

MADISON'S LUMBER REPORTER



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KetaDesign Productions

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Annual Subscription Prices
E-mail/Fax: US\$408.45
Discounts available for multiple
subscriptions

Published 50 times a year



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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 & Update

US Commerce Dept Final Duty Determination: Softwood Lumber

The US Commerce Department issued Thursday it's Final Determination of both Counter-vailing and Anti-Dumping duties on Canadian softwood lumber imports to the US.

The North American forest products industry now waits for the last of these bureaucratic announcements, which were triggered in November 2016 when the US first launched the softwood lumber trade claim.

In mid-December the **International Trade Commission** will release it's Final Determination. A matter of days following that will be published on the **Federal Register**.

Right at the beginning of 2018 these new final duties will come into effect.

At that time Canada's immediate legal recourse is through US domestic trade court. Only once all the hurdles in several US trade courts are surmounted, usually after a couple of years of litigation, will Canada have the opportunity to pursue this matter internationally, through the WTO and NAFTA.

Last *Madison's* heard was that by August combined duties collected were approximately \$500 million.

In previous disputes, by the time the two sides managed to hammer out a deal, the total collected was approximately \$5 billion.

When information regarding the legal fees paid prior to the signing of the 2006 Softwood Lumber Agreement was finally released, it showed that these amounts actually pale in comparison to what was paid by the Canadian and US federal governments to lawyers.

US Housing Market Update: Aug and Sept 2017

The **S&P CoreLogic Case-Shiller** US National Home Price Index, reported Tuesday, had a 6.1 per cent annual gain in August, up from 5.9 per cent in the previous month. The 10-City Composite annual increase came in at 5.3 per cent, up from 5.2 per cent the previous month.

The 20-City Composite posted a 5.9 per cent year-over-year gain, up from 5.8 per cent the previous month.

On Wednesday, the US Census Bureau said construction spending during September 2017 was estimated at a seasonally adjusted annual rate of US\$1,219.5 billion, 0.3 per cent above the revised August estimate of US\$1,216.0 billion. The September figure is 2 per cent above the September 2016 estimate of US\$1,195.6 billion.

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North America Forest Products Movement Update: August 2017

Headline may as well read: **US Log Exports to China Skyrocket, But Let's Blame Canada**

The latest data, some released just Wednesday by **Statistics Canada**, show a glowing picture of improving conditions for North America's forest products industry. Most of the data encompasses January to August 2017, providing solid information on the **economic state of Canadian and US log and lumber products and their movement** so far this year.

Most striking is the sharp increase in **US coniferous log exports to China**, up +15.7 per cent for the first eight months of this year compared to 2016, when considered against a double-digit jump in US sawn wood import values from China, up a remarkable +12.9 per cent for January to August compared to last year.

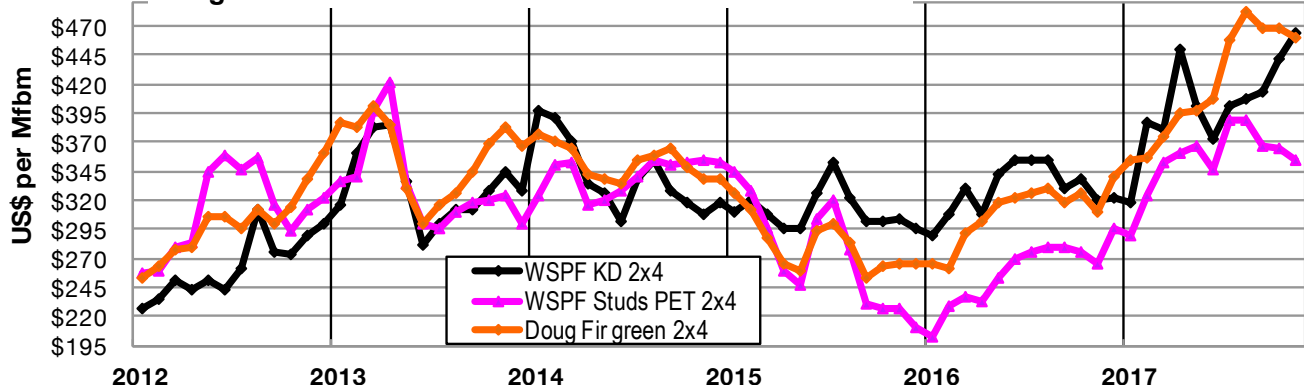
US log exports to the other major partners are down, to Canada down by -9.2 per cent.

Also fascinating, US sawn wood exports to China — also used to make pallets, crating, and furniture components — is up by an astonishing +15.7 per cent for the first eight months of 2017 compared to last year.

US lumber exports to it's other major partners are down as well; to Canada down by -3 per cent.

[CONT'D PAGE 9&10](#)

**2x4 Prices : WSPF KD R/L #2&Btr, WSPF KD PET Studs,
Douglas fir Green - 2012 - NOVEMBER 2017**



US Home Prices, Sales, Mortgages: Aug and Sept 2017

[CONT'D FROM PAGE 2](#)

The **S&P/Case-Shiller** and the **Federal Housing Finance Agency** Tuesday released their respective home price indices for August 2017. National home prices rose at a faster annual growth rate, while local home price gains varied. Price growth in metro areas across the West region exceeded the national average.

The Case-Shiller US National Home Price Index, reported by S&P Dow Jones Indices, rose at a seasonally adjusted annual growth rate of 6.1 per cent in August, faster than a 5.8 per cent increase in July. It was the highest seasonally adjusted

annual growth rate since February 2017. Meanwhile, the Home Price Index, released by the Federal Housing Finance Agency (FHFA), rose at a seasonally adjusted annual rate of 8.3 per cent in April, following the 4.5 per cent increase in July, confirming the acceleration in home prices this month.

The year-over-year increase in prices is mostly moving sideways, at around 5 per cent to 6 per cent. In August, the index was up 6.1 per cent Year-over-Year.

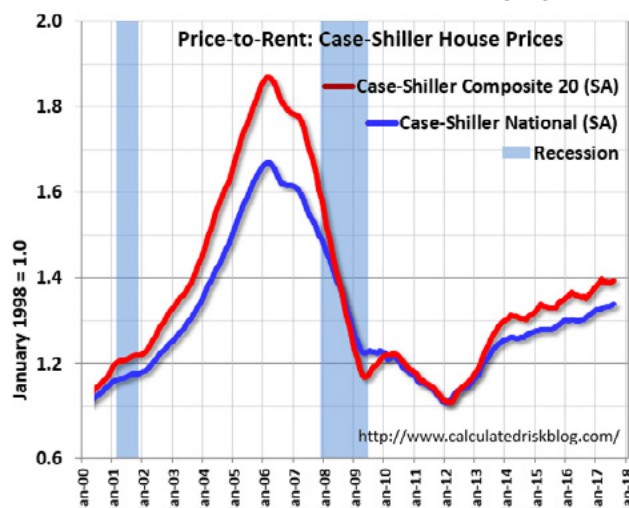
In August, local home prices grew at different rates. Many of the faster growing metro areas are located in the West region of the country.

US Home Price-to-Rent Ratio: September 2017

According to *Calculated Risk* Tuesday, on a price-to-rent basis, the **Case-Shiller National index** is back to November 2003 levels, and the Composite 20 index is back to September 2003 levels.

In real terms, prices are back to mid 2004 levels, and the price-to-rent ratio is back to 2003 - and the price-to-rent ratio has been increasing slowly.

US Serious Mortgage Delinquency Rate: September 2017



Fannie Mae reported Wednesday that the **Single-Family Mortgage Serious Delinquency rate** increased to 1.01 per cent in September, from 0.99 per cent in August. The serious delinquency rate is down from 1.24 per cent in September 2016.

The increase in September is probably due to the hurricanes, said Fannie Mae.

These are mortgage loans that are "three monthly payments or more past due or in foreclosure".

The Fannie Mae serious delinquency rate peaked in February 2010 at 5.59 per cent.

In the short term - over the next several months - the delinquency rate will probably increase slightly due to the hurricanes. After the hurricane bump, maybe the rate will decline another 0.3 percentage points or so to a cycle bottom, but this is pretty close to normal.

US House Price-to-Rent Ratio: September 2017
SOURCE: Calculated Risk



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 % (YEAR AGO)	Trend
Five Key 2x4 Lumber Prices: Aggregate US\$/mfbm	481	474	+1.4% ▲	365	+31.5%	▲
Benchmark Panel Prices: Aggregate C\$/msf	520	575	-9.6% ▼	391	+32.8%	▲
VOLUMES						
Canada Lumber Production: softwood, million m3	38.95	38.98	-0.1% ▲	66.9	-41.8%	▼
VALUES						
Canada Sawmill Manufacturing Sales: million C\$	7,382	7,094	+4.0% ▲	11,284	-34.6%	▼
US Total Sawmill Products Imports: million US\$	4,158	4,029	+3.2% ▲	6,128	-32.1%	▼
US Total Sawmill Products Exports: million US\$	736	678	+8.6% ▲	1,021	-27.9%	▼
Canada Sawmill Exports to USA: million C\$	5,022	4,918	+2.1% ▲	7,501	-33.0%	▼

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	464	456	+8	+1.8%	▲	430	+34	+7.9%	▲	310	+154	+50%	▲		
WSPF KD R/L 2x6	488	476	+12	+2.5%	▲	460	+28	+6.1%	▲	278	+210	+76%	▲		
SYP KD R/L East Side 2x4	415	425	-10	-2.4%	▼	445	-30	-6.7%	▼	435	-20	-5%	▼		
SYP KD R/L East Side 2x6	400	410	-10	-2.4%	▼	430	-30	-7.0%	▼	355	+45	+13%	▲		
ESPF KD R/L 2x4	560	555	+5	+0.9%	▲	540	+20	+3.7%	▲	400	+160	+40%	▲		
WSPF KD PET 2x4 Stud	355	360	-5	-1.4%	▼	370	-15	-4.1%	▼	265	+90	+34%	▲		
WSPF KD PET 2x6 Stud	395	395	0	0.0%	-	415	-20	-4.8%	▼	220	+175	+80%	▲		
Douglas Fir Green R/L 2x4	460	465	-5	-1.1%	▼	475	-15	-3.2%	▼	318	+142	+45%	▲		
Douglas Fir Green R/L 2x10	495	505	-10	-2.0%	▼	525	-30	-5.7%	▼	320	+175	+55%	▲		
ESPF KD 2x4 8ft Stud	450	450	0	0.0%	-	470	-20	-4.3%	▼	350	+100	+29%	▲		
OSB Ontario 7/16" (CDN\$/msf)	595	595	0	0.0%	-	606	-11	-1.8%	▼	365	+230	+63%	▲		
CS Plywood Toronto 3/8" (CDN\$/msf)	445	425	+20	+4.7%	▲	545	-100	-18.3%	▼	418	+27	+6%	▲		

Madison's Weekly Softwood Lumber News

US Construction Spending, Homeownership Rates: Aug and Sept 2017

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NAHB analysis of Census Construction Spending data shows that total private residential construction spending stood at a seasonally adjusted annual rate of US\$515.4 billion in September, virtually unchanged from downwardly revised August estimates. The total private residential construction spending was 9.6 per cent higher than a year ago.

The monthly gains are largely attributed to the steady growth of spending on single-family and multifamily construction. Single-family construction spending inched up 0.2 per cent, while multifamily spending rebounded by 0.6 per cent in September. Spending on improvements slipped to US\$427.3 billion in September, down by 0.5 per cent over last months. However, home improvement spending was still 9.6 per cent higher since a year ago.

Private nonresidential construction spending increased 0.5 per cent to a seasonally adjusted annual rate of \$427 billion. However, it was 3.8 per cent lower than a year ago.

On a year-over-year basis, private residential construction spending is up 10 per cent. Non-residential spending is down 4 per cent year-over-year.

Public spending is down 2 per cent year-over-year. Public construction spending is now 15 per cent below the peak in March 2009, and 5 per cent above the austerity low in February 2014.

According to the Census Bureau's Housing Vacancy Survey, released Wednesday, the US homeownership rate is at 63.9 per cent in 3Q 2017, which is statistically unchanged from its last quarter reading of 63.7 per cent. The rate of homeownership is on an upward trend after dropping to a cycle low of 62.9

per cent in 2Q 2016. Compared to the peak of 69.2 per cent in 2004, the homeownership rate is below by 5.3 per cent and remains below the 25-year average rate of 66.3 per cent.

The housing stock-based Housing Vacancy Survey revealed that the number of households increased to 119.1 million during 3Q 2017. This is 0.4 million higher than a year ago and sustains gains recorded in 2016. Growth in household formations will spur rental housing demand first, and ultimately, home sales. Indeed, the number of homeowner households rose by 0.8 million, after experiencing a large gain of 1.3 million in 2Q, according to *Calculated Risk*.

Younger homebuyers are gradually entering the housing market after the Recession. Compared to a year ago, the homeownership rates among households ages 35-44 increased from 58.4 per cent to 59.3 per cent. Millennials also registered noticeable gains – from 35.2 per cent to 35.6 per cent. Older house-

holds, ages 65 and over, is the only group where homeownership rates showed a slight decline of 0.1 per cent.

The non-seasonally adjusted homeowner vacancy rate remained low at 1.6 per cent in 3Q 2017, down by 0.2 per cent from previous year and statistically not different from the rate in 2Q. At the same time, the national rental vacancy rate increased to 7.5 per cent, compared to only 6.9 per cent a year ago.

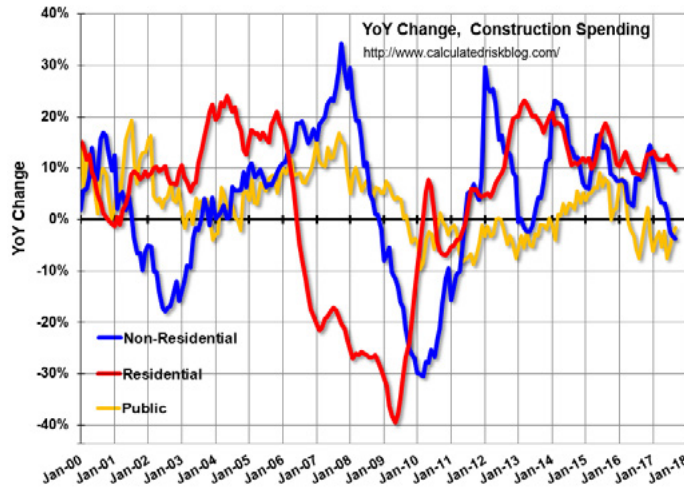
Canada Sawmill Manufacturing: August 2017

By volume, lumber production in Canada rose 6.8 per cent from July to 5,553 thousand cubic metres of lumber in August, said **Statistics Canada** Thursday. Production was 3.4 per cent lower than in August 2016.

Sawmills shipped 5,588.8 thousand cubic metres of lumber in August, up 2.4 per cent from July but 2.5 per cent lower than in August 2016.

US Construction Spending Year-Over-Year Change: September 2017

SOURCE: NAHB Eye on Housing



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CANADA AND US LOG AND LUMBER UPDATE: AUGUST 2017

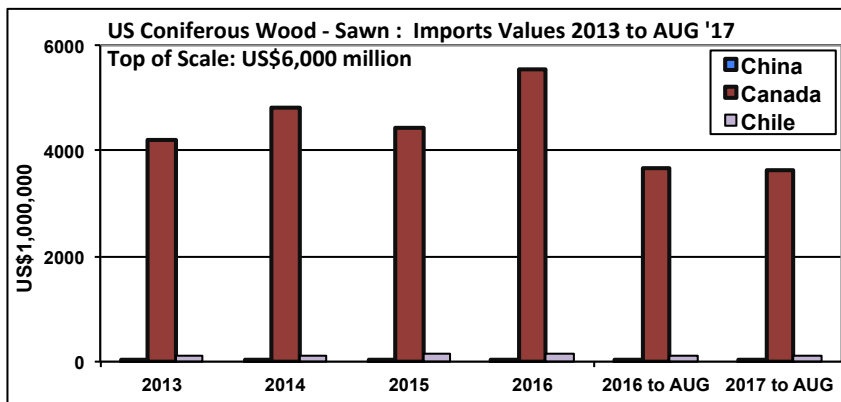
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Headline may as well read: **US Log Exports to China Skyrocket, But Let's Blame Canada**

According to the latest figures from the **US Department of**

Agriculture's Foreign Agriculture Service, for January to August 2017 the USA imported US\$4,158 billion of softwood lumber from the World, which amounts to a +3.1 per cent increase from the first eight months of the previous year, when it was US\$4,028 billion.

US Coniferous Sawn Wood Imports: August 2017

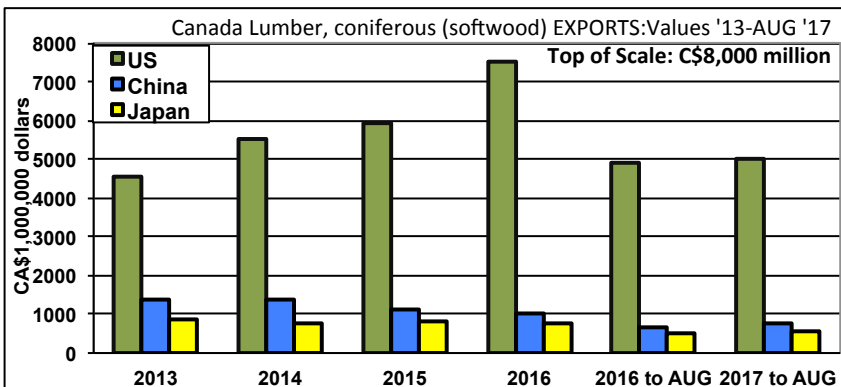


For January to August 2017, the vast majority of US imported lumber came from Canada as usual, which is essentially flat for the first eight months of this year, to US\$3,638 million from US\$3,660 million in January to August 2016.

US Coniferous Wood - Sawn : Imports JAN - AUG '17

SOURCE: US Census Censtats

Canada Coniferous Sawn Wood Exports: August 2017



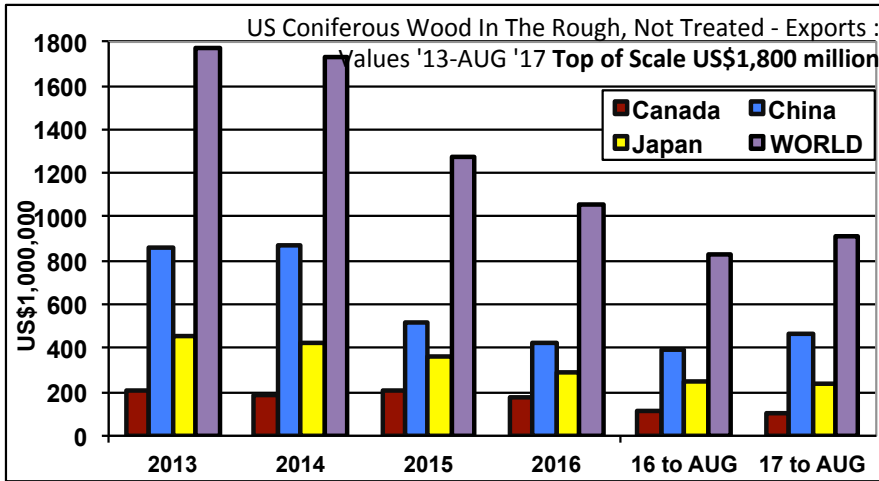
Looked at another way, the latest Statistics Canada data shows that Canada exported C\$6,809 million of softwood lumber to the World in January to August 2017, which amounts to a +4.5 per cent increase over the same time last year when it was C\$6,501 million.

Exports of Canadian softwood lumber to the USA for the first eight months of this year were up +2.1 per cent, to C\$5,022 million from C\$2,949 million for January to Jan 2016.

Canada Lumber, coniferous (softwood) EXPORTS: Jan - Aug 2017

SOURCE: Statistics Canada

US Log Exports: August 2017



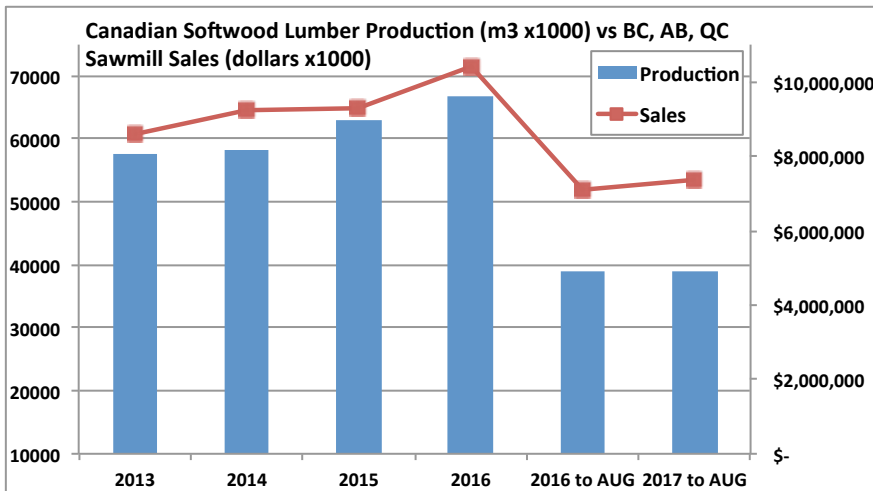
Even as US housing starts figures continue to improve more quickly than most expected as of yet, US log exports to the World for January to August 2017 skyrocket +9 per cent to US\$915 million. Those to China, however, increase an astonishing +15.7 per cent. Meanwhile Canadians are being accused of hindering US sawmill owners from consuming logs at their own softwood lumber production facilities.

Otherwise, US log exports to all other jurisdictions, including Canada, dropped significantly for January to August 2017.

US Coniferous Wood In The Rough, Not Treated - Exports : Jan - Aug 2017

SOURCE: US Census Censstats

CANADA SOFTWOOD LUMBER PRODUCTION, SAWMILL MANUFACTURING SALES: AUGUST 2017



Sales increased slightly, by +3.9 per cent, while production was again 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)

Canadian Softwood Lumber Production VOLS vs Sawmill Sales VALS: Jan - Aug 2017

SOURCE: Statistics Canada, Industry Canada

US LUMBER & CONSTRUCTION MATERIALS WHOLESALE TRADE: AUGUST 2017



As justification for the statement that US housing construction is doing well, US Lumber & Construction Material Wholesale Trade in the first eight months of 2017 improved +7.4 per cent, to US\$90,748 million from US\$84,023 million the previous year.

Canadian Wildland Fire Information System: August 15, 2017

SOURCE: US Census