

MADISON'S LUMBER REPORTER

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News & Updates

Steelworkers Strike Vote

Over the next two weeks, about 3,000 forest workers in Kamloops, Merritt, Kelowna, Okanagan, and Cranbrook in British Columbia will be conducting a strike vote.

The workers, members of United Steelworkers Local 1-417, have been without a collective agreement for two years. Since their contract expired, agreements have been signed with Canfor, Conifer, West Fraser and the coastal companies.

Some of the mills that could be affected are Aspen Planers, Aspen Industries, West Fraser Chasm, a number of Tolko mills in the Okanagan, Tembec mills in the Cranbrook area, as well as a number of single operation sites. [READ MORE](#)

US Housing Starts

Home construction in the US took the steepest monthly plunge in nearly 27 years in February and new building permits set a record low.

Construction of homes and apartments last month fell 22.5 per cent from a month earlier to a seasonally adjusted annual rate of 479,000 the Commerce Department said Wednesday.

Building permits fell 8.2 per cent from a month earlier to an annual rate of 517,000. That was the lowest level in more than 40 years of record-keeping. [READ MORE](#)

British Columbia's New Forests' Minister

British Columbia's new Premier, Christy Clark, shuffled Cabinet immediately upon taking office Monday after being elected Liberal party leader following Gordon Campbell's resignation last year. Some former Ministers who had been closely connected with the controversial HST are relegated to the back benches. A major change to the structure of the BC government, implemented by Campbell just in October, has been reversed.

The new Natural Resource Operations Ministry no longer stands alone, but has been absorbed by the Forests portfolio, which once again focusses on the land base. Mines has been shuffled into the Energy portfolio. Ministers have been moved around as well, which is enough to make one's head spin. [READ MORE](#)

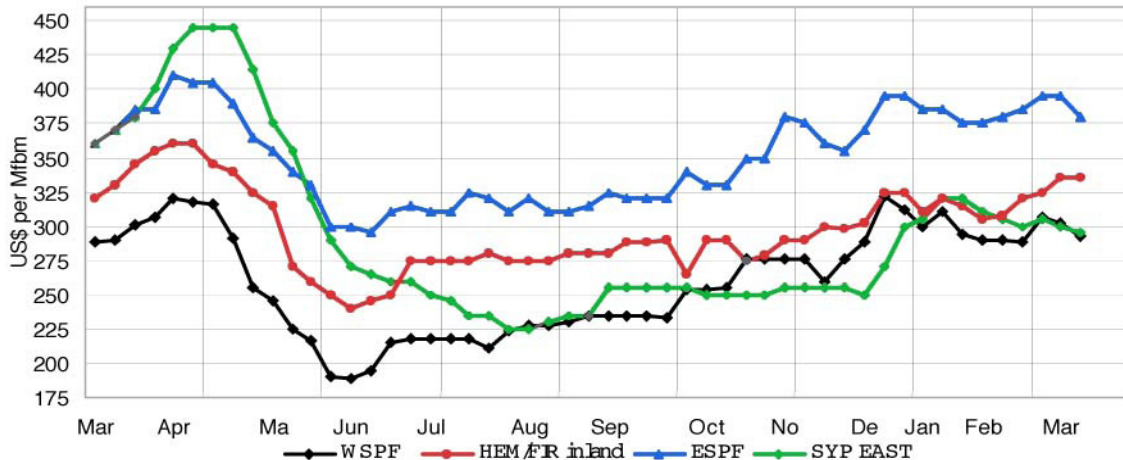
Canadian Forest Products' Developments

Further to previous announcements over the past several months, the Government of Canada announced on Monday another series of investments in the forest products sector totalling \$88 million, under the Pulp and Paper Green Transformation Program and Transformative Technologies Pilot Scale Demonstration Program.

The \$1-billion Pulp and Paper Green Transformation Program is laying the groundwork for a more sustainable forest sector by supporting projects that improve the environmental performance of mills and helping to position the industry at the forefront of the clean energy economy.

The Transformative Technologies Pilot Scale Demonstration Program is helping forest sector companies implement pilot-scale demonstration projects that showcase emerging transformative technologies for eventual commercial applications. [READ MORE](#)

KEY 2x4 KD R/L PRICES March 2010 - 2011



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	292	302	-10	290	+2	284	+8
WSPF KD R/L 2x6	270	274	-4	272	-2	273	-3
WSPF KD R/L 2x8	278	278	0	280	-2	270	+8
WSPF KD R/L 2x10	320	326	-6	335	-15	340	-20
WSPF KD PET 2x4 Stud	280	285	-5	275	+5	297	-17
Douglas Fir Green R/L 2x4	280	280	0	280	0	235	+45
Douglas Fir Green R/L 2x10	288	285	+3	300	-12	238	+50
ESPF KD 2x4 8ft Stud	335	335	0	325	+10	360	-25
OSB Ontario 7/16" (CDN\$)	195	205	-10	205	-10	244	-49

Weekly News

BC Labour Troubles

CONTINUED Talks between the Steelworkers and the Interior Forest Labour Relations Association, representing lumber producers, have been stalled for several months. The two sides met a couple of weeks ago and agreed to come back to the table in late March.

"We are currently conducting a strike vote in the southern interior," said Bob Matters of the USW Wood Council to *Madison's* Friday morning. "We have told our members a strike vote is necessary.

"After a long lull in bargaining we had discussions with the IFLRA about our respective positions, seeking clarification. Both sides agreed to meet again at the end of March.

"The USW will be coming to the table with a strike mandate. We have the intention of concluding bargaining within the three days allocated in the schedule," said Matters.

Madison's will be in touch with both sides at that time and provide vital updates to subscribers.

Housing Starts, US

CONTINUED The month's results were driven by a 46.1 per cent decline in construction of multifamily homes. Single-family homes, which made up about 78 per cent of all starts, also fell, sinking by 11.8 per cent from a month earlier.

Compared with the same month a year earlier, overall new-home construction was down 20.5 per cent.

Homebuilders are counting on a strong spring home-selling season. Some analysts attributed some of the slowdown in construction last month to severe winter weather, particularly in the Northeast.

The pickup in January's building activity made that month's seasonally adjusted numbers look better than they should have, said Mark Vitner, a senior

economist at Wells Fargo Securities to *Bloomberg*. The non-seasonally adjusted numbers show that housing starts in February were no worse than they were in December.

This week, a survey by the National Association of Home Builders showed that builder confidence edged up this month. The excess supply of foreclosures, appraisals that are coming in below construction costs, and tough lending standards for buyers and builders continue to hamper the new-homes market.

British Columbia Government Changes

CONTINUED The rearranged forests' portfolio is now Forests, Lands, and Natural Resource Operations, headed by Steve Thomson, who subscribers remember was appointed Minister of Natural Resource Operations in October. Please refer to the December 12, 2010 issue of your *Madison's Reporter* for details on the scope of this new ministry.

Former Minister of Forests, Pat Bell, is now Minister of Jobs, Tourism and Innovation, which includes trade.

Thomson explained to *Madison's* Thursday, "I will be working closely with Pat Bell during this transition. We have already had a number of meetings with stakeholders and will continue to reach out over the next two weeks.

Parts of the forest portfolio remains with Pat Bell; the 2006 Softwood Lumber Agreement, he is taking lead responsibility on the market, and will be attending the next scheduled trade mission to China at the end of March.

As Chair of the BC Chamber of Commerce for many years, then as Minister of Agriculture and Lands before heading up Natural Resource Operations last year I have dealt with forest industry issues on a deep level and am looking forward

to my new role and responsibilities," said Thomson.

"We are maintaining the streamlined One Project, One Process mandate of the NRO, with a now strengthened relationship to the Ministry of Forests."

When asked about the crisis in Japan, Thomson said, "We are in discussions with the forest industry about providing support to Japan, both government and the industry have strong interest in proceeding strategically to offer as much help as we can."

Pat Bell explained to *Madison's* that his new role continues to have a strong emphasis forestry, "I am now leader of Forest Innovation Investment, the Wood First policy, the SLA, and oversee the value added industry.

"I will be going to China in a couple of weeks as planned, to speak at the Green Building Conference and to be present during the building of a three storey wood framed building in 72 hours. We will be using that building to hold meetings with builders and developers.

"As for future trade missions, like our regular November visit to China, I have suggested that both Steve Thomson and Christy Clark attend," said Bell.

When asked about Japan, Bell explained, "We are contemplating assistance with the reconstruction effort, but right now the concern is more for basic emergency supplies."

Erratum

One column of our Japan Housing Starts table for January 2011 missed its update last week, throwing off the numbers for wood-framed home building. The correct figures are:

Total new homes: 66,709

New wood-framed: 35,740

Per cent wood-framed: 53.6

We regret any confusion this error may have caused.

Green Transformation Technology

Canadian Forest Industry Funding

The Canadian government recognizes that on a national scale the forest industry is an important economic driver, and these are strategic investments to help the mills. This came about after two years of stakeholder consultation, as well as discussion with agencies including: the Wood Fibre Centre, Natural Resources Canada, FPInnovations and the Wood First Strategy. Through Canada's Economic Action Plan the federal government is providing \$170 million over two years. This funding includes \$120 million to help promote forest innovation and investment and \$50 million to expand market opportunities for Canadian forest products.

by Kéta Kosman

Bob Jones, Director of Industry and Trade at the Forestry Division of Natural Resources Canada, and Glen Hargrove, Director of the Pulp and Paper Green Transformation Program, spoke to *Madison's* this week about these latest funding announcements.

"As part of Canada's Economic Action Plan, the Pilot Scale Demonstration Program was launched in 2009," explained Jones, "some specific projects have already been announced in addition to the money being allocated this week."

"Under the Green Transformation Program, pulp producers generated credit based on their production of black liquor in early 2009," detailed Hargrove. "Since then, companies have been told what the maximum amount allocated to their operations would be, and submitted environmental upgrade proposals, which all undergo a thorough review. Once these proposals are approved, the mills receive financial support for their upgrade investments, which are showing very impressive environmental results."

Penticton, BC's, Structurlam Products Inc. will receive \$2.5 million for its new venture into producing cross-laminated timber. Please refer to the March 4, 2011 issue of your *Madison's Reporter* for more information on CLT. AV Group, out of Nackawic, NB, will receive \$24 million to improve the efficiency of its lime kiln in Nackawic and establish a state-of-the-art biogas plant at its Atholville facility. Part of the previously announced funding includes a \$10.2 million investment in Domtar's Windsor, QC, pulp mill to further develop and commercialize nanocrystal-

line cellulose technology. Please refer to the July 30, 2010 issue of your *Madison's Reporter* for more information on that project.

Of the \$170 million forestry investment, \$40 million was set aside for pilot scale transformation projects which stemmed from research done in the lab by FPInnovations.

"The purpose of this funding is to move new technologies toward commercialization," said Jones. "\$80 million will be spent on more transformation technology research, and \$50 million will go toward developing and promoting new products or breaking into new markets. Which means China and Korea, among others, as new customers for Canadian wood products, as well as promoting wood in the non-residential construction.

"Pilot scale projects include bioenergy, next generation wood products, nanocrystalline cellulose, biogas, and more."

"On the pulp and paper side, the funding will improve environmental performance of the mills, and increase renewable energy production," explained Hargrove. "Typical projects include upgrades to boilers, installation of turbines, and investments in other efforts at increased energy efficiency.

We have had excellent results so far. To date, announced projects are expected to save enough energy to power 105,000 homes per year, and produce enough renewable energy to power an additional 170,000 homes - not to mention the significant greenhouse gas benefits."

Jones pointed out that all the funding for both Programs is slated for next generation wood products, and does not affect primary mills, therefore is compliant with Canada's international trade obligations, including the 2006 Softwood Lumber Agreement as well as the WTO.

"This is all about the future of Canada's forestry industry," concluded Jones.

Jean Hamel, VP at FPInnovations, explained to *Madison's* in a phone interview, "In 2007 FPInnovations was formed through the merger of several different Canadian forest product research organizations. We supported the forest product industry's need for change, considering the decreasing demand for certain traditional products, and we quickly took a leadership position in developing transformative technologies and practices. The federal government included Natural Resources Canada and the Canadian Forest Service in discussions with FPInnovations, and endorsed a national view on the pulp and paper industry and its transformation.

"Since 2007, Natural Resources Canada built on this momentum to implement \$25 million in funding per year to trans-

form the forest products industry. A part of the program was initially focussed on next generation papers, but we are now re-focusing it on biomaterials, bio-chemicals and bioenergy. At the time investment for environmental performance was a cost, now we are improving energy efficiency, which translates into cost reductions and saving money. For example, in New Brunswick, AV Cell's dissolving pulp mill is turning into an avant-garde biorefinery by producing biogas, which eliminates 7,000 tonnes per year of CO2. This new process was made possible by capitalizing on an FPInnovations innovative technology, developed under the Transformative Technology Program.

"In the same way that a biorefinery takes oil and transforms it into different fuel products and chemicals, a cellulosic biorefinery uses biomass as the feedstock to produce various energy products and chemicals.

"We have invested money into disassembling the wood into its basic cellulose components to reassemble them into higher value products. One such component of wood fibre is fibrils, which offers interesting and different properties over wood fibre. Another step in the deconstruction process is to break down the wood fibre, or pulp, into nanofibrils, which are small in dimension but still very strong. A final step of the decomposing reveals the chemical component nanocrystalline cellulose (NCC); a true nanotechnology of the 21st century.

"Nanocrystalline cellulose, for example, is moving forest products into quantum physics. The resultant products have an entirely new set of properties from wood, with exceptional strength, optical properties, or being made into film and glass."

"We are implementing these new technologies issued from the Program at the mill level, because we have improved our management of the innovation," detailed Hamel. "The most striking example is the new Domtar-FPInnovations NCC demonstration plant, that will be producing one-tonne of NCC per day, and which should be fully operational by late autumn. Using concurrent engineering approach with Noram Engineering we went from lab-scale research to a demonstration pilot plant in less than three years. The business model was also innovative as Domtar and FPInnovations formed a joint-venture to build and operate this \$40 million demonstration plant. The investment was made possible through the Pulp and Paper Green Transformation fund, the Transformative Technologies Pilot Scale Demonstration program, and in partnership with the Quebec government. Today there are many more than 100 potential customers anxiously waiting for that NCC.