

MADISON'S LUMBER REPORTER


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News & Updates

Madison's Investment Rx

The June issue of *Madison's Investment Rx* examines the softening of lumber prices through May and uses the latest solid wood production and shipment figures to assess likely movement in lumber prices this summer.

Contact us any time for a subscription.

Canada Housing Starts

Housing starts in Canada went up 2.7 per cent in May, according to figures released Wednesday by the Canada Mortgage and Housing Corporation. Canadians began building homes at an annual rate of 183,000 units in May, up from 178,700 units in April, seasonally adjusted. The growth came from an increase in multiple starts. Single starts, on the other hand, decreased. [READ MORE](#)

Housing Starts, Japan

New figures released by the Ministry of Land, Infrastructure and Transport show that total new Japanese homes started in April were 66,757, a 0.3 per cent increase over April 2010. Seasonally adjusted rates, however, dropped to 789,000 units, according to the *Japan Lumber Reports*.

New condominium building rose by 11.8 per cent, and detached home building increased by 12.6 per cent, a 14 consecutive months rise.

The Ministry stated that housing starts in the areas affected by the March earthquake and tsunami were obviously impacted, specifically in the three prefectures of Iwate, Miyagi, and Fukushima, where starts fell 33.3 per cent in April after a 19.2 drop in March, says the *Reports*. [READ MORE](#)

Early Wildfire Season

Fast on the heels of unprecedented tornadoes, many US states are now battling fires. Currently major wildfires raging in Arizona, Florida, Colorado, Georgia, Alabama and Alberta do not bode well for this year's wildfire season.

Fire officials said Friday morning the 603-square-mile, or 386,000-acre, blaze in Arizona's eastern mountains was 5 per cent contained, after helicopters and a large air tanker dropped fire retardant and ground crews lit blazes to burn up combustible materials nearby. They said among the buildings destroyed so far were 22 homes in the resort community of Greer, and five others were damaged.

Also as of Friday morning, the biggest forest fire in Alberta in sixty years, the Richardson back country blaze, is holding at 415,000 hectares. [READ MORE](#)

Nanotechnology from Cellulose

Bone grafts, food packaging material, hybrid plastics, drug delivery agents, military body armour, acetate, and gin-based edible cocktail napkins are but a few of the newest uses for nanocrystalline cellulose (NCC). Corporations, universities, and agencies around the world have made significant ground-breaking research this year on innovative uses for wood. Please refer to the December 3, 2010 issue of your *Madison's Lumber Reporter* for the latest updates on cellulostic nanotechnology. [READ MORE](#)

JAPANESE HOUSING STARTS

Month	TOTAL	Non-Wood	Wood	%Wood
Apr-11	66,757	31,475	35,282	53
Mar-11	63,419	27,994	35,425	56
Feb-11	62,252	28,720	33,532	54
Jan-11	66,709	30,969	35,740	54
Dec-10	74,517	30,917	43,600	59
Nov-10	72,838	31,384	41,454	57
Oct-10	71,930	30,939	40,991	57
Sep-10	71,998	30,857	41,141	57
Aug-10	71,972	29,899	42,073	58
Jul-10	68,785	28,740	40,045	58
Jun-10	68,688	27,940	40,748	59
May-10	59,911	24,952	34,959	58

Source: Japan Wood Products Information and Research Center

CANADIAN HOUSING STARTS

Actual and Seasonally Adjusted Annual Rates

	May 2011		April 2011	
	Actual	SAAR	Actual	SAAR
Canada, all areas	17,384	183,600	15,513	178,700
urban ctrs with >10,000	15,025	161,000	13,528	159,800
singles, urban centres	6,005	61,000	5,382	63,600
multiples, urban centres	9,020	100,000	8,146	96,200
rural areas	2,359	22,600	1,985	18,900
Atlantic urban centres	848	8,100	551	7,300
Quebec urban centres	4,274	42,000	3,474	37,000
Ontario urban centres	4,450	50,200	5,292	65,100
Prairie urban centres	2,786	30,700	2,283	27,900
B.C. urban centres	2,577	30,000	1,928	22,500

Source: Canada Mortgage and Housing Corporation

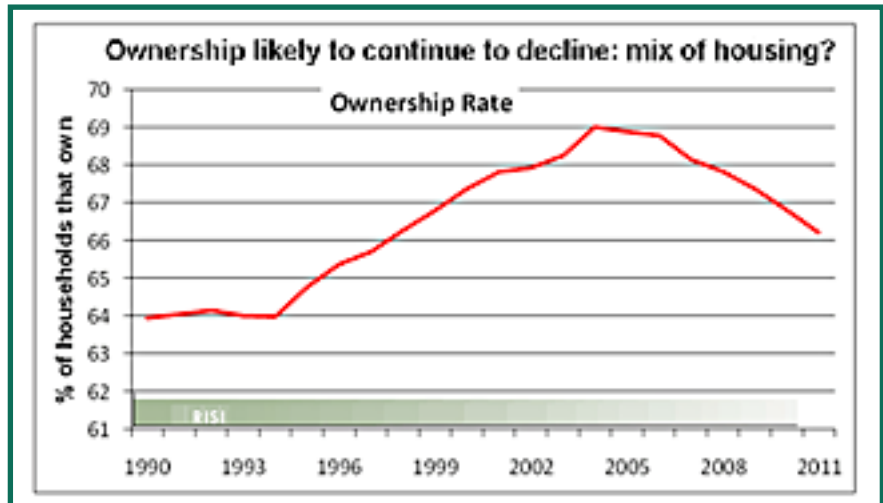
In a delicious tactic of about-face, a few American home owners have started foreclosing on their banks, reports the *New York Times*. In a cheeky comment, the *Times* declares “Just one more, and it’s officially a trend, right?”.

“Earlier this year, Patrick Rodgers in Philadelphia became miffed because his mortgage lender, Wells Fargo, was making him carry what he deemed excessive insurance on his house. Using the Real Estate Settlement Procedures Act to his advantage, he filed suit and wound up with a sheriff’s notice authorizing the sale of the contents of a Wells Fargo branch.”

Shortly the issue was resolved and the bank sent Rodgers a letter of apology.

“A couple in Naples, FL, have ‘foreclosed’ on a Bank of America branch after the bank managed to foreclose on their home — even though they never had a mortgage on it. According to reports in *The Naples News*, *Time* and elsewhere, Warren Nyerges and his wife paid US\$165,000 in cash to buy the house from the bank, and never borrowed against it. But last February, in an apparent case of mistaken home identity, the bank began foreclosure proceedings against them.

The couple hired a lawyer and the bank action was eventually abandoned, but the couple then went to court and got a judgment for about US\$2,500 in attorney’s fees. When the bank didn’t pay, their lawyer, Todd Allen, showed up at a local bank branch last week with sheriff’s deputies and a moving truck to begin cleaning out the building. Not long after, the bank paid them more than US\$5,700, to cover the fees and additional costs,” says the *Times*.



	1995	2005	2010
Total occupied Stock	97.1	108.2	112.1
Owner	62.3	74.6	75.1
Rental	34.8	33.7	37.0
Ownership rate	64%	69%	67%
Owner Demand- annual rate		1.31	-.8
Imputed annual removals		.27	.29
Implied SF starts		1.58	.21
Actual SF starts annual average		1.66	.73

RISI Million units(except ownership rate)

Implications of the falling homeownership rate : RISI

The US homeownership rate for the 25-34 age group rose from 42 per cent in 1995 to 49 per cent in 2005. However, because many of these households could not sustain ownership, the rate has fallen below 44 per cent, according to Dr. Lynn Michaelis, Executive Economist and Adviser for RISI. The ownership rate for the older age groups did not rise or fall nearly this much.

Between 1995 and 2005, the occupied housing stock grew from 97.1 million units to 109.5 million units. This required construction of 12.4 million housing units in that period to accommodate the growth in households, plus another 3-4 million units to replace demolished units.

SOURCE: Alberta Forest Products Association

Lumber	2010		2011	
	Production (mmfbm)	\$C Value (000,000s)	Production (mmfbm)	\$C Value (000,000s)
1 st Quarter	674.7	184.8	656.8	192.2
2 nd Quarter	727.1	\$196.7		
3 rd Quarter	732.5	\$169.6		
4 th Quarter	698.9	\$188.6		
Yearly Totals	2,833.3	739.7	656.8	192.2

Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	230	230	0	218	+12	215	+14
WSPF KD R/L 2x6	230	228	+2	226	+4	218	+12
WSPF KD R/L 2x8	249	248	+1	245	+4	220	+29
WSPF KD R/L 2x10	265	255	+10	260	+5	260	+5
WSPF KD PET 2x4 Stud	255	255	0	220	+35	235	+20
Douglas Fir Green R/L 2x4	250	250	0	245	+5	210	+40
Douglas Fir Green R/L 2x10	265	260	+5	270	-5	270	-5
ESPF KD 2x4 8ft Stud	320	320	0	305	+15	340	-20
OSB Ontario 7/16" (CDN\$)	195	195	0	195	0	250	-55

Weekly News

Canada Home Building

CONTINUED April Canadian housing starts were revised slightly lower to 178,700 units from 179,000 units, the CMHC said.

May starts increased modestly due to an increase in multi-unit construction in most provinces and higher starts in rural areas.

This was partly offset by fewer new single-family homes, which typically have a bigger economic impact. Urban multiple starts were up by 4 per cent from a month earlier to 100,000 units, single urban starts decreased by 4.1 per cent to 61,000 units. Rural starts were estimated at 22,600 units.

Regionally, urban starts increased by 33.3 per cent in British Columbia, 13.5 per cent in Quebec, 11 per cent in the Atlantic region, and by 10 per cent in the Prairies. Ontario posted a decrease of 22.9 per cent.

Scotia Capital economists Derek Holt and Karen Cordes Woods said in a note to clients that the figures provide "some support to economic growth. However, all of the strength was in the multi-family segment as single starts declined on the month suggesting that the lift to growth will be modest."

"The trend remains pointed downwards as tighter mortgage regulations, record high prices and high levels of homeownership continue to limit demand for new homes, likely resulting in a more moderate pace of growth for home prices."

Japan New Homes April

CONTINUED In the most populated regions of Tokyo, Nagoya and Osaka, Japanese housing starts dropped by 3 per cent, 7.9 per cent, and 4.9 per cent respectively.

New wood based housing units increased by 2.5 per cent, says the *Reports*.

Wildfires

CONTINUED In response to the large fires burning in Arizona, the US Forest Service has deployed more than 2,500 interagency firefighters Monday to protect lives and property through a joint incident command system, and are coordinating the resources available at local, state and federal levels..

Approximately 60,000 acres are currently burning in various areas of Colorado, most of it unincorporated land, and all of it less than 40 per cent contained.

One large Florida fire west of Miami began Sunday, burned almost 30,000 acres but as of Thursday night no homes are threatened. It is about 25 per cent contained.

About 500 firefighters near the Georgia-Florida line continued Thursday to make progress keeping a massive 160,234-acre fire confined to the interior of the Okefenokee National Wildlife Refuge. That fire was 80 per cent contained as of Friday morning.

Another blaze that started near the Okefenokee's northern edge was 70 per cent contained Thursday after burning 7,883 acres, or 12 square miles.

As of Thursday morning, Alabama Forestry Commission officials were cautiously optimistic that a wildfire that has consumed over 2,943 acres in Jefferson County is partially contained.

The fire in Alaska, north of Fairbanks, was officially sized as 17, 624 acres Wednesday, but "it's safe to say that the fire is bigger than that," said Pete Buist, lead information officer, to the NewsMiner Wednesday. The East Volkmar Fire near Delta Junction was listed as covering 46,880 acres but is also expected to increase.

Wilkins Cables Leaked

An embassy cable written by former US Ambassador to Canada, David Wilkins, the day the Conservatives were first elected in 2006 has been released by WikiLeaks.

The cable reads, in part, "the socially liberal core values of the opposition are more in line with most Canadians than the minority Conservatives, weakening their mandate even further. Given a relatively weak mandate and tenuous hold on power, Harper will move deliberately but cautiously to get a few successes under his belt before doing anything even remotely bold. [...]"

I see a real opportunity for us to advance our agenda with the new government. I recommend early on that we look for an opportunity to give Harper a bilateral success story by resolving an irritant such as the Devil's Lake filter system or entering into good faith negotiations to reach a solution on softwood lumber. Early success on a bilateral issue will bolster Harper and allow him to take a more pro-American position publicly without as much political risk."

Former Cabinet Minister David Emerson, who crossed the floor to the Tories to implement the softwood lumber deal a week after he was elected as a Liberal in Vancouver, BC, is mentioned in a second Wilkins cable just after the deal was signed with then-USTRAmbassador Susan Schwab eight months later.

"I look forward to helping connect the dots with the new government so we can effectively advance our agenda," Wilkins is quoted as saying.

After retiring from public service in 2008, Emerson now enjoys positions as co-Chair of the Prime Minister's Advisory Committee on the Public Service and is a member of the International Advisory Council of the Chinese sovereign wealth fund China Investment Corporation.

Nanotechnology

Using Cellulose

CONTINUED NCC offers a way of harnessing the waste products from agriculture and forestry, and can be used in development of new bioproducts to

by Kéta Kosman

replace or supplement petrochemical supplies. By replacing just two per cent of the polymers that are now made from petrochemicals, the carbon footprint of these bioproducts can be significantly reduced. In addition to its strength and durability NCC reflects light, which makes it suitable for use in optically reflective films found on passports, credit cards and paper money. Since this material is biodegradable, carboxylated NCC can be used for targeted drug delivery by hooking its carboxyl handle to a drug.

Sappi Europe, a global producer of coated woodfree paper with a head office in Belgium, announced May 30 at the 2011 PRIMA Conference for the European paper industry that it is actively pursuing research in this developing field. "Chemical cellulose from trees, and its different forms – viscose, microcrystalline (MCC), carboxymethyl and acetate – can be used to produce everything from food and drink products, through medicines and personal care products, to the clothes we wear. Trees could well be the renewable future we are looking for – and Sappi is working toward this future through renewable forests and extensive scientific research," said CEO Berry Wiersum.

Finland's Stora Enso announced June 2 that it is taking a significant step forward in renewable materials innovation by building a pre-commercial plant at Imatra in Finland for the production of microfibrillated cellulose (MFC) to be used in new unique fibre-based paper and board products, barrier materials, and other potential future applications. The MFC technology project, including the Imatra pre-commercial plant, is estimated to cost approximately EUR 10 million, and is scheduled to start production by the end of 2011.

"Stora Enso's is committed to accelerating the development of the next generation of renewable materials. With MFC we will be able to develop lighter, stronger renewable packaging materials, a lot more with a lot less. The applications of this renewable material may well extend to replacing today's fossil-based materials such as plastics and some speciality chemicals, and aluminium – revolution instead of evolution," explained Stora Enso CEO Jouko Karvinen.

TAPPI, a professional organization dedicated to the pulp and paper industries based in Georgia, on May 10 initiated an International Nanotechnology Division. This Division, comprised of producers, academia, government, consulting companies, and suppliers to the industry will concentrate on developments for traditional forest-based products like pulp, paper and building materials, as well as applications such as coatings, digital displays, medical implants, and more.

"When TAPPI volunteers suggested we take our nanotechnology efforts to the next level, we jumped at the opportunity to help the industry capitalize on this promising sector," said Larry Montague, President and CEO of TAPPI. "We see the new division as a platform for helping the industry respond to the rapidly changing field of nanotechnology, especially as commercialization develops in this fast-growing sector."

On May 31 the Wisconsin Institute for Sustainable Technology (WIST) formed a 12-member advisory board comprised of leaders from industry, business development groups and research organizations to further its existing research to make more sustainable use of natural resources. WIST is well underway on biofuels research aimed at developing a biorefinery that can be implemented in pulp and paper mills, producing renewable fuels and renewably-sourced industrial chemicals from waste sludge. The project could thus generate additional revenue and add jobs in the industry. The institute's lab services division provides testing, analytical and research and development services to the pulp and paper industry.

In Canada, on May 30 FPInnovations inaugurated of its new nanocrystalline cellulose (NCC) research facilities for the Québec City laboratory and two new research laboratories located at Pointe-Claire, QC. The pilot plant, with an NCC production capacity of 3 kilograms per day, contains equipment based on leading edge technology that ensures a rapid transfer of research results into industrial-scale production.

Separately, CelluForce, a partnership between Domtar and FPInnovations to manufacture nanocrystalline cellulose, on June 6 announced plans to open a plant in early 2012 to make tree-based bioplastic raw materials at Domtar's pulp and paper mill in Windsor, QC. Nanocrystalline cellulose will be produced in a large-scale commercial demonstration plant using cutting-edge technology. Please see the July, 30, 2010 issue of your Madison's Lumber Reporter for details on this partnership.

"This small pilot plant will be producing the largest quantity of NCC in the world. We are building the future of the forest industry by focussing on the research and development of new applications, innovative products and new markets," declared Pierre Lapointe, President and CEO of FPInnovations. "The CelluForce team will benefit from a nanomaterial of high quality, which is stable, abundant and unique in the world. With the combined strengths of FPInnovations researchers and Domtar staff, CelluForce will continue to develop new commercial applications and new market areas for NCC."

Cellulose has a long history of use in the pharmaceutical industry in the form of MCC for advanced pelleting systems in the delivery of drugs to specific areas of the body. Now research is being carried out on NCC crystallites, which have a very high surface to volume ratio. The large surface area and negative charge of NCC suggests that large amounts of drugs might be bound to the surface of this material, with the potential for high payloads and optimal control of dosing.

Another medical use for NCC, this one brand new, is as a replacement for pins in complicated bone fractures. Lead researcher Dr Raed Hashaikeh, an assistant professor in materials science and engineering at the Masdar Institute in United Arab Emirates, is developing bone grafts using NCC. Due to the tiny crystalline particles extracted from long chains of cellulose, which gives wood its remarkable strength, NCC bone grafts would be hundreds of times stronger than materials currently available. NCC contains calcium, phosphorous, magnesium, strontium, zinc and other ions, mimicking the composition of bone. Once set in place in the patient, the material hosts new bone cells, which have access to nutrients carried in blood flowing freely through the porous material. The new bone begins to grow within a month. After three months, the [biodegradable] scaffolding will be almost entirely dissolved, leaving new bone in its place. There is also evidence that blood vessels could form around the material as well.

Hashaikeh's research builds on work done in bone-like scaffolding currently being developed by Dr Hala Zreiqat from the University of Sydney's biomedical engineering department.

"This is a three-dimensional structure that not only acts as a support structure to mechanically hold loads of weight applied, but it is able to mimic native bone well enough that new bone and cells will actually grow on it," said Dr Zreiqat. "This is something that no one in the world has done before."