


MADISON'S LUMBER REPORTER


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 Annual Subscription Prices
 E-mail/Fax: C\$339
 Discounts available for multiple
 subscriptions
 Published 50 times a year


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 In Canada, add 5% GST
 ISSN 0715-5468
 Printed in Canada © 2008

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News & Updates

Canadian Housing Starts

Canada's housing starts dropped in April, with most of the decline said to be occurring in the condominium segment in Ontario.

The Canada Mortgage and Housing Corporation reported that the seasonally adjusted annual rate of housing starts fell to 117,400 units in April 2009 from 146,500 in the previous month.

The seasonally adjusted annual rate of urban starts fell 24 per cent to 96,800 units in April. Urban multiple starts decreased 32.7 per cent to 54,700 units, while urban single starts edged down 8.7 per cent to 42,100 units in April.

CMHC said April's seasonally adjusted annual rate of urban starts increased one per cent in BC, but declined 44 per cent in Ontario, 16 per cent in Atlantic Canada, 7 per cent in Quebec, and three per cent in the Prairies.

Japanese Housing Starts 2008

Housing starts in Japan rose 0.3 per cent for fiscal year 2008 (April 2008 through March 2009), to 1,039,108 units. The building rate matched 2007, when housing starts plunged after new building codes were put into effect.

Despite the slight increase year-on-year, home building in Japan was down 14 per cent compared to average annual starts for the five years from 2002 to 2006. [READ MORE](#)

Federal Canadian Funding to Forestry Communities

The Community Adjustment Fund will deliver a total of \$1 billion over two years to local economies throughout Canada. While in New Westminster, BC, Minister Raitt announced that British Columbia's share of this funding will be \$125.2 million.

Meanwhile, the town hardest hit by the forestry downturn is already lining up to get some of the new federal aid for BC resource communities. With all six of its sawmills closed, and 1,000 jobs lost, Mackenzie plans to use its share on community projects.

About 200 Mackenzie workers have either lost their Employment Insurance, or could see it shortly expire, and are looking for any kind of work. Waycheshen wants 70 per cent of the project funds to go directly on wages. [READ MORE](#)

Biomass Fuel Developments

In a very exciting industry that continues to grow in leaps and bounds, both in North America and in Europe, there are several new developments for the use of biomass residue as a fuel source.

From Quesnel, BC to Burns Lake, BC, from Wisconsin to Colorado, companies are moving forward at a breakneck pace to be at the forefront of this new technology. Several project announcements are examined. [READ MORE](#)

JAPANESE HOUSING STARTS

Month	TOTAL	Non-Wood	Wood	%Wood
Mar-09	66,628	35,324	31,304	47
Feb-09	62,303	35,687	26,616	43
Jan-09	70,688	37,494	33,194	47
Dec-08	82,197	39,855	42,342	52
Nov-08	84,277	42,176	42,101	50
Oct-08	92,123	48,578	43,545	47
Sep-08	97,184	51,715	45,469	47
Aug-08	96,905	50,514	46,391	48
Jul-08	97,212	51,877	45,335	47
Jun-08	100,929	53,328	47,601	47
May-08	90,804	48,075	42,729	47
Apr-08	97,930	54,656	43,274	44

Source: Japan Wood-Products Information and Research Center

CANADIAN HOUSING STARTS

Actual and Seasonally Adjusted Annual Rates

	April 2009		March 2009	
	Actual	SAAR	Actual	SAAR
Canada, all areas	9,860	117,400	9,728	146,500
urban ctrs with >10,000	8,063	96,800	8,629	127,400
singles, urban centres	3,526	42,100	2,566	46,100
multiples, urban centres	4,537	54,700	6,063	81,300
rural areas	1,797	20,600	1,099	19,100
Atlantic urban centres	369	6,800	244	8,100
Quebec urban centres	3,051	32,900	2,561	35,400
Ontario urban centres	2,731	34,100	4,113	60,600
Prairie urban centres	1,070	13,100	967	13,500
B.C. urban centres	842	9,900	744	9,800

Source: Canada Mortgage and Housing Corporation

Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	166	160	+6	173	-7	238	-72
WSPF KD R/L 2x6	156	146	+10	163	-7	232	-76
WSPF KD R/L 2x8	164	164	0	167	-3	215	-51
WSPF KD R/L 2x10	180	180	0	190	-10	275	-95
WSPF KD PET 2x4 Stud	175	170	+5	180	-5	244	-69
Douglas Fir Green R/L 2x4	140	140	0	170	-30	275	-135
Douglas Fir Green R/L 2x10	177	183	-6	208	-31	235	-58
ESPF KD 2x4 8ft Stud	240	235	+5	245	-5	320	-80
OSB Ontario 7/16" (CDN\$)	195	195	0	195	0	216	-21

Weekly News

Home Building in Japan

CONTINUED Units built for sale were down 3.5 per cent from 2007, of which condominiums were up 3.1 per cent, the first increase in two years. Detached units built for sale were down 12 per cent from one year earlier.

Compared to the previous five year averages, units built for sale were down by almost 24 per cent.

Wood based unit construction decreased by 2.6 per cent, while 2.4 units were up by 4.8 per cent and prefabricated units were up by 1.2 per cent.

Meanwhile sales in the Tokyo metropolitan area of units built for sale were up since December. Analysts predict the local real estate market will pick up in June and July.

A major realty company reported twice as many sales in January 2009 compared to the previous month.

Canadian Federal Funding

CONTINUED Projects to be funded could include reforestation activities, in-

vestments in machinery or equipment, demonstration of new mining technologies and initiatives to improve market access for products.

Regional allocation of the \$1 billion funding is broken down as follows:

Atlantic Canada	\$100.4 M
Quebec Region	\$211.6 M
Ontario Region	\$348.9 M
Western Canada	\$306.3 M
Northern Canada	\$32.8 M

A community will be eligible under this initiative if its population is 250,000 or less and it has both experienced major layoffs and there is a lack of alternative employment locally, or has had a 20 per cent increase in EI beneficiaries in the past year.

"A lot of communities indicated they wanted help in firefighting, forest-fire prevention [and] in clearing deadwood from the mountain-pine-beetle infestation," said Raitt.

Resource communities such as Prince George, Quesnel, Port Alberni and Campbell River are expected to apply.

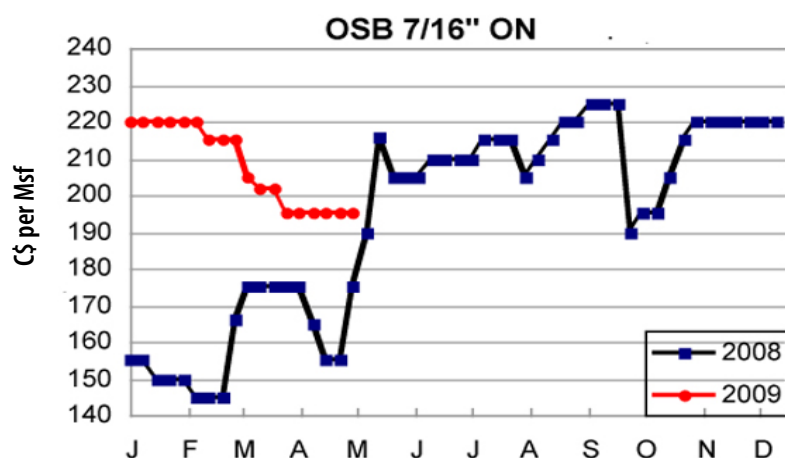
Over the past two years, 20,000 B.C. forestry jobs have been lost, in probably the worst industry slump ever.

Canadian Pulp Mill Tax Credit?

The Canadian paper industry is calling for speedy government action to counter a hefty American subsidy they say could be the final nail in the coffin for many struggling Canadian pulp mills.

The tax rebate is wreaking havoc on markets in an already fragile economy by lopping \$220 US a tonne off American pulp costs, about one-third of their total production costs. The cost of a Canadian program has been estimated by industry analysts at \$1.8 billion.

Meanwhile, US President Barack Obama's new budget plan will see the end to the pulp mill tax credit loophole. The White House is proposing to immediately shut down the loophole that allowed the pulp mills to qualify that are already burning an alternative fuel.



Calendar

June 2009

3rd Int. BioEnergy Conference & Exhibition

June 3 to 5 – Prince George, BC
<http://www.bioenergyconference.org>

Maritime Lumber Bureau 63rd AGM

June 3 to 6 – Halifax, NS
<http://www.mlb.ca>

Biomass Fuel

A Fast Growing Business

There are so many new developments, so much research successfully completed on an ongoing basis in the biomass fuel sector that *Madison's* can hardly keep up. In

North America alone, industry is growing and partnerships are being formed at a pace that is frankly astounding. As previously detailed in *Madison's*, the two processes that are currently the most commercially viable for getting fuel from biomass are gasification and pyrolysis. There are mega-million dollar plants being built in several locations across North America, and also in Europe, using these methods.

Brand-new research in technological advancements using fungi to extract sugars from biomass is currently being conducted in British Columbia under a sizable grant from the federal government of Canada.

At the provincial level, on April 3, 2009 the BC Ministry of Small Business, Technology and Economic Development announced major funding for eight biofuel projects, two of which use biomass, under its Innovative Clean Energy (ICE) program. Lignol Innovations Ltd. of Burnaby, BC will receive \$3,405,000 (30 per cent of the total projected cost) to produce cellulosic ethanol from beetle-killed lodgepole pine. Pure Power Global Ltd., of Quesnel, BC will get \$880,000 (less than 1 per cent of total projected cost) to design and build a bio-refinery in Quesnel to convert 10 MT per day of woody biomass into cellulosic ethanol, lignins and xylose.

The balance of the funded projects include biofuels from landfill, sewage, agricultural waste and waste cooking oil from

restaurants. Funding provided by the Province of BC for these most recently announced projects is almost \$8 million, while total value combined is almost \$100 million.

On May 07, 2009 Lignol patented a "organosolv digestion system" comprising of four modules. Through this four step process, the company can "further process [biomass] into high-value products such as fuel ethanol, lignins, furfural, acetic acid, purified monosaccharide sugars among others." The new invention is an important progression on existing technologies because "the old methods require expensive pretreatment steps and currently produce only low-value co-products," according to specifications of the patent. Meanwhile Lignol's US subsidiary is moving forward with its previously announced plan to construct a commercial demonstration cellulosic ethanol plant in Colorado using a US\$30 million grant from the US Department of Energy. The proposed facility will be designed to process hard and soft woods and agricultural residues such as straw and corn stover. Lignol expects the facility, once operational, will process about 100 tonnes of feedstock per day and produce approximately 10 million litres of ethanol per year.

Another exciting development in this fast-growing field includes a group of 11 University of Wisconsin-Madison undergraduates researching biofuels for a synthetic biology competition. Andy Braasch, a senior molecular biology major, explained that current ethanol processing methods are unsustainable. The next step in ethanol is to make biofuels from cellulose. Braasch and four team members are working to break down lignin, a compound that coats cellulose, into simpler compounds that can be used to produce biofuels. The remaining six team members are using bacteria to produce

sorbitol, a sugar compound that could potentially be used to make biofuels. The team is working to manipulate *E. coli* to produce the compound with more energy efficiency.

An announcement out of the Burns Lake and District Chamber of Commerce on May 12, 2009 explains how CORE BioFuels Inc (CBFI) and Lakes Timber Health and Salvage will work together to turn wood waste into fuel. Construction on a biofuel plant will soon begin that will produce environmentally clean gasoline from the wood waste currently being under utilized in the area.

"The gasoline would be able to come straight out of our plant and be put directly into your cars and trucks, it will be high octane, clean, non contaminated fuel," George Stanko, president of CBFI said. "Our gasoline will meet the American Society for Testing and Materials standards, and is perfectly safe for your cars, it is greener to burn in your cars because its components come from a tree."

Stanko went on to explain, "Any waste wood source such as stripped bark, low grade waste and residues, brush and trimmings, pine beetle damaged wood, pallet wood, old planking, burnt wood from forest fires, waste wood from mills, wood can be in a log form or ground up, if you can get it on a trailer and get it to us we can use it. Any species of wood that is not treated or that does not have nails in it is fine, if it is clean and it is wood it can go in. If we can gasify it we can use it."

"We will be the place of last resort for wood sources, we don't want to compete for wood sources, we want all the wood that nobody else wants, we want your worst quality stuff, and there will not be a piece of fibre that does not have a home," he continued.

"We will use 250,000 metric tonnes of beetle damaged wood annually," noted Marvin Strimbold from Lakes Timber, jokingly calling the gasoline 'beetlejuice' because of its utilization of pine beetle damaged wood.

In terms of what waste product will be left over from the production of the gasoline Stanko explained, "Ash, which will be land fillable, but we will be looking for other opportunities and uses for the ash."

The Burns Lake group says they are actively seeking fibre within an 80 mile radius of the plant, and are looking to develop a partnership with the Hampton Group, the owners of Babine Forest Products and Decker Lake Forest Products, and would also like to develop partnerships with other mills in the area to utilize the waste wood currently being burnt in the beehive burners.

