

MADISON'S LUMBER REPORTER



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News & Updates

Madison's Timber Preview

This week's issue of *Madison's Timber Preview* examines Fortress Paper's financial performance, and looks at the company's purchase of an idled Fraser Papers pulp mill in Thurso, QC.

Contact us any time for a subscription.

US New Home Sales

Sales of new homes in the US fell in February primarily due to snowstorms and layoffs, revealing the continued weakness in the housing sector. Demand for single-family homes decreased 2.2 per cent from the previous month to a seasonally adjusted annual rate of 308,000, setting a new record low, the US Commerce Department said Wednesday. Records began in 1963.

Year over year, sales were lower by 13 per cent from February 2009 - despite a big government tax credit. Buyers are passing up on new homes in favour of cheaper used homes. Some economists are projecting an extended \$8,000 incentive for first-time buyers could lead to increased activity in the spring. [READ MORE](#)

Grant Forest Products to Sell Mills

Georgia-Pacific moved one step closer to completing its acquisition of Grant Forest Products' oriented strand board facility at Englehart, ON, the associated facility at Earlton, ON, and OSB facilities at Allendale and Clarendon, SC.

Grant Forest Products is offering the Timmins oriented strandboard mill for sale and has advertised for tenders. So far, Grant has arranged for the sale of its Englehart, ON, plant, but not the Timmins, ON, operation, located on Highway 101 West. It's this plant where unionized workers have been locked out since September 2006. [READ MORE](#)

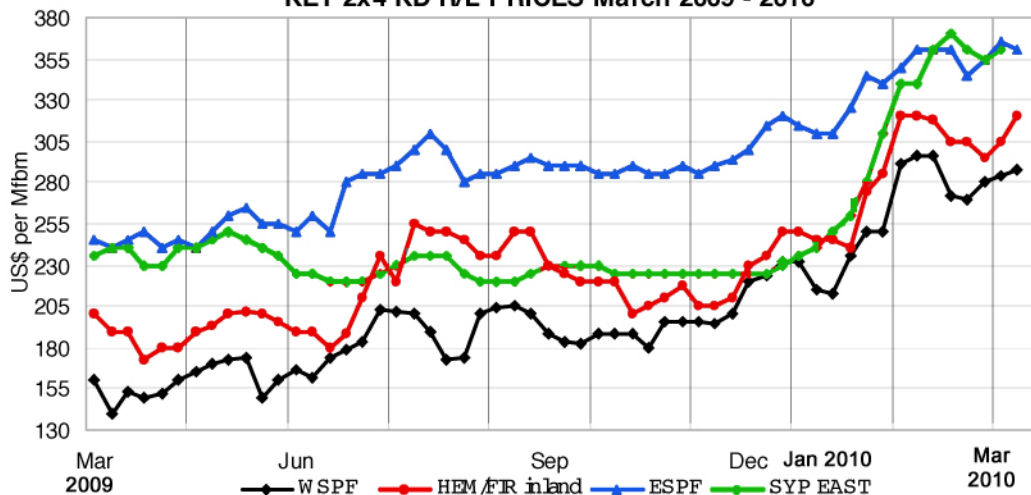
Conifex to Buy Abitibi-Bowater's Mackenzie Assets

Conifex Inc, currently running a formerly long-shuttered sawmill in Fort St. James, BC, this week confirmed it's purchase of the Abitibi saw mills in Mackenzie. The Quebec Court has approved the sale but there are still some conditions to the deal. It's expected the deal will close by the end of June. [READ MORE](#)

Globe 2010: Green Energy and Sustainability

This week British Columbia's Ministry of Forests introduced new legislation, called The Zero Net Deforestation Act, to help BC reduce greenhouse gas emissions by 33 per cent by 2020, and fight climate change. Replanted forests will absorb and store carbon. The government hopes the newly created forest land will be equal or greater to what has been lost by 2015, said BC's Minister of Forests and Range, and Integrated Land Management, Pat Bell in a CBC interview. Timber harvesting is not considered deforestation by the government because the government says that is already managed sustainably. [READ MORE](#)

KEY 2x4 KD R/L PRICES March 2009 - 2010



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	288	284	+4	272	+16	160	+128
WSPF KD R/L 2x6	278	273	+5	280	-2	158	+120
WSPF KD R/L 2x8	270	270	0	262	+8	155	+115
WSPF KD R/L 2x10	340	340	0	345	-5	177	+163
WSPF KD PET 2x4 Stud	290	297	-7	275	+15	175	+115
Douglas Fir Green R/L 2x4	245	235	+10	240	+5	175	+70
Douglas Fir Green R/L 2x10	230	238	-8	240	-10	185	+45
ESPF KD 2x4 8ft Stud	360	360	0	355	+5	225	+135
OSB Ontario 7/16" (CDN\$)	266	244	+22	244	+22	202	+64

Celebrating our 60th year, a Diamond Anniversary
Madison's Lumber RETROspective
 see additional pages in your weekly Madison's Reporter!

Weekly News

US Home Sales, Employment

CONTINUED

Wednesday's new-home sales data showed inventories picking up slightly again. There were an estimated 236,000 homes for sale at the end of February, a 1.3 per cent increase from 233,000 in January. The months' supply at the current sales rate increased to 9.2 from a revised 8.9 in January.

The median price for a new home increased, year over year, in February 5.2%, to \$220,500 from \$209,700 in February 2009.

If prices go up, so might supply - the so-called "shadow" inventory of property kept off the market by homeowners waiting for better conditions.

Regionally, new-home sales in the West saw the only gain in February, 20.8 per cent.

Meanwhile, new claims for unemployment benefits fell more than expected last week as layoffs ease and hiring slowly recovers.

The US Labor Department said Thursday that first-time claims for jobless benefits dropped by 14,000 to a seasonally adjusted 442,000.

But most of the drop resulted from a change in the calculations the department makes to seasonally adjust the data, a Labor Department analyst said. Excluding the effect of those adjustments, claims would have fallen by only 4,000.

Fewer Canadians also received jobless benefits in the start of the year, and the number of new claims continued to decline.

The number of people in Canada receiving employment insurance fell 6.4 per cent to 698,800 in January from a month earlier, Statistics Canada said Wednesday, the fourth straight monthly decline. The report does not include the number of people who exhausted their EI benefits.

Grant Mill Sale

CONTINUED Georgia-Pacific, bidding to buy the Englehart operation, has indicated it has no interest in the Timmins plant.

The deadline for submission of offers for the Timmins plant is next Wednesday, March 31, which the company says it may decide to extend.

Timmins-James Bay MP Charlie Angus demanded the federal government ensure Canadians' interests are put at the forefront when approving any foreign takeover of Canadian companies.

"Right now we are looking at the third largest OSB manufacturer in North American disappearing in a fire sale, bank sale. Grant Forest Products runs four of the five largest and most efficient OSB mills in North American and it is about to be taken over by Georgia-Pacific. There will be hundreds of layoffs of white-collar staff in training, development and marketing," Angus said in the House of Commons.

Abitibi's Mackenzie Sale

CONTINUED Under the deal, Conifex will get the sawmill and planer, the newsprint plant, and the timber rights with an annual allowable cut of approximately 932,500 cubic metres. The two

sawmills will be combined and modernized into one operation.

The company says it intends to sell the newsprint mill assets but will retain the power generation assets which can produce 13.8 megawatts of electricity.

Conifex and its affiliates, on a combined basis, will own sawmills having an annual lumber production capacity in excess of 600 million board feet on a two-shift basis, all supported by renewable forestry licences with an allowable annual cut of approximately 1.6 million cubic metres.

Ken Shields, CEO of Conifex, stated: "This acquisition is consistent with our objectives to invest in promising softwood fibre supply regions and to upgrade and operate low-cost lumber converting facilities."

Calendar

April 2010

Association of BC Forest Professionals: ExpoFor 2010
 April 8 to 9 - Kelowna, BC
<http://www.expofor.ca/>

Dubai International Wood & Wood Products Show
 April 13 to 15 - Dubai, UAE
<http://www.dubaiwoodshow.com/>

Technibois
 April 28 to 29 - Québec City, QC
<http://www.technibois.com/>

Green Energy

Sustainability

This emphasis on sustainability, reducing or offsetting greenhouse gas emissions, and green energy, is part of a

by Kéta Kosman

global movement away from former practices wasteful of natural resources toward making better use of the resources around us. To this end, Globe 2010, a biennial conference on business and the environment, held this week in Vancouver, BC, highlights developments and new technologies in green business. Globe 2010 is produced by the GLOBE Foundation, an international consultancy organization in the business of the environment, and North America's longest operating producer of environmental events. More than 10,000 participants from at least 84 countries joined an elite roster of business and government leaders addressing the Future of Sustainability at the GLOBE Opening Plenary on Wednesday morning.

Madison's attended the trade show Wednesday afternoon, gathering information from a wide range of businesses and agencies about new uses for forest residue. Most of the foreign delegates were unaware of the scope of the mountain pine beetle infestation in BC, nor had they been apprised of the availability of this fibre as feedstock in the manufacture of green energy. After a brief technical explanation from *Madison's*, specifically in terms of moisture content of long-dead wood, the current viability of beetle kill to make pellets and indeed biofuel, and access to that fibre, each of the delegates remarked, "So why isn't it being done?"

Madison's had no good answer to that question, except to say that there seems to be some political constraint on tenure, and that the BC government's policy to require applicants to hook their business model into the power grid through BC Hydro seems to be deterring investment.

According to the GLOBE Foundation's February 2010 Report, *Building a Strong Low-Carbon Future*, "While BC's forestry industries annually produce well over 2 million tonnes of by-product wood waste and forest residues that can be transformed into energy uses, there is also the potential for using some of the dead standing timber from mountain pine beetle-ravaged forests. With approximately half of the lodgepole pine in the province's timber harvesting land base affected by the beetle—roughly 15 million hectares, equivalent to three times the area of Denmark—this dead wood can be used for various heat and power generating purposes, as well as for a burgeoning wood pellet industry."

"In 2010, BC is expected to produce 3 million tonnes of wood pellets. While local wood pellet companies are in advanced stages of commercialization, over 90 per cent of BC wood pellets are currently exported, primarily to Europe and Asia for district heating and energy purposes. In addition to wood pellets, BC's biodiesel production could reach 125 million litres per year if all potential sources of feedstock were used."

Apart from private businesses promoting their technology or extraction methods at Globe 2010, there were agencies working to facilitate the use of green energy, as well as various research organizations helping to foster more developments in uses for 'waste'.

The BC Bioenergy network, established in April 2008 with a \$25 million grant from the BC government, is an industry-led initiative that acts as a catalyst for deploying near-term bioenergy technologies and organizing mission-driven research for the development and demonstration of new bioenergy technologies that are environmentally sustainable for the province of BC. The province is steward to one of the largest forested areas in the world and a leader in biomass to value-added wood products. The BC Bioenergy Network will provide the leadership in developing and marketing wood-to-bioenergy and other bioenergy technologies. Its latest announcement, on March 24, details \$1.5 million in conditional financing to the BC-based International Composting Corporation for a \$7.7 million project to convert municipal source separated organic waste into vehicle and aviation biofuels. This is the first demonstration of these technologies in the world and will help to develop and support the renewable bioenergy and biofuels industry within the BC.

Forest resources are an integral part of the Bioenergy network's green energy value stream, with solid wood residue, pulp and paper residue, timber harvest and pelletizing, and agricultural waste, making up fully half of the available feedstock for bioenergy in BC.

The independent power production industry in BC was originally launched in 1989 when the BC government instructed BC Hydro to issue calls for proposals for private power, and the Independent Power Producers Association of BC was incorporated at the end of December 1991. The mandate of the IPPBC is to develop a viable independent power industry in this province that serves the public interest by providing cost-effective electricity through the efficient and environmentally responsible development of BC's generation and transmission resources and facilities. According to the IPPBC's fact sheet on biomass, "Biomass generation is the creation of bioenergy from wood or wood

residues, agricultural food and feed crop residues, aquatic plants, animal wastes, and tree farms. The technologies utilized to create bioenergy include combustion, gasification, pyrolysis, digestion, and gas collection. [...] Bioenergy production in British Columbia is limited to wood and wood residues, as well as landfill gas collection. While over 600 MW of capacity is currently in operation in the province at large pulp and paper facilities (largely co-generation), only 65 MW is in operation from Independent Power Producers (0.5 per cent of the province's total generation portfolio). Future woody biomass sources in the province include existing mill wood residues, roadside debris and standing bug kill. Generation potential for existing mill residue is in excess of 200 MW. The total generation potential for all wood sources is in the order of 2,300 MW."

Not only a major research facility into new uses for beetle-kill, including green energy, the University of Northern British Columbia is putting these resources, agencies and technologies to good use. Installation of a 1.4 million BTU pellet burning system in the University's I.K. Barber Enhanced Forestry Lab is underway. This project is fully funded at \$517,000. UNBC has also signed a letter of intent with Nexterra Energy to install a biomass gasification system that will provide heat to the core campus buildings and offset an estimated 85 per cent of current natural gas consumption (refer to the November 28, 2008 issue of your *Madison's Reporter* for more information on Nexterra's process for extracting energy from forest residue). This 15-million BTU fixed-bed gasification project has attracted \$5-million from Public Sector Energy Conservation Agreement funding and \$3.5-million from the Government of BC's Innovative Clean Energy fund – just over half of the \$15-million estimated total project cost (refer to the May 22, 2009 issue of your *Madison's Reporter* for more information on BC's ICE fund).

The green economy in British Columbia could be worth more than \$27 billion by 2020, according to an independent study by the GLOBE Foundation of Canada. The study determined that BC's six green sectors in 2008 contributed \$18.3 billion in revenues to the BC economy, accounting for nearly 166,000 direct and indirect full-time equivalent jobs (equal to 7.2 per cent of total provincial employment) and \$15.3 billion to provincial GDP (equal to 10.2 per cent of total provincial GDP).

Clearly a growth industry, green energy is a natural fit for BC's forest companies, as those with access to fibre and expertise in getting timber and slash roadside. What has been considered, until very recently, a liability—or at best something to simply be left behind after harvest—is already proven to be a valuable source of revenue for anyone willing to make the business connections and effort to embark on salvage.