Madison's Lumber Reporter

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News & Updates

Canadian Home Prices

New home prices in Canada rose by a sharper-than-expected 0.5 per cent in September, the fastest rate in 20 months, Statistics Canada said on Thursday in another sign of improving markets and consumer confidence. The year-on-year decline in prices eased in September to 2.7 per cent from a 3.1 per cent decline in August.

Canada's housing market slumped during the recession, which is believed to have ended in the third quarter, but recent data suggest the sector is one of the economy's strongest in the recovery phase thanks in part to rock-bottom interest rates.

Canada-British Columbia Rebuilding Schools in China

Canadian federal and provincial officials unveiled Tuesday a plaque commemorating the opening of Xiang'e Primary School in China's Sichuan Province. Xiang'e Primary is one of three buildings funded under the $8 million Canada-British Columbia Wenchuan Earthquake Reconstruction Project. The 5,749-square-metre complex recently received fire safety approval from Chinese authorities, setting a new precedent for multi-storey, multi-use wood frame buildings.

Construction of the school was a collaborative effort between Canadian officials from Forestry Innovation Investment, the BC government's international marketing agency for forest products; the Canada Wood Group, an industry marketing association; and Chinese officials from Tongji University and Shanghai Municipal Reconstruction.

Pat Bell, British Columbia's Forests and Range Minister and Lisa Raitt, Canada's Minister of Natural Resources attended the ceremony.

Bell spent this week touring China with a group of 40 lumber industry executives and agency members. Shanghai alone is expected to build 20 million square metres of affordable housing space by 2012. On Thursday the BC trade mission moved on to a major home construction trade show in Japan. READ MORE

Japan Housing Starts

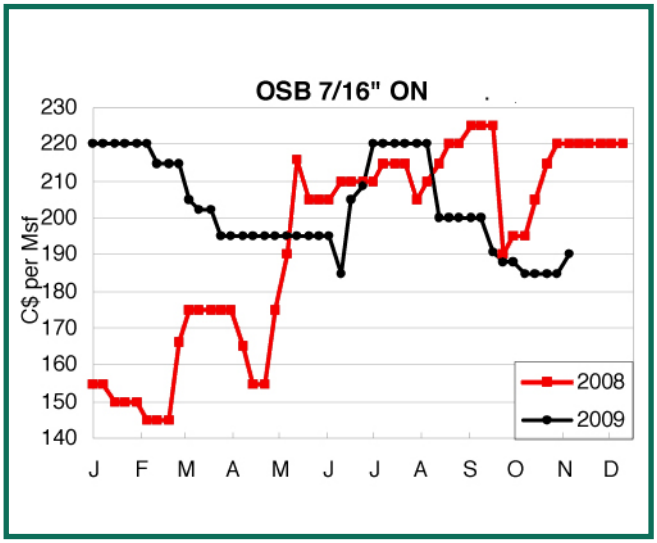
September 2009 actual housing starts in Japan were down 37 per cent over the same month in 2008, at 61,181 units. The lowest September housing starts on record, the decline is the tenth straight month in a row.

Seasonally adjusted annual starts for September were up 3.4 per cent over August, at 699,000 units. Total starts for the first nine months of 2009 were also the lowest since record keeping began in Japan. READ MORE

New Technology in Preservation of Softwoods

Two companies out of Scandinavia have developed simple, alcohol-based wood preservation techniques that render softwoods stronger and more durable than the endangered tropical hardwood species used for exteriors.

Norway's Kebony ASA uses surgarcane residue to make a resin of furfuryl alcohol, while Netherland's Titan Wood converts hydroxyl groups into acetyl groups to make a wood sealant. Both products create a durable product and neither product leaches toxins into the environment. READ MORE



JAPANESE HOUSING STARTS

Month	TOTAL	Non-Wood	Wood	%Wood
Sep-09	61,181	24,771	36,410	60
Aug-09	59,749	24,992	34,757	58
Jul-09	65,974	28,243	37,731	57
Jun-09	68,268	28,195	40,073	59
May-09	62,805	29,523	33,282	53
Apr-09	66,198	32,826	33,372	50
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

Source: Japan Wood-Products Information and Research Center

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	**200**	194	+6	196	+4	186	+14
WSPF KD R/L 2x6	**200**	194	+6	202	-2	175	+25
WSPF KD R/L 2x8	**220**	219	+1	228	-8	200	+20
WSPF KD R/L 2x10	**305**	310	-5	325	-20	202	+103
WSPF KD PET 2x4 Stud	**200**	195	+5	200	0	177	+23
Douglas Fir Green R/L 2x4	**175**	170	+5	165	+10	155	+23
Douglas Fir Green R/L 2x10	**255**	245	+10	238	+17	240	+15
ESPF KD 2x4 8ft Stud	**280**	285	-5	270	+10	250	+30
OSB Ontario 7/16" (CDN$)	**190**	185	+5	185	+5	220	-30

Madison's Lumber RETROspective

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Weekly News

BC Lumber Trade Mission to Chinia

CONTINUED The Chinese prefer milled lumber as it is kiln dried and weighs less so ships can carry more of the finished product than they could if it were raw logs.

During a conference call Thursday afternoon, Bell said a memorandum of understanding has been signed with what he described as a private Chinese company to look at Eurocan's financial books as well as the books of the closed pulp mill in Mackenzie.

Bell said the first memo of understating was signed Monday to examine the possibly of a sale of the Worthington Pulp Mill. He added that the government also at the same time signed a MOU with a Chinese company to look into the possible takeover of Eurocan Pulp and Paper in Kitimat.

In 2008 BC shipped about 83 million board feet of lumber to China, to date for 2009 that number has exceeded the Minister's expectations, at almost 1.6 billion board feet.

Bell explained during the conference call that the number of building projects in China using wood are growing faster than his Ministry can count, and that expectations for 2010 of 4 billion are beginning to look conservative. In an unexpected twist, Chinese importers are turning their attention to higher-grade Canadian wood, still available at very low prices. When noticing the difference in quality, several importers declared they will no longer focus solely on economy and utility grades.

Japanese Lumber Demand

CONTINUED In particular, condominium starts decreased for nine consecutive months, and September condominium starts were 72 per cent lower than one year ago. Wood framed units declined by 19 per cent, but rose to an almost 60 per cent share of all home building.

Evidence of increased Japanese demand for Canadian hemlock is shown in MacMillan Bloedel Japan's high strength-rated laminated hemlock beam, according to the Japan Lumber Report.

In other news, demand for North American lumber products, particularly out of BC, are up in Japan due to the weak US dollar in comparison to the Euro. However, supply is tight due to curtailments of North American mills, according to the Japan Lumber Report. In particular Douglas Fir lamina is in high demand, while inquiries for SPF 2x4's have not increased noticibly, says the Report.

Canadian Trade Figures

Canada's merchandise exports rose 3.5 per cent in September, while there was little change in imports. As a result, Canada's trade deficit with the world narrowed to $927 million from $2.0 billion in August.

Exports rose by $1.0 billion to $30.3 billion in September, as volumes increased 4.5 per cent. Exports which have been on a downward trend since July 2008, reached a low point in May 2009. Since then, exports have increased in three of the past four months.

Automotive products, industrial goods and materials, and machinery and equipment were the main sources of growth for exports. Energy products mitigated the gains.

Exports to the United States increased 0.5 per cent while imports grew 1.7 per cent. As a result, Canada's trade surplus with the United States shrank to $2.1 billion in September from $2.3 billion in August.

Furfurylation

Durable Softwood for Exterior Uses

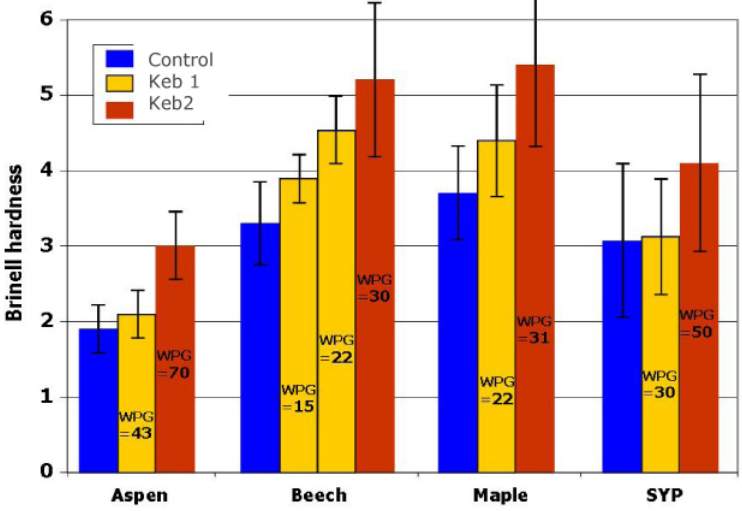
by Kéta Kosman

What sounds like a children's toy or a new cartoon character is actually a wood preservation process developed by Kebony ASA, out of Norway. Furfurylation is the process where furfuryl alcohol is impregnated into the wood cell wall structure, and subsequently polymerised to furan polymers that are "grafted" to the cell walls. These polymers are very stable, and will not degrade or leach out of the wood. Furfuryl alcohol is a simple liquid produced from furfural, which is derived from hemicellulose, a plant constituent. In Kebony's case, the furfuryl alcohol is produced from bagasse, a waste product from cane sugar.

Kebony stops wood from rotting by placing it in a vat containing the furfuryl alcohol made from the waste left over when sugarcane is processed. The vat is then pressurised, forcing the liquid into the wood. Next the wood is dried and heated to 110°C. The heat transforms the liquid into a resin, which makes the cell walls of the wood thicker and stronger. The result is a wood with excellent outdoor exposure tolerance like teak or mahogany, but with a harder surface than many of the tropical woods that it replaces. The wood also naturally fades to a silvery-grey color much like those tropical woods. Maple is used in place of teak, and southern yellow pine is used in place of ipe (*The ipe is native to rainforests, especially in Brazil - ed*).

The result is a wood that retains its shape in the presence of water, and is no longer recognised as wood by grubs that would otherwise attack it. It is thus extremely durable. An extensive third party study found that, in terms of fire or other emissions, that furfuryl-treated pine produced less than 50 per cent of the smoke as untreated pine, depending on the type of flame and ventilation. The study also found that chemicals leached from treated pine were at less than 5 per cent over 30 days, well within environmental regulations. The full results of this study can be found here; http://www.forestprod.org/woodprotection06lande.pdf .

The products are completely recyclable, environmentally friendly and create woods that are actually harder than most tropical hardwoods. The strengthened softwoods can be used in everything from window frames to spas to garden furniture. Treated maple is also being adopted for decking on yachts. The cost is similar to that of teak, but the maple is more durable and easier to keep clean. Obviously treating wood makes it more expensive. But because it does not need to receive further treatments—a shed made from treated wood would not need regular applications of creosote, for example—it should prove economical over its lifetime. Kebony reckons that its pine cladding, for example, would cost a third less than conventionally treated pine cladding over the course of 40 years.



Brinell hardness (SP Tratek)
Dimensional Stability, Hardness, Bending Strength
SOURCE: Kebony

The finished product, a sleek, dark wood, has all the characteristics of endangered mahogany from Peru's Amazon rainforest. Yet it was manufactured in a five-day process that instills all the qualities of rare, tropical hardwood into sustainable softwood. Rigorous testing took place before the first trial production in 2004. Strong demand for the product convinced Kebony to build a new plant with ten times the production capacity, which opened in January 2009.

Kebony's approach is similar to that of a firm based in the Netherlands called Titan Wood. Conventional timber swells when it is damp and shrinks when it is dry because it contains groups of atoms called hydroxyl groups, which absorb and release water. Titan Wood has developed a technique for converting hydroxyl groups into acetyl groups (a different combination of atoms) by first drying the wood in a kiln and then treating it with a chemical called acetic anhydride. This reduces the ability of the wood's cell walls to absorb water by approximately 80 per cent, greatly improving the wood's dimensional stability and resulting in reduced maintenance frequencies for coatings.

As with Kebony's product, the toxicity of traditional treatment products has few environmental implications, both during the serviceable life of the wood and for its safe disposal. Titan Wood's product is non-toxic and 100 per cent recyclable. Traditional preservative processes tend to discolour and weaken the wood, rendering it unsuitable for many uses. Titan Wood's production process does not weaken the original wood species – in fact, its hardness is slightly improved - nor does it compromise its bending strength.

This process is ideal for exterior applications such as doors, window frames, garden decking, façades, cladding and sidings, boat decks and garden furniture where exposure to the elements means that dimensional stability, durability and UV resistance are important. According to a Titan Wood company statement, acetylated wood in Holland was used as a canal siding and removed after 10 years' exposure to water without showing any signs of degradation.

Both acetylated wood and furfurylation use organic compounds to treat the prepared wood rather simply and cheaply so that the curing process results in a product that competes directly with the best tropical hardwoods. Being organic, they degrade naturally without problems.

There is a great deal of interest in Europe and the United States for these new preservation processes. Softwoods are the fastest growing coniferous species on the planet, and account for 80 per cent of the world's timber. Such a simple solution to problems of deforestation and illegal logging of exotic species, as well as an exciting new use for softwoods, is a double-bonus for North American forestry companies.