

MADISON'S LUMBER REPORTER



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News & Updates

BC First Nations Embark on Lumber Trade Deal with China

Quick to take advantage of the 25 per cent tax levied by the Russian government on raw log exports earlier this year, a seven person First Nations delegation has just returned from a trip to China. Trade representatives with the B. C. First Nations Forestry Council signed a letter of intent with Qingdao Liangmu, the largest forestry remanufacturing company in China's Shandong province, and a memorandum of understanding with Zhongchuan International Mining Holding Co. Ltd.

Qingdao Liangmu operates 14 factories in the province of 100 million people, and has in the past relied heavily on logs and processed wood imported from Russia. The company is hoping to find new supply sources, and is interested in British Columbian wood, such as western hemlock, spruce, pine, subalpine fir and Douglas fir.

Detractors raise concerns that most of the product crossing the ocean will be raw logs. B.C. First Nations hold 155 forestry licences totalling up to an annual timber harvest of more than 13.5 million cubic meters. Since 2003, the B. C. government has handed out harvesting rights to 33.2 million cubic metres of wood – about half the province's entire annual harvest – to the First Nations. However only approximately seven million cubic meters has actually been harvested.

The First Nations group says that the challenge is to create the right projects to turn the allowable annual cut covered by First Nations forestry licences into jobs and revenues. The trade delegation also returned with leads from other major forest and wood-producing companies, including Canlum which specializes in importing Canadian wood species, Jiangsu Overseas Corporation which is one of the world's largest importers of wood, and some others.

The delegation also began talks with the Zhejiang Forestry University with the intent of sending B.C. First Nations students to China on language and forestry university exchanges.

US Housing Starts

In reality June housing starts in the United States are down to a 17 year low, but a different method of calculation introduced in New York that month makes it look like starts are up.

Building permits rose by 11.6 per cent to a 1.091 million rate. Excluding the Northeast multifamily data, permits rose 0.7 per cent in June. [READ MORE](#)

Fuel from Wood Residue

In just the three short months since *Madison's* wrote about the business of biofuels made from wood residue, there has been an explosion in research, development and technology. So called 'green gasoline' is being actively pursued as an inexpensive, carbon neutral and plentiful energy source.

Europe is already engaged in education and marketing campaigns while in the United States producers are calling for tax breaks. [READ MORE](#)

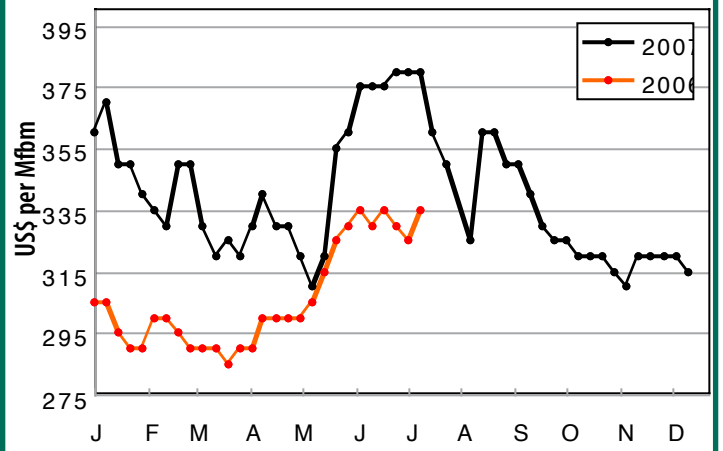
U. S. HOUSING STARTS

	Jun-08	May-08		Jun-08	May-08
Starts			Permits		
Actual	99,700	91,200	Actual	103,000	90,300
SAAR*	1,056,000	997,000	SAAR*	1,091,000	978,000
1 Unit	647,000	683,000	1 Unit	613,000	635,000
2-4 Units	(s)	(s)	2-4 Units	32,000	34,000
5+ Units	400,000	278,000	5+ Units	446,000	309,000
Starts by Region			Permits by Region		
Northeast	237,000	117,000	Northeast	237,000	137,000
Midwest	128,000	143,000	Midwest	144,000	147,000
South	499,000	497,000	South	474,000	460,000
West	202,000	220,000	West	236,000	234,000

*Seasonally adjusted annual rate

Source: U.S. Census Bureau

ESPF KD Std#2&Btr 2x4



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	262	262	0	235	+27	277	-15
WSPF KD R/L 2x6	256	248	+8	221	+35	275	-19
WSPF KD R/L 2x8	266	248	+18	233	+33	300	-34
WSPF KD R/L 2x10	270	267	+3	260	+10	370	-100
WSPF KD PET 2x4 Stud	235	235	0	242	-7	300	-65
Douglas Fir Green R/L 2x4	190	190	0	225	-35	250	-60
Douglas Fir Green R/L 2x10	200	205	-5	195	+5	275	-75
ESPF KD 2x4 8ft Stud	305	300	+5	315	-10	375	-70
OSB Ontario 7/16" (CDN\$)	215	215	0	210	+5	235	-20

Weekly News

Housing Starts

CONTINUED New York City enacted a new set of construction codes effective for permits authorized as of July 1. In June there was a large increase in building permits issued for multifamily residential, or apartment, buildings in the city. Excluding the Northeast multifamily data, U.S. housing starts fell 4.0% in June.

Nationwide, an estimated 99,700 houses were actually started in June, based on figures not seasonally adjusted. An estimated 103,000 building permits were issued last month, also based on unadjusted figures.

Year over year, housing starts last month were 27 per cent below the level of construction in June 2007.

Large inventories of unsold homes, expected to continue rising into the end of next year in some markets, were cited as a major reason for the decrease. The Na-

tional Association of Home Builders said its latest index for sales of new, single-family homes dropped to 16 from 18.

Starts are already down nearly 60 per cent from the 2005 peak and real residential investment has fallen by about a third.

Catalyst Pulp Mill Closure

Catalyst announced the closure of its Elk Falls sawdust pulp and containerboard operation in Campbell River due to a shortage of chip supply. The recent closure of several Western Forest Products' mills in the area brought chip availability too low for the pulp mill to continue operating. The closure is to take effect on November 30.

The decision will remove 200,000 tonnes of annual sawdust pulp and 131,000 tonnes of annual containerboard capacity. The closure puts over 450 people out of work.

Weyerhaeuser Alberta OSB Mill Closure

Weyerhaeuser will permanently close its Structurwood mill in Drayton Valley, AB., idled since December 2007. Weyerhaeuser's dimensional softwood lumber sawmill in Drayton Valley continues to operate.

Weyerhaeuser is working with the Government of Alberta to find ways to enhance the viability of our remaining mills in the region.

Announcement

Denver, CO- Greenleaf Trading has opened an office in Denver Colorado focused on SPF/DF lumber and panel products in the US. Mike Harley is the president and Bob Snyder is the Vice President, Mark Barnes, Ward Jenkins, Ryan Mosely are traders.

Past Trend Present Value & Future Projection



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Green Gasoline

Biofuels

A variety of universities, agencies and corporations the world over are researching, and rapidly developing, processing technologies for the use of wood residue as a fuel source. A brief search of the internet brought up at least a dozen sites with fascinating information about recent breakthroughs.

by Kéta Kosman

A July 04, 2008 report by the The Rights and Resources Initiative estimates that demand for food, wood, and biofuels will likely contribute to massive deforestation in developing countries around the world by 2030. If current agricultural land productivity doesn't increase substantially, by 2030 about 1.2 billion additional acres of land will be needed to meet the world's agricultural, biofuel, and wood-products demand.

The April 7, 2008 issue of *Chemistry & Sustainability, Energy & Materials* reports the first direct conversion of plant cellulose into gasoline components by the National Science Foundation (NSF) and the University of Massachusetts-Amherst (UMass). "For their new approach, the UMass researchers rapidly heated cellulose in the presence of solid catalysts, materials that speed up reactions without sacrificing themselves in the process. They then rapidly cooled the products to create a liquid that contains many of the compounds found in gasoline.

The entire process was completed in under two minutes using relatively moderate amounts of heat. The compounds that formed in that single step, like naphthalene and toluene, make up one fourth of the suite of chemicals found in gasoline. The liquid can be further treated to form the remaining fuel components or can be used "as is" for a high octane gasoline blend."

Using the current cost of wood in Massachusetts, which is US\$40 per dry ton, as an example of the feedstock to be used in this process, researchers estimate that a gallon of green gasoline can be produced with this method for between US\$1 and US\$1.70.

Meanwhile Stora Enso, a Finnish paper and timber producer, has joined hands with Neste Oil Corporation to set up a plant that will utilize wood based residues to produce biofuel (July 13, 2008). The project is in part motivated by the ambitious target set by the EU

of replacing 18 million tonnes of fossil fuels used for transportation by 2010.

On February 18, 2008 the Colorado Department of Energy announced that it would pay \$30 million towards the construction of that state's first cellulosic ethanol plant. The plant will use a technology that will convert beetle kill into ethanol, a technology that has been developed and tested in British Columbia. In addition to ethanol fuel, the Colorado plant will produce lignin as a byproduct, which is a useful ingredient in lubricants and other goods.

Another good use for wood residue besides ethanol is wood pellets, which

- Know and exploit timber resources and the properties of forest biomass as well as the materials and compounds produced by different wood species over their lifespan;

- Establish the preconditions for new ways to produce wood competitively.

On May 16, 2008 Auburn University engineers gave Alabama Power Co. executives and employees a peek at the future with a demonstration of its mobile biomass gasification unit, which converts wood chips into power. The US\$250,000 gasification unit sits on wheels and houses a 5-foot steel drum. A conveyor belt empties wood chips into the top of the drum.



UMass Research Team with New Green Gasoline Production Process

conveniently can also be very easily made from beetle kill. On June 03, 2008 New Hampshire-based American Biomass announced an ambitious project to widely market pellets using US\$4 million in funding from .406 Ventures.

Taking advantage of a European surge of interest in the new energy source, a major forest industry group in Finland is actively pursuing the future of biofuels. From their website (<http://www.forestindustries.fi/>),

Research objectives associated with wood biomass and its properties:

- Develop methods and solutions for the management of the properties of wood biomass as well as for influencing the raw material properties of wood grades being allocated for different uses;

- Develop cost-effective, sustainable and acceptable ways to produce, harvest and transport wood biomass;

Inside, the wood burns, releasing carbon dioxide, carbon monoxide, methane, hydrogen and oxygen. The gases are then filtered into a V6 engine and used to generate electricity. The generator consumes about 50 pounds of wood chips per hour. A ton of wood could generate a megawatt.

The Natural Resources Canada government webpage on bioenergy states that, "Canada has millions of hectares of managed forests and extensive tests have shown that only a small percentage of forest growth is harvested for forest products. Nutrient balance experiments have shown that forest residuals can be removed for fuel without adversely affecting the forest ecosystem. [. . .]

The technology and resources exist to provide a significant percentage of Canadian energy demands. And the demand can be met without impacting on the production of food or traditional products."