

MADISON'S LUMBER REPORTER

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News & Updates

Madison's Reminder . . .

This week's issue of our new product *Madison's Timber Preview* covers the relationship between Western Spruce-Pine-Fir and Southern Yellow Pine 2x4's. Those subscribers that did sign up for the Timber Preview have already received the valuable two page document today, which highlights ten years of earnings yield for Texas-based Temple-Inland Inc., a major player in the SYP and corrugated board market.

It's not too late to sign up! Anyone wishing to start a subscription now will receive the back copies of *Madison's Timber Preview* as well.

US Housing Starts

Housing starts in the United States were down a not unexpected 6 per cent from July, and 33 per cent from one year ago.

Some analysts were caught by surprise by the decrease, having misread the apparent slight increase in June. In fact the unusual numbers for that month were simply a reflection of a new method of counting in the state of New York. [READ MORE](#)

Canadian Housing Starts

Housing starts in Canada enjoyed a healthy rebound in August of 15 per cent compared to July, and 12 per cent compared to one year ago.

Multiple units saw the greatest jump from July, of 25 per cent. [READ MORE](#)

Pine Beetle Money

The upcoming federal election is proving to be a bonanza of promises for funding of all kinds. Another \$250 million was slated this week to go towards research, and assistance for the communities hardest hit by the devastation of the mountain pine beetle.

However very little of the funds already promised over a year ago have actually been allocated. [READ MORE](#)

Bio-Energy Money

Another election, this time in British Columbia, brought it's own announcements of funding for the forestry sector. The Ministry of Forests and Range has initiated a comprehensive plan for research and developing in the rapidly growing bio fuels field, with a plan to use bio mass left behind after logging, and also forests killed by the pine beetle.

Wood pellets are included in the research package. [READ MORE](#)

U. S. HOUSING STARTS

	Aug-08	Jul-08		Aug-08	Jul-08
Starts			Permits		
Actual	79,300	86,800	Actual	73,500	83,500
SAAR*	895,000	954,000	SAAR*	854,000	937,000
1 Unit	630,000	642,000	1 Unit	554,000	584,000
2-4 Units	(s)	(s)	2-4 Units	29,000	33,000
5+ Units	251,000	301,000	5+ Units	271,000	320,000
Starts by Region			Permits by Region		
Northeast	153,000	179,000	Northeast	83,000	105,000
Midwest	133,000	154,000	Midwest	148,000	147,000
South	403,000	435,000	South	439,000	487,000
West	206,000	186,000	West	184,000	198,000

*Seasonally adjusted annual rate

Source: U.S. Census Bureau

CANADIAN HOUSING STARTS

Actual and Seasonally Adjusted Annual Rates

	July 2008		August 2008	
	Actual	SAAR	Actual	SAAR
Canada, all areas	17,217	186,500	18,396	211,000
urban ctrs with >10,000	14,444	161,400	15,871	185,900
singles, urban centres	6,911	63,800	6,406	71,200
multiples, urban centres	7,533	91,600	9,465	114,700
rural areas	2,773	25,100	2,525	25,100
Atlantic urban centres	1,000	8,700	783	7,700
Quebec urban centres	3,122	41,200	2,869	37,600
Ontario urban centres	4,911	47,800	7,768	86,500
Prairie urban centres	2,559	30,600	2,034	23,700
B.C. urban centres	2,852	33,100	2,417	30,400

Source: Canada Mortgage and Housing Corporation

Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	231	252	-21	282	-51	232	-1
WSPF KD R/L 2x6	257	275	-18	300	-43	258	-1
WSPF KD R/L 2x8	260	290	-30	288	-28	249	+11
WSPF KD R/L 2x10	256	290	-34	295	-39	346	-90
WSPF KD PET 2x4 Stud	205	218	-13	220	-15	250	-45
Douglas Fir Green R/L 2x4	155	168	-13	195	-40	210	-55
Douglas Fir Green R/L 2x10	200	210	-30	240	-40	285	-85
ESPF KD 2x4 8ft Stud	260	280	-20	295	-35	315	-55
OSB Ontario 7/16" (CDN\$)	225	225	0	215	+10	185	+40

Weekly News

American Home Building

CONTINUED Construction of new homes and apartments fell to the lowest level in 17 years last month, the slowest building pace since January 1991; another period when housing was going through a painful correction.

The decline showed weakness across the country except in the West. The housing downturn has depressed overall economic activity and pushed the country close to a recession. Thousands of construction jobs have been lost, contributing to an economic slowdown that has pushed the overall unemployment rate to a five-year high of 6 per cent in August.

Privately-owned housing permits in August were at a seasonally adjusted annual rate of 854,000, 9 per cent below the July rate of 937,000 and 36 per cent below the 1,343,000 permits authorized one year ago.

Housing Starts in Canada

CONTINUED The rise in seasonally-adjusted building was carried exclusively by Ontario, where housing starts jumped 81 per cent to 86,500. In every other region across the country new home starts were down.

For the first eight months of 2008, actual starts in rural and urban areas combined were down an estimated 4 per cent compared to the same period last year. Year-to-date actual starts in urban areas have increased by an estimated 1 per cent over the same period in 2007.

"After a brief pause in July, the volatile multiple segment bounced back to a level of activity that is more consistent with our forecast for this year," said Bob Dugan, Chief Economist at CMHC's Market Analysis Centre. "Most of the volatility in housing starts over the last three months reflected swings in multiple starts in Ontario."

SFK Pulp Announces

Mr. Hubert T. Lacroix, President of the Board of Directors of SFK Pulp, is pleased to announce the appointment of Mr. Pierre Gabriel Coté, Eng., as President and Chief Executive Officer of SFK Pulp. This nomination took effect on July 21, 2008. Mr. Coté will also be a director of the company.

Just before joining SFK Pulp, Mr. Coté was President of Bombardier Business Aircraft and, prior thereto, acted as President and Chief Executive Officer of Rogers Sugar Income Fund from October 2001 to July 2005. His employment history includes more than twenty years of experience in the pulp and paper industry during which he held key executive positions at Kruger Inc., Abitibi-Consolidated inc. (now Abitibi-Bowater Inc.) and Donohue Inc. Mr. Coté obtained a degree in mechanical engineering from Laval University in 1982.

SFK Pulp operates, through its subsidiaries, the Saint-Félicien Mill, the Fairmont Mill and the Menominee Mill. The Saint-Félicien Mill (located in Saint-Félicien, Québec, approximately 450 kilometres north of Montréal) has an annual production capacity of 375,000 metric tonnes of NBSK pulp and supplies NBSK pulp to various sectors of the paper industry in Canada, the United States and in Europe for use in speciality products. The Fairmont Mill (located in Fairmont, West Virginia) and the Menominee Mill (located in Menominee, Michigan), with a combined annual production capacity of 360,000 metric tonnes, both manufacture air-dried market recycled bleached kraft (RBK) pulp and primarily supply RBK pulp to manufacturers of uncoated freesheet, commercial and away-from-home tissue and coated paper in the United States.



U.S. New Housing Starts Projection

<http://www.forecasts.org/house.htm>

Bio Energy

R&D Funds Announced

British Columbia's Ministry of Forests and Range has provided \$300,000 to the FPInnovations forest research institute, \$200,000 to the University of British Columbia, and \$100,000 to the University of Victoria for a research partnership focused on feedstock availability, harvesting and delivery equipment and systems, and economic analysis.

"Biomass-to-energy conversion is rapidly gaining interest because of rising fuel costs and concerns related to emissions and climate change," said Tony Sauder of FPInnovations. "Our research is dedicated to the supply side of forest feedstocks. It will provide government and industry with harvesting and delivery data needed to help encourage biomass utilization in B.C."

"This funding will help our consortium of scientists continue their leading-edge research into new uses for wood biomass resources in the quickly emerging bio-industry," said UBC biomass and bio-energy research group principal Dr. Shahab Sokhansanj.

Specific topics include:

- Assessing inventory supplies by region and timeframe,
- Developing a model to estimate costs for delivering wood biomass resources in areas with different terrain and climate conditions,
- Assessing forest transportation infrastructure,
- Return on investment from recovering different sources of wood biomass, and
- Expanding wood pellet markets.

For more information on the strategy, or to download a copy, visit www.energyplan.gov.bc.ca/bioenergy.

The report explains that the opportunities to use both wood waste and mountain pine beetle damaged timber are endless. The City of Revelstoke is a leader in bio-energy.

Wood waste from a local sawmill fuels a biomass boiler that enables the municipality to recover heat in the form of low pressure steam for drying lumber at the sawmill and providing hot water to a community energy system for buildings in the downtown core. The Revelstoke community energy project, in operation since 2005, increases energy efficiency, reduces wood waste from sawmills and improves local air quality.

Significant progress in using renewable fuels has already been made in several BC regions, including Vancouver, Richmond, Whistler, Delta, Burnaby and North Vancouver, which are using biodiesel in their fleet vehicles, as well as BC Transit and other commercial fleets.

British Columbia has an abundance of underutilized wood in the form of sawmill residues and logging debris, and a growing supply of timber killed by the mountain pine beetle.

British Columbia currently leads the nation in wood energy production and consumption. However, it is estimated that about 1.2 million bone-dry tonnes of mill residues per year – an amount that could produce approximately 1,900 gigawatt hours of electricity – are incinerated in beehive burners in the province with no energy recovery and impacts on air quality.

Wood pellets are produced from wood residue collected from sawmills and wood product manufacturers.

Heat and pressure are used to turn wood residue into pellets without chemical additives, binders or glue.

Pine Beetle

More Money Promised

The Liberal Party is pledging \$250 million over four years in new funding in the battle against the pine beetle. Madison's wonders at these further promises for more money, when the vast majority of the vast majority of the some \$500 million already promised has yet to be allocated.

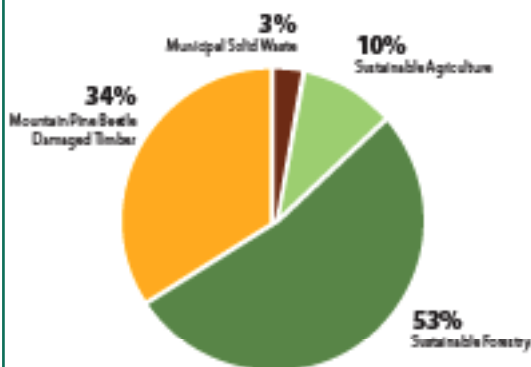
There has been some very interesting research projects going on in conjunction between the University of Northern British Columbia and the University of Alberta, but that only accounts for less than \$100,000. Prince George built itself a brand-new airport with a portion of its share of the money. Officials justified such use of the funds by saying the airport expansion will provide new jobs locally.

Jay Hill MP commented: "Expanding the Prince George Airport is part of a comprehensive response to the Mountain Pine Beetle infestation. This airport expansion is important for our region's economic future and will be critical to ensuring long-term, sustainable economic growth."

The Tories originally campaigned they would commit \$1 billion over 10 years for pine beetle funding to help B.C.'s ravaged forests. Once elected, only \$450 million was budgeted and only \$200 million of that has been spent so far.

In related news, a pilot project has been announced using salvaged beetle-kill wood as newsprint. Under a \$28-million, three-year research project, new moisture sensors developed at the Edmonton-based Alberta Research Council are going into the Alberta Newsprint Company's Whitecourt plant.

B.C.'s Biomass Resources



Biomass Resources in British Columbia

Sustainable Forestry

This includes forest residues from logging practices, road clearing and other forestry activities. Site preparation, early tree removal and tree stand establishment could increase forest residues and be a source of biomass.

Mountain Pine Beetle Damaged Timber

The increased annual allowable cut to remove beetle-killed timber and nonrecoverable pine are temporary sources of biomass, which will be available for approximately 20 years.

Sustainable Agriculture

Crop residues that are not utilized, which could include stalks, husks, straw and other post-harvest fibre, are available as a biomass source. Crops grown for biodiesel and ethanol production may include grain and canola. In future, livestock manure and dedicated crop growth are potential agricultural sources for biomass.

Municipal Solid Waste

Municipal landfills contain biomass that can become a source of fuel through landfill gas collection or direct combustion.