

MADISON'S LUMBER REPORTER



Publisher
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Editor
Kéta Kosman

Market Analyst
Zara Heartwood



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www.madisonsreport.com
madrep@shawcable.com
604 984-6838

PO Box 2486 Vancouver, BC
V6B 3W7 Canada



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News & Updates

Madison's Timber Preview

This week Domtar's century-long history of Canadian operations is examined. A 10 year graph of Eastern Spruce stud prices is plotted against the company's earnings yield. Contact us any time for a subscription.

TLA Annual Convention

With the theme "*Celebrating our Past, Shaping our Future*" the Truck Loggers' Association's 66th annual convention and trade show in Vancouver, BC on January 13 to 16, 2009 will be hosting some very informative panel discussions.

Wednesday January 14 8:30 am to 10:00 am

The opening panel is comprised of speakers who will talk about the lessons they have learned and how their experience can be applied to the changing coastal industry today.

Wednesday January 14 10:30 am to 12:00 pm

This panel will look at the realities the coastal forest sector must face, understand and address, in working towards a new vision and forest policy framework that will provide direction into the future.

Wednesday January 14 1:30 pm to 3:00 pm

On this panel, **John Allen from COFI**, **Steve Swanson of the US Coalition for Fair Lumber Imports**, and **Barrie McKenna of the Globe and Mail**, who has covered the softwood file for many years, will provide candid and insightful looks at the changing global marketplace for wood and wood products, the new political landscape in the US, and perspectives on how BC Forest policy must adapt to ensure access to the US market.

Thursday January 15 8:30 am to 10:00 am

With BC heading into a 2009 election, **Christy Clarke, former Liberal MLA** will lead a discussion with **Forest Minister Pat Bell** on how his government will address the issues facing the coast and how recommendations made by the **BC Forestry Roundtable** may influence their new mandate.

There will also be a luncheon hosted by **BC Premier Gordon Campbell** on Friday, January 16. View the full schedule on the TLA website.

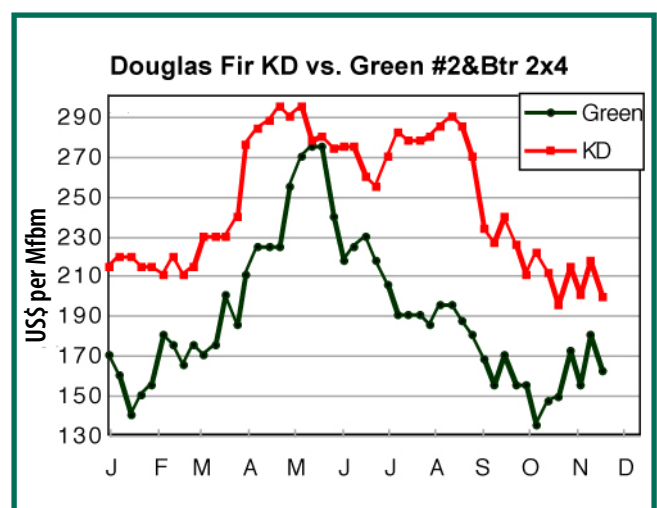
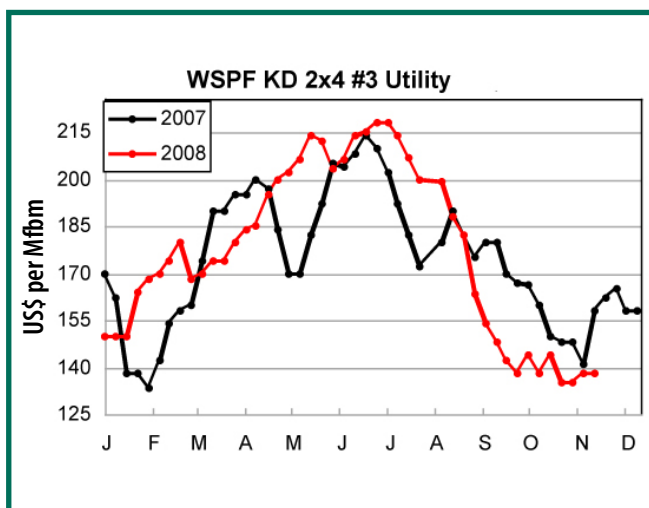
US Home Sales

New and existing home sales in the US continued to fall in October. The number of existing-home sales fell 1.6 per cent from one year ago to a seasonally adjusted annual rate of 4.98 million units. [READ MORE](#)

New Developments in Biomass Fuel

Vancouver's own Nexterra Energy Corp. is making great strides in using gasification of biomass as a green fuel.

By utilizing wood residue from nearby sources, Nexterra's gasifiers have already reduced costs and increased efficiency at a Tolko panel mill and a South Carolina university. Exciting new projects at a Kruger tissue plant and a major development in Victoria, BC, will soon see Nexterra biomass gasifiers in place. [READ MORE](#)



Prices are in U.S. dollars per 1,000 fbm.

Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	184	186	-2	188	-4	242	-58
WSPF KD R/L 2x6	172	176	-4	188	-16	245	-73
WSPF KD R/L 2x8	190	198	-8	228	-38	262	-72
WSPF KD R/L 2x10	195	190	+5	212	-17	345	-150
WSPF KD PET 2x4 Stud	162	170	-8	180	-18	240	-78
Douglas Fir Green R/L 2x4	162	180	-18	147	+15	180	-18
Douglas Fir Green R/L 2x10	250	260	-10	205	+45	300	-50
ESPF KD 2x4 8ft Stud	245	245	0	255	-10	300	-55
OSB Ontario 7/16" (CDN\$)	220	220	0	205	+15	175	+45

Weekly News

US Real Estate Market

CONTINUED US existing home sales in October are down 3.1 per cent from the annual rate of 5.14 million sales reported in September, but September was unusual in that it showed an increase from August.

October new home sales were 433,000 units, down 40 per cent from one year ago. Unsold inventories continued to fall and were off 8 per cent to 381,000 units compared to September, and down 26 per cent compared to the same time last year. There is currently over 11 months supply of unsold homes on the market.

Median price fell 1.6 per cent to \$218,000 from September's \$221,700. Compared with a year earlier, all areas in the 20-city survey showed a decrease in prices in September, led by a 32 per cent

drop in Phoenix and a 31 per cent decline in Las Vegas.

Mounting foreclosures are contributing to the drop in home prices, while adding to the inventory of unsold homes on the market. Lower property values are weighing on household wealth, causing consumers to cutback on spending and increasing the likelihood that the US economy will contract for a second consecutive quarter.

Sales of distressed properties accounted for 45 per cent of last month's total, up from about 40 per cent in September. Foreclosure filings were up 25 percent in October from a year ago. The drop in home construction has subtracted from growth since the first quarter of 2006. The downturn is likely to remain a drag on the economy until the home sales and prices improve.

Cascades Paper Mill Sale

After an extended closure, Cascades restarted its fine papers mill in Thunder Bay in early 2008, but had to shut down it again on July 11 due to surplus of inventory and a lack of customers.

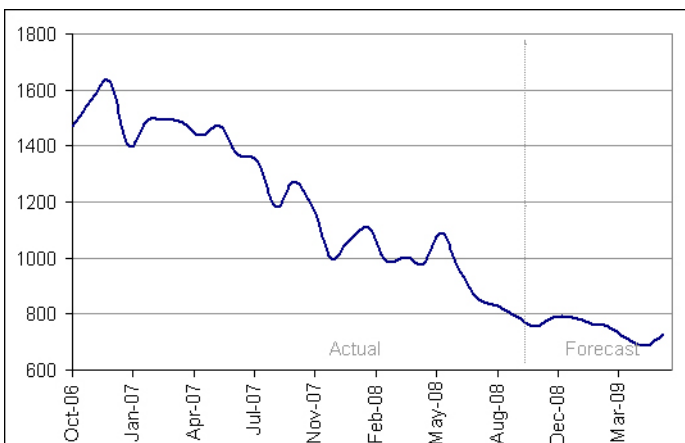
The mill will be sold following an Oct. 29 Supreme Court hearing in Toronto, ON, that saw the former Cascades Fine Papers Group Inc. mill be placed in receivership due to a \$14.7 million debt.

The mill has 350,000 square feet of paper mill facilities and 10,000 square feet of office building space located on approximately 200 acres of land in Thunder Bay, Ont. The mill's three production machines are capable of producing 200,000 tonnes of coated paper annually.

The court appointed possession of the mill to Deloitte & Touche Inc., who are currently looking for a buyer with an interest in purchasing all of the mill's operating assets.

U.S. New Housing Starts

Past Trend Present Value & Future Projection
Thousand Homes. Annual Rate Seasonally Adjusted
SOURCE: www.forecasts.org/



66TH ANNUAL TLA CONVENTION & TRADESHOW
JANUARY 13 - 16, 2009

Celebrating Our Past

Shaping Our Future

WESTIN BAYSHORE HOTEL
CONVENTION: JANUARY 13TH - 16TH, 2009
TRADESHOW: JANUARY 14TH - 16TH, 2009

Bio Fuels

Wood Residue

Mysterious new technologies generally take time to be understood, for potential uses to be absorbed by industry, and for

by Kéta Kosman

practical applications to be put into place. In the case of gasification from wood residue, things could not be moving forward at a more furious pace. Amongst the companies at the forefront of developing this new technology on the global stage is Vancouver's own Nexterra Energy Corp.

Incorporated in 2003, by 2005 Nexterra already had its first commercial customer in Tolko Industries' Heffley Creek plywood mill. In the following year the first commercial gasification plant was operational at the Tolko mill, so far saving the company approximately \$2 million a year in natural gas costs. The University of South Carolina, Weyerhaeuser and Paprican all jumped on board in 2006 as customers or partners of Nexterra. In 2007, Dockside Green, a large scale development in Victoria, became Nexterra's third commercial customer, and another partnership was formed, this time with Canada's Pristine Power. Nexterra is eagerly anticipating announcing a further breakthrough in green energy in early 2008.

Where one short year ago forestry companies across North America, particularly those in remote locations, lamented that the cost of bringing slash and

wood residue roadside was higher than revenues from the sale to a processing facility, now the equation has turned decidedly to their favour. Announcements of gasification plant building are popping up everywhere, it seems on an almost daily basis. Europe, particularly the Scandinavian countries and Germany, are already making great strides in using the green energy from this technology, as is Australia. Projects are underway from as far afield as Namibia, where a request for tender was issued on November 14, 2008 for "Supply, delivery and installation, complete, of a biomass gasifier system and support ancillaries, internal combustion engine and generator set [. . .] using manually harvested invader bush wood". The USDA Forest Service along with the State of Wyoming, the Saskatchewan Research Council, and Alabama Power along with Auburn University, are but a few examples of groups actively putting green energy from gasification to use in North America. Even the District Council of Tofino decided, on October 16 of this year, to use the wood residue at the town's 'Stump Dump' for green energy to offset the land lease costs.

A report by the Canada Bioenergy Association explains that "28 per cent of generating capacity from renewable resources is from biomass." The report goes on to explain that "Total slash available at roadside is 12.9 million ODt (222 PJ) annually. Several provinces and industry are showing serious interest in utilizing this biomass source for energy." The report

further explains that "A commodity market for biomass does not yet exist, and there is no 'market' price". The full report can be found here.

With its patented gasifier system already working hard in several locations, Nexterra is an industry leader. In short, a large burner is used to reduce the wood residue to clean burning gas, commonly referred to as "syngas", which can then be used as a substitute for natural gas, fuel oil or propane to produce process heat, steam, hot water and/or electricity using conventional energy recovery equipment. For example the Tolko plywood plant uses the gasifier to dry plywood sheets. The University of South Carolina uses their gasification burner to power the boiler to heat the school, and the Dockside Green development in Victoria will also use the gasifier system for residential heat and hot water.

When working with the forest products industry, Nexterra has targeted industry leaders with a commitment to reduce costs and lower emissions, ready access to locally sourced wood biomass, and the opportunity for replication. However Nexterra's partnership with Pristine Power allows opportunity for several facilities to combine their wood residue for a single user. For example, the town of Merritt, which plans to build a golf course/resort community close to town, the three sawmills and several small remanufacturers there could send off their wood residue together to provide heat and hot water for the development.

Nexterra's gasification system is very efficient, for example Tolko's Heffley Creek plywood mill only uses 40 per cent of its wood residue for green energy, the rest is sold to a pulp mill. Depending on the cost of natural gas, the gasification system pays for itself in two and one-half to three years in saved natural gas costs. The Tolko system displaces about 235,000 GJs of natural gas per year, which at \$6 to \$10 per GJ, is a significant cost saving. Another upside is carbon credits, or a reduction in carbon tax charged to a company, for the use of green energy. Tolko's system reduces greenhouse gas emissions by about 12,000 tonnes per year.

All of Nexterra's gasifiers currently use wood residue from nearby sources, be they forestry companies or otherwise. Pristine Power intends to build a series of 10 MW power plants based on Nexterra's gasification technology across British Columbia. With smaller communities around the province madly searching for revenue meanwhile choking in biomass, the opportunities for converting low value wood waste into high value energy through gasification are tremendous. And the best thing is that it's already a reality, not just theory.



Nexterra Gasification System at Kruger Products Tissue Mill in New Westminster B.C.