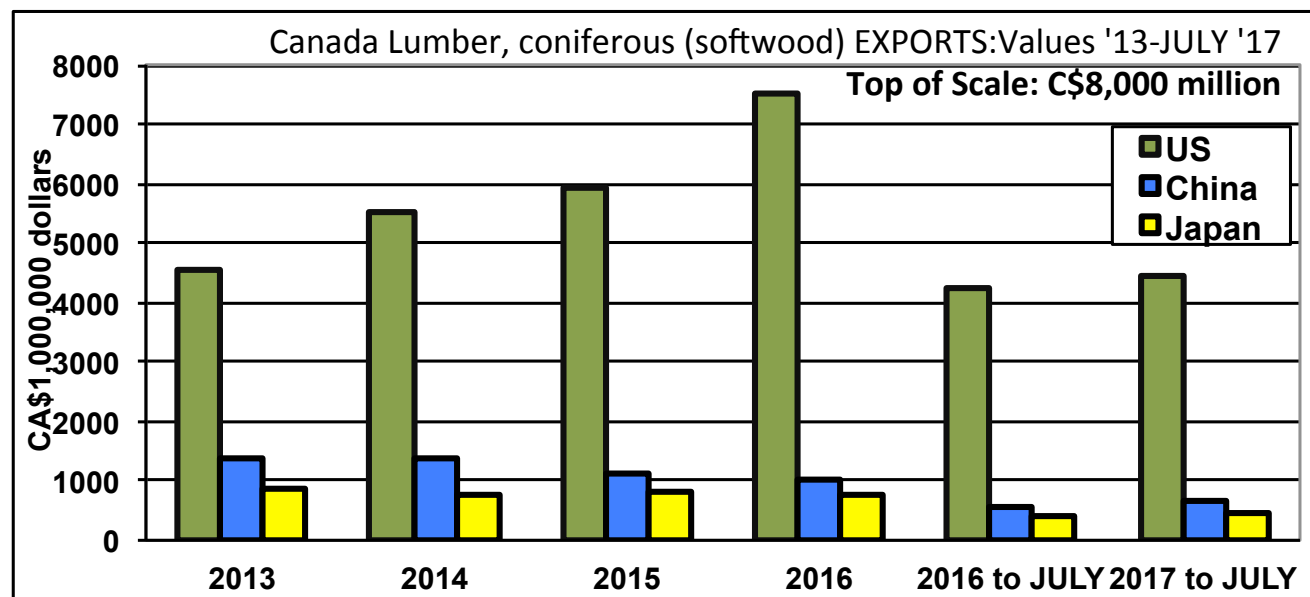
The vast majority of this wood came from Canada, with US imports of Canadian softwood lumber up 2.3 per cent to US\$3,217 for the first seven months of 2017, from US\$3,144 in January to July last year.



Canada Coniferous Sawn Wood Exports: July 2017

Looked at another way, the latest **Statistics Canada** data — out Thursday — shows that Canada exported C\$6,037 million of softwood lumber to the World in January to July 2017, which amounts to a 7 per cent increase over the same time

last year when it was C\$5,615 million. Exports of Canadian softwood lumber to the USA for the first seven months of this year were up 5 per cent, to C\$4,467 million from C\$4,237 million for January to July 2016.



US LOG EXPORTS: JULY 2017

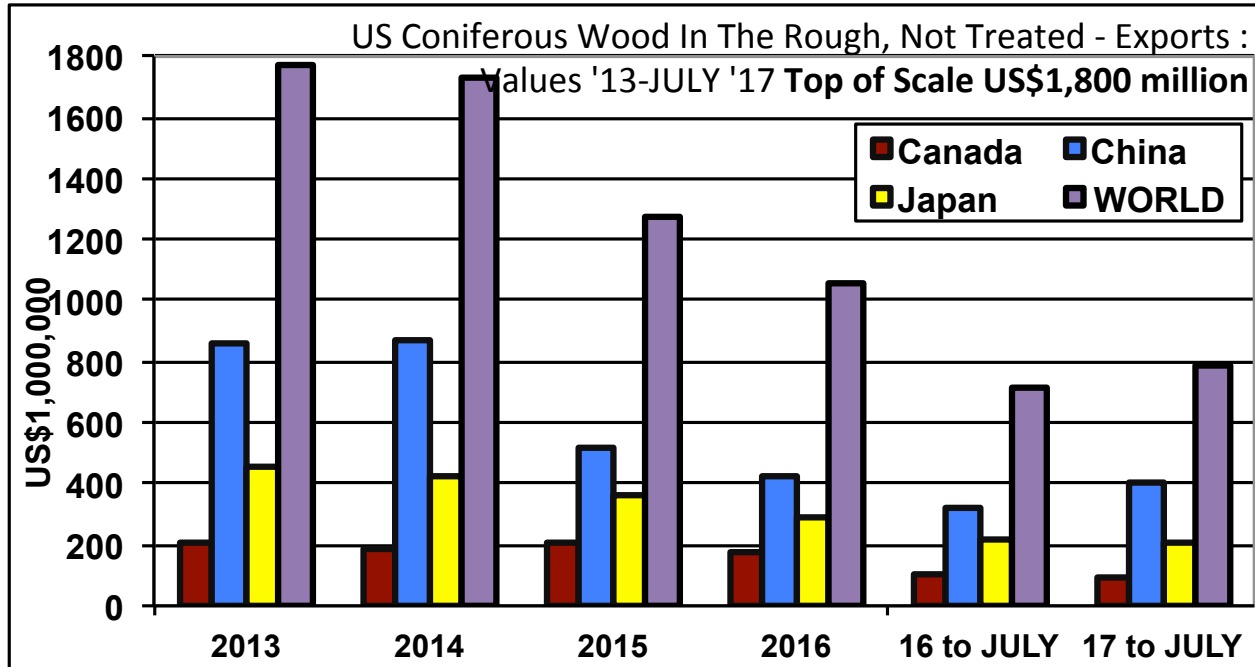
Clear evidence that perhaps the problem for US sawmills is US log exports — not Canadian lumber imports as claimed — comes with new data that shows US log exports rose sharply over the summer:

In January to July 2017, US log exports to the World jumped by 10 per cent, to US\$791 million, from US\$710 million in the

first seven months last year.

US log exports to China, by far the largest customer, vaulted by 19 per cent, from US\$325 million to US\$ 402million for January to July 2017.

The numbers don't lie...it is difficult to find a surge or otherwise injury in this very nominal growth.



CANADA LOG EXPORTS: July 2017

In Canada log exports, which are tiny compared to Canada lumber exports or US log exports, to the World did increase in the first seven months of 2017, to C\$503 million from C\$429 million the previous year.

Canadian log exports to China improved by 25 per cent to C\$285 million, from C\$213 million in January to July 2016.

