

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 GST or HST
ISSN 0715-5468

Printed in Canada © 2010

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



News & Updates

Kiln Dried Fir Conundrum

The KD Douglas Fir market is finding it increasingly difficult to sell and even more difficult to buy. Anything soft, white and dry is hot. Coastal hem/fir 2x4-9-foot studs are sought after but rising only slightly in price by \$10 this week to \$220. The low grades, Utility and Economy, are going to treaters; they are taking all KD 12-foot lengths that can be put to a variety of uses after treating. The price on number two sawlogs has risen almost \$100 over the last 30 days: Hemlock logs in Washington are now \$515; Oregon green fir #2 logs are \$560. At those numbers, makers can't compete with foreign buyers. Log decks are shrinking at northwest mills. [READ MORE](#)

Wildfire Danger US

The National Weather Service Thursday issued a Fire Weather Watch for the entire state of Colorado through Saturday. Critical fire weather conditions are expected to occur with very low humidity levels around 25 per cent or lower. This very dry air mass combined with increasing northerly winds, especially on Friday and Saturday, will help quickly spread any fires that are ignited or sparked due to the very dry conditions that exist from the lack of any significant rainfall over the last 20 to 30 days. [READ MORE](#)

Mill and Asset Sales

BioSila Mattawa Inc. purchased the former Tembec sawmill in Mattawa, ON, for \$1 from the Mattawa-Bonfield Economic Development Corp. Local shareholders of BioSila Mattawa Inc. include the Mattawa-North Bay Algonquin First Nation and Antoine First Nation.

Future plans for the property include a central biomass plant to provide heat and electricity for future business development. The carbon dioxide emissions from the biomass plant will be used in a 25 acre greenhouse. More than \$20 million in capital investment is going into the business plans.

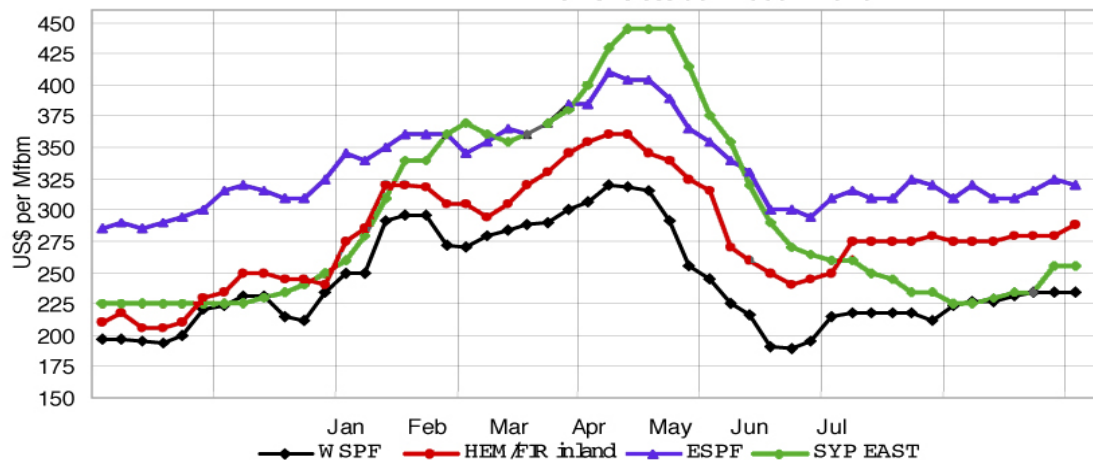
Fraser Papers has terminated the agreement to sell its paper mill in Gorham, NH because the purchaser could not secure sufficient financing to complete the transaction. [READ MORE](#)

Pine Beetle Damage and Fuel from Wood

Madison's was out of the office all last week, first at the timberland investment conference in Portland which was featured in the September 24 issue of your Reporter, then Wednesday to Friday touring a research team from Fukuoka University in southern Japan around the Vancouver area.

The tour's mission was sustainability and green energy with a focus on port facilities. Wednesday was devoted to seeing an intensely affected pine beetle kill forest first hand, in Manning Park, BC. With eight members plus a translator a mini bus and driver were hired, which gave Madison's the opportunity to hold a seminar of sorts on the three hour drive from downtown Vancouver to the centre of Manning Park. [READ MORE](#)

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



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	235	235	0	227	+8	188	+47
WSPF KD R/L 2x6	248	248	0	238	+10	202	+46
WSPF KD R/L 2x8	279	275	+4	276	+3	232	+47
WSPF KD R/L 2x10	318	312	+6	315	+3	320	-2
WSPF KD PET 2x4 Stud	200	210	-10	205	-5	200	0
Douglas Fir Green R/L 2x4	180	172	+8	200	-20	160	+20
Douglas Fir Green R/L 2x10	250	260	-10	268	-18	220	+30
ESPF KD 2x4 8ft Stud	285	285	0	270	+15	275	+10
OSB Ontario 7/16" (CDN\$)	210	210	0	222	-12	188	+22

Weekly News

US Wildfire Warnings

CONTINUED A red flag wildfire warning was issued Thursday morning by the National Weather Service for much of inland San Diego County and Riverside County, CA.

The red flag warning was issued at 7:40 am due to expected frequent lightning strikes that could spark wildfires accompanied by strong gusts, according to the National Weather Service.

With the dangerous autumn wildfire months upon California, the Insurance Information Network of California, the California Department of Insurance and the Vista Fire Department have joined forces to showcase physical and financial preparedness for homeowners in high risk fire areas.

San Diego has been scorched by several catastrophic wildfires, including the Cedar and Paradise fire in 2003 and the Witch, Harris and other fires in 2007. Combined, the 2003 and 2007 fires claimed more than 4,300 structures.

Elsewhere, four East Texas counties are the epicenter of a stubborn drought

that has officials warning of increased risk of wildfires and has pastures withering and trees losing limbs.

Over the next few months, wildfire risks in Florida will increase. That state's Division of Forestry thinks the La Nina effect could cause a jump in the number of fires. As a precaution, The DOF also authorized the burning of a record 2.7 million acres of private and public land over the past year.

Asset Transactions

CONTINUED Fraser Papers also announced that it will close the Gorham mill indefinitely, on or about October 13, 2010, while the company continues its efforts to sell the mill.

AbitibiBowater is seeking the court's permission to sell its fishing camp at Hunt River and Char Lake in Newfoundland and Labrador. The property was originally appraised at \$3.5 million, but a purchaser could not be found at that price.

A mining company, 1512513 Alberta Ltd., has agreed to purchase the camp for \$1.4 million plus sales tax. The camp had

been used primarily for corporate entertaining. Operating the camp costs Abitibi-Bowater \$480,000 annually.

Québec Forest Industry Council New CEO

André Tremblay will take over as CEO of the Québec Forest Industry Council (CIFQ) on January 1, 2011.

Tremblay takes the reins from Guy Chevette, the outgoing CEO, and will also oversee the CIFQ's communications and public affairs portfolio. Chevette will be retiring after a five-year stint at the helm of the Council during a period of upheaval for the industry.

The CIFQ is the voice of Québec's forest industry. Québec's softwood and hardwood lumber, veneer, pulp, paper, cardboard and panel companies each year generate \$12.9 billion in business and close to \$4 billion in wages and benefits.

Calendar

October 2010

2010 NHLA Annual Convention and Exhibit

October 13 to 16 – Vancouver, BC
<http://www.nhlaconvention.com/>

Residual Wood Conference - 8th

October 28 to 29 – Richmond, BC
http://www.woodproductsonlineexpo.com/events.php/468/residual_wood_conference.html

November 2010

2010 NAWLA Traders Market

November 3 to 5 – Chicago, IL
<http://www.nawla.org/meetings/tradersmarket/>

MADISON'S LIVE ONLINE CANADIAN LUMBER PRODUCERS LISTINGS

A full year subscription is only C\$210 per year.

Access Madison's brand new, continuously updated database of Canadian lumber producers conveniently through your Internet browser.

Be up-to-the minute on the full spectrum of company information, including species, products, sizes, production volumes, kiln capacity, number of employees, grading agency mill number, and much more.

SIGN UP TODAY

Madison's Lumber Reporter • madrep@shawcable.com • 604 984-6838

Gas from Wood

Cellulostic Gasification

The tour then proceeded five kilometers to the most commonly used day area, where there is a lake with picnic tables, campground, large lakeside grassy field, and canoe rentals. *Madison's* wasn't sure how involved the search for evidence of the mountain pine beetle would be.

by Kéta Kosman

However, concerns that a stand would be located at all, or quickly, were unfounded.

Immediately upon exiting the van *Madison's* easily identified various stages of beetle kill, but frankly most of the trees affected were grey and long dead. The Japanese tour group, having over the previous hours had a discourse on the beginnings and progress of this beetle infestation and the scope of the current dead and dying timber problem in British Columbia, was aghast at how easy and plentiful examples were to find. Clump after clump of pitiful, drooping, grey pine trees interspersed with juicy, healthy spruce, fir and the occasional hardwood were everywhere. Some trees still had bits of red pine needles clinging desperately to the stoutest branches. These red needles flew off at the slightest touch landing on the forest floor to join their dried out siblings that had fallen in the months and years previous.

Across the lake were visible strips of dead grey pine trees running through the healthy, gorgeous green spruce and fir. While the mountain pine beetle's march across Canada seems, to date, to have been halted in Alberta, the fact that this beetle population is thriving in Washington State, Oregon, Montana and Colorado is terrifying to anyone concerned about the future of our forests.

All efforts to utilize the biomass left behind after the mass destruction in BC's forest by the pine beetle are to be applauded, as *Madison's* has been staunchly doing at every available opportunity. Another such opportunity was presented this week by the Canadian Bioenergy Association's annual conference in downtown Vancouver. Panel topics ranged from district heating, small heat and power, biochemicals, micro-algae, anaerobic digestion, and more. A significant proportion of time at the conference is allotted to various methods of getting energy from biomass, specifically forest residue.

As an adjunct to the conference, Nexterra – about which *Madison's* has kept

Reporter subscribers up to date – provided an industry tour of the Kruger tissue plant in New Westminster. That tour was preceded by detailed presentations about the facility.

By way of introduction to the tour, Alan Potter, VP of FP Innovations, offered encouragement to others in the forest industry to use alternative forms of energy.

"The Kruger facility proves gasification technology is reproducible. It reduces mill greenhouse gas emissions and energy costs. Using fixed bed gas, the facility transports and direct fires syngas. [. . .] FP Innovations is benchmarking the existing equipment, currently there is still some natural gas burning but the hog fuel boiler was decommissioned several years ago," explained Potter. "This plant now uses twice the energy from half the material," said Potter of the remarkable success.

Presented with these results, an audible murmur passed through the room.

Next Andrew Goodison of FP Innovations described Canada's Bio Pathways II project, involving the Forest Products Association of Canada, the Canadian Forest Service, Natural Resources Canada, Western Economic Diversification Committee, FP Innovations, and BC's Innovative Clean Energy Fund, which together provided about 15 per cent of the funding for Kruger's facility.

Focussing specifically on the financial aspects, Goodison explained, "Examining BC we found a 5 per cent return on capital invested (ROCE) over a 3 to 5 year projection on prices in the marketplace. Solid wood operations succeeded profitably, pulp mills struggled, and heat and power plants also benefited from the technology. There was a heavy weighting to pyrolysis, pellets, and gasification facilities for the ROCE figure. Large scale sawmills, at least 650 MMfbm annual production, which combined heat and power facilities, were the most successful. However these large plants may have to rely on roadside residuals, even chipping in the bush for hog fuel, which could present transport problems. [. . .] Given BC's fibre advantage, energy pricing, and carbon credits market, lumber mills running on natural gas power beyond the province's the green energy conversion deadline are going to be losers."

Duncan Meade, Nexterra's Product Development Engineer, then took the floor to further explain the technical process. Nexterra's gasifiers can take

chipped biomass from zero to 60 per cent moisture content, the residual fuel is discharged as ash through the bottom of the gasifier, the gas rises and is then delivered to boiler or lime kiln. There is high conversion of fuel to syngas, with less than 1 per cent of ash (carbon).

"Syngas is comprised of methane, carbon monoxide, carbon dioxide, hydrogen, water vapour, and nitrogen," detailed Meade. "The technology is fully automated, responding to the energy needs of the user. The emissions are cleaner than EPA guidelines for natural gas, it is a particulate free, tar free, moisture free process."

Rick Scammell, Utilities Manager for Kruger, spoke next, wearing the reflective safety vest that all embarking on the tour would also don. Producing 90,000 metric tonnes of tissue annually, Kruger's New Westminster plant employs 550 people. Previously the energy came from three natural gas boilers, one hog fuel burner responsible for 27 per cent of steam production – from the 1940's – and a 2003 modern-style electrostatic precipitator (ESP).

"We put in 450 feet of conveyor directly from the trucks to the hog fuel pile. The hog fuel storage hold two days of production, using six or seven 53-foot truck loads per day," outlined Scammell. "We had to switch to clean wood waste from the municipi.have had no further problems with moving the material into the gasifier."

In their examination of BioPathways II, FP Innovations looked at British Columbia, Quebec and northwest Ontario, analyzing any biomass fuel operations beyond the lab stage, which were already out in the marketplace. Of the total 35 facilities examined, 19 could be considered traditional while 16 were emerging technologies. Each region has its own long term green energy plan, including funding and assistance with research and development, in addition to programs already in place from various federal Canadian agencies.

Nexterra's gasifiers were being installed at Kruger's New Westminster tissue mill in July and August of 2009 and started running in December 2009. Soon there will be a full year of success to show for it, and Kruger will be removing at least one, if not three, old back up boilers. Upon the addition of the third gasifier, the mill will be close to 60 per cent powered by green energy from cellulose.