

MADISON'S LUMBER REPORTER



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Editor
Kéta Kosman

Market Analyst
Earl Heath

Print Production
Pauline Petit



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www.madisonreport.com
madrep@shawcable.com
604 319-2266

PO Box 2486 Vancouver, BC
V6B 3W7 Canada



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News & Update

Japan Building Projection: Fiscal Year 2017

On July 26, Japan's **Research Institute of Construction and Economy** and the **Economic Research Association** released "Outlook of Construction Investment According to Construction Economy Model", said *Japan Lumber Journal* October 15.

In that report, the organizations predict Japan housing starts in fiscal 2017 (from April 2017 to March 2018) to decrease 1.3 per cent compared with the previous fiscal year, to 962,000 units, and those in fiscal 2018 to be the same amount (962,000 units) as the year before.

As well, the **Japan Forest Agency's** second annual meeting for wood demand and supply 2017 projected a slight decline in demand for the second half of the year, as well as a reduction in domestic log supply due to repeated heavy rain, according to *Japan Lumber Reports* October 20.

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US Pending, Existing, and New Home Sales: September 2017

September existing sales in the US increased slightly by 0.7 per cent for the first time in four months, but the first-time buyer share decreased to 29 per cent of sales, the lowest share since September 2015, the **National Association of Realtors** reported October 20. The latest data shows that parts of Texas and South Florida had temporary but notable declines in sales due to Hurricanes Harvey and Irma. Some 48 per cent of homes sold last month were on the market less than a month, compared to 51 per cent in August.

Elsewhere, contracts for new US home sales expanded by 18.9 per cent in September to a 667,000 seasonally adjusted annual rate, according to estimates from the joint data release of **HUD** and the **Census Bureau** Wednesday. The solid reading in September returns new home sales to the positive growth trend it has been on for several years.

Meanwhile, the pending home sales index in the US remained unchanged in September but has fallen on an annual basis in five of the past six months, and is at its lowest level since January 2015, said the **National Association of Realtors** Thursday. The Pending Home Sales Index is a forward-looking indicator based on signed contracts reported by the remained unchanged at 106.0 from a downwardly revised August level. The Index is now 3.5 per cent below its level a year ago.

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Fifth Annual Bioenergy Day

The fifth annual North America bioenergy day this year had record participation.

Sixty organizations participated in 50 events across Canada and the United States to recognize the benefits of heat, power, and fuels from biomass.

In honour of the Fifth Annual Bioenergy Day, Fink Machine held an Open House October 18 in Enderby, BC, to showcase their biomass fuelled District Energy (DE) System as well as the highlight the nearly 100 biomass heating projects they have done across Canada and the US.

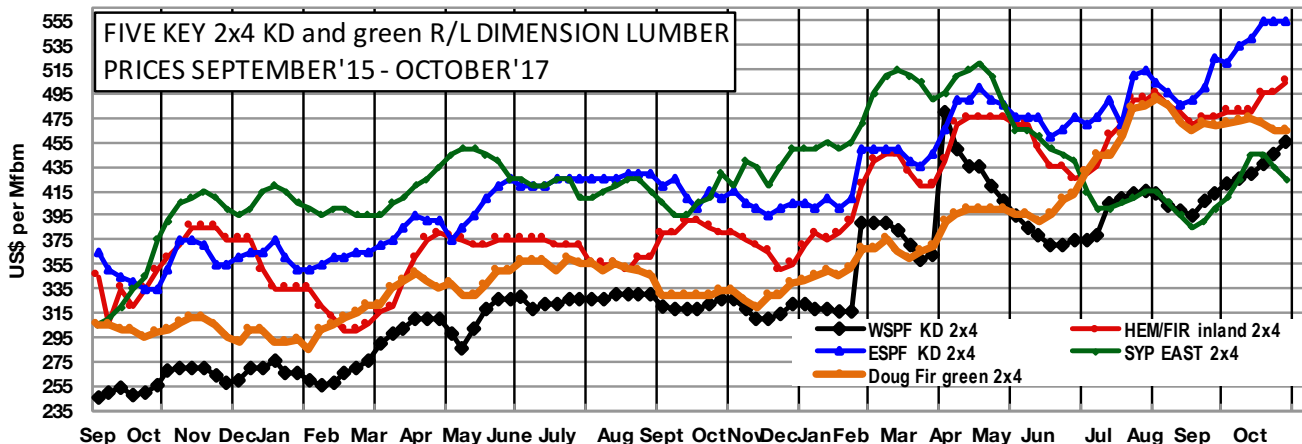
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Canada and US Forest Fire Damage Update

British Columbia recorded its worst-ever fire season this year, said *CBC* Monday. Wildfires that began in early April scorched just over 12,000 square kilometres of timber, bush, and grassland and at their height forced 45,000 people from their homes.

Climate change didn't directly cause major wildfires in Alberta and British Columbia this year but it did contribute to their extreme nature, explained Mike Flannigan, a professor of wildland fire at the University of Alberta, to *CBC*.

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Japan Building and Wood Supply-Demand: Fiscal-Year 2017

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In the "Outlook of Construction Investment According to Construction Economy Model" report, released by Japan's **Research Institute of Construction and Economy** and the **Economic Research Association** in July, the organizations predict housing starts in fiscal 2017 (from April 2017 to March 2018) to decrease 1.3 per cent compared with the previous

fiscal year to 962,000 units, and those in fiscal 2018 to be the same amount (962,000 units) as the year before, said *Japan Lumber Journal* October 15.

They expect housing starts of owner-occupied houses and built-for-sale houses will grow in fiscal 2017, because the interest rates of housing loans are low thanks to the government's negative interest rate policy. On the other hand, they expect rental houses to drop because the momentum of new construction starts aiming at reducing inheritance tax will slow down.

As for fiscal 2018, the report expects housing starts will be higher than the estimate for the previous fiscal year, because rental houses and built-for-sale single family houses will remain brisk owing to the low interest rates and, in addition, rash demand is expected before the consumption tax increase which is scheduled in October 2019, said the *Journal*.

Japan Housing Starts: August 2017

August housing starts

	August	'17/'16	Jan.-Aug.	'17/'16
Total	80,562	98.0	637,002	101.0
Owner's	24,379	92.6	186,401	97.7
Rental	34,968	95.1	272,913	102.2
Units built for sale	20,728	112.0	173,982	103.1
(Condos)	(9,109)	(133.7)	(82,239)	(103.5)
Wood based units	46,912	96.3	352,552	101.0
Prefabricated	11,726	89.1	91,210	94.9
2x4	4,296	91.0	76,937	98.0

SOURCE: Japan Lumber Reports

Japan Wood Needs for Public Building Projects

Japan's central government has calculated total need of 49,919 cubic metres of wood for public buildings and 191,401 cubic metres for public engineering works, explained the *Japan Lumber Reports* Monday.

approximately 50 per cent of the total demand, mostly for maintenance of coast lines and wind and sand barriers.

In the cities, most of the wood use for public building projects like wooden boardwalks and other uses in parks.

For the public engineering works, Hokkaido Prefect will use

Japan Wood Supply and Demand Projection 2017

Supply projection of major wood products Unit : 1,000 cbms () : 'comparison to previous quarter

	Domestic logs		Import logs	Import lumber	Plywood
	lumber	plywood			
2 nd qrt.	3,125(99.1)	1,006(103.6)	851 (92.8)	1,695(103.2)	1,505(103.8)
3 rd qrt.	2,800(96.0)	1,000(112.2)	835(105.8)	1,605 (97.9)	1,467(101.0)
4 th qrt.	3,000(95.5)	990(105.3)	829 (94.1)	1,580(100.0)	1,501(101.8)
Total 2017	12,038(97.3)	3,889(104.7)	3,348 (93.5)	6,479(100.3)	6,014(103.7)
1 st qrt. 2018	3,000(96.4)	970(108.6)	850(102.0)	1,570 (98.2)	1,474 (95.7)

SOURCE: Japan Lumber Reports



Madison's Weekly Lumber and Forestry Data Table

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	Year to Date	Previous	Change	Trend	Full Year	Change %	Trend
	(THIS MONTH)	YTD (MONTH AGO)	%		(YEAR AGO) 2016	(YEAR AGO)	
Five Key 2x4 Lumber Prices: Aggregate US\$/mfbm	481	467	+2.9%	▲	372	+29.1%	▲
Benchmark Panel Prices: Aggregate C\$/msf	510	578	-11.8%	▼	388	+31.4%	▲
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\$	4,467	3,420	+31%	▲	4,237	+5.4%	▼

SOURCE: Madison's Lumber Reporter

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Madison's Weekly Softwood Lumber Key Prices Table

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	This Week	Last Week	Change	%	Trend	Month Ago			Year Ago				
						Change	%	Trend	Change	%	Trend		
Prices are in U.S. dollars per 1,000 fbm (net FOB mill)													
WSPF KD R/L 2x4	456	446	+10	+2.2%	▲	426	+30	+7.0%	▲	318	+138	+43%	▲
WSPF KD R/L 2x6	476	468	+8	+1.7%	▲	450	+26	+5.8%	▲	278	+198	+71%	▲
SYP KD R/L East Side 2x4	425	435	-10	-2.3%	▼	425	0	0.0%	-	440	-15	-3%	▼
SYP KD R/L East Side 2x6	410	420	-10	-2.4%	▼	410	0	0.0%	-	365	+45	+12%	▲
ESPF KD R/L 2x4	555	555	0	0.0%	-	535	+20	+3.7%	▲	405	+150	+37%	▲
WSPF KD PET 2x4 Stud	360	360	0	0.0%	-	375	-15	-4.0%	▼	270	+90	+33%	▲
WSPF KD PET 2x6 Stud	395	395	0	0.0%	-	415	-20	-4.8%	▼	220	+175	+80%	▲
Douglas Fir Green R/L 2x4	465	465	0	0.0%	-	472	-7	-1.5%	▼	325	+140	+43%	▲
Douglas Fir Green R/L 2x10	505	505	0	0.0%	-	525	-20	-3.8%	▼	325	+180	+55%	▲
ESPF KD 2x4 8ft Stud	450	455	-5	-1.1%	▼	445	+5	+1.1%	▲	360	+90	+25%	▲
OSB Ontario 7/16" (CDN\$/msf)	595	595	0	0.0%	-	567	+28	+4.9%	▲	360	+235	+65%	▲
CS Plywood Toronto 3/8" (CDN\$/msf)	425	481	-56	-11.6%	▼	590	-165	-28.0%	▼	416	+9	+2%	▲

Madison's Weekly Softwood Lumber News

September US Home Sales

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The September existing home sales inventory increased 1.6 per cent, but remains 6.4 per cent below the level a year ago, having decreased for the 28th consecutive month, said the **National Association of Home Builders** October 20. At the current sales rate, the September unsold inventory represents a 4.2-month supply, down from a 4.5-month supply a year ago. September existing sales reached a seasonally adjusted rate of 5.39 million units. Total existing home sales include single-family homes, townhomes, condominiums, and co-ops.

Existing homes for sale stayed on the market for 34 days in September, up from 30 days in August, but down from 39 days a year ago.

The September existing home median sales price fell for a third consecutive month to US\$245,100 from a revised US\$253,100 in August and US\$258,100 in July, but was up 4.2 per cent from last year, representing the 67th consecutive month of year-over-year increases.

Meanwhile, July and August pending sales declined, said the **National Association of Realtors** Wednesday, so the slight uptick in existing sales was good news with the delayed sales from the hurricanes still evolving. Despite a drop last month due to the hurricanes, single-family construction is 9.1 per cent ahead of last year, and builder confidence increased four points in October. Personal income gains and jobs will continue to spur more first-time buyers to enter the housing market.

NAR reported that demand continues to overwhelm supply, especially for prospective buyers in the lower end of the market.

Yet elsewhere, despite some volatility in the month-to-month sales figures, September marks the fifth month in 2017 at an

annual new home sales pace of more than 600,000. New home sales through September are running 8.6 per cent higher than this time in 2016, in line with NAHB's forecast.

Inventory of new homes for sale held steady in September at 279,000 homes for sale. The current months' supply stands at a healthy level of 5 month-supply. Given tight existing inventory, more new homes are required to meet housing demand.

Pricing increased in September. Median new home sales price (price of the home in the middle of the distribution) rose to US\$319,700. Average home price jumped to US\$385,200. Managing rising construction costs in the months ahead will be a key challenge for housing affordability, as input costs increase.

Regionally, there was sales growth in all regions. On a year-to-date basis, home sales are up 28 per cent in the Northeast, up 12 per cent in the West, 6 per cent higher in the South, and up 4 per cent in the Midwest compared to this time in 2016.

Canada Railway Carloadings

The volume of rail freight carried in Canada totalled 30.8 million tonnes in August, up 3.2 per cent from the same month last year, according to **Statistics Canada** Thursday.

Freight originating in Canada increased 1.5 per cent from the same month last year to 27.5 million tonnes. Non-intermodal freight held steady at 293,000 carloads in August. The amount of freight loaded into these cars totalled 24.3 million tonnes, up 0.6 per cent from the same month last year.

Tonnages of wheat (+27.3%), fuel oils and crude petroleum (+28.1%), potash (+14.1%), coal (+3.7%), and iron and steel, primary or semi-finished (+25.1%) were up in August compared with August 2016.

Conversely, tonnages of iron ores and concentrates (-6.9%), fresh, chilled or dried vegetables (-39.4%), other cereal grains (-40.2%), canola (-32.1%), and lumber (-10.2%) shipped by rail declined in August on a year-over-year basis.

US Pending and Existing Home Sales: September 2017

SOURCE: NAHB Eye on Housing



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ANNOUNCEMENTS

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In association with the Scottish Regional Group of the Institution of Structural Engineers

TOPICS & SPEAKERS

TIMBER CITY: THE RISE AND RISE OF ENGINEERED WOOD
 Peter Wilson, Director, Timber Design Industries Ltd

THE NEXT GENERATION OF CONNECTIONS IN TIMBER STRUCTURES
 Stefano Muscoloni, Technical Sales and Field Engineer, Rothoblaas

INTRODUCTION TO EUROCODES & FINWOOD
 From Working Head of Technical Engineering & Design, MetsäWood

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- Presentations focusing on relevant timber projects
- Networking opportunities
- Light lunch and refreshments
- Advice from timber engineering specialists

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If you have any queries, please email ec@workshop@metshood.com

CLT vs. Concrete
 SUSTAINABILITY COMPARISON

Embodied Carbon

CLT: +975 tonnes CO ₂	Concrete: +2,000 tonnes CO ₂
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Net Carbon Footprint

CLT: -2,000 tonnes CO ₂	Concrete: -2,450 tonnes CO ₂
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Structural Weight

35%

The reduced weight of the structure allowed 35% more apartments to be built than a concrete structure on the same foundations would have allowed for. This equates to a whole 3 storeys less.

Deliveries Required

CLT 111 Lorry Loads	Concrete 700 Lorry Loads
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CSPC 2017
 9th Canadian Science Policy Conference
 Nov. 1 - 3, 2017
 Shaw Centre, Ottawa, ON

Canada 150
 1867-2017

FIFTH ANNUAL BIOENERGY DAY: OCTOBER 2017

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Bioenergy is a domestic energy source responsible for sustaining tens of thousands of jobs, many of them in rural communities where they are most needed. One of those rural communities is Enderby, BC, which is home to Canada's leading supplier of biomass boilers: Fink Machine.

In honour of the Fifth Annual Bioenergy Day, Fink Machine held an Open House on October 18 to showcase their biomass fuelled District Energy (DE) System as well as the highlight the nearly 100 biomass heating projects they have done across Canada and the US. Fink Machine was one of 60 organizations across Canada and the US that participated in events to recognize the economic and environmental benefits of using biomass to produce heat, power and fuels. Fink Machine, other private businesses, state governments and universities invited local residents and stakeholders to learn more about bioenergy and how it contributes locally to forest health and economic productivity.

Locally elected officials and staff from a number of BC communities, business people, as well as members of the general public and media, attended the open house. Attendees were amazed at the extent of the DE system (10 buildings with approx. 1.5 km of piping) fuelled with wood chips bought from a local sawmill.

Bioenergy is made from organic materials that are byproducts from other industries. Supplying biomass to the growing bioenergy sector represents an additional market for byproducts from the manufacturing process that support key sectors like forestry and agriculture. Bioenergy plays a key role in forest health by providing a market for dead fibres that are cleared from forests to reduce the likelihood of catastrophic fires. By valuing materials that might otherwise go to waste, bioenergy often contributes to the economic well-being of farmers, foresters and landowners.

The Bioenergy sector is extremely diverse and spans residential scale heating through to commercial heating, district energy, combined heat and power, and industrial scale energy production. If direct energy production was not enough, bioenergy also includes the production of liquid (ethanol, biodiesel, etc.) and solid fuel (wood pellets, torrefication, biochar, etc.) market.

Bioenergy Day 2017 sponsors included Biomass Power Association, US Forest Service, US Department of Energy's Bioenergy Technologies Office, Pellet Fuels Institute, US Industrial Pellet Association, Hearth Patio and Barbecue Association, Biomass Thermal Energy Council and Biomass Magazine. To learn more, please visit www.bioenergyday.org.

Industry Quotes

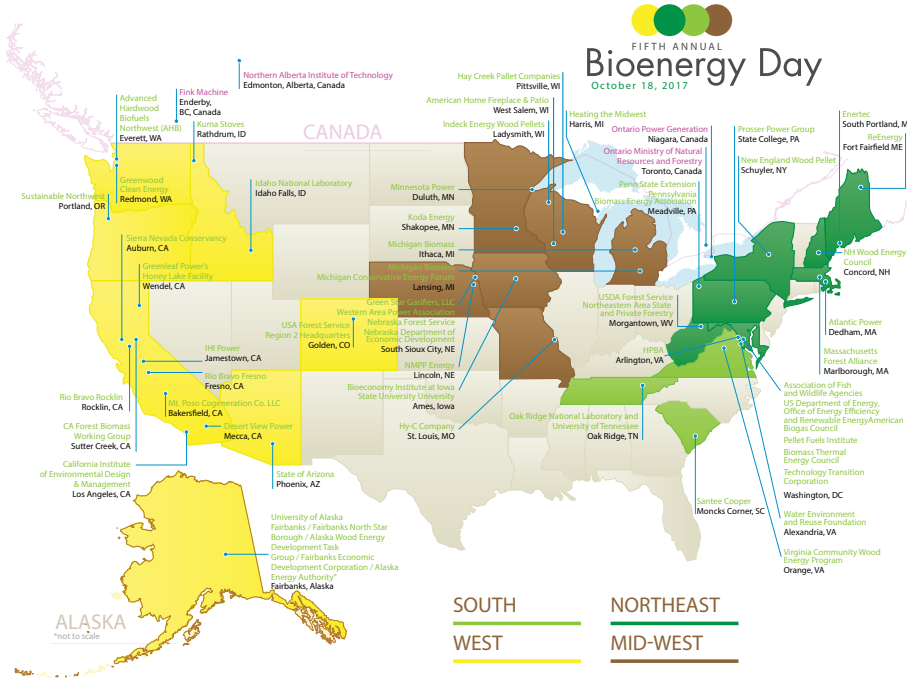
"On Bioenergy Day, I'd like to encourage all Americans and Canadians to heat locally!" said Stan Elliot, chairman of the Pellet Fuels Institute board of directors. "Our members make pellets from materials available in their nearby communities. While fossil fuel heating usually involves importing fuel from elsewhere, wood pellets are often made near the stores where

they are sold. Heating with pellet fuels is a great way to save money and support your local forest products industry."

"Restoring healthy, resilient forests depends on strong forest products markets that include wood energy," said US Forest Service Chief Tony Tooke. "Thinning overcrowded forests, removing dead trees and using these fuels, as well as small, woody materials that burn easily, helps reduce the risk of catastrophic wildfire and fosters healthier forests."

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For more information and details: please contact David Dubois, Manager of Business Development, Fink Machine at david@finkmachine.com



SOURCE: Fink Machine

North America Wildfire Damage Update: October 2017

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"There have been deadly fires and historic fires in Chile, Portugal — twice — and California," explained professor of wildland fire at the University of Alberta, Mike Flannigan, to CBC Monday.

"The amount of fire activity in Canada, which currently is about 2½ million hectares — about half the size of Nova Scotia — has doubled since the 1970s."

"It's been quite a devastating year globally and the California fires will be the most expensive ... (with) tens of billions in losses."

WILDFIRE RESPONSE IN CALIFORNIA

As for the US, urban-wildlands fire policy in California has developed piecemeal, said professor of fire science at UC Berkeley, Scott Stephens, to the *San Francisco Chronicle* October 12. Historically, large-scale urban conflagrations were the result of structure-to-structure fires, fuelled by wood buildings. These types of urban fires are uncommon now because urban areas contain fewer wood buildings, and most buildings include fire alarms, fire-resistant walls, and sprinklers. As the recent fires in California have demonstrated, there is still a long way to go in reducing similar losses in urban-wildlands interface fires.

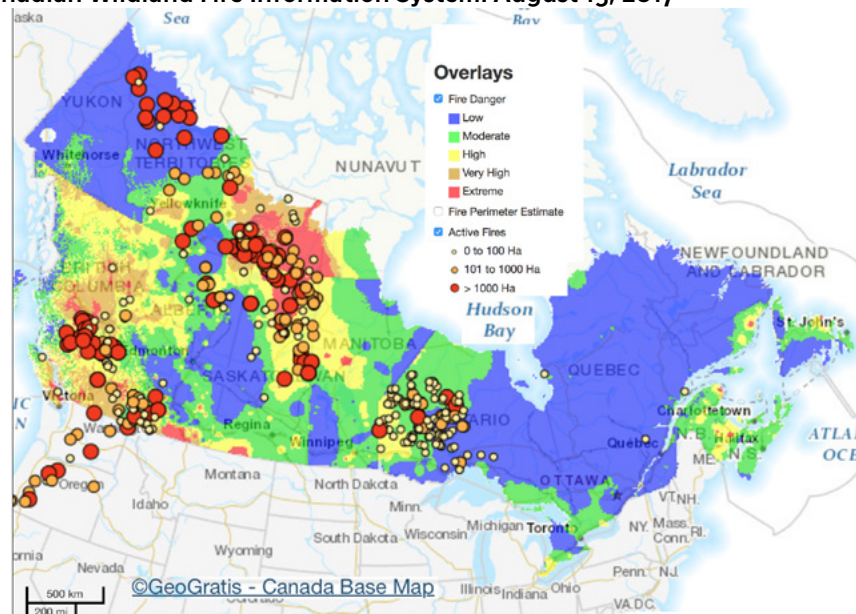
Despite known risks, people continue to move into wildfire-prone areas at high rates. The issue is particularly acute in California, where a recent analysis indicated that more than 5 million homes are located in the urban-wildlands interface. This number is expected to increase further as urban dwellers seek the "natural" amenities, e.g., open space and recreational

opportunities, provided by wildland areas. Similar trends are exacerbated by long-term economic conditions, such as the declining value of rural land uses, such as agriculture or timber, which result in land being of greater value for housing than for other uses.

As homes continue to be built in flammable wildland areas, the Californian approach to building has yet to catch up to the types of hazards faced by homeowners. For example, it is evident that most homes ignite because of windblown embers that can travel more than a mile. At a minimum, vents that resist ember entry into attics and fire-resistant roofing and other building materials are key, yet such requirements are recent, and regulatory enforcement is patchy.

Regulatory approaches aimed at reducing the inconsistencies in local land-use planning should be implemented. One approach would be to require any new development reviewed by a state-level land-use agency, said Stephens to SF Chronicle.

Canadian Wildland Fire Information System: August 15, 2017



EXTREME CONDITIONS INCLUDE STRONGER WINDS

Flannigan said human-caused climate change isn't the root cause of fires, but has made them much worse. Global warming has made conditions more favourable for intense flames.

"With warmer temperatures, the fuels will be drier, and when a fire goes through, there's more fuel to consume," he said.

"It makes it more extreme. Winds are a little stronger, the

temperatures are a little higher and it's a little drier."

Flannigan said warmer temperatures also spawn an increase in lightning activity. For every degree the temperature rises, there's a 12 per cent increase in lightning.

Fires have certainly increased in the last several decades, he said.