


MADISON'S LUMBER REPORTER


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News & Updates

International Tribunal Rules on Arbitration

Canada will have to pay up for breaching the softwood lumber trade pact with the United States. The LCIA, an international tribunal, has rejected Canada's offer to pay a reduced fine for shipping too much wood south of the border. Canada will have to pay the original \$68-million as ordered last February.

International Trade Minister Stockwell Day is disappointed but says Canada will comply as there's no further route for appeal.

The Harper government tabled, then revoked, a ways and means motion that would enable it to slap US\$68 million worth of export duties on wood destined for the United States, as required by the recent international trade tribunal ruling. [READ MORE](#)

Global Real Estate Markets

There are "tentative but growing" signs that housing markets are stabilizing in Canada and internationally, says the Global Real Estate Trends report from Scotia Economics which looks at the trend in 10 developed countries.

Home prices are increasing in some countries in the second quarter, including Canada, Australia and the United States, and while they're still falling in others – the UK, France and Spain, for example – the rate of decline is slowing, said Adrienne Warren, a senior economist with Scotia Economics. [READ MORE](#)

US Economic Indicators

The US Labor Department reported Friday that nonfarm payrolls, seen as one of the best indicators of economic momentum, was far worse than expectations for a loss of 175,000 jobs and could hurt chances of a sustainable recovery from recession.

The number of job cuts rose sharply after a revised loss of 201,000 in August. The jobless rate of 9.8 per cent was in line with expectations.

The goods-producing sector lost 116,000 jobs in September including 64,000 in manufacturing. Even worse, the services sector shed 147,000 jobs with 39,000 of those in retailing.

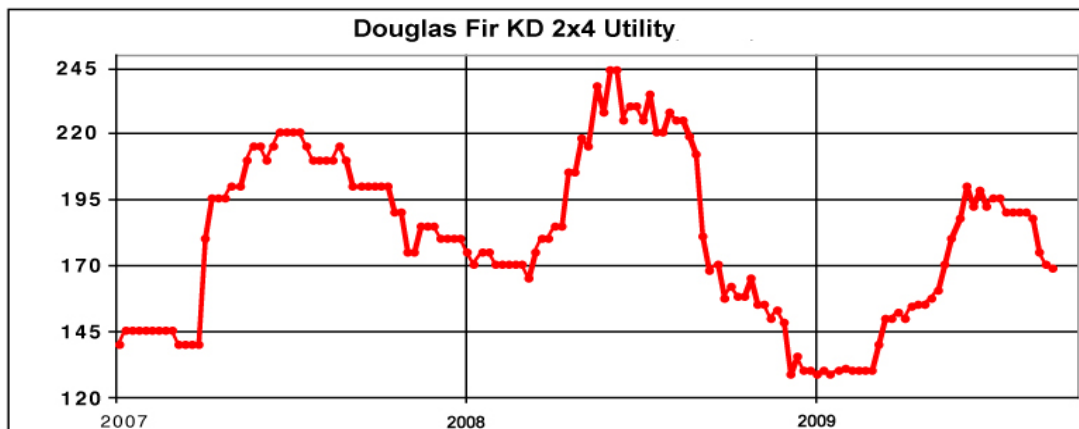
Since the start of the recession in December 2007, the figures showed the number of unemployed persons has increased by 7.6 million to 15.1 million, and the unemployment rate has doubled to 9.8 per cent, according to the Labor Department.

Canada's benchmark stock index fell nearly three per cent on Thursday after weak economic news from the US overshadowed an IMF announcement that Canada is expected to lead the G7 in economic growth in 2010. [READ MORE](#)

New Uses for Beetle Kill

The latest research on potential uses for beetle kill wood have come up with some fascinating results.

Pressure-treated landscape products and cross-laminated veneers are just two new products being made from the long dead timber. A consumer survey found the blue-stained landscape items were popular, while the cross-laminated veneers passed strength tests at over 200 per cent higher than regular LVL. [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	188	188	0	184	+4	210	-22
WSPF KD R/L 2x6	202	202	0	184	+18	210	-8
WSPF KD R/L 2x8	232	240	-8	220	+12	245	-13
WSPF KD R/L 2x10	320	322	-2	310	+10	235	+85
WSPF KD PET 2x4 Stud	200	200	0	195	+5	195	+5
Douglas Fir Green R/L 2x4	160	163	-3	145	+15	155	+5
Douglas Fir Green R/L 2x10	220	220	0	250	-30	195	+25
ESPF KD 2x4 8ft Stud	275	280	-5	280	-5	250	+25
OSB Ontario 7/16" (CDN\$)	188	188	0	200	-12	195	-7

Weekly News

More Lumber Duties

CONTINUED Parliament Hill was instantly abuzz with speculation that the motion was a "poison pill" - a ploy designed to allow Prime Minister Stephen Harper to orchestrate the defeat of his minority government while blaming the ensuing election on the three opposition parties.

However, government officials quickly doused any renewal of election fever.

They said the government will not put the motion to a vote unless it's certain it has the support of at least one opposition party - that is, enough to avoid defeat.

Under attack in the House due to the handling of the dispute, one of the few Canada has lost, Trade Minister Stockwell Day said Tuesday that Canada would abide by the tribunal's ruling.

The decision means Canada will have to impose export charges on softwood lumber destined for the US until the full amount of the fine has been collected.

Day says the taxes will go to the provinces affected, Ontario, Quebec, Manitoba and Saskatchewan.

Liberal critic Scott Brison and NDP critic Peter Julian both accused the Conservatives of incompetence in the handling of the dispute.

"Instead of heading off a dispute that was months in the making, they did nothing," Brison said.

Julian noted that Canada faces another similar challenge that could again result in more penalties.

Home Sales Globally

CONTINUED The Scotia Economics report came as fresh numbers released Thursday in the United States provided yet more evidence that the US real estate market is healing.

The volume of signed contracts to buy previously occupied homes in the US rose for the seventh straight month in August as buyers rushed to take advantage of a tax credit for first-time owners that expires at the end of November.

The National Association of Realtors said its seasonally adjusted index of sales agreements rose 6.4 per cent from July

to 103.8. It was the highest since March 2007 and 12 per cent above a year ago.

Typically there is a one- to two-month lag between a contract and a done deal, so the index is a barometer of future sales. However, new rules for home appraisals and rigid lending standards have scuttled many sales agreements recently.

A separate US government report Thursday showed construction spending rose in August as housing leaped at the fastest pace since 1993.

US Unemployment

CONTINUED On Thursday, the International Monetary Fund forecast that Canada's economy would grow 2.1 per cent next year, up from its previous forecast of 1.6 per cent. It also revised its global forecast upward, to 3.1 per cent from 2.5 per cent in July.

That wasn't enough to overcome news from the Institute for Supply Management that indicated manufacturing in the United States fell unexpectedly in September, and a US government report that indicated there were more initial jobless claims than expected last week.

The latest official data showed the US economy contracted at a 0.7 per cent pace in the second quarter, nearly emerging from the recession that slashed output by 6.4 per cent in the first quarter.

Most economists expect growth to return in the third quarter but say the recovery could fade without job growth.

The Toronto Stock Exchange was down for a third straight day Friday, and headed for its second weekly drop.

At midday the Dow Jones industrial average was off by about five points, or 0.1 per cent. The Nasdaq composite index was down around five points, or 0.2 per cent. Overseas markets were seeing heavier losses Friday than in North America.

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Pine Beetle Research

New Products

The British Columbia Ministry of Forests and Range has recently announced that the rate of mountain pine beetle infestation in the BC Interior is slowing down, but only because the beetle is running out of trees to chew. This pronouncement prompts one to ask, "What is to be done with this massive volume of beetle-kill wood?" Current reports from BC Wood, the UBC Wood Sciences Department, and Forest Innovation Investment have developed some fascinating answers to this question.

by Kéta Kosman
"MPB New Product Development – Specialty Treated Landscape" was prepared for BC Wood in March of 2008 through a project funded by Forintek. The purpose of the research was to "find higher value uses (than pulp chips) for small, dimensional, blue-stained sapwood by developing products (such as privacy trellis, fencing, deck tiles) for the growing outdoor living market." Two phases of research, one to develop and test product concept prototypes, and the other a detailed test for consumer preferences regarding colouration, were done to "mobilize the capable manufacturers to consider approaching this market."

Using pressure treated pine as an alternative to cedar, the scope of this study was to test customer appeal to wood with blue discolouration. The researchers were surprised to find that a light stain finish, "brown/yellow colour" was the first choice of consumers, and even more surprised to find that the second choice

was "no stain" finish. The researchers observed that "consumers preferred to be able to see the natural character and grain of the wood." In buyer interviews, the researchers found that "there is a strong consumer trend for new and improved outdoor living products," and that consumers were "also very interested in the positive environmental story that this product carries."

The final recommendation of the report states, "it would be useful to visit 5-6 manufacturers to present this opportunity in detail." The message seems to be 'don't fear it, don't fight it.' This 47 page report is full of information on how to market beetle-stained wood widely, rather than sticking to niche markets or trying to hide the blue-stained wood inside walls. The full report can be found here http://www.bcfii.ca/industry_resources/mpb/pdf/08-0024%20-%20MPB%20Specialty%20Treated%20Landscape%20Development%20-%20Phase%202.pdf

UBC's Wood Science Department, funded by FII, approached the problem of beetle-kill from a different angle, preferring to focus on the "Development of Cross Lamination Technology – Thick Laminated MPB Wood Plates", published in March of 2009. The four year study, which has more tests remaining, on "box type plate configurations" before it is complete, focussed on making "a special laminated veneer lumber (LVL) product." The study hoped to overcome the difficulty of drying checks which have formed in logs harvested from standing dead trees. "The checks are not only deep, but also spiral around the log up to 40 per cent of the time. [. . .] Splits/checks in lumber can reduce the structural integrity of the wood."

An ingenious solution, which combined making panel out of 12 veneer plies

and orienting certain layers of the veneers at various angles, resulted in "a significant improvement in some mechanical properties of the cross-laminated panels (CLVL) as compared to the conventional LVL." The "strength of tension perpendicular to grain" increased by almost 207 per cent, while "bending strength" decreased by about 12 per cent over the conventional product. The researchers believe the loss of bend is acceptable in view of the massive increase in strength, and also that "these mechanical properties could further be improved by refinement of the processing technology in the near future." Indeed, the report states that, "However, slightly lower bending strength properties of this product (CLVL) may still be acceptable if the material is used as short span header beams over windows and doors, rimboard, and column applications in low-rise commercial, multi- and single- family residential buildings."

After trying different combinations, the team found that by orienting the third and tenth veneers at a 90 degree angle, perpendicular to the grain direction of the rest of the veneers, these significant improvements to mechanical properties were realized. Not only that, but recovery of the wood improved significantly as well. The report explains, "In this particular study, the veneer recovery factor was estimated to be 84 per cent, as reported by Ainsworth's veneer manufacturing plant in Lillooet, BC, where the veneers were made. It is estimated that about 80 per cent of these veneers can be actually converted into the CLVL panels. Thereby, the recovery factor, from logs to CLVL panels, is about 67 per cent, which may be relatively higher than the lumber recovery factor."

Such a simple solution to a massive problem, with the potential of a wide product range being made from the process is great news. The entire report can be found here [http://www.bcfii.ca/industry_resources/mpb/pdf/09-0083%20\(1\)%20-%20Dev.%20of%20CLT%20for%20MPB%20Eng%20Wood%20Products%20\(CLTL\).pdf](http://www.bcfii.ca/industry_resources/mpb/pdf/09-0083%20(1)%20-%20Dev.%20of%20CLT%20for%20MPB%20Eng%20Wood%20Products%20(CLTL).pdf)

Madison's will report on the results of the next round of tests by this research team, on box type plates, when it is available.

