

MADISON'S LUMBER REPORTER

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News & Update

US Thanksgiving Brings Usual Seasonal Slow-Down for Lumber Market

Transportation proved the name of the game as lumber sellers scrambled this week to get previously-ordered wood out the door. A few new orders came in but irregularly, as so many were out-of-office for US Thanksgiving. Customer requests were coupled with insistence of deep discounts.

Futures seemed effectively to lose its collective mind last week for the November contract close on somewhat re-awakening volumes, to settle this week under \$430 on the January 2018 contract.

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Sawmill Fires, Rebuilding, Delays

Firefighters in Thunder Bay, ON, were called to a blaze at the sawmill owned by Montreal, QC's, Resolute Forest Products Monday afternoon, said *CBC*.

The fire started at the facility on Darrel Avenue around 3:30 pm, when a power failure to the site caused an oil pump in the heating system for the lumber drying kilns to stop functioning, according to fire officials. That caused the system to become over-pressured and the oil caught fire, the fire department said in a written release.

Meanwhile, Tolko Industries, out of Vernon, BC, said it is committed to rebuilding its Lakeview mill in Williams Lake, BC, after it was damaged by fire, according to the *Williams Lake Tribune*.

Elsewhere, people in Doaktown, NB, say they hope JD Irving will eventually go ahead with a \$25 million replacement for its aging sawmill in that village, according to also *CBC* Monday.

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US Existing Home Sales: October 2017

October existing home sales in the US increased 2 per cent, and the first-time buyer share increased to 32 per cent of sales, said the **National Association of Realtors** Tuesday. The agency projected that Texas and Florida sales are now expected to completely bounce back by the end of the year from declines due to Hurricanes Harvey and Irma. Some 47 per cent of homes sold last month were on the market less than a month, compared to 48 per cent in September

October house for sale inventory decreased 3.2 per cent, and is 10.4 per cent below the level a year ago, having decreased for the 29th consecutive month. At the current sales rate, the October unsold inventory represents a 3.9-month supply, down from a 4.2-month supply last month, and a 4.4-month supply a year ago. October existing sales reached a seasonally adjusted rate of 5.48 million units, up from a downwardly revised 5.37 million units last month. Total existing home sales include single-family homes, townhomes, condominiums and co-ops.

[CONT'D PAGE 7](#)

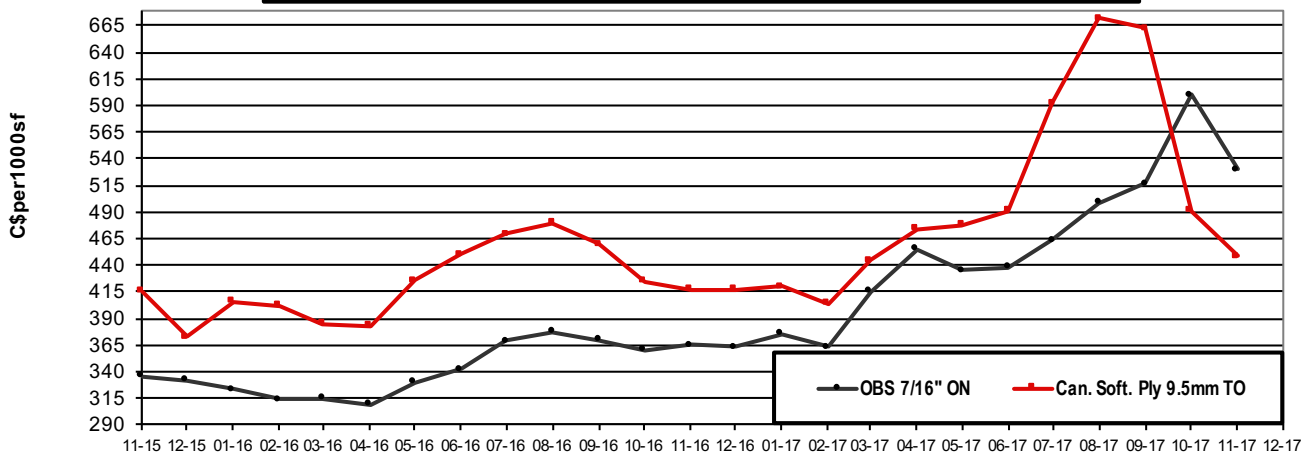
Madison's Forest Pulse: 2Q 2017

The 3Q 2017 issue of *Madison's Forest Pulse* is almost ready to be sent to subscribers! Don't miss out on this vital and timely information.

Much is being made of current high softwood lumber prices, as opinions abound about the near-future supply-demand balance. Forestry has been a supply-side market from the very beginning of this year, and all signs point to continued, ongoing strong wood demand in the US for real building projects.

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

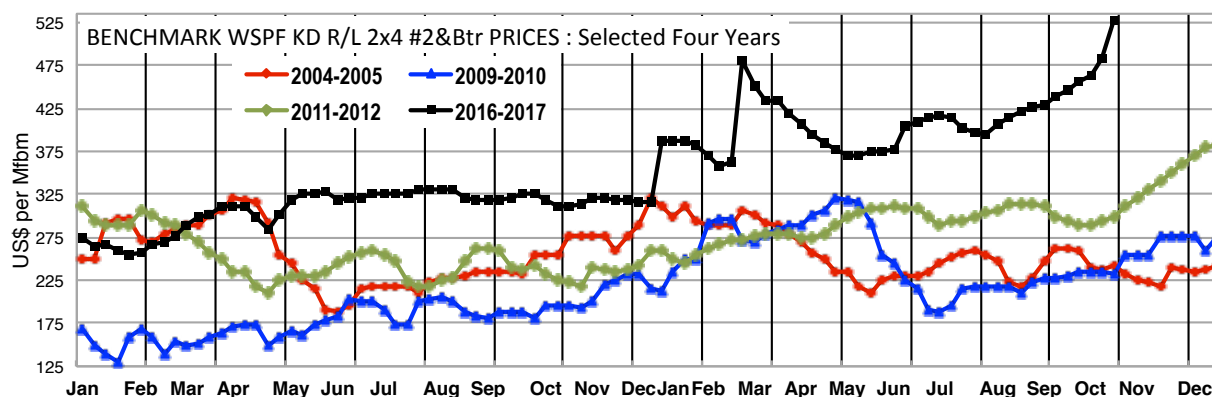


Current Softwood Lumber Prices Compared to Historical Highs

CONT'D FROM PAGE 2

As the table beside illustrates, western and eastern spruce-pine-fir — produced largely in western Canada and Quebec respectively — prices rose compared to the soaring highs of 2Q 2004. For its part, southern yellow pine — manufactured mostly in the US south — matched those increases of SPF until about June this year then started to lose ground.

2x4 Dimension Lumber	17-Jun	11-23 -17		All Time High Compared to 11-23- 17:	
US\$ per thousand board feet					
SYP East Side KD #2&Btr	\$452	\$450	-0.1%	3Q 2005: \$460	-2.2%
WSPF KD #2&Btr	373	528	+29%	2Q 2004: \$443	+16%
ESPF KD #2&Btr	467	565	+17%	2Q 2004: \$529	+6.4%
Douglas fir Green	363	455	+20%	2Q 2004: \$500	-7.0%
STUDS (PET)	405	356	-12%	2Q 2005: \$445	-20%



WSPF, SYP, ESPF 2x4 Prices 15-year Trends

SOURCE: Madison's Lumber Reporter

The graph above illustrates benchmark WSPF KD 2x4 #2&Btr price movements over 2-year spans in critical years specially selected to compare with 2016-2017.

US Thanksgiving Usually Year-End Slow Time

This week demonstrated a significant drop in lumber buying as most customers had made their orders and were waiting for delivery in advance of US Thanksgiving holiday.

While some calls were made, those buyers who were searching stuck to demands of big discounts. Sawmills, boasting order files well into December, did their best to stick to their guns with higher prices.

The perennial problem of log supply, not unusual for this time of year, loomed much more large as 2017 drew to a close. More word has been coming out of BC indicating what is the immediate loss to timber supply following the catastrophic fires of this year. It isn't pretty.

Operating adjustments will have to be made quickly as a result of damaged timber.



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)	Change % (YEAR AGO)	Trend
Five Key 2x4 Lumber Prices: Aggregate US\$/mfbm	501	481	+4.2%	▲	364	+37.9%	▲
Benchmark Panel Prices: Aggregate C\$/msf	472	510	-7.5%	▼	391	+20.7%	▲
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	Last Week	Change	%	Trend	Month Ago	Change	%	Trend	Year Ago	Change	%	Trend
	WSPF KD R/L 2x4	528	528	0	0.0%	-	456	+72	+15.8%	▲	314	+214	+68%
WSPF KD R/L 2x6	556	556	0	0.0%	-	476	+80	+16.8%	▲	284	+272	+96%	▲
SYP KD R/L East Side 2x4	450	430	+20	+4.7%	▲	425	+25	+5.9%	▲	430	+20	+5%	▲
SYP KD R/L East Side 2x6	420	405	+15	+3.7%	▲	410	+10	+2.4%	▲	345	+75	+22%	▲
ESPF KD R/L 2x4	565	565	0	0.0%	-	555	+10	+1.8%	▲	395	+170	+43%	▲
WSPF KD PET 2x4 Stud	356	356	0	0.0%	-	360	-4	-1.1%	▼	280	+76	+27%	▲
WSPF KD PET 2x6 Stud	380	380	0	0.0%	-	395	-15	-3.8%	▼	240	+140	+58%	▲
Douglas Fir Green R/L 2x4	455	455	0	0.0%	-	465	-10	-2.2%	▼	330	+125	+38%	▲
Douglas Fir Green R/L 2x10	480	480	0	0.0%	-	505	-25	-5.0%	▼	330	+150	+45%	▲
ESPF KD 2x4 8ft Stud	440	450	-10	-2.2%	▼	450	-10	-2.2%	▼	355	+85	+24%	▲
OSB Ontario 7/16" (CDN\$/msf)	500	523	-23	-4.4%	▼	595	-95	-16.0%	▼	365	+135	+37%	▲
CS Plywood Toronto 3/8" (CDN\$/msf)	444	453	-9	-2.0%	▼	425	+19	+4.5%	▲	417	+27	+6%	▲

Madison's Weekly Softwood Lumber News

Sawmill Fires, Rebuilding

[CONT'D FROM PG 2](#)

At the Resolute sawmill in Thunder Bay, ON, an on-site sprinkler system was largely responsible for extinguishing the fire, but firefighters stayed on-scene to monitor the heating system until the oil had cooled to a safe temperature and the mill staff were confident there was no longer a danger for fire or explosion.

Mill staff are expected to assess the damage and make necessary repairs Tuesday, fire officials said.

Elsewhere, Tolko told the *Williams Lake Tribune* that the Williams Lake sawmill which recently suffered a serious fire, could remain closed for up to six months.

US Existing Home Sales

[CONT'D FROM PG 2](#)

Total existing-home sales, which are completed transactions that include single-family homes, townhomes, condominiums and co-ops, increased 2 per cent to a seasonally adjusted annual rate of 5.48 million in October from a downwardly revised 5.37 million in September, **National Association of Realtors** Tuesday. After last month's increase, sales are at their strongest pace since June (5.51 million), but still remain 0.9 per cent below a year ago.

Total housing inventory at the end of October decreased 3.2 per cent to 1.80 million existing homes available for sale, and is now 10.4 per cent lower than a year ago (2.01 million) and has fallen year-over-year for 29 consecutive months. Unsold inventory is at a 3.9-month supply at the current sales pace, which is down from 4.4 months a year ago.

The October median sales price fell for a fourth consecutive month to US\$247,000 from a revised US\$247,600 in September, but

was up 5.5 per cent from last year, representing the 68th consecutive month of year-over-year increases. The October median condominium/co-op price increased to US\$236,800 and was up 6.9 per cent from a year ago.

Pending home sales were unchanged in September, so the increase in existing sales was good news with a robust recovery in the South from earlier hurricane devastation. Single-family construction is 10 per cent ahead of last year, and builder confidence increased to an 8-month high in November. Personal income gains and jobs will continue to spur more gains by first-time buyers into the housing market.

Elsewhere, according to 3Q 2017 data from the *Census Quarterly Starts and Completions by Purpose and Design* and *NAHB* analy-

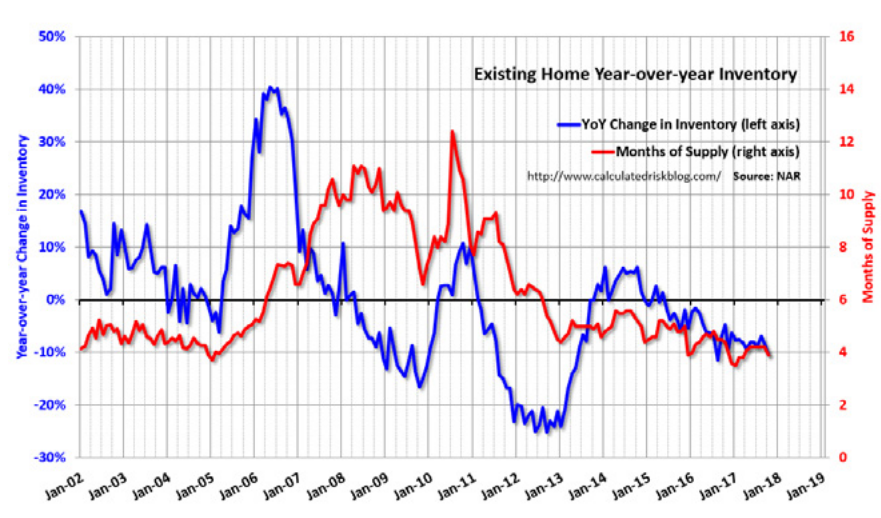
sis released Monday, median single-family square floor area was slightly lower at 2,378 square feet. Average (mean) square footage for new single-family homes declined to 2,518 square feet.

As well, from the same report, NAHB discovered that over the last four quarters ending with 3Q 2017, townhouse starts totalled 98,000, 4 per cent higher than the four quarters prior. Townhouses, or single-family attached housing, represented 26,000 starts during the third quarter of 2017, 18 per cent higher than the total during the 3Q 2016.

Using a one-year moving average, the market share of new townhouses stands at 11.8 per cent of all single-family starts. After a soft patch, the market share is rising again.

US Existing Home Sales: October 2017

SOURCE: Calculated Risk



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MADISON'S FOREST PULSE: 2Q 2017

CANADA LUMBER PRODUCTION, SALES, EXPORTS

VOLUMES	
Canada Lumber Production to AUG 2017	+17.1%
38.80 million cubic metres	- 9.1%
VALUES	
Canada Manufacturing Sales at Sawmills to AUG 17:	+17.1%
Total	+ 3.9%
Canada Lumber Continuous Exports to AUG 17:	+17.1%
To World	+ 4.9%

The VALUE of US confereous sawn wood products EXPORTS to CHINA grew by a most +15% to US\$ 140 million in the first eight months of 2017 compared to the previous year's US\$ 119 million. For January-May 2017 there was an +105% increase.

That to THE WORLD exploded by +7.9% to US\$ 736 million compared to US\$ 682 million for the same time in 2016.

The VALUE of US confereous sawn wood products IMPORTS from Canada dropped by -0.6% to US\$ 3,638 million in January-August 2017, compared to US\$ 3,680 million the year before.

There was an increase of +16% in the first five months of 2017.

Value of Imports Confereous Wood Sawn, Over 6 mm	
Date	Value (US\$ million)
HS 440710	440710
2015	4816
2016	8126
2016 to AUG	4029
2017 to AUG	4151

Value of Exports Confereous Wood Sawn, Over 6 mm	
Date	Value (US\$ million)
2015	6494
2016	9071
2016 to AUG	6901
2017 to AUG	6926

The VALUE of Canadian softwood lumber EXPORTS to USA for January-August 2017 rose by +2.1% to C\$ 1,420 million, compared to the same time in 2016 when it was C\$ 1,380 million.

For the previous issue of Madison's Forest Pulse this increase was +3.2%.

The VALUE of Canadian softwood lumber EXPORTS to the World for January-August 2017 increased by +13% to C\$ 3,810 million, from C\$ 3,367 million in the first eight months of 2016.

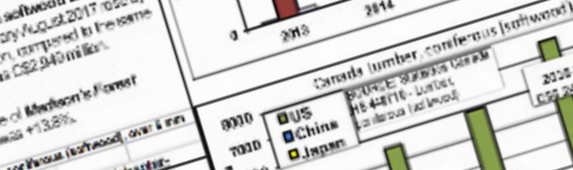
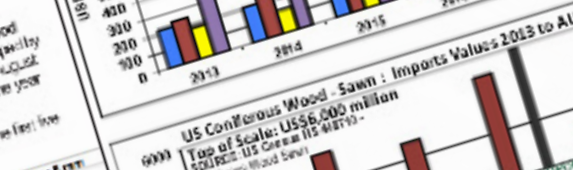
For our previous report it rose by +13%.

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US LUMBER IMPORTS, EXPORTS

VALUES	
US Confereous Sawn Wood Imports to AUG 2017:	+17.1%
from Canada	- 0.6%
from China	- 4.0%
TOTAL WORLD	+ 3.1%
US Confereous Sawn Wood Exports to AUG 2017:	+17.1%
to China	+14.6%
to Canada	- 3.0%
to Japan	- 8.0%
TOTAL WORLD	+ 7.9%

US LUMBER IMPORTS, EXPORTS; CANADA LUMBER EXPORTS



WSPF KD PET Studs, November 2017



Not Treated - Exports



July 17



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I like the trend data on capacity / efficiency plus export import ratios."

- Michael Low | Scotiabank | Director & Group Lead, Commercial Banking

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