

# MADISON'S LUMBER REPORTER

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## News & Updates

### Madison's Timber Preview

More economic indicators are starting to point toward a recovery of the North American lumber industry. Recent changes to the Shanghai Local Code, a surge of interest and investment in commodities, climbing copper list prices – a leading indicator to new US home building, and shares of several of Canada's largest lumber exporters have been rising sharply in the past two months. All are examined in the latest issue.

Contact us any time for a subscription.

### Canfor's Possible Reopening of Chetwynd Mill

Canfor Corp. is examining a plan that could result in its Chetwynd sawmill in north-eastern BC re-opening on one shift next May. No decision has been made, but one is expected in mid-December, Canfor spokesperson Dave Lefebvre told the Prince George Citizen. If the mill does start, it would put about 65 workers back on the job, less than the 188 workers the mill employed before the shut down.

The sawmill was closed in 2008, shuttered now for 20 months, a victim of a forestry downturn led by a collapse in US housing. [READ MORE](#)

### Restructuring, Upgrades, Buyouts

Toronto's Fraser Papers Inc., which is operating under court protection from creditors, filed a restructuring plan Thursday that would see the company focus its business on its specialty papers business and sell off its other assets.

Bankrupt corrugated packaging maker Smurfit-Stone Container Corp, out of Chicago, filed a Chapter 11 plan and disclosure statement in a Delaware bankruptcy court early on Tuesday, court papers showed. The plan calls for the company to form a new Canadian subsidiary which will acquire all of the assets and certain liabilities of Smurfit's current Canadian units. This will allow the company to merge all the Canadian operations into one new entity, which will then become a subsidiary of Smurfit.

Unionized workers at West Fraser's Eurocan, BC, pulp and kraft paper mill are supporting the idea of buying the operation the company wants to close down the end of next month. First results from voting earlier this week indicate 91 per cent of the members of the Communications, Energy and Paperworkers Union of Canada Local 298 support of the idea, according to a union spokesperson. At press time, results were not yet available for the decision of Local 1127. [READ MORE](#)

### Structural Panel Made From Wheat

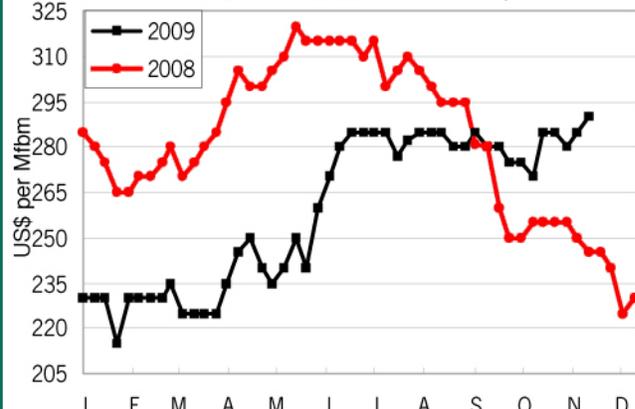
New technology developed a decade ago by the Alberta Research Council out of Edmonton was shelved due to lack of demand. Now, with China rebuilding large numbers of homes devastated by the 2008 earthquake, ARC and the Netherland's Panel Board Holdings have created a partnership to make OSB out of wheat straw.

Oriented Split Straw Board, or OSSB, has great potential for use in wood homes in China. Panel Board Holdings opened its first plant in China in October and plans two more. There are few trees in China but a lot of agriculture residue currently going to waste. [READ MORE](#)

WSPF KD 2x4 PET Studs



ESPF KD 2x4 8' Studs



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	232	224	+8	194	+38	170	+62
WSPF KD R/L 2x6	226	224	+2	194	+32	164	+62
WSPF KD R/L 2x8	238	234	+4	219	+19	180	+58
WSPF KD R/L 2x10	315	310	+5	310	+5	180	+135
WSPF KD PET 2x4 Stud	235	225	+10	195	+40	145	+90
Douglas Fir Green R/L 2x4	197	190	+7	170	+27	145	+52
Douglas Fir Green R/L 2x10	265	260	+5	245	+20	250	+15
ESPF KD 2x4 8ft Stud	290	285	+5	285	+5	240	+50
OSB Ontario 7/16" (CDN\$)	200	195	+5	185	+15	220	-20

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## Weekly News

### Canfor, Chetwynd

CONTINUED Workers at the Chetwynd mill recently voted on a different compensation model that includes profit sharing, said Lefebvre, who would not reveal any more details.

Workers at the sawmill are represented by the United Steelworkers, who are in the midst of negotiations in the Interior for a new contract. Lefebvre stressed that the deal with the workers at Chetwynd was not part of union negotiations, according to the Prince George Citizen.

### Restructuring, Changes

CONTINUED Fraser Papers produces specialty packaging and printing papers with operations in New Brunswick, Maine, New Hampshire and Quebec.

"The new paper company will be significantly smaller but will be viable and more competitive in fewer market segments," chief executive Peter Gordon said in a statement.

The plan calls for a two-stage process including the sale of the company's specialty paper assets in Madawaska, ME, and Edmundston, NB, as well as the two New Brunswick lumber mills located in Plaster Rock and Juniper, to a new company.

The second stage will involve the sale of the company's remaining assets including the Gorham paper mill in New Hampshire, two lumber mills in Maine the Thurso pulp mill in Quebec, that is currently shutdown.

Smurfit-Stone said its total assets had a net book value of about \$5.28 billion and total debt of about \$6.6 billion as of September 30, 2009. The company, which makes pizza boxes, "clamshell" packages for the food industry and pulp for shopping bags, is one of the largest US corrugated packaging makers.

Kitimat councillors were informed of the idea of a union purchase at their November 23 council meeting by Local 298 president Mary Murphy.

Kitimat mayor Joanne Monaghan said that a group was formed in-camera at the November 30 council committee of the whole meeting. The group's members, from both the union and council, will work together to decide the feasibility of a union buyout of Eurocan.

Provincial forest minister Pat Bell has also told reporters that a company with "fairly large interests in China" is looking at the mill's financial records, according to the Terrace Standard.

### Labour Disagreements

Vernon, BC-based Tolko Industries announced the indefinite closure of its High Level, AB, sawmill on Thursday, the deadline they gave United Steelworkers Local 1-207 to respond to their final contract offer. It will operate until December 18, when the current log inventory is expected to run out. The planer will run until mid-January. The plant employs 290 workers directly, and 300 woodland contractors and their employees.

270 unionized workers at Tembec's Pine Falls, MN, sawmill locked out by the company August 31 after they overwhelmingly rejected a proposal that union officials said called for wage and benefits concessions totalling about 35 per cent.

Workers said Thursday that giving up is not an option, adding it won't be at the hands of an arbitrator under the province's Labour Relations Act. Under the act, either side in a strike or lockout can apply after 60 days for binding arbitration to settle the dispute.

Observers say at this pace the dispute may never get resolved: either the union will give up or Tembec will close the plant.

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# Wheat Straw Construction Panels Oriented Split Straw Board

Further encouragement of wood framed home building in China is coming out of Edmonton's Alberta Research Council (ARC).

by Kéta Kosman

A new technology of OSB out of wheat straw, Oriented Split Straw Board (OSSB), has been developed by ARC and is being put to use in China by Panel Board Holdings, based in the Netherlands.

China has a deficit in wood resources for its population of 1.34 billion people, according to an ARC backgrounder. Demand for housing material has led that country to strip-mine some arable lands for underlying clay in order to make bricks. At the same time, massive volumes of excess agricultural straw is burned by rural Chinese farmers, which adds up to a large volume of available feedstock for OSSB.

For ARC, the ultimate challenge was to create a structural panel from straw with all the attributes of a wood based OSB. The major hurdle was in converting a straw tube into two straw strands of substantial length, which is important for two reasons. First, opening up the tube allows resins to coat all surfaces resulting in proper straw bonding, and second, maintaining adequate straw length allows the panels to be made with the typical strength to weight ratios found in OSB.

During forming the straw is aligned in a specific pattern to create maximum strength and stiffness when pressed. During pressing, the resinated mat is compressed under the influence of heat to bind the matrix into a structural board. This board from straw is used in construction of structural walls, floors, and roof sheathing. There has also been interest in China in using OSSB as a decorative finish for walls and floors due to the luminescent sheen from the wheat stalks and the random pattern revealed when etching past the surface of the board.

Panel Board Holding is using this technology at its new plant which went into production October 18, 2009 in Yangling, a city with a large agricultural and bio-tech industry base in the Shaanxi province about 1,000 km southwest of Beijing. The plant can produce up to 5,000 four-by-eight-foot panels a day, enough to build between 30 and 35 houses. China has few trees but plenty of wheat straw, and will need 200 million new houses in the next 20 years.

China, the world's fastest-growing major economy, plans to invest 900 billion

yuan (US\$132 billion) in affordable housing, the state-run Xinhua News Agency reported on November 12. Shanghai will increase the supply of land for property development and speed up construction of housing for low-income families, Mayor Han Zheng said in an interview with Bloomberg.

Indications are that a growing proportion of these new homes will be built using wood-based materials.

North American forest products companies should view this new development as complimentary to traditional wood products. Everyone involved in the industry knows by now that China, and indeed India, is not a "wood culture". People there are not used to seeing buildings made of wood, and the turn-of-the-century wood framed buildings previously built are rickety-looking, shoddy constructions. The new generation of Chinese consumer wants good products at a reasonable price, but is willing to pay more for a something at the outset if it means lower costs in the long run (see the November 20, 2009 issue of your Madison's Reporter). In that regard, Chinese home buyers will pay more for a wood framed home if it means energy and upkeep costs in the future will be less than traditional concrete or steel homes. Interestingly, they also prefer not to take out mortgages. Most homes in China are bought with an all cash payment up front.

Following the pattern set by British Columbia's Minister of Forest and Range, and Canada's Minister of Natural Resources, a Chinese school that collapsed in a 2008 earthquake will be among the buildings to be constructed using ARC-patented technology now being manufactured in

China. Panel Board Holdings is also constructing low-cost housing on contract in rural China, using the OSSB created from local straw supplies. Structures built using this material are considered about 10 times more resistant to earthquakes than brick due to its flexibility, according to a Panel Board Holdings statement.

"The circumstances in China lend themselves perfectly to this technology, turning a regional waste stream into building supplies while reducing their carbon footprint and providing much-needed housing," says Wayne Wasylciw, ARC's project lead in Edmonton.

There are numerous financial benefits for Canada from the promotion of this new product. If the OSSB technology becomes in high demand in China, then Canada will have more trade relations with China, enabling the importing/exporting of goods at a lower cost. The continual trade and exchange of goods between the two countries would result in lower costs of production for the Canadian companies, hence increased profits, therefore benefiting the Canadian economy. That means more customers and more business for Canadian companies.

As we learned from the current recession, Canada's reliance on the US as the major destination for exported goods, approximately 85 per cent of all Canadian manufactured products for the past 10 years, was the main cause of Canada's financial downturn. Had Canada spread its consumer base further afield globally, the economic downturn would not have hit this country as hard.

Expanding Canada's export customers by promoting the use of new industry and new technologies can only help us all.



OSSB Demo House in China