

# MADISON'S LUMBER REPORTER

**Publisher**  
KetaDesign Productions  
**Editor**  
Kéta Kosman  
**Market Analyst**  
Zara Heartwood

Annual Subscription Prices  
E-mail/Fax: C\$364  
Discounts available for multiple  
subscriptions  
Published 50 times a year

www.madisonsreport.com  
madrep@shawcable.com  
604 984-6838  
PO Box 2486 Vancouver, BC  
V6B 3W7 Canada

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

All material contained within is the property  
of KetaDesign Productions Inc. Reproduction  
or retransmission is expressly forbidden.



## News & Updates

### Madison's Timber Preview

This week's issue of *Madison's Timber Preview* examines AbitibiBowater's exit from bankruptcy protection, slated for October 2010, and court actions between the company and the province of Newfoundland-Labrador, and in US bankruptcy court.

Contact us any time for a subscription.

### Wildfire Activity Moves Into US

On Friday, the Bitterroot National Forest fire west of Hamilton, MI, had grown to approximately 300 acres.

50 lightning-caused blazes that erupted Thursday afternoon in southern Idaho and the Boise, ID, area came after an estimated 250 to 300 residents were evacuated from the Tamarack Resort area Thursday. The Hurd Fire there more than doubled in size from 550 acres late Thursday to nearly 1,300 acres, or two square miles, early Friday, said US Forest Service spokeswoman Laura Pramuk.

Tuesday night 650 firefighters had joined the battle to fight fires burning near Lebec in Kern County, CA. The fire had consumed 1,300 acres officials reported, but no homes or lives had been lost. By Wednesday night, revised GPS readings reduced the acres burned to 1,000. There were 33 hand crews, 87 engines, 10 bulldozers, 9 water tenders and 8 helicopters on the job with 1,029 firefighters. The fire was 60 per cent contained as of Friday morning.

[READ MORE](#)

### Forest Industry Recovery Forecast

Three consecutive years of major losses for wood producers will come to an end in 2010, and profitability is forecast to reach \$1 billion as early as 2012, according to the *Canadian Industrial Profile-Summer 2010*, published by The Conference Board of Canada in collaboration with Business Development Bank of Canada. The gradual recovery in the US housing market and increased exports to China will both contribute to growth in the industry.

[READ MORE](#)

### Pine Beetle Technology

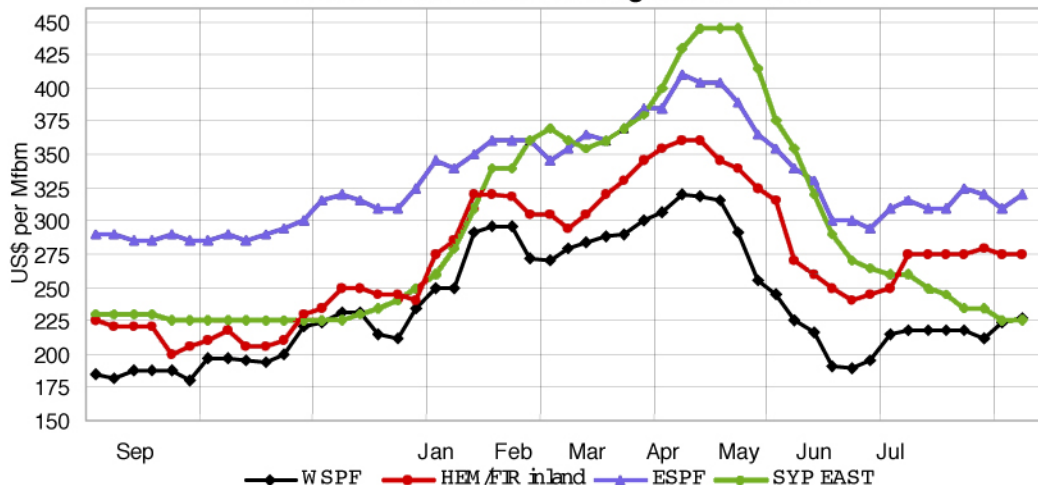
Changes to pine wood wrought by the beetle and its associated bluestain fungi have challenged pulp mills, but industry researchers funded by Canada's federal Mountain Pine Beetle Program and Forestry Innovation Investment have found solutions that may even save mills money, says the April 2010 issue of *Information Forestry*, published by the Canadian Forest Service. When pulp mills first processed beetle killed pine, kraft mills faced a slippery problem. Treating the wood produces soap—a mix of fatty acids and resins usually skimmed, converted to tall oil, and burned in lime kilns to reduce fossil fuel use in chemical recovery.

"When the beetle first struck, mills were swamped with soap because the pine trees reacted by trying to pitch out the invading beetle," explained Vic Uloth, chemical recovery specialist at FPIInnovations in Prince George.

This soap was sinking to the bottom of the black liquor tank, so the concentrator began gumming up, and the recovery boilers produced too much steam.

[READ MORE](#)

KEY 2x4 KD R/L PRICES August 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	227	223	+4	218	+9	188	+39
WSPF KD R/L 2x6	239	232	+7	220	+19	184	+55
WSPF KD R/L 2x8	277	273	+4	275	+2	215	+62
WSPF KD R/L 2x10	316	314	+2	310	+6	305	+11
WSPF KD PET 2x4 Stud	215	215	0	220	-5	200	+15
Douglas Fir Green R/L 2x4	210	200	+10	175	+35	148	+62
Douglas Fir Green R/L 2x10	278	282	-4	290	-12	250	+28
ESPF KD 2x4 8ft Stud	280	270	+10	290	-10	280	0
OSB Ontario 7/16" (CDN\$)	222	225	-3	230	-8	200	+22

## Weekly News

### Wildfires Burning

CONTINUED The Downing Mountain fire near Helena, MT, was reported at 8 pm Thursday and grew to 300 acres by Friday morning. Ravalli County authorities began knocking on doors at 3 a.m. Friday, warning residents about three miles west of Hamilton that a fire in the Bitterroot National Forest was threatening their homes. Meanwhile, Helena National Forest officials hope cooler weather and higher humidity Friday will help slow the 2,800-acre Davis Gulch fire burning on Stemple Pass northwest of Helena.

A strong wind in the gorge fueled a fire on the Washington State side of the Columbia River Gorge and it quickly grew to more than 1,200 acres by early Friday morning.

While the fire ban has been lifted in some areas of northwest British Columbia and cooler temperatures and some rain are forecast for this weekend, the end to forest fire season in the province is still some weeks away. Fires have already charred more than 300,000 hectares of BC forests in 2010, an area larger than Metro Vancouver.

Losses from Russian wildfires may top US\$300 billion, Biodiversity Conservation Centre Director Alexei Zimenko said at a Thursday press conference.

Prime Minister Vladimir Putin last week sacked Russia's top forest official over criticism that he did little to combat deadly forest fires that were unleashed by a record heat wave and blanketed Moscow in smoke.

### Forestry Recovery

CONTINUED Paper producers lost \$3 billion in the past two years, but more modest losses of \$139 million are expected in 2010. After reaching a

nadir last summer, sales and production are trending upward, and profits of \$366 million are forecast in 2011. Within the industry, the recovery will be uneven – some segments of the industry are expanding, while others continue to shrink in size.

### Another Labour Contract

Fast on the heels of the 4-year agreement between the USW and CONIFER, the Steelworkers Wood Council membership ratified a deal this week with Western Forest Products.

The collective agreement covers wages, benefits, union security and severance pay for permanent partial closures in both logging and manufacturing. The union said it had not expected to make major wage gains in the present climate, but believed it had achieved the objectives of opposing concessions and securing important improvements to the work-

ing of contracts, according to the *Comox Valley Echo*.

### AbitibiBowater- Newfoundland Spat

AbitibiBowater's moves to take Newfoundland-Labrador to a NAFTA court over the provinces' 2009 expropriation of the company's hydro and timberland assets could impact Canadian government involvement in British Columbia's upcoming legal tangle with the US Coalition for Fair Lumber Imports over the 2006 Softwood Lumber Agreement.

"I have indicated that in future, should provincial actions cause significant legal actions for the government of Canada, that the government of Canada will create a mechanism so that it can reclaim moneys lost," repeated Prime Minister Stephen Harper Thursday on several occasions.



THE FORESTLAND INVESTMENT  
CONFERENCE YOU DON'T  
WANT TO MISS.

# Pine Beetle Wood Utilization Breakthroughs and Developments

CONTINUED Uloth found that adding canola plant waste to the mix increased the fatty acids sufficiently to make the soap float. Uloth and colleagues

by Kéta Kosman

recently tried adding canola waste to the kraft process in

trial runs at West Fraser's Cariboo Pulp & Paper Mill in Quesnel. Results were promising, and they hope to integrate the process into industry, which could save each affected mill up to \$2 million a year.

Sawmill operators also increasingly face the challenge of processing beetle kill, needing to adapt operations to accommodate an increased diet of checked (split) logs. Checking is a result of rapid drying of the log after death caused by the beetle. This condition makes it more difficult to extract lumber value and volume from each piece processed.

FPIInnovations and BC Forestry Innovation Investment in June released sawmill software called "Return to Log Calculator for Checked MPB Logs", which was designed to help measure the impact of the epidemic on their bottom line. The proprietary software simulates how check severity affects the outturn of individual lumber grades. After the operator enters costs, prices, and mill production statistics, the software calculates break-even costs for different logs, operating margins, and lumber recoveries.

Sawmills using this software will be better prepared for the challenges posed by the beetle situation rather than being caught by declining log quality and reduced sawlog availability. An important selling feature of the software, says FPIInnovations Sawmill Operations Scientist

Joel Mortyn, is that it comes pre-loaded with parameters related to actual beetle-kill check severity based on data collected by the software program. Sawmill operators will be able to develop recovery strategies based on the predicted volume, check severity, and diameter of beetle-killed logs entering the sawmill in future. This may include developing a sorting strategy for logs or changing the sawmill's production strategy by aiming at recovery of specific grades based on the characteristics of the beetle-killed logs entering the mill.

Preventing the spread of the pine beetle in Alberta and beyond continues to be of critical importance. In their presentation at July's International Congress on Environmental Modelling and Software in Ottawa, ON, Liliana Pérez and Suzana Dragicevich of Simon Fraser University explained that salvage harvesting is the most effective strategy to affect pine beetle infestation rates. In a study titled "Exploring Forest Management Practices Using an Agent-Based Model of Forest Insect Infestations", the researchers proved that sanitation and salvage harvest strategies diminish the total loss of timber in a period of five years. The use of this management technique generates a reduction of 25 per cent in the number of forest stands killed by pine beetle, compared to leaving the salvage behind in the absence of a management strategy.

The outcomes reveal that the implementation of this technique reduces the mortality rates of pine trees by successfully controlling the pine beetle population, because the outbreak is contained by cutting down all the healthy and mature trees with the purpose to reduce the wood loss.

This might seem like a drastic and severe solution, but it's preferable to abandoning the healthy trees to become infested within the ever-growing volume of dead and dry beetle-kill wood, while the pine beetle infestation marches resolutely on.

And what of the existing beetle kill, that which is too long-dead and dried out

for even composite wood technology? *Madison's* has reported regularly on new technology in biofuels, and continues to be on the look out for further developments.

Cobalt Technologies, out of California, announced in April it had made a breakthrough in producing biobutanol from beetle-killed lodgepole pine feedstock using a drop-in replacement for petroleum and petrochemicals. While the product is primarily used as an industrial solvent, biobutanol is also a liquid alcohol fuel that can be used in today's gasoline-powered internal combustion engines. Cobalt Technologies is currently collaborating with Colorado State University to evaluate the fuel's viability for use in commercial vehicles.

According to company spokesperson Rick Wilson, harvesting the affected trees could not only produce low-carbon fuels and chemicals, but could also create jobs and establish a "foundation for a sustainable biorefinery industry. With this breakthrough, we've been able to turn a problem into an opportunity. If we use only half of the 2.3 million acres currently affected in Colorado alone, we could produce over two billion gallons of biobutanol - enough to blend into all the gasoline used in Colorado for six years."

Word gets around fast, and on August 20 the city of San Jose, CA, and venture-backed Harvest Power announced that there could someday be biomethane fueling stations around the city, according to the *Silicon Valley / San Jose Business Journal*. A second venture, announced at the same time, involves Cobalt Technologies, which is in the early stages of designing a demonstration-scale plant to process wood waste and manufacture an estimated 1 million gallons annually of biobutanol.

Working together, these new ideas can help pulp and lumber mills run profitably using beetle kill, reduce the scope of further infestation beyond British Columbia, and use the existing feedstock littering forest floors after the pine beetle moves on.

