

# MADISON'S LUMBER REPORTER

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## News & Updates

### Mackenzie Pulp Mill Freeze

The re-opening of bankrupt Pope & Talbot's former pulp mill in Mackenzie was delayed for 60 days, according to an announcement two weeks ago by new owner Edmonton's Worthington Properties. That start date was adjusted to "indefinitely" this week due to dismal market conditions for northern bleached softwood kraft pulp, as well as expected continued global credit difficulties.

Experienced mill employees raised concerns that simply "winterizing" the mill will not be enough to prevent harmful environment effects. In particular the plastic liners covering the chemical holding tanks are sensitive to below zero temperatures, and could crack causing dangerous chemicals to leak directly into Williston Lake and the Peace River. Steam boiler worker Rick Berry was quoted in the Vancouver Sun as saying, "We could have an environmental disaster if the chlorine-dioxide tanks rupture. They would have to evacuate the town."

"Plant equipment is beginning to ice up at night", head of the Mackenzie local of the Communications, Energy and Paperworkers union Carl Bernasky told the Vancouver Sun in the same article.

The weeks immediately following Worthington Properties' purchase of the pulp mill were fraught with several unexpected economic downturns and difficulties which the company is having trouble overcoming in the short term. Owner Dan White has said that he will only open the mill once the pulp market recovers or he can find a stable customer. Current wisdom holds that it will be 18 months before the regular cycle of pulp prices returns to the highs seen in the first half of this year.

### US Existing Home Sales Jump Slightly

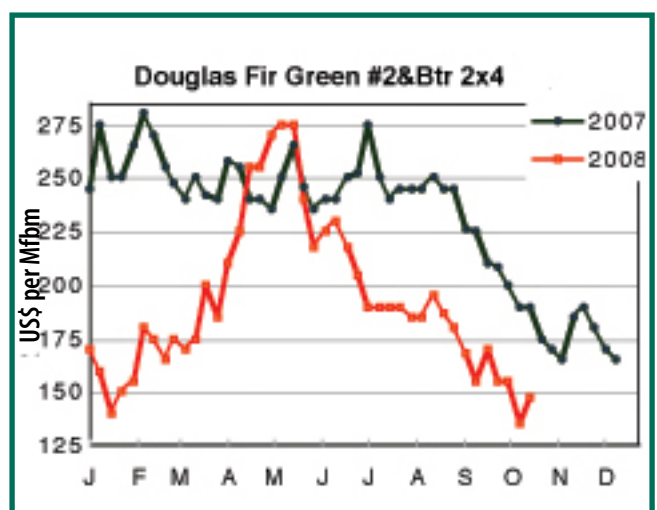
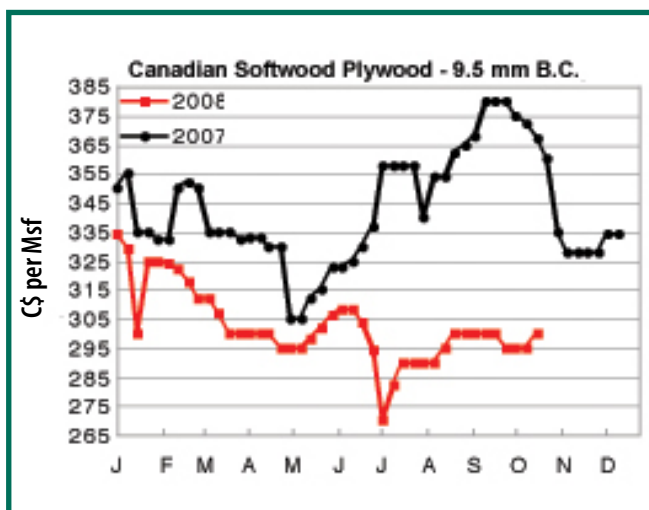
US existing home sales rose by an unexpected 5.5 per cent in September as buyers were attracted by falling prices, an industry survey showed Friday. The National Association of Realtors said sales of existing homes and apartments were up 1.4 per cent from a year ago, the first annual increase in three years. [READ MORE](#)

### Russian Log Export Ban

The Far East Economic Forum was held September 30 to October 1, 2008 in Khabarovsk, Russia. It was there that Russian authorities announced the idea of submitting a bill in the Russian Duma for a total ban on raw log exports from that country. The impact of such a ban is expected to have a radically different effect on the Far East wood products industry than the previously announced 80 per cent duty. [READ MORE](#)

### Mountain Pine Beetle

A new education package for BC secondary students developed by the Council of Forest Industries and Forestry Innovation Investment was announced this week by Minister of Forests and Range Pat Bell. *Madison's* sought updates on what effect cooler temperatures this year will have on the pine beetle population, and the migration into Alberta. [READ MORE](#)



## Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	188	204	-16	231	-43	217	-29
WSPF KD R/L 2x6	188	206	-18	257	-69	236	-48
WSPF KD R/L 2x8	228	230	-2	260	-32	235	-7
WSPF KD R/L 2x10	212	220	-8	256	-44	330	-118
WSPF KD PET 2x4 Stud	180	187	-7	205	-25	220	-40
Douglas Fir Green R/L 2x4	147	135	+12	160	-13	175	-28
Douglas Fir Green R/L 2x10	205	190	+15	200	+5	295	-90
ESPF KD 2x4 8ft Stud	255	255	0	310	-55	300	-45
OSB Ontario 7/16" (CDN\$)	205	205	0	225	-20	170	+35

## Weekly News

### US Real Estate Market

CONTINUED Existing home sales rose to an annualized rate of 5.18 million units in September, beating analysts' consensus forecast of 4.91 units. The market rebounded from a decline in sales in August as buyers were drawn by falling home prices due to continued foreclosures.

The inventory of unsold homes on the market slipped 1.6 per cent to 4.27 million units in September, a backlog of slightly less than 10 months at the current sales pace, compared with a 10.6 month inventory in August. A six month inventory of unsold homes is the norm.

Buyers responded to improved housing affordability conditions, bringing home sales to above year-ago levels for the first time since November 2005.

However existing home sales are based on contract closings and, therefore,

are unlikely to reflect that access to credit tightened at the end of September.

The median price of existing homes fell again, dropping 9 per cent in September from a year ago, to \$191,600.

### Russian Log Exports

CONTINUED The government of Russia had planned to raise the softwood log export duty from the current 25 per cent to 80 per cent in January 2009, but the country's forest industry is asking for a postponement of higher duties since establishing processing facilities in Siberia and far east Russia are largely delayed.

It seems that the log export duty increase from 20 per cent to 25 per cent earlier this year did little to prevent a sizable volume of log shipments into China. In addition a vibrant black market for raw logs continues to operate unabated.

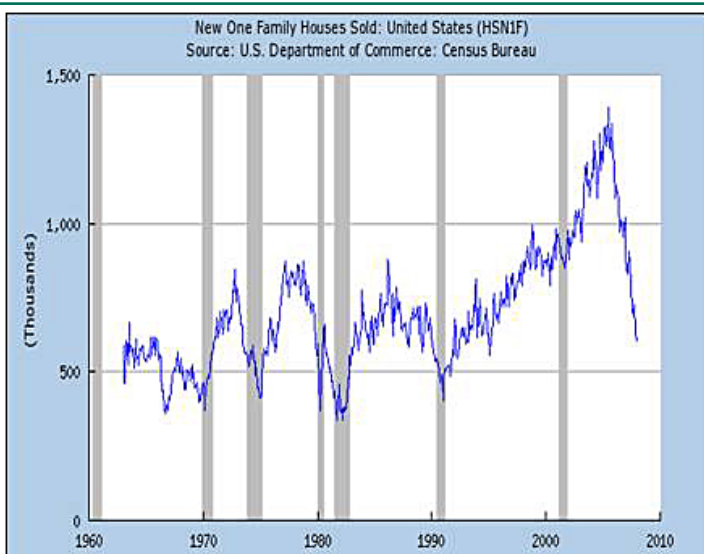
The Minister of Natural Resources put his full support behind the idea of a total ban on Russian log exports.

### Smurfit-Stone Container Corp.

The company announced that due to the weakening pulp market, it plans to permanently stop production at its Pontiac pulp mill in Portage-du-Fort, Quebec, as of Oct. 31.

The closure will result in 218 employees losing their jobs. A company press release explained that it expects to take restructuring charges in the fourth quarter of about \$39 million, of which approximately \$20 million is non-cash.

"The mill produces northern bleached hardwood kraft paper-grade pulp, which is not core to the company's transformation strategy," Steve Klinger, Smurfit-Stone president and COO, said in a statement. "The rapidly deteriorating conditions in the pulp market necessitate that the company take prompt action to avoid cash losses."



US Home Sales

## Calendar

October 2008

**SIBO Industrial Woodworking Show**  
October 23 to 25 - Laval, QC  
<http://www.sibo.ca>

November 2008

**NAWLA Traders Market**  
November 6 to 8 - Chicago, IL  
<http://www.nawla.org>

# Beetle Kill

## Cold Weather

Building on the success of the mountain pine beetle educational kits distributed in 2006 and 2007, a new educational resource kit for secondary students has been developed by Forestry Innovation Investment and the Council of Forest Industries. One year and \$80,000 in the making, the learning resource has been endorsed by the Ministry of Education. Focussed on the economic importance and international reach of British Columbia's forest sector, the learning kit was launched October 18 by Forests and Range Minister Pat Bell.

This new teaching resource will examine the development of BC's forest industry, its dependence on international markets and the challenges and opportunities the forest industry faces in maintaining markets in Asia. The kits are intended to help students:

- describe what happens to harvested timber;
- demonstrate the importance of the forest industry to the provincial economy;
- demonstrate the importance to the provincial economy of marketing wood products around the world;
- identify and evaluate international markets for BC's wood products; and
- assess the opportunities and challenges in marketing of BC's wood products internationally.

With over 80 per cent of all BC wood products destined for international markets, the importance of maintaining and growing these markets is critical to the forest industry and to BC's economy.

After reading about this new learning tool, *Madison's* became curious about the cooler weather this year in British Columbia to learn whether it would have affect in slowing down the mountain pine beetle's rampage. Brian Aukema, a scientist with Natural Resources Canada working at the University of Northern British Columbia told *Madison's* that cold weather can only affect the beetle if it comes when the pest "least expects it". Such an affect can only happen twice a year; in early autumn or in the spring. In autumn the larvae are vulnerable to a cold snap of at least -20 C for a few days, while in the spring a similar cold snap can catch the beetles by surprise as they are emerging from a state of hibernation. Otherwise throughout the winter the natural defense of sugars in their body fluids act as an anti-freeze which "allow them to super-cool without forming ice crystals".

When asked for numbers, Aukema said that the population growth this year "did not speed up as fast" as in recent years, and he attributed that to the cooler temperatures over the past year. In particular the Peace River region and - more importantly- Alberta saw a "very big winter kill last year". Any potential effects to the beetle population over this winter season will not be seen until next year. Despite this possible

slow down in beetle reproduction, he expects the current five year forecast posted on the Ministry of Forests website for the extent of the beetle kill in this province to remain accurate. There is not much to be done here, as we all know, except to wait it out. Aukema's advice to our readers is to "keep up forest management plans".

The critical question of what is going to happen to vulnerable forests in Alberta came up next, and *Madison's* was referred to David Langor, also with Natural Resources Canada, working in northern Alberta. Langor pointed to the cooler summer, especially up north, this year. It seems that the pine beetle can only be a serious threat to trees and forests if the bugs stick together. As trees have a natural defense system, too few beetles are not able to overcome a tree. They need a critical mass to be able to "attract a lot of mates" through pheromones and all infest at the same time.

The cooler temperatures this summer caused in interruption in the migration of the beetles from BC to Alberta. Interpreting what he sees in the forest, Langor said that there was an initial migration, then "two to three weeks later, another big flight" crossed the Rocky Mountains. Such a gap Could cause the "timing of development to be thrown off enough" for there to be less trees attacked and less eggs laid.

Regardless of how successful conditions in Alberta are in thwarting pine beetle reproduction there, as long as there continue to be massive migrations

coming out of BC every summer Alberta will eventually have a similar infestation problem. The beetles are "just starting to get into the Boreal system", according to Langor. According to the Ministry of Forests website, the 'observed annual red attack' reached its peak in 2004, dropped significantly into 2008 and is expected to continue falling after 2010 to eventually reach pre-2000 levels in 2020. Potential slowing effects of another cool year will not be known in Alberta until next summer. *Madison's* will be calling back then for an update.

