

MADISON'S LUMBER REPORTER



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News & Updates

Madison's Timber Preview

This week's issue of *Madison's Timber Preview* examines the latest developments at ArborGen, a global supplier of seedling products to the commercial forest industry. A joint project of timber corporations International Paper, MeadWestvaco and Rubicon, ArborGen is in the midst of organizing itself for a US\$75 million Initial Public Offering. Contact us anytime for a subscription.

Grant OSB Mill Demolished

The Grant Forest Products OSB mill in Timmins, Ontario is currently being demolished, according to the *Timmins Times*.

On September 9, 2006, Grant Forest Products locked the plant's gate, shutting out 105 unionized workers shortly after 67 per cent of them voted to reject their contract of fer that contained concessions. Grant Forest Products sold some of their assets to Georgia-Pacific, but the Timmins OSB plant was not included in the transaction.

In June 2009, Grant Forest Products applied for creditor protection under the Companies' Creditors Arrangement Act in order to have time to restructure. Eventually the company went into receivership. The company offered the mill for sale in March 2010.

Worker Safety

Greatly reduced numbers for worker injury and death in the forestry of the past few years are being impacted by a rash of accidents at sawmills and forest operations. The safety of workers, and safe work practices, are the single most important factors in any industrial operation. Even one injury or death is unacceptable. To have several happen across North America in the space of a few weeks is cause for alarm and concern.

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Japan Housing Starts, Canada Building Permits

Total August housing starts in Japan rose 14 per cent compared to the previous month, to 81,986 units, according to the *Japan Lumber Reports*.

The value of Canadian building permits plunged 10.4 per cent in August from July for a second consecutive decline, Statistics Canada said on Thursday.

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Lumber Industry Projections

Better times lie ahead for Canada's long-suffering lumber industry, whose decade-long restructuring has left it a lean competitor poised for an upturn in the US housing market, said TD Economics on Thursday.

Once the foreclosure glut winds down and a US housing recovery kicks in toward the end of 2013, it will drive an upswing in lumber demand and prices as a result of a "far leaner capacity" at the mill level.

Turnaround will be abetted by rapidly growing demand from China. [READ MORE](#)

New Forestry Research Funding

Genome British Columbia this week announced \$32 million in funding for four UBC research projects focussed on improving tree growth, wood quality, and biomass fuel production.

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JAPANESE HOUSING STARTS

Month	TOTAL	Non-Wood	Wood	%Wood
Aug-11	81,986	35,085	46,901	57
Jul-11	83,398	35,238	48,160	58
Jun-11	72,687	32,438	40,249	55
May-11	63,726	29,600	34,126	54
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

Source: Japan Wood Products Information and Research Center

WSPF KD #2&Btr 2x4



Data Digest is a weekly report published by the Associated General Contractors of America

The first significant change in US construction employment levels since February were driven largely by increases in nonresidential construction as private sector demand continues to inch up, construction officials note.

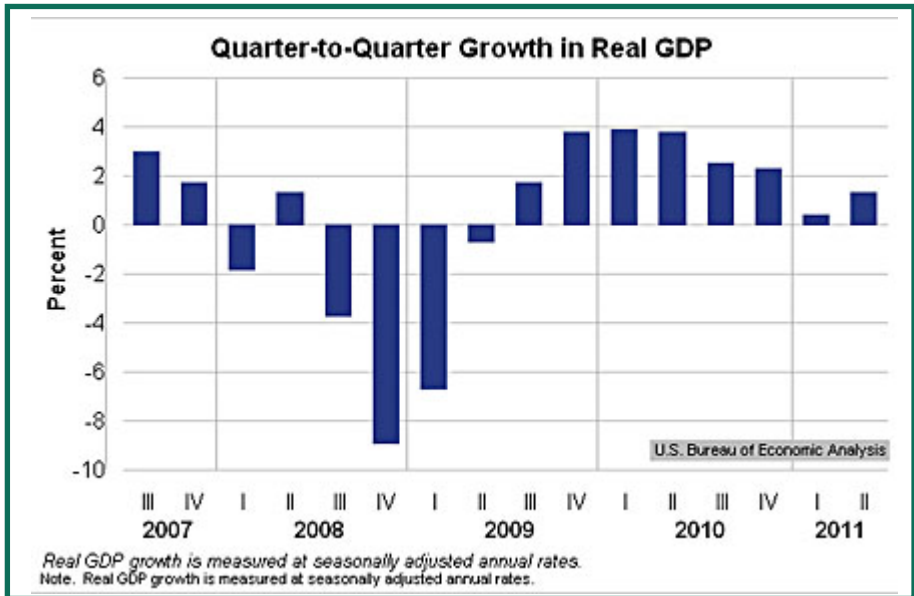
Construction employers added 26,000 jobs between August and September as the industry's unemployment rate dropped to 13.3 per cent, according to an analysis of new federal employment data released today by the Associated General Contractors of America. Association officials said the increase reflects growing private sector demand for nonresidential construction projects.

Total construction employment now stands at 5.55 million, compared to 5.51 million in September 2010, a 0.7 per cent increase. Nonresidential building construction added 13,200 jobs in September while nonresidential specialty trade contractors added 10,700 jobs and heavy and civil engineering construction added 6,200. Meanwhile, residential building contractors added only 1,800 jobs while residential specialty trade contractors lost 5,600 jobs.

The Association noted that the industry's 13.3 per cent unemployment rate was an improvement from the 17.2 per cent rate of a year earlier but far above the all-industry rate of 9.1 per cent. However, much of the decline in the industry's unemployment rate was caused by construction workers leaving the industry, as opposed to returning to the sector's workforce.

Construction programs accounted for more than half of the fiscal year 2011 federal budget cuts and that Congress and the administration have yet to finalize aviation, surface transportation or water system legislation that expired years ago.

"If Washington continues to cut infrastructure funding instead of addressing out of control entitlement spending, the industry will lose whatever momentum it picked up in September," said Stephen Sandherr, the association's CEO.



Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	238	240	-2	262	-24	235	+3
WSPF KD R/L 2x6	250	250	0	272	-22	248	+2
WSPF KD R/L 2x8	270	265	+5	285	-15	279	-9
WSPF KD R/L 2x10	270	270	0	285	-15	318	-48
WSPF KD PET 2x4 Stud	240	235	+5	260	-20	200	+40
Douglas Fir Green R/L 2x4	240	240	0	252	-12	180	+60
Douglas Fir Green R/L 2x10	285	290	-5	285	0	250	+35
ESPF KD 2x4 8ft Stud	305	305	0	320	-15	285	+20
OSB Ontario 7/16" (CDN\$)	210	210	0	210	0	210	0

Weekly News

Safe Work Practices

CONTINUED Logger Danny Dimm, 53, was killed instantly Monday morning while clearing trees on private land about 10 kilometres south of Lillooet, BC, when part of a tree toppled down on a piece of equipment, pinning him underneath.

The accident is being investigated by the coroner and WorkSafeBC.

According to Lillooet RCMP Sgt. Fran Bethell, Dimm was with another worker when the tree snapped and landed on a front-end loader.

"Part of the tree fell and flipped the loader over on Mr. Dimm and he was killed instantly," Bethell said. The other worker was uninjured.

Al Auger was one of the first on the scene of the accident and said it is very tragic.

An accident last week at the AV Cell dissolving pulp mill in Atholville, NB, has left one person dead and two others injured. The three men were employees of a subcontractor. They fell from a fixed catwalk approximately nine metres high.

A representative of WorkSafeNB told local news sources that the catwalk was a fixed structure, not scaffolding, but something gave way under the weight of the workers and the fell to the floor. Apparently the catwalk was intended to give access to pipes near the ceiling, and was used infrequently.

Investigators have narrowed the possible cause of a large fire October 3 at a Healdsburg lumber mill, near Santa Rosa, CA, including that rags used for staining wood sparked the flames.

The fire caused about US\$500,000 damage to stacked boards at the Nu Forest Products wholesale business on Healdsburg Avenue.

City fire Marshal Linda Collister Tuesday said the cause could have been electrical or rags soaked in linseed oil, which is highly

flammable. There was an electricity source and oil-soaked rags in the vicinity of where the fire started, she said. Workers had been using linseed oil in a "new, special process they were doing with the wood there," Collister said.

A final determination was on hold while a company insurance investigation also remains underway, she said. More than 40 firefighters from seven agencies worked on the Sunday evening fire.

An Oregon State safety agency on Tuesday fined Stimson Lumber Company US\$5,000 stemming from an explosion in May that killed one employee and seriously injured two others.

The incident occurred at the company's mill in Gaston, south of Forest Grove, OR.

"This is a serious violation connected to training issues," said Melanie Mesaros, spokeswoman for the Oregon Occupational Safety and Health Administration. "We're saying that the employee wasn't adequately trained."

Japan Housing Starts, Canada Building Permits

CONTINUED The seasonally adjusted rate of annual home building in Japan was at 934,000 for August, says the Japan Lumber Reports.

Condominium starts rose 60 per cent. New wood based units were at 46,901, a 11.5 per cent increase over August 2010. The share of wood based units was 57.2 per cent of total new starts, up 1.5 points over July.

The overall value of Canadian August building permits was 3.9 per cent higher than in August 2010.

Housing permits fell 6 per cent to \$3.6 billion following three monthly increases, dragged down by a sharp 8.9 per cent drop in building intentions for multifamily dwellings. Single family intention were down 4.1 per cent.

Nonresidential permits sank 16.6 per cent to \$2.3 billion on a 20.6 per cent drop in the value of commercial building intentions in Ontario.

Lumber Industry Recovery

CONTINUED The latest statistics from China's State Forestry Administration, indicate the total output value of the forestry industry reached 1.66 trillion yuan (US\$255 billion) in the first eight months of the year, up 9 per cent from the same period last year, according to *China Daily USA*.

Coming together with the rising output value in the sector is the improvement in its structure. According to the SFA, the ratio of the primary industry, secondary industry and tertiary industry in the sector was adjusted to 39 to 52 to 9 from 52 to 41 to 7 in 2005. The weight of the latter two industries kept growing over time.

The SFA said growth in secondary industry was mainly boosted by wood and bamboo products while forest tourism helped to shore up the tertiary industry.

Tembec Invests

Tembec announced plans Thursday that could lead to a further \$100 million investment to expand its pulp facility in Temiscaming, QC, by 2015.

Chief executive James Lopez told a New York investor conference that the second phase of changes at its key facility would add 30,000 tonnes of annual capacity of specialty dissolving pulp.

The expansion would add 10 megawatts of electricity that would be sold to Hydro-Quebec.

The expenditure would raise the company's forecasted capital spending in Temiscaming to nearly \$300 million.

The Quebec government has provided a \$75-million loan at rates that Lopez said are "substantially better than the market."

Genomics and Microbials

Forestry Research

Building on previous studies and operating in conjunction with researchers globally, Genome British Columbia, out of Vancouver, BC, is embarking on another round of exciting research in forest science. New

by Kéta Kosman

funding of \$32.6 million has just

been announced for four individual projects at the University of British Columbia. The funded projects aim to develop clean energy alternatives, enhance the use of forest biomass, understand the effects of climate change on the forest, and identify trees with superior growth and wood properties.

Two of these projects particularly caught *Madison's* attention as relevant to the North American forest products' industry: **'SMARForest: Spruce Marker Technologies for Sustainable Forestry'**, aimed at upping healthy wood yield; and **'Harnessing microbial diversity for sustainable use of forest biomass resources'**, which looks at how microorganisms in soil naturally degrade trees into biofuel feedstock. *Madison's* spoke to the head researchers this week for details.

The genome project focusses on unlocking the conifer gene sequence to breed bigger, stronger trees.

"Once complete, our work will identify a parent tree with the right genetic makeup, one that displays traits beneficial to producing good quality, high value timber. We won't have to wait several decades until a tree has reached maturity to know if it possesses the genetic markers we are looking for," explained Dr. Jörg Bohlmann of UBC to *Madison's* in a phone interview Wednesday.

The genetics research aims to develop marker technologies to identify spruce seedlings that have superior growth and wood properties, or increased insect resistance. As they are identified, these genetic marker systems and biomarkers can be directly applied to Canadian spruce forestry programs, which will result in a significant increase in production.

"Specifically we intend to identify genes that possess the relevant traits," continued Bohlmann. "Traits like tree growth and development, resistance to insects and diseases, adaptation to

a changing climate, and wood quality and wood property traits. Using our research, tree breeding programs will be developed to accelerate superior traits.

"This project is entirely new, but it is building on other research. The Treedomix Project in BC and the Arboria Project at Dorval University in Quebec have both advanced work on conifer genomics. Stemming from this combined expertise, we are attempting something much more ambitious, first to sequence the entire white spruce gene, then to determine the best application for this knowledge to improve tree species for the forest products industry."

It seems that while the genetic map of spruce genes is becoming better understood, there is currently very little knowledge of how the genes are organized.

"We already know about 80 per cent of the spruce gene, but only about 10 per cent about the gene arrangement," explained Bohlmann. "In order to have complete knowledge we must understand the dimension and arrangement of the genes. You could compare it to the construction of a home; if you can imagine the pieces of a scaffolding but 90 per cent of it is scattered about the floor with only 10 per cent of it erected. As yet no one has been able to completely re-assemble the spruce gene sequence.

"Using large samples across geography as a reference we will look for variation of traits, then associate that variation with a genome. We will be able to substantially associate certain parts of the genome with phenotypic variation. In this way we will find out which part of the genome is a significantly strong indicator of relevant traits. This knowledge will then be used in tree breeding programs.

"We will be able to make a positive prediction about the value of a tree in a breeding program and subsequently the value of the offspring."

Bohlmann stressed an important distinction between this and other agricultural gene research.

"These will not be transgenic trees, this is not genetic engineering or genetically modified reproduction," Bohlmann pointed out. "We are simply tapping into what nature is already offering to make rapid advances in tree biology."

The second Genome BC project of interest to *Madison's* is related to biofuels and unlocking the energy in wood.

"Our work aims to transform or degrade lignin. To remove it so cellulose

can be used for other things like biofuel, or to convert lignin into resins or carbon fibres," explained Dr. Lindsay Eltis, also at UBC, to *Madison's* Wednesday in a phone interview.

The microbial project is exploring the microorganisms found in soil that naturally degrade biomass, a key component from which biofuels are derived. Unlocking the potential of forest biomass will lead to better forest management practices and improve the economics of lignin-based products.

"Most of the work done to date on biomass fuel has been using chemical methods to access the energy in wood," detailed Eltis. "We will be using enzymes or bacteria as a bio-catalyst. There has been some progress in this field using fungi, but not a single commercial application exists because fungi are very difficult to manipulate and the process can not be scaled up for industrial production.

"As everyone knows, when a tree falls down in the forest it decays over time.

part of this decay is done by bacteria naturally existing in the forest soil. We will be examining the bacteria and this natural process of breaking down wood. The bacteria recycle everything in the forest, and maintain the global carbon cycle.

"There are thousands of different kinds of bacteria in soil types. We will be using soil samples from BC, Ontario, Texas, and California to have a wide range of information and to maximize the chances that whatever we develop can be applied elsewhere in North America.

"Our research approaches the biofuel question from a different direction. We are using metagenomics to identify the DNA of all the bacteria in soil. In one gram of forest soil there are over 5,000 kinds of bacteria. In examining the bacteria and the decay process we will be able to use this existing force of nature to create energy.

"There is a lot of biomass in the forest, beyond what is being used by the forest products industry," concluded Eltis. "Lignin is very underutilized and we are trying to get a higher value product from wood."

Both projects are expected to take two to three years to complete. However, as there is also work complementary being conducted by other research groups it is possible a breakthrough will happen earlier than that. *Madison's* will continue to inform Reporter subscribers on the progress of this exciting field.