

MADISON'S LUMBER REPORTER


 Publisher
KetaDesign Productions
 Editor
Kéta Kosman
 Market Analyst
Zara Heartwood


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


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News & Updates

Madison's Timber Preview

This week's issue of *Madison's Timber Preview* examines the quickly burgeoning market for cross-laminated timber and its use in taller wood structures, as well as looking at North American lumber producers best able to step into this growing sector.

Contact us any time for a subscription.

Watkins Sawmill Fire

Emergency crews were called to massive blaze that broke out August 19 at Watkins Sawmill Maple Ridge, BC. Firefighting crews spent two hours getting the fire under control, sending tanker trucks to fill up with water in Mission.

Abbotsford fire fighters were called to cover the Maple Ridge area while local crews worked to extinguish the fire.

The mill, a family owned business that produces cedar shakes and shingles, only operates from Monday to Thursday, so no one was injured, an employee said.

According to Maple Ridge fire chief Peter Grootendorst there was also a significant potential for environmental hazard with this fire. One of the buildings housed 80,000 litres of oil-based stain and solvents. But cooperation between Ministry of Environment, public works, firefighters, and search and rescue crews is credited with preventing contamination of the neighbouring Stave River, Grootendorst explained.

With the building reduced to nothing more than charred rubble and scorched sheets of deformed metal, the family has yet to decide the future of their plant.

Canadian Manufacturing Production

The struggles in the US housing market and slowdown in the Canadian market will reduce growth in the wood products manufacturing industry this year, according to a report released Thursday by the Conference Board of Canada in association with the Business Development Bank of Canada.

Stronger annual growth is expected beginning in 2012, as North American markets rebound and the industry continues to make inroads into new export markets such as China.

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Construction Spending, US

US construction spending unexpectedly saw a modest increase in the month of June, according to figures released August 1 by the Commerce Department.

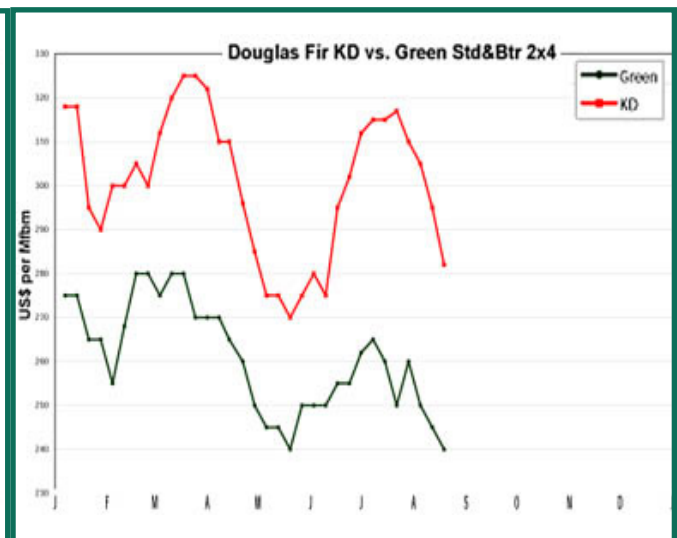
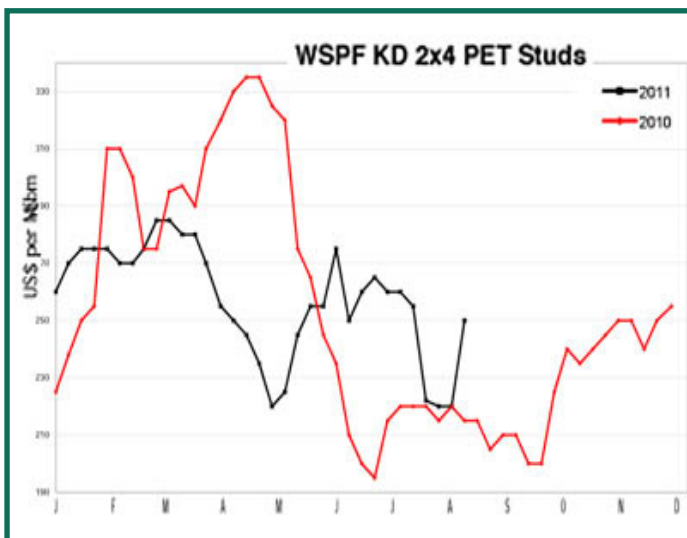
According to the figures, construction spending rose to a seasonally adjusted rate of US \$772.3 billion in June, up 0.2 per cent from revised May figures. In general, most economists had expected construction spending to hold level in June.

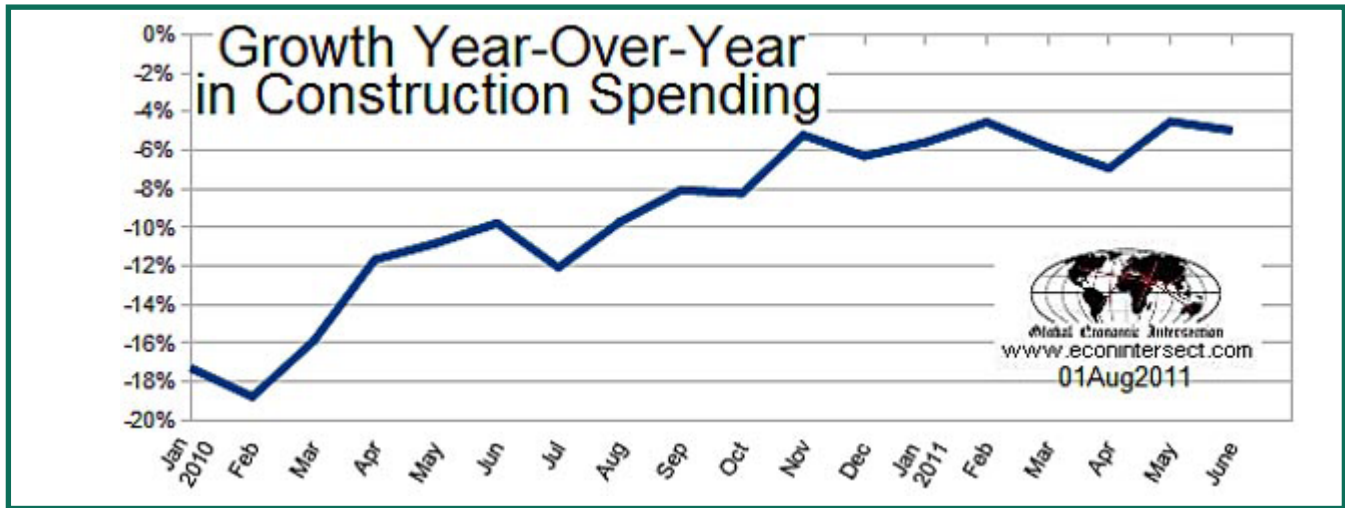
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Biomass Energy, Economy

A newly-formed committee of British Columbia MLAs is looking at the potential for BC's bioeconomy, with a report expected to be delivered in October.

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Federal Reserve Chair Ben Bernanke: 'US doesn't need more Quantitative Easing'

Federal Reserve Chair Ben Bernanke gave a speech Friday saying the US economy was poised for long-term growth. Bernanke said the economy is fundamentally sound and will grow. He signalled no new rounds of bond-buying by the central bank. Bernanke declined to discuss any outline of what the Fed could do to support growth, saying it was still difficult to judge how recent stock market weakness, debt-ceiling negotiations, and the European crisis had impacted the economy. Analysts noted his comments that the Fed's next policy meeting would become a two-day affair, which "will likely fuel speculation that the Fed may seek a consensus on its action," said Marc Chandler, global head of currency strategy at Brown Brothers Harriman. Meanwhile, analysts pointed out that Bernanke criticized Congress for the recent debate over the U.S. debt ceiling and called on lawmakers to do their share to boost growth.

U.S. Total Construction Spending billions of U.S. current dollars – annual figures)	Actual			Forecast		
	2008	2009	2010	2011	2012	2013
New Residential (% change is year vs previous year)	238.2	141.4	135.8	127.6	136.4	160.5
	-34.2%	-40.6%	-4.0%	-6.0%	6.8%	17.7%
Residential Improvements*	120.7	119.3	116.8	118.7	129.0	142.2
	-13.9%	-1.1%	-2.1%	1.6%	8.7%	10.2%
Non-residential Building	437.4	379.7	290.9	266.8	275.5	301.6
	8.6%	-13.2%	-23.4%	-8.3%	3.3%	9.5%
Non-building (heavy engineering)	270.9	273.7	269.8	261.3	270.8	289.9
	9.3%	1.0%	-1.4%	-3.1%	3.6%	7.0%
Total	1067.2	914.2	813.3	774.5	811.7	894.2
	-7.4%	-14.3%	-11.0%	-4.8%	4.8%	10.2%

*Residential Improvements include remodeling, renovation and replacement work.

Source: U.S. Census Bureau, Department of Commerce. Forecasts and table: Reed Construction Data.

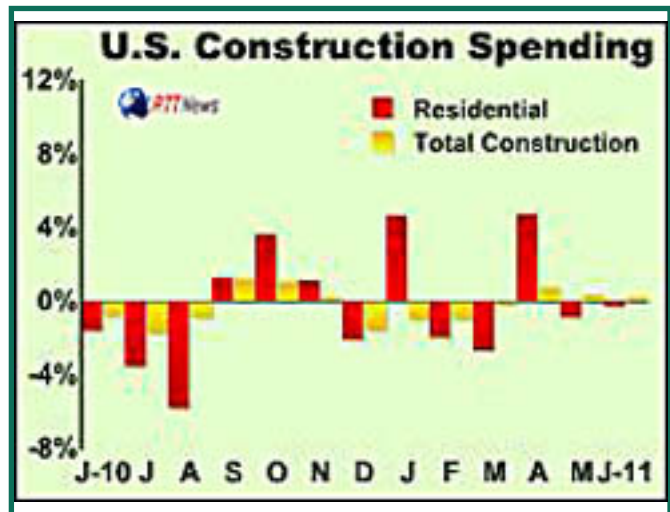
REED CONSTRUCTION DATA Construction Outlook

Reed Construction Data Wednesday reduced the construction spending forecast for 2011-13 based on a series of negative developments in the last few weeks.

The forecast for 2011 is now for a 4.8 per cent decline, previously 4.2 per cent. Expansion in 2012 has been cut to 4.8 per cent from 10.5 per cent. Expansion in 2013 is now expected to be 10.2 per cent, down from 14.4 per cent previously.

The weaker outlook is due to these developments:

- Surprisingly low 2nd quarter economic growth in North America, Europe and Asia
- A worsened public debt problem in Europe with very high borrowing costs spreading to Spain and Italy
- A sharp drop in spending confidence in the US on the realization that Washington has no credible plan to deal with either short-term high employment of long-term high debt



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	225	218	+10	254	-26	227	+1
WSPF KD R/L 2x6	250	254	-4	260	-10	239	+11
WSPF KD R/L 2x8	280	275	+5	285	-5	237	+43
WSPF KD R/L 2x10	280	280	0	290	-10	316	-36
WSPF KD PET 2x4 Stud	250	220	+30	255	-5	215	+35
Douglas Fir Green R/L 2x4	240	245	-5	252	-12	210	+30
Douglas Fir Green R/L 2x10	280	290	-10	305	-25	278	+2
ESPF KD 2x4 8ft Stud	310	310	0	330	-20	280	+30
OSB Ontario 7/16" (CDN\$)	205	205	0	200	+5	222	-17

Weekly News



Manufacturing Production, Canada

CONTINUED The value of Canada's woodproducts sector should hit \$10.5 billion in 2011 and rise to \$13 billion by 2015.

The Conference Board report noted that the federal government's Green Transformation Program has helped inject much-needed investment into upgrading machinery and technology in the paper sector, but the industry remains oversupplied.

The report's forecast pegged the economic value of Canada's paper sector at \$8.9 billion for 2011, which should rise to \$9.5 billion by 2015.

Meanwhile, also released Wednesday, the Conference Board of Canada's confidence index — based on a survey of 2,000 Canadians — fell 6.6 per cent to 74.7. That's its lowest level since July 2009 and the fourth straight monthly decline.

BC's consumer confidence sits at 86.1 points, compared to 74.7 for all of Canada.

The sharpest decline in August occurred in Quebec, which fell 12.7 points to 67.1, the lowest level among Canada's regions. Consumer confidence in Atlantic Canada fell 12 points, the Prairie provinces fell eight points and Ontario dropped four points.

The monthly consumer confidence surveys began in 2002 with a 100-point baseline.

US Construction Spending

CONTINUED The June construction spending rates are down by 4.7 per cent compared to the figures posted in June 2010.

Private construction spending drove the monthly increase, rising 0.8 per cent to US\$493.4 billion. Non-residential private spending, up 1.8 per cent for June to the highest levels since December 2010, was able to offset a 0.3 per cent drop in private residential construction. Residential construction spending, which showed a sharp increase in April, has now shown decreases over the past two months.

Spending on public construction projects, which had shown an increase in May, dropped by 0.7 per cent in June, driven by a 0.6 per cent drop in state and local construction and a 2.2 per cent decrease in federal construction.

Lower interest rates, easier lending rules and a drop in raw-material costs may keep stimulating a rebound in commercial projects that will help underpin business investment. At the same time, decreases in government spending and a stagnant housing market probably mean a broad-based rebound in the industry will fail to take hold.

Estimates of the 49 economists surveyed ranged from a decrease of 0.5 per cent to a gain of 0.9 percent. The Commerce Department revised the May data from a previously reported 0.6 per cent drop.

Calendar

September 2011

Wood Week 2011

September 9 - 10 – Quebec City, QC
<http://www.masterpromotions.ca/Previous-Events/wood-week-2011/>

COFI Annual Convention

September 15-16 – Prince George, BC
http://www.cofi.org/whats_new/default.htm

Alberta Forest Products Association 2011 AGM

September 28 - 30 – Jasper, AB
<https://albertaforestproducts.ca/registration/>

Who Will Own the Forest? 7

September 19 - 21 – Portland, OR
<http://wwotf.worldforestry.org/wwotf7/index.html>

National Hardwood Lumber Association Annual Convention

September 21 - 24 – Nashville, TN
<http://www.nhla.com/>

BioEconomy and Forestry

British Columbia

The term 'bioeconomy' refers to the conversion of biomass such as trees and agriculture products into bioenergy, biochemicals and biomaterials, and has far-reaching applications in the health and chemical sectors. The emergence of an international bioeconomy reflects a growing market demand for products that are sustainable and come from natural renewable resources.

A newly formed committee of BC's Members of the Legislative Assembly will focus on ways to expand the province's bioeconomy to support job creation and economic growth. The group, chaired by John Yap, Liberal MLA for Richmond-Steveston and Parliamentary Secretary for clean technology, will establish guidelines to support growth in the sector. The committee of MLAs includes Parksville-Qualicum Liberal Ron Cantelon, Bob Simpson, Independent, Cariboo North, Liberal Eric Foster of the Vernon-Monashee riding, and Nechako Lakes Liberal John Rustad.

In mid-2007 BC boasted approximately 100 biopharmaceutical companies employing more than 2,600 people, according to the *San Diego Business Journal*. Biotechnology was also being used to enhance the competitive position of traditional forest- and agriculture-based industries, including aquaculture.

A biotechnology survey released last week by *Scientific American* found that Canada ranked behind only the United States and Singapore in terms of the foundation for biotechnology. The survey ex-

amined intellectual property production and activity, biotechnology innovation intensity, enterprise support, educational and workforce strength, and general economic foundations.

The survey also found that the government of Ontario has demonstrated its commitment to fostering a bio-economy through a wide range of program initiatives. Quebec has been very effective in developing and sustaining policy initiatives that have attracted an enhanced level of biopharmaceutical research and development activities. Saskatchewan is recognized as one of the world's leading agriculture-biotech research centres, and BC has been the home of some of Canada's greatest commercial success in biotechnology.

One BC group working hard in this sector is Genome BC, which this winter celebrated ten years of research to create significant social and economic benefits for the province. Genome BC has attracted over 100 major international co-funders and partner organizations, managing a total research portfolio of over \$425 million, with a mandate that includes combatting the mountain pine beetle's devastation of BC's forests, utilizing the sunflower and beetle-killed wood as alternative fuel sources, and more.

Please refer to the September 11, 2009 issue of your *Madison's Lumber Reporter* for details on Genome BC's work on forestry genomics.

BioEconomy committee member Bob Simpson explained to *Madison's* in a phone interview Thursday that BC is dabbling in bioenergy as part of the province's economy.

"This spring FPInnovations released its final report on Canada's biopathways, and PricewaterhouseCoopers released a

subsequent report. Both agencies came to the same conclusion: the emerging bio-economy is currently on the cusp of becoming a real economy, and Canada is not well positioned globally to capitalize on its bio-economic potential.

"Both studies found that BC's bioeconomy could generate \$200 billion in global revenue annually, which is four times what the province's forest products' industry currently generates," added Simpson.

It seems that while BC, and other Canadian provinces, have made strides in the bio sectors, a lot more work could be done for a lot more benefit.

"BC is in a position to be the best in this field, to take a lead," continued Simpson. "This is because the provincial government owns and manages the forests, and there are large fibre sources available for products in the wake of the mountain pine beetle infestation and with the amount of Hemlock on the coast.

"In June we drafted some fundamental Terms of Reference, as preliminary guidelines. We have met with the forest industry, with FPInnovations and with COFI, and we intend to deliver a detailed plan in October."

Simpson explained that BC's forest industry groups have been very interested in discussions of fibre supply, as there is a concern about timber being diverted to energy production rather than for making lumber.

"As a business model for the bioeconomy, generating energy is last. First is extracted as much solid wood, panel, engineered wood, and nano-technology – specifically biochemicals – then finally we turn to energy production," concluded Simpson.

Madison's will follow up on this story as it develops.

