

MADISON'S LUMBER REPORTER

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News & Updates

Green Energy Plan, Ontario

As part of its "Green Energy Act" passed last year, the Ontario government set an ambitious target to phase out coal plants in 5 years. As part of an effort to phase out all coal plants in the Canadian province of Ontario by 2014, the Ontario Power Authority (OPA) is working with power-plant owners to close facilities down or transition them to burn biomass.

One such facility, the 211-MW Atikokan Generating Station, will be the first to move entirely to biomass. This week, the government of Ontario directed the OPA to draft a power purchase agreement with the plant's owner, Ontario Power Generation.

Ontario Power Generation owns three other coal plants in the Province, and has said it wants to convert all three by 2014. According to *Biomass Magazine*, the coal plant will require about 99,000 tons of wood pellets per year.

The combination of robust feed-in tariffs for renewable energy and a mandate to close all coal plants will speed up the conversion process in Ontario. If the Ontario government is successful in its effort, the US may look to the province as a model for shifting away from coal. [READ MORE](#)

California Wildfires State of Emergency

California Governor Arnold Schwarzenegger on Wednesday declared a state of emergency in Southern California's Kern County, scene of a wildfire that has burned more than 6,000 acres. About 1,500 firefighters had 50 per cent of the fire contained Wednesday evening, a Kern County Fire Department spokesman said.

The fire has destroyed at least one home, threatens many more and prompted evacuations, the office said. [READ MORE](#)

Pine-Beetle Built College

The Okanagan's Centre of Excellence in Sustainable Building Technologies located in Penticton is British Columbia's first building to use pine-beetle kill wood as a stand-in for Forest Stewardship Council certified lumber. The two-storey, 70,000-square-foot structure is built entirely using wood-frame construction.

The post-secondary facility, which will both promote green-construction methods and use its green features to teach students about sustainable building techniques, has been designed by CEI Architecture Planning Interiors to meet the Living Building Challenge (LBC). [READ MORE](#)

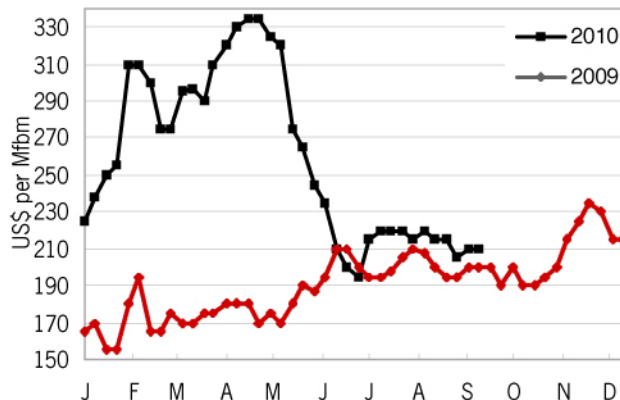
Spelter Joins FEA

Forest Economic Advisors LLC has announced the hiring of prominent wood products analyst Henry Spelter. [READ MORE](#)

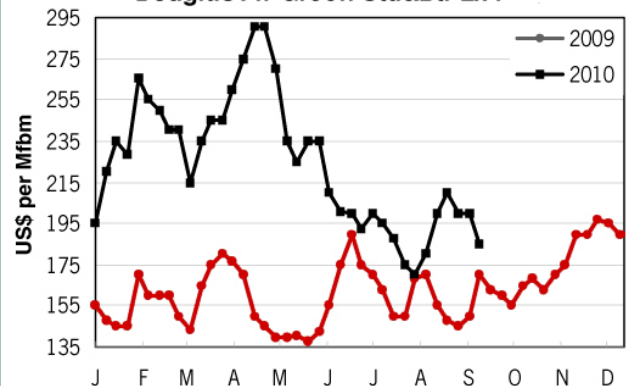
Latest Data on North American Lumber Production

Lumber industry agencies, government economic departments, consultants, and Statistics Canada release data for the first half of 2010 tracking solid wood production in various regions of North America. [READ MORE](#)

WSPF KD 2x4 PET Studs



Douglas Fir Green Std&Btr 2x4



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	235	231	+4	223	+12	188	+47
WSPF KD R/L 2x6	249	243	+6	232	+17	195	+54
WSPF KD R/L 2x8	280	277	+3	273	+7	230	+50
WSPF KD R/L 2x10	316	316	0	314	+2	314	+2
WSPF KD PET 2x4 Stud	210	210	0	215	-5	200	+10
Douglas Fir Green R/L 2x4	185	200	-15	200	-15	170	+15
Douglas Fir Green R/L 2x10	260	258	+2	282	-22	240	+20
ESPF KD 2x4 8ft Stud	275	275	0	270	+5	280	-5
OSB Ontario 7/16" (CDN\$)	210	210	0	225	-15	191	+19

Weekly News

Ontario Green Energy

CONTINUED However the energy policy came under attack Thursday from global industry and trade officials, who said restrictive rules increase the cost of renewable energy.

Just days after Japan challenged Ontario's legislation at the World Trade Organization, WTO director-general Pascal Lamy urged governments to liberalize energy trade and limit the use of tariff barriers and preferential procurement rules.

In a report submitted to the WTO on Thursday, the World Energy Council urged governments to eliminate tariffs on a long list of energy technologies, including turbines and solar panels, and to reduce non-tariff barriers.

Energy executives warned that preferential policies result in higher costs and will impede commercialization of renewable energy and other clean technologies needed to combat climate change.

Wildfires, California

CONTINUED Another forest fire in the southern Sierra Nevada grew to more than 8,100 acres on Wednesday, but a fierce air and ground attack helped slow its advance and put containment at 65 per cent, fire officials said.

Fire commanders say aircraft would be important Thursday in keeping the fire from high-risk areas in the region 110 miles north of Los Angeles.

The nearly 13-square-mile fire has destroyed one home and threatens 250 more since breaking out Sunday in the Lower Kern River Canyon southwest of Lake Isabella. Portions of the communities of Bodfish and Havila are evacuated.

Beetle-Kill Building

CONTINUED The LBC sets out a series of ambitious, environmentally friendly requirements for buildings that de-

signers CEI architects say exceed LEED Platinum standards. One requirement of the challenge is for net-zero energy and water consumption. That means all the energy Okanagan College uses must be generated on site. Another requirement is that the building be built with 100 per cent local and environmentally sensitive materials.

The Centre of Excellence will be one of the most energy-efficient buildings of its size in North America. It will feature polished concrete floors on some levels that will be heated and cooled with an in-floor radiant system, the largest array of photovoltaic solar panels in Canada outside of public utility companies, and a rooftop with green spaces that use local flora.

As of June 30, 98 per cent of the building's construction had been tendered.

The project is being built with federal and provincial funding, is expected to open in spring 2011 and will house approximately 800 students.

Forestry Analyst

CONTINUED

Mr. Spelter was a long-time analyst for the US Forest Products Laboratory in Madison, WI where he authored more than 100 reports covering developments in the wood products markets including a series of benchmark studies profiling the softwood lumber and structural panel sectors.

He has developed an extensive

model of lumber demand and has collaborated on a comprehensive analysis that examined the competitiveness of the US forest products industry.

Spelter will assume the role of lead analyst for FEA's Wood Biomass Forecast Service publications. He will continue to author his monthly publication *Lumber Markets – Status & Trends* under the FEA brand.

Weyerhaeuser Lays Off

Weyerhaeuser Corp. is cutting two shifts from around-the-clock operations, laying off 17 employees at its OSB plant in North Louisiana.

Decreasing demand for its product, which is used in home construction, led to the decision to cut back at the North Louisiana plant, company spokesman Mike Wolff said.

The layoffs happened Monday, and no word on whether the workers will be offered jobs at other Weyerhaeuser plants. Rumours abound with industry sources this week that there are more layoffs and re-assignments, including among office staff.



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Quarterly Lumber Data

Mixed Results

Fast on the heels of last week's issue of your *Madison's Reporter* detailing the significant increase of Asian demand for

by Kéta Kosman

Canadian lumber for the first six months of 2010, releases from the Western Wood Products Association, the Alberta Forest Products Association, Forisk Consulting, the Campbell Group, and Quebec's Pribec Softwood Market Report show vastly differing opinions on the state of North America's forest industry.

Data released Wednesday by Statistics Canada shows that Canadian capacity utilization (higher utilization rates result from greater production) improved in Q2 2010, with the total Canadian industry moving up to 76 per cent, from 74.4 per cent in 1Q 2010. 2Q 2009 total industrial usage rate was 68.1 per cent. Manufacturing has recorded a similar pattern of improvement: a current level of 76.7 per cent in 2Q 2010 compared with 75 per cent in 1Q and 65.4 per cent 2Q 2009. The recent gains reflect the growth in the overall economy.

Forestry and logging moved up to 89.9 per cent of capacity in the latest quarter. This was a 9.9 percentage-point increase versus the previous quarter, and 21.1 compared with 2Q 2009. Sawmill shutdowns have played a significant role. Increased demand for wood chips has also been a contributing factor. Publishing and paper manufacturing, at 88 per cent of capacity, have picked up in North America along with economic recovery and more advertising.

Capacity utilization in the construction sector edged up from 72.1 per cent to 72.9 per cent, as production in residential construction rose 2.8 per cent.

As if to further highlight the differences in rate of recovery between Canadian and US lumber producers, improved data for Alberta lumber producers is offset by continued troubles in the US northwest.

Alberta Forest Products Association-member companies shipped 721.7 million board feet between April and June 2010 with a value of \$196.7 million, according to the AFPA. Part of this production came from the secondary manufacturing sector. Shipments were up 9 per cent from Q2 2009 and 7.8 per cent from Q1 2010. The value of lumber products also saw a significant increase, up 47.6 per cent from the same quarter a year ago.

Due to continued depressed home sales locally and difficulty accessing timber, Swanson Group, out of Glendale, OR, announced August 19 it was closing its Glendale sawmill indefinitely, laying off 90 workers, and cutting operational hours at its Roseburg stud mill from 60 to 20 hours per week. Swanson Group cited a poor housing market as one of the primary reasons for the layoffs, but also blamed the US Federal Government for a lack of timber sales, and competition from Canadian wood product manufacturers.

Forest Grove Lumber in McMinnville, OR, earlier this year also closed a mill, laying off 50 workers.

The Oregon wood products industry saw its first job growth in four years during 2Q 2010, according to a report released in late August by the Oregon Office of Economic Analysis. However, that trend isn't expected to continue, says the government agency. Oregon's wood products industry is expected to lose 3.8 per cent of its workers this year, while the industry is anticipated to add 4 per cent to its workforce in 2011 and add 7.2 per cent in 2012, but the state would still have 10,000 fewer jobs than in 2006. Conditions may improve over the next two years; however, the industry may never again employ as many people as before the recession, says an agency press release dated August 27.

The Oregon timber harvest in 2009 was the lowest since the middle of the Great Depression at 2.75 billion board feet, according to state forest economist Gary Lettman. "The preliminaries I have coming this year show it's going to be just about the same," Lettman said to the *Register-Guard*.

"This is not once in a generation. It's far beyond that. This is, perhaps, once in a century type stuff," said Butch Bernhardt, spokesman for the Western Wood Products Association, in the same article.

Today, western US lumber mills are running at 55 per cent of their capacity, Bernhardt said. To see what's happening, compare Oregon's timber harvests to historical numbers, said Lettman. The cut on public and private lands last year was 2.8 billion board feet, the lowest harvest since 1934.

More than 35 per cent of the state's wood products work force has been idled since 2006, said Brian Rooney, regional economist for the state Labor Department. More than 27 per cent of the state's loggers hung up their caulks in that period, he told the *Register-Guard*.

According to the Western Wood Products Association however, American production of softwood lumber from January to June was 3.7 per cent higher than for the same period last year, topping out at 12.3 billion board feet. In particular, apparent consumption rose 3.1 per cent while imports from Canada surged 15.2 per cent.

Adding to the pile of doom-and-gloom, Forisk Consulting's September 15, 2010, update indicates pine sawtimber prices in the US south will be 6.4 per cent lower in 2011 than expected six months ago. Results vary across states, with Alabama, Arkansas, Georgia and South Carolina best positioned to rebound quickly as lumber demand strengthens. According to Forest Economist Dr. Tim Sydor, "Expectations for key macroeconomic factors – such as GDP and housing starts – have, frankly, proven to be way off-base. GDP grew faster than expected, but housing starts are expected to remain 30 per cent below 2009 projections. As a result we've adjusted our forecast of US softwood lumber consumption downward by 6.3 billion board feet for 2010. Lower lumber demand means lower stumpage prices, and pine sawtimber prices in the South have been revised downward by nearly US\$1 per ton for the year."

In contrast, the Campbell Group's August issue of *Timber Talk* found that China's log imports surged, benefitting Pacific Rim exporters, and in the medium-term, China's lumber demand outlook is very positive. North American year-to-date lumber production is ahead of 2009 levels, but still well below the 2006 peak. The issue also points out that the continuing strength of the Canadian dollar favours US lumber producers, explains author Bruce Glass.

"As a sign of improved markets for forest products in early 2010, global trade of logs increased by almost 20 per cent during t1Q 2010 as compared with the same quarter in 2009. An estimated 67 million cubic metres of softwood logs were traded in the world in 2009, which can be compared with over 95 million m3 in the record year of 2007," says the issue.

Who to believe? Well, the numbers don't lie, so it's just a matter of identifying the spin.

"There have been numerous recent temporary mill shutdowns, but few mills are being permanently shuttered," said the same Gary Lettman, economist for the Oregon Department of Forestry in the latest issue of the Campbell Group's *Timber Talk*.