

MADISON'S LUMBER REPORTER

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News & Updates

Japanese Earthquake Test

A unique simulated earthquake test of BC hemlock products specifically designed for the Japanese housing market was done this week. Using one of the most powerful three-dimensional seismic shake table facilities in the world, located in Tsukuba, Japan, a full-sized three-storey post and beam traditional house survived the test with flying colours. A video of the Japanese test will show how coastal hemlock can withstand the strong seismic forces that levelled Kobe in 1995.

Working together, Japan's Building Research Institute, the Centre for Better Living and the Public Works Research Institute, UBC's Department of Wood Science and the forest industry conducted the test to document how coastal hemlock structural products, known as Canada Tsuga in Japan, and Canadian engineered oriented strandboard perform in some of the most severe seismic forces ever recorded. The Governments of BC and Canada, through Forestry Innovation Investment Ltd. and the Canada Wood Export Program, have provided significant financial support in the research that led up to this test.

Chinese Wood Framed Home Building

British Columbian wood products and building expertise are helping Mongolia alleviate an urban housing crisis.

Under an agreement signed last year between BC and Mongolian government, the British Columbia Institute of Technology helped Mongolia update its residential wood-frame construction building code to Canadian standards and provided training and technical support. [READ MORE](#)

Worthington Properties Takes Over Mackenzie Mill

The new owners of the bankrupt Pope & Talbot's former pulp mill in Mackenzie, BC this week informed the union that they will slowly ramp up the mill with an aim of producing pulp by mid-November. [READ MORE](#)

US Home Sales Plummet

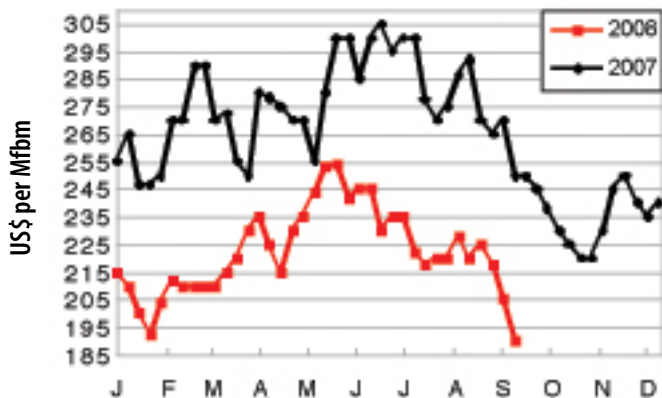
New home sales in the US tumbled in August to the slowest pace in 17 years, by 11 per cent to a seasonally adjusted annual sales rate of 460,000 units.

Sales of existing homes also fell, by 2 per cent to a seasonally adjusted rate of 4.91 million units from 5.02 million units in July. That figure also represents a 11 percent decline from one year ago. [READ MORE](#)

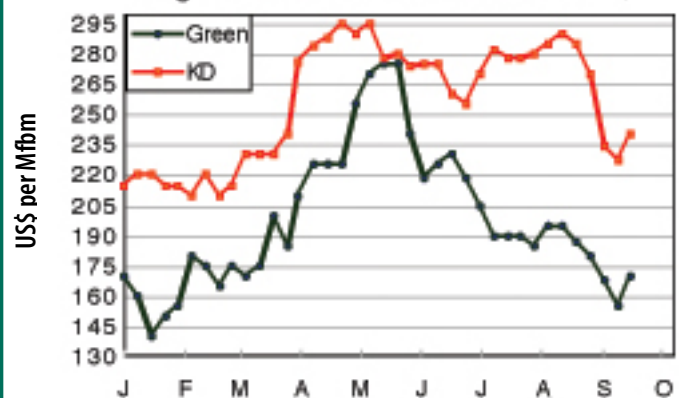
Biomass Fuel

A huge research breakthrough in producing green gasoline from wood cellulose in April of this year has launched an explosion in development, promotion and production of the new fuel source. [READ MORE](#)

WSPF KD 2x4 PET Studs



Douglas Fir KD vs. Green #2&Btr 2x4



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	220	231	-11	282	-62	232	-12
WSPF KD R/L 2x6	227	257	-30	304	-77	254	-27
WSPF KD R/L 2x8	260	260	0	298	-38	248	+12
WSPF KD R/L 2x10	250	256	-6	300	-50	344	-94
WSPF KD PET 2x4 Stud	190	205	-15	228	-38	245	-55
Douglas Fir Green R/L 2x4	170	155	+15	195	-25	208	-38
Douglas Fir Green R/L 2x10	200	200	0	245	-45	285	-85
ESPF KD 2x4 8ft Stud	260	260	0	295	-35	310	-50
OSB Ontario 7/16" (CDN\$)	190	225	-35	220	-30	180	+10

Weekly News

Wood Homes in China

CONTINUED Two demonstration homes were built from BC wood products, showcasing how the new building standards can be applied to local needs. The homes will be used to promote residential wood-frame housing and for training in construction and related trades. More than 1,000 potential home buyers have already toured the homes in the weeks leading up to the official opening.

Forestry Innovation Investment funded the project as part of their ongoing efforts to introduce wood-frame housing to developing economies. BCIT also provided training and technical support for the Indonesian project, which has resulted in two BC companies building about 800 new homes that use wood products from BC mills.

Mackenzie Pulp Mill

CONTINUED The first part of the plant that would be restarted is the power boiler, possibly by the first week of October.

An important outstanding question for the pulp mill's operations is where it is going to source wood chips now that Canfor's Mackenzie sawmill has been closed. A chip supply deal with former pulp mill owners Pope & Talbot was not upheld in a BC court ruling this summer.

US Housing

CONTINUED New home sales in the US showed that business was off in every region of the country except the Midwest, which posted a 7 per cent increase. Sales plunged by 36 per cent in the West and were down 32 per cent in the Northeast.

New home sales in the US saw a much bigger sales decline than the small 1 per cent drop that economists had been expecting.

The average price of a new home sold in August dropped by a record amount of 12 per cent to \$263,900, compared to the July average of \$299,100. The median price was also down, falling 5.5 per cent to \$221,900.

The amount of unsold homes declined slightly, to a 10.4 month supply in August from about a 10.9 month supply in July.

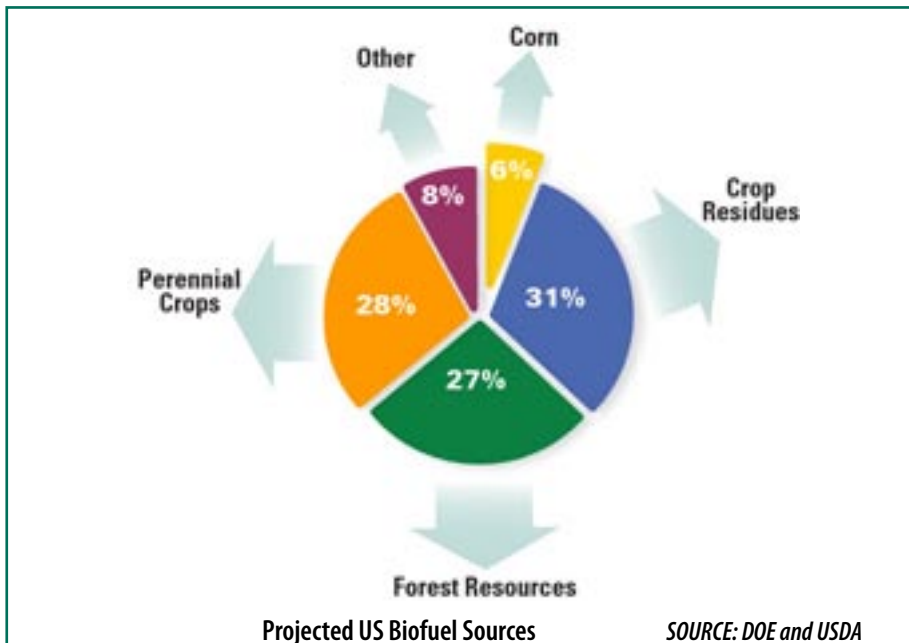
Modern Machinery/ Madill Announces

As previously announced in July 2008, Modern Machinery, based in Missoula MO, purchased the worldwide rights to the Madill product lines including yarders, feller bunchers, harvesters, log loaders, delimiters and saw heads and will be the worldwide distributor of parts and service for Madill machines.

SMS Equipment and Modern Machinery have signed an agreement effective August 20, 2008 covering parts, service and support for Madill equipment in Canada. "SMS has already hired some former Madill employees, and will provide immediate expertise on the product line," said Alain Ouellette, President CFU Division.

Canadian Madill customers may contact their nearest SMS location by calling 800-252-7999 in Western Canada and 800-881-9828 in Eastern Canada, or visit www.smsequip.com for Madill product support. SMS is Canada's largest Komatsu dealer with 45 branch offices and 1,800 employees.

U.S. Madill customers may contact their nearest Modern Machinery location by calling 800-332-1617 or visiting www.modernmachinery.com.



Biofuels

Green Gasoline

In just the few short months since *Madison's* wrote about the rapidly burgeoning field of biomass energy there has been an explosion

by Kéta Kosman

of research, development and business in that area. In the

spring *Madison's* was hard-pressed to find any volume of salient information on the subject, now we barely have time to keep up with it all. America, the United Kingdom, the European Union, and Australia are all blazing ahead at lightening speed. The issue of biofuels is so hot in Europe that there have sprung up not one but two agencies devoted to its promotion.

The April 2008 major breakthrough in the direct conversion of plant cellulose to gasoline components by a research team in the US northeast (reported in *Madison's* July 17 issue, Volume 58, No. 29) has served to bring previously unprecedented levels of business interest to the field. Interest is now so high that catchy descriptive terms are being invented, like green gasoline, cellulosic ethanol and ecotricity.

While in Portland, OR for the Forestry Investment Conference, *Madison's* had a very interesting conversation with a fellow running a medium-sized mill outside Beaverton, OR. His company has spent the last year developing a system to bring slash and other wood "waste" roadside. A partnership was formed with a charcoal manufacturer, who then transported the biomass to their plant. So far everyone has been breaking even, but there were significant benefits to both companies: the mill had work for its employees through the winter, the manufacturer had an inexpensive fuel source and both companies have worked out a system that they know will be profitable in the future. In fact they are already planning to add another truck to their transportation chain for next year.

Obviously the Oregon scenario benefits from somewhat fewer difficulties than Canadian companies experience, most especially in the distance from the bush to roadside, but also road and weather conditions in general. However, on the flip side, the sheer volume of material in Canada means that - once a working business model is in place - the profits will be just that much greater. The Oregon company went through quite a few trials before they got it right; for example the branches were falling through the truck bed and hindering the tires, until very recently they simply loaded a couple of dumpsters on the back of the truck. This latest idea actually helped in more ways than one, because they can unload the dumpsters at the plant, pick up a couple more empty ones and be on their way, saving the down-time of removing the material. This mill is offering tours both to other local mills

and potential biomass customers, to help educate their community.

Of course this is one example on a small scale. Big business is getting in on the picture as well, with a major announcement on Wednesday, September 24. French nuclear engineering giant Areva SA will design and build plants that will use wood waste to produce electricity for the joint venture, named Adage, while a US-based Duke Energy Corp. unit will manage operations. The plants, which could burn manufacturing and wood-processing leftovers, as well as construction and demolition debris, will most likely be located along the Eastern seaboard.

Anne Lauvergeon, CEO of Areva, said her company has experience in the biomass sector, having designed and built more than 100 biopower facilities in Europe, Asia and South America with a capacity of more than 2,500 megawatts. Adage plans to have one plant operational by 2010, with as many as 12 by 2014. A sample 50 megawatt plant would provide electricity for 40,000 homes and produce 400,000 tons fewer carbon dioxide emissions per year than a coal plant. Areva and Duke said the new venture will have arrangements with suppliers for the use of wood wastes such as residuals from forestry operations within a 50-mile radius around the biomass power plant.

Another recent announcement, that Georgia's Oglethorpe Power Corporation will undertake the single largest biomass initiative in that state - and maybe the country - by building as many as three 100-megawatt (MW) biomass electric generating plants by 2015 only proves that this sector has a good future. The Oglethorpe biomass project will provide power to OPC's 38 member cooperatives that supply electricity to nearly half of Georgia's population. Fuel for the plants range from process roundwood, primary manufacturing residue and harvest residue.

Developments in biofuels are not only moving forward in America, but in Europe as well. Already a major consumer of wood pellets (a significant importer as well, as Europe can only produce 50 per cent of its annual pellet

demand), European countries are initiating biomass energy development programs across the continent. In fact there are too many agencies and organizations to mention here, but a comprehensive list of contacts can be found on the European Biomass Association website (www.aebiom.org). The EBA is a non profit Brussels based international organisation whose mission is to represent bioenergy at EU level, and defines biomass as renewable energy coming from biological material such as trees, plants, manure, and sometimes waste.

On September 19, 2008 the European Parliament's Industry, Research and Energy Committee adopted a Renewables Directive Report. The Report states, in part, that "although the 10 per cent target for renewables in transport by 2020 is maintained in this report, it stipulates that 40 per cent of this overall target must come from non-food or feed fuels (2nd generation), including those from biomass, green electricity and hydrogen produced from renewables." More information is available on the European Biomass Industry Association website (www.eubia.org).

Not to be outdone, the UK is actively promoting homeowners nationwide switching to bioenergy, whether it be installing small wood pellet burning stoves, or boilers connected to central heating and hot water systems, through a program by the Energy Saving Trust (<http://www.energysavingtrust.org.uk>). In addition the Biomass Energy Centre, which is focussed almost exclusively on wood residue, provides information on biomass sources for producers and manufacturers (<http://www.biomassenergycentre.org.uk>). Clearly both Europe and the UK sees a great future in this industry.

The above is all proof that Canadian business models, particularly here in BC, need to be reassessed and updated. While it may be true that it has not been cost-effective, even as recently as this past summer, to bring some of the large amounts of biomass strewing our forest floor roadside, this is certainly no longer the case. Demand from various interested parties is only going to grow. As gathering and transportation techniques are perfected, the cost/benefit analysis will turn greatly to the favour of suppliers.

