

# MADISON'S LUMBER REPORTER



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## News & Update

### Canada-US Softwood Lumber Production Aug 2017: WWPA

US sawmills produced 22.721 billion board ft. (bbf) of softwood lumber in the first eight months of 2017, a 3.2 per cent increase from 22.019 bbf in the previous year, according to the **Western Wood Products Association's** latest *Lumber Track* report Wednesday.

For their part, sawmills in Canada produced 19.037 billion board ft. (bbf) of softwood lumber in January to August this year, a 1.1 per cent increase from 18.898 bbf for the same time in 2016.

Apparent US softwood lumber consumption in the first eight months of 2017 was 31.979 bbf, down 0.4 per cent from 32.101 bbf in the same period last year. In August alone, consumption was 3.992 bbf, a drop of 3.5 per cent from last year's 4.136 bbf, but up 5 per cent from the previous month's volume of 3.804 bbf, said *Lumber Track*.

### Softwood Lumber Final Determination Duties in Effect

The Final Determination of both Countervailing and Anti-Dumping duties on Canadian softwood lumber imports to the US were filed on the Federal Register Wednesday, and have thus become law. [CONT'D PAGE 6](#)

### Sawmill Fire, BC

Fire crews from Williams Lake and 150 Mile in British Columbia were fighting a terrible fire at Tolko's Lakeview sawmill in Williams Lake, BC, November 3. It took many days to put the fire out, and indications of the amount of damage are only being determined at press time.

This is a very important sawmill for regular consumers of North American softwood lumber products. [CONT'D PAGE 7](#)

### US Construction Job Openings: September 2017

The open position rate (job openings as a per cent of total employment) for September softened to 2.8 per cent. On a smoothed twelve-month moving average basis, the open position rate for the construction sector held steady at 2.6 per cent, according to the **US Bureau of Labor Statistics'** Job Openings and Labor Turnover Survey (JOLTS) and NAHB analysis, released Tuesday. [CONT'D PAGE 7](#)

### BC Softwood Lumber Export, Canada - US Sawmill Capacity

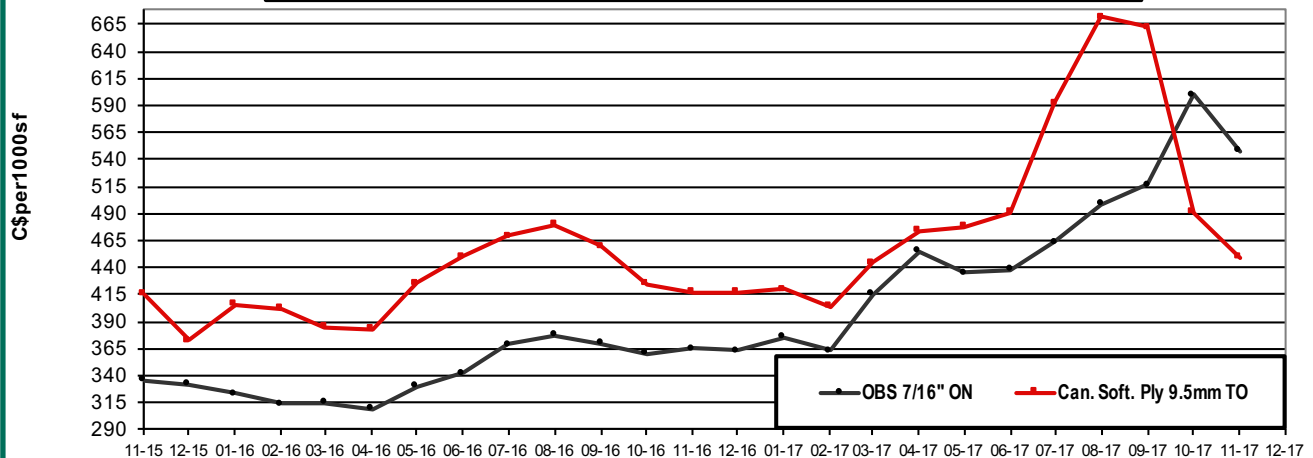
BC export of forest products by value are up 0.4 per cent for 2017 year-to-date September compared to the same period in 2016 (\$10.49 billion vs. \$10.45), said the Competitiveness and Innovation Branch of the **British Columbia Ministry of Forests, Lands, Natural Resource Operations & Rural Development** Monday. Exports of softwood lumber by value is down -5 per cent, while volumes are down -15 per cent.

Elsewhere, rates of production as percent of practical capacity for North American sawmills in the US in January to August 2017 stayed flat from last month, at 86%. This compared to 86% the previous year and 86% for full year 2016, according to the latest issue of the **Western Wood Products Association's** latest *Lumber Track* Wednesday. [CONT'D PAGE 9](#)

### North America Wildfire Update: November 2017

Word is starting to come out of the important fibre supply basket for British Columbia softwood lumber producers about how much of the immediate timber that was expected to be harvested has been damaged by the devastating wildfires this season. [CONT'D PAGE 10](#)

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



## US Duties on Canadian Softwood Lumber Imports

CONT'D FROM PAGE 2

The US Commerce Department has set the final countervailing and anti-dumping duties against Canadian softwood lumber exports.

Canadian companies exporting lumber to the US will pay combined duties of about 20 per cent on all lumber exports to the US, when duties went into effect Wednesday.

The anti-dumping and countervailing duties that were announced earlier this year were preliminary rates. In mid-December, the US International Trade Commission will set its Final Determination rates which will come into effect right at the beginning of January.

At that time Canada's only recourse to dispute is through US domestic trade court. After several hurdles there are surmounted, only then can Canada file a claim at the WTO and NAFTA.

Full information available here: [https://www.commerce.gov/sites/commerce.gov/files/softwood\\_lumber\\_canada\\_ad\\_cvd\\_final\\_fact\\_sheet.pdf](https://www.commerce.gov/sites/commerce.gov/files/softwood_lumber_canada_ad_cvd_final_fact_sheet.pdf)

### What Does This Mean for Investors?

From **Motley Fool** Thursday:

Investors can expect to see duties impact net income for softwood lumber producers, and we have seen that happen already. However, given that these duties are outside the control of companies, we haven't seen investors sell off the stocks. **The rising demand for softwood lumber could more than offset the impact that duties will have on financials.** [completely agree — ed]

Investors are also aware that in a little over three years, we could see a more free-trade-friendly government in the U.S., and these obstacles could be a thing of the past.

These Commerce Department Final Determination duties match the proposal Commerce officials made in April that would have applied an average 20 per cent tax on Canadian softwood lumber imports. That decision, made in response to countervailing claims, was expected to create US\$1 billion in revenue on imports valued at US\$5 billion annually, said *Construction Dive* Monday.

### What Happens Next

Under the new subsidy determination, softwood lumber imported from Canada will be subject to an average tariff rate of approximately 20 per cent if the International Trade Commission makes a final affirmative determination.

As a result of the decision, Commerce will instruct US Customs and Border Protection (CBP) to collect cash deposits from importers of softwood lumber from Canada based on the final rates.

If the US International Trade Commission (ITC) makes affirmative final injury determinations, Commerce will issue AD and CVD orders. If the ITC makes a negative final determination of injury, the investigation will be terminated and no order will be issued.

### Canada Responds

The Canadian government described the softwood duty action as "unfair, unwarranted and deeply troubling."

"We will forcefully defend Canada's softwood lumber industry, including through litigation, and we expect to prevail as

we have in the past," Canadian foreign affairs minister Chrystia Freeland said in a statement. "We are reviewing our options, including legal action through the North American Free Trade Agreement and the World Trade Organization, and we will not delay in taking action." [first there will be two or three years of legal battles in US domestic trade court, before anything can even begin at NAFTA or WTO — ed]

The tariff is still awaiting a decision from the International Trade Commission, a quasi-judicial US agency that has the final say on trade disputes, said *Washington Post* Monday. But Thursday's decision marks a critical hurdle in the government's process for imposing tariffs, and the failure to broker a settlement leaves opponents with few options.

### Effect on US Building

Many are worried that extra taxes on imported Canadian lumber could kneecap the US construction industry at a time when it is still in recovery mode.

The tariff decision could also hurt US home builders, who already saw stock prices tumble Thursday morning on the revelation that the GOP-authored tax bill would slash the mortgage interest tax deduction for new home loans, something Americans have relied on for years to lessen the cost of buying a home.

"By raising the price of Canadian lumber imports the US is effectively raising the cost of building things, and there are lot of Trump voters who work in the construction industry," said Lee Branstetter, a fellow at the **Peterson Institute for International Economics**. "By artificially jacking up the price of this key input we are effectively dropping a two-by-four on our foot."



## Madison's Weekly Lumber and Forestry Data Table

[www.madisonreport.com](http://www.madisonreport.com)

	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	485	480	+1.0%	▲	359	+35.2%	▲
Benchmark Panel Prices: Aggregate C\$/msf	<b>476</b>	560	-14.9%	▼	391	+21.9%	▲
<b>VOLUMES</b>							
Canada Lumber Production: softwood, million m3	<b>38.95</b>	38.98	-0.1%	▼	66.9	-41.8%	▼
<b>VALUES</b>							
Canada Sawmill Manufacturing Sales: million C\$	<b>7,382</b>	7,094	+4.0%	▲	11,284	-34.6%	▼
US Total Sawmill Products Imports: million US\$	<b>4,158</b>	4,029	+3.2%	▲	6,128	-32.1%	▼
US Total Sawmill Products Exports: million US\$	<b>736</b>	678	+8.6%	▲	1,021	-27.9%	▼
Canada Sawmill Exports to USA: million C\$	<b>5,022</b>	4,918	+2.1%	▲	7,501	-33.0%	▼

SOURCE: Madison's Lumber Reporter

[www.madisonreport.com](http://www.madisonreport.com)

# 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	482	464	+18	+3.9%	▲	438	+44	+10.0%	▲	310	+172	+55%	▲		
WSPF KD R/L 2x6	500	488	+12	+2.5%	▲	464	+36	+7.8%	▲	275	+225	+82%	▲		
SYP KD R/L East Side 2x4	420	415	+5	+1.2%	▲	445	-25	-5.6%	▼	425	-5	-1%	▼		
SYP KD R/L East Side 2x6	400	400	0	0.0%	-	430	-30	-7.0%	▼	350	+50	+14%	▲		
ESPF KD R/L 2x4	565	560	+5	+0.9%	▲	555	+10	+1.8%	▲	390	+175	+45%	▲		
WSPF KD PET 2x4 Stud	360	355	+5	+1.4%	▲	366	-6	-1.6%	▼	270	+90	+33%	▲		
WSPF KD PET 2x6 Stud	405	395	+10	+2.5%	▲	410	-5	-1.2%	▼	220	+185	+84%	▲		
Douglas Fir Green R/L 2x4	455	460	-5	-1.1%	▼	470	-15	-3.2%	▼	315	+140	+44%	▲		
Douglas Fir Green R/L 2x10	485	495	-10	-2.0%	▼	515	-30	-5.8%	▼	310	+175	+56%	▲		
ESPF KD 2x4 8ft Stud	450	450	0	0.0%	-	455	-5	-1.1%	▼	345	+105	+30%	▲		
OSB Ontario 7/16" (CDN\$/msf)	500	595	-95	-16.0%	▼	606	-106	-17.5%	▼	365	+135	+37%	▲		
CS Plywood Toronto 3/8" (CDN\$/msf)	453	445	+8	+1.8%	▲	514	-61	-11.9%	▼	417	+36	+9%	▲		

## Madison's Weekly Softwood Lumber News

### BC Sawmill Fire

CONT'D FROM PG 2

Fire crews from Williams Lake and 150 Mile in British Columbia were fighting a terrible fire at Tolko's Lakeview sawmill in Williams Lake, BC, November 3.

Paul French, the first vice president of United Steelworkers Local 1-2017, told *CBC* the mill's approximately 175 employees did not return to work Friday.

"We can confirm that there have been no injuries and all employees are safe and accounted for. Mill assets are currently being used to assist firefighters in their efforts to contain and control the blaze," said Tolko in a statement November 2.

Operations at a sawmill in British Columbia's Interior, temporarily evacuated over the summer due to massive wildfires, have now been shut down following the fire inside the mill, according to *Globe and Mail* Monday.

Flareups continued into early yesterday morning as the blaze, which started over the weekend, proved difficult for crews to fight. In a news release, Tolko Communications Advisor Janice Lockyer said the fire, located largely in the office section of the sawmill, continued to show hot spots in the area between the ceiling and the roof, according to *CFJC Today* Tuesday. Crews could not safely access the building to fight the fire from inside.

The Williams Lake fire department has been instrumental in helping Tolko crews with the flareups.

Structural engineers have now started the process of determining the integrity of the building.

This is a very important sawmill for regular consumers of North American softwood lumber products.

The planer has resumed operation with three shifts. That planer is in a separate

building from the office structure damaged by the fire.

Lockyer explained as soon as the site is secure and safe, the company will put a recovery plan in place to see the mill return to full operation as soon as possible.

### US Construction Jobs: September 2017

The overall trend for open construction jobs has been increasing since the end of the Great Recession, said **US Bureau of Labor Statistics'** Job Openings and Labor Turnover Survey (JOLTS) and **NAHB** analysis, released Tuesday. This is consistent with survey data indicating that access to labor remains a top business challenge for builders. However, after a spate of data at the start of the year in-

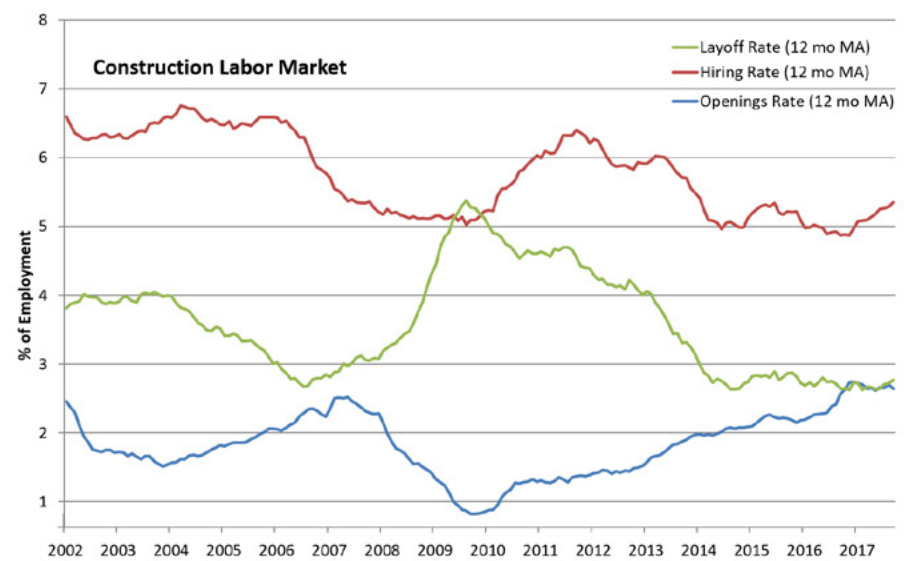
dicate a levelling off of the count of unfilled construction jobs, the count of open positions increased in recent months.

The construction sector hiring rate, as measured on a twelve-month moving average basis, continued to increase, rising to 5.4 per cent in September. The twelve-month moving average for layoffs also inched higher, to 2.8 per cent, but remained in a range set in 2014. The quits rate increased to 2.2 per cent. Overall, the uptick in hiring along with rise in job openings is consistent with a construction market that is supply-side constrained.

Overall, the labour market for US construction workers remains tight as it continues to expand. As single-family housing starts continue to increase and rebuilding efforts in Texas and Florida proceed, more workers will be needed in the residential construction sector.

### US Construction Labour Market: September 2017

SOURCE: NAHB Eye on Housing





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# BC SOFTWOOD LUMBER EXPORTS

CONT'D FROM PAGE 2

BC export of forest products by value are up 0.4 per cent for 2017 year-to-date September compared to the same period in 2016 (\$10.49 billion vs. \$10.45), said the Competitiveness

and Innovation Branch of the **British Columbia Ministry of Forests, Lands, Natural Resource Operations & Rural Development** Monday. Exports of softwood lumber by value is down -5 per cent, while volumes are down -15 per cent.

Value (C\$ Millions) - Year to Date								
2017								Change in Total YoY
Lumber	Pulp	Other Wood	Other Paper	Logs	Country Total	Country Share		
U.S.A.	3,009	271	1,340	448	36	5,104	49%	-9%
China	834	1,495	38	116	391	2,874	27%	13%
Japan	556	201	79	1	137	975	9%	9%
Other	489	552	264	159	70	1,534	15%	10%
<b>Product Total</b>	<b>4,888</b>	<b>2,519</b>	<b>1,721</b>	<b>724</b>	<b>635</b>	<b>10,487</b>	<b>100%</b>	<b>0.4%</b>
<b>Product Share</b>	<b>47%</b>	<b>24%</b>	<b>16%</b>	<b>7%</b>	<b>6%</b>	<b>100%</b>		
<b>Change in Total YoY</b>	<b>-5%</b>	<b>12%</b>	<b>-3%</b>	<b>3%</b>	<b>16%</b>	<b>0.4%</b>		

Quantity (Thousands) - Year to Date						
2017				Change YoY		
	Lumber (m <sup>3</sup> )	Pulp (tonnes)	Logs (m <sup>3</sup> )	Lumber	Pulp	Logs
U.S.A.	11,979	326	306	-20%	0%	-10%
China	4,170	1,979	2,900	-7%	3%	15%
Japan	1,552	254	1,000	-2%	62%	-7%
Other	1,252	707	553	4%	7%	5%
<b>Total</b>	<b>18,953</b>	<b>3,267</b>	<b>4,759</b>	<b>-15%</b>	<b>6%</b>	<b>6%</b>
<b>Change in Total YoY</b>	<b>-15%</b>	<b>6%</b>	<b>6%</b>			

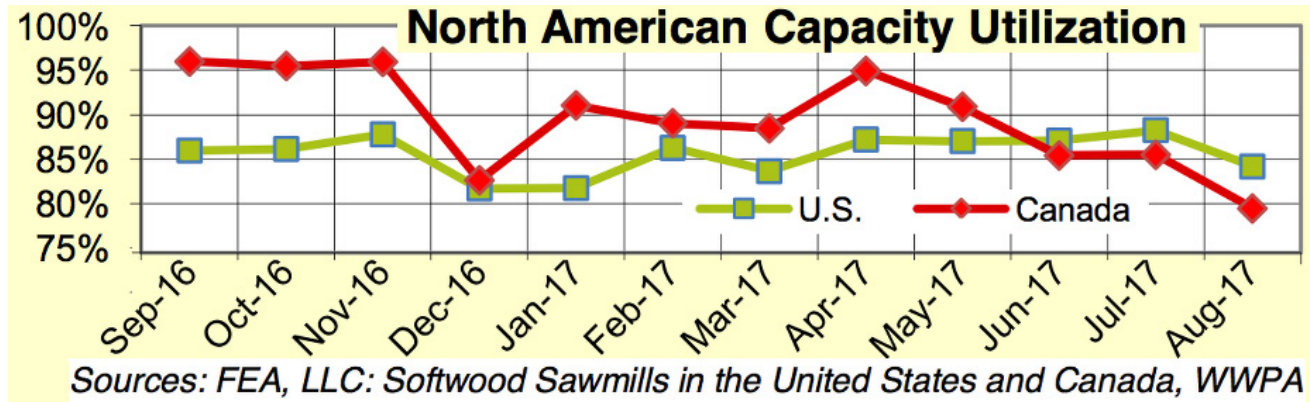
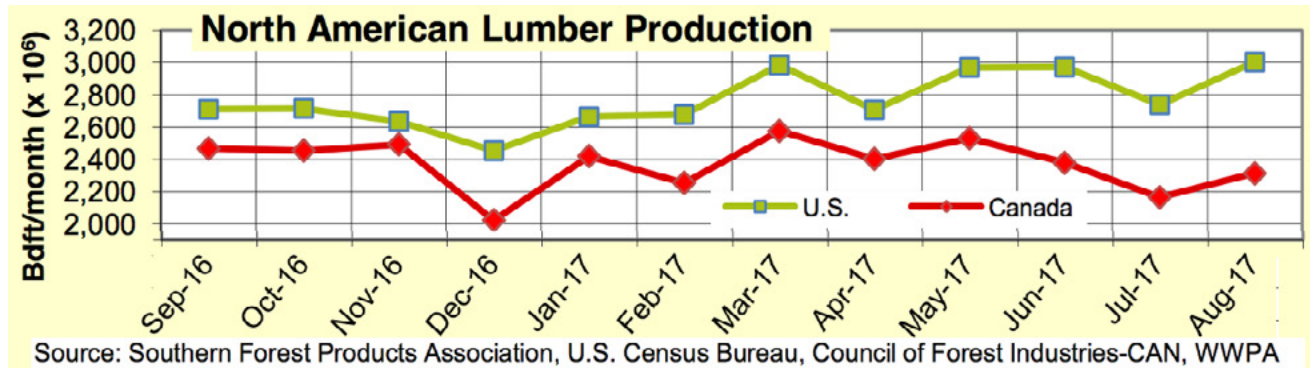
SOURCE: Competitiveness and Innovation Branch of the British Columbia Ministry of Forests, Lands, Natural Resource Operations & Rural Development

## North American Sawmill Capacity Utilization

Elsewhere, rates of production as percent of practical capacity for North American sawmills in the US in January to August 2017 stayed flat from last month, at 86%. This compared to 86% the previous year and 86% for full year 2016, according to the latest issue of the **Western Wood Products Association's**

latest *Lumber Track* Wednesday.

Capacity utilization at Canadian sawmills for the first eight months of this year meanwhile dropped to 88% from 90% one year ago.



SOURCE: Western Wood Products Association

## North America Wildfire Damage Update: November 2017

[CONT'D FROM PAGE 2](#)

At the latest meeting between British Columbia municipalities and the province, Quesnel mayor and council agreed to take a message to Forests, Lands, Natural Resource Operations & Rural Development (FLNRO&RD) Minister Doug Donaldson's staff on behalf of Tolko Industries Ltd, according to the *Quesnel Observer* Wednesday.

Noting he was going to be meeting with a number of the NDP government's ministerial staff as a followup to the recent Union of BC Municipalities, Mayor Bob Simpson asked Tolko External and Stakeholder Relations manager Tom Hoffman what message he would like him to give to them.

### BC WOODLANDS POST-FIRE

Gerry Mooney, Tolko's woodlands manager – harvesting for the Cariboo, talked about the salvage plan.

Based on initial mapping of what has occurred in the region, he said just less than one million hectares of timber has been destroyed and damaged by the wildfires this past season.

He noted there has been a big impact on Quesnel, which is Tolko's western timber supply area, first by the mountain pine beetle and now the huge wildfires.

Said Hoffman to the *Observer*, "We need to access to burnt timber and it's imperative to have a salvage plan, and time is of the essence.

"We're talking mature trees that were burnt. We need to access those quickly in order to generate the lumber because the longer they sit, the less viable they are.

"The key is to get on with salvage as quickly as we can... and it has to be commercially viable."

It is going to be expensive to harvest and mill burnt wood, he added.

He added Tolko is working with FLNRO&RD local representatives and First Nation partners to utilize their licences and help salvage the timber from the wildfires.

Diane Nicholls, BC's chief forester, is currently assessing whether the amount of timber available for harvest in the Interior will have to be reduced in the future, said the *Globe and Mail*.

### CALIFORNIA WILDFIRE RECOVERY

The wildfires in California this year significantly damaged farmland, rangeland and watersheds, and more than a third of the funding requested, US\$3.1 billion, would go toward helping agricultural industries bounce back, including affected wineries, California officials said.

Damage from the recent North Coast fires has totalled more than US\$3 billion to date, state Insurance Commissioner Dave Jones said to the *North Bay Business Journal* Thursday. That figure makes them the costliest wildfires in American history in terms of insured loss.

The total from Sonoma County alone has climbed to US\$2.8 billion so far, which alone surpasses the 1991 Oakland Hills fire, with US\$1.7 billion in costs at the time, according to the Insurance Information Institute, a national industry trade organization that compiles claims data. The 2015 Valley fire in Lake County had been ranked as the sixth costliest

at US\$921 million in damages.

The City of Santa Rosa and County of Sonoma have established the Sonoma County Consolidated Fire Debris Removal Program (Program) to focus on removal of household hazardous waste and other fire-related debris.

### REBUILDING?

Meanwhile in the US, it seems California Gov. Jerry Brown and lawmakers asked the US government November 3 for US\$7.4 billion to help rebuild after a cluster of fires tore through the heart of wine country, killing more than 40 people and leaving thousands without housing.

Brown said the funding would go toward cleanup and programs to support housing, transportation, agriculture, environmental protection and other services for those affected by the fires.

