

MADISON'S LUMBER REPORTER

Publisher
KetaDesign Productions

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Annual Subscription Prices
E-mail/Fax: C\$389
Discounts available for multiple
subscriptions
Published 50 times a year

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PO Box 2486 Vancouver, BC
V6B 3W7 Canada

In Canada, add GST or HST
ISSN 0715-5468

Printed in Canada © 2013

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News & Updates

North American Wildfires

Wildfires burned this week in Arizona, the interior of British Columbia, Alberta, New Brunswick, and Prince Edward Island, while Quebec has issued fire warnings and bans.

A suspected human-caused fire has consumed about 43 acres, or 17 hectares, of wilderness on Mt. Graham in Arizona's Coronado National Forest.

The US Forest Service reported Friday morning that the Marijilda fire was at about 70 per cent containment. The Marijilda fire is in Rincon Canyon, near Rincon Springs, at about 5,000-foot elevation. Burning is short grass and oak and no structures are threatened.

The fire was first reported Wednesday morning. There are four wildland fire crews on the ground — three 20-man crews and one short crew. [READ MORE](#)

Canada Housing Starts

The seasonally adjusted annualized rate of housing starts in Canada was 174,858 units in April, down from 181,146 in March, Canada Housing and Mortgage Corp said Wednesday. The March figure was revised down from the 184,028 units reported a month earlier.

Wednesday's figure is 31 per cent below the year-ago pace. [READ MORE](#)

Housing Starts, Japan

March housing starts in Japan were 71,456 units, a 7.3 per cent improvement over March 2012, according to the *Japan Lumber Reports*. On a seasonally adjusted basis starts were 904,000 units, a 4.2 per cent decline from February mostly due to a drop in condominium starts. [READ MORE](#)

Ontario Wood Pellet Plant

Rentech has acquired two decommissioned fibre mills in Ontario and plans to produce wood pellets in both to fulfill pellet delivery contracts with Drax and Ontario Power Generation, the company announced Saturday.

The two mills are: Wawa, a former Weyerhaeuser OSB processing mill; and, Atikokan, the former Atikokan Renewable Fuels particle board processing mill. [READ MORE](#)

Biomass Fuel Report: US Endowment

A new report released last week assesses approaches to expanding community-scale clusters of wood-to-energy facilities in the US. The US Endowment for Forestry and Communities (Endowment) report, "*Financing Woody Biomass Clusters: Barriers, Opportunities, and Potential Models for the Western US*", looks specifically at how community-scale wood-fueled facilities could aid in addressing burgeoning forest health issues and expanding losses due to wildfires. The production of energy using a renewable material such as wood can have positive impacts on all three legs of the sustainability stool – society, the economy, and the environment, says the report. [READ MORE](#)

CANADIAN HOUSING STARTS

Actual and Seasonally Adjusted Annual Rates

	April 2013		March 2013	
	Actual	SAAR	Actual	SAAR
Canada, all areas	15,390	174,858	14,517	181,146
singles, urban centres	5,276	60,059	4,030	60,586
rural areas	2,163	21,330	756	23,715
multiples	7,951	93,469	9,731	96,845
Atlantic urban centres		4,457		7,524
Quebec urban centres		32,935		28,688
Ontario urban centres		44,874		52,700
Prairie urban centres		48,253		44,155
BC urban centres		23,009		24,364

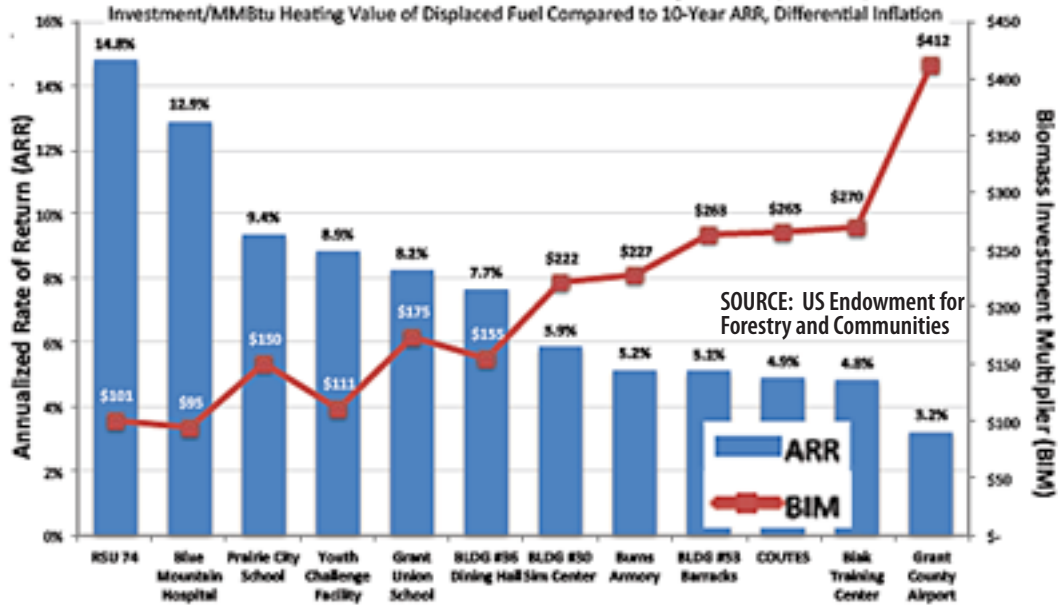
Source: Canada Mortgage and Housing Corporation

JAPANESE HOUSING STARTS

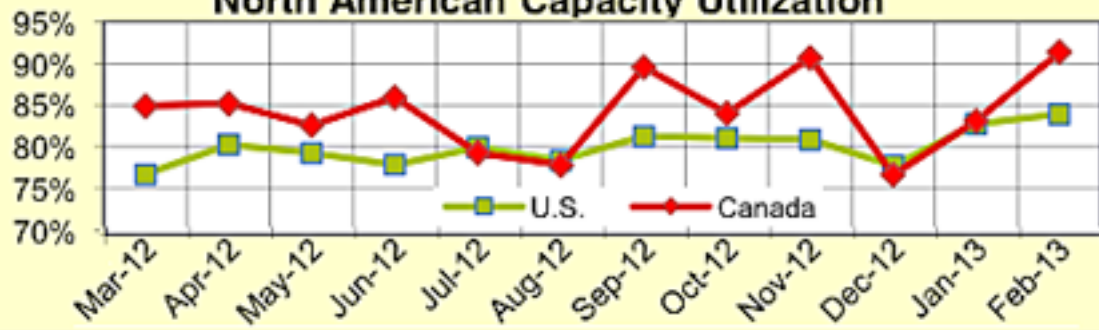
Month	TOTAL	Non-Wood	Wood	%Wood
Mar-13	71,456	31,819	39,637	55
Feb-13	68,969	33,242	35,727	52
Jan-13	69,289	31,982	37,307	54
Dec-12	75,944	32,392	43,552	57
Nov-12	80,145	34,396	45,749	57
Oct-12	84,251	37,883	46,368	55
Sep-12	74,176	31,159	43,017	58
Aug-12	77,500	34,485	43,015	56
Jul-12	75,421	32,883	42,538	56
Jun-12	72,566	31,654	40,912	56
May-12	69,638	31,439	38,199	55
Apr-12	73,647	36,535	37,112	50

Source: Japan Wood-Products Information and Research Center

Biomass Investment Multiplier (BIM)

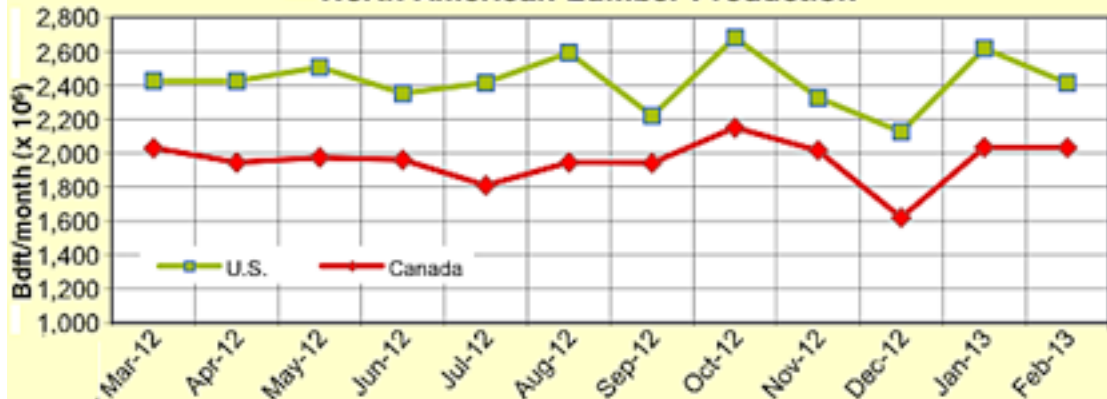


North American Capacity Utilization



Sources: FEA, LLC; Softwood Sawmills in the United States and Canada, WWPA

North American Lumber Production



Source: Southern Forest Products Association, U.S. Census Bureau, Council of Forest Industries-CAN, WWPA

Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	340	352	-12	408	-68	304	+36
WSPF KD R/L 2x6	340	350	-10	394	-54	294	+46
WSPF KD R/L 2x8	326	344	-18	374	-48	292	+34
WSPF KD R/L 2x10	355	372	-17	408	-53	354	+1
WSPF KD PET 2x4 Stud	340	360	-20	465	-125	345	-5
WSPF KD PET 2x6 Stud	360	380	-20	435	-75	345	+15
Douglas Fir Green R/L 2x4	330	330	0	388	-58	255	+75
Douglas Fir Green R/L 2x10	380	380	0	418	-38	315	+65
ESPF KD 2x4 8ft Stud	465	465	0	505	-40	410	+55
OSB Ontario 7/16" (CDN\$)	363	362	+1	395	-32	220	+143
CSplywood Toronto 3/8" (CDN\$)	359	353	+6	402	-43	353	+6

Weekly News

Canada and US Wildfires

CONTINUED Hot and dry weather in southern British Columbia is expected to hold until at least Saturday, which means crews battling the 255-hectare Spatum Creek fire south of Ashcroft, BC, can't rest easy yet.

There are 63 personnel fighting the fire Wednesday and building helipads to allow support crews better access to the blaze.

Other fires in the Kamloops, BC, area, including a small blaze off Lac le Jeune Road and three spot fires near Monte Creek, were being mopped up on Wednesday.

A fire near the community of Nordegg, north of Edmonton, AB, is contained, and will be hit hard Friday as extra fire crews and equipment are being brought to the area.

The fire began Sunday night, and has been blazing through 75 hectares near the Frontier Lodge, about five kilometres west of Nordegg. Winds picked up Thursday afternoon, causing the blaze to burn out of control.

Winds did not get as bad as predicted in the area overnight, which aided fire-fighting efforts.

About 150 residents of Nordegg remained on a one-hour evacuation notice as of Friday morning.

Forest fires near Petitediac and Kedgwick in New Brunswick burned out of control Tuesday.

Two homes were destroyed already and more are at risk. Evacuations are being conducted are in place to get people to a safer place. Water bombers and helicopters are fighting the fires.

There has already been 272 fires in New Brunswick this year. At least 14 fires were burning mid-week, according to the *CBC*.

In Prince Edward Island, fire officials battling a major forest fire Tuesday on the Friston Road near Pleasant Grove and Covehead area.

The fire started in the afternoon and quickly spread, said *The Guardian* Tuesday. Strong southwesterly winds have turned the fire into a crown fire. By evening the fire was 10 acres in size. The area is heavily wooded and difficult for firemen to attack.

The forest fire index was increased to high across PEI Monday.

The increasing fire danger rating in Quebec has led to an open fire ban across the entire province, officials said Wednesday. A dozen forest fires were burning across the province, and 167 fires have burned in that province this year so far.

Housing Starts, Canada

CONTINUED Multiple-unit housing starts in Canada's urban areas fell 3.5 per cent in April to a pace of 93,500, a decline of 42 per cent from the same month a year earlier, according to the CMHC report. Single-unit work fell 0.9 per cent to 60,100 units, down 16 per cent from the year-ago month.

The six-month trend level in housing starts was 182,754, continuing a downward slope that began in the middle of 2012, when Canada's red-hot housing market peaked.

Japan Housing Starts

CONTINUED March new building of owners' units improved by 11.4 per cent while new rental units increased by 10.7 per cent, says the *Japan Lumber Reports*.

For full-year 2012, which ended March 31, 2013, housing starts in Japan were 893,002, a 6.2 per cent increase over 2011 and a three consecutive year improve-

ment. By house type, 2x4 units were 110,459, an 11.9 per cent increase over the previous year.

Pellet Plant, Ontario

CONTINUED Rentech's wood pellet supply contract with Drax includes a 10-year contract for delivery of 400,000 metric tonnes of pellets annually, which will be fulfilled by both Wawa and Atikokan mills. The contract establishes a strategic relationship with Drax, which plans to invest approximately US\$1 billion through 2017 to transform the largest coal-fired power station in the UK into an electricity generator fuelled predominantly by sustainable biomass.

And Rentech's wood pellet supply contract with Ontario Power Generation (OPG) involves a 10-year contract for 45,000 metric tons of pellets annual for the coal power plant in Atikokan that is being converted to wood pellet. OPG has the option to expand the contract to 90,000 metric tons annually.

Quarterly Earnings

Catalyst Paper and Western Forest Products both reported quarterly earnings this week.

Catalyst Paper, out of Richmond, BC, posted a net loss of \$9.8 million in 1Q 2013, the company said Monday. Before specific items, the loss was \$11.6 million. In the previous quarter, the company posted a loss of \$35.2 million.

Vancouver, BC's, Western Forest Products reported Wednesday a net income of \$22.8 million in 1Q 2013, on sales of \$233.8 million, compared to a net income of \$14.3 million for the previous quarter, and a net income of \$1.7 for the same quarter last year.

Biomass Fuel Study

US Endowment for Forestry and Communities Report

The Endowment is a not-for-profit corporation established at the request of the governments of the US and Canada in accordance with the terms of the 2006 Softwood Lumber Agreement. The Endowment's vision is that America's forests are sustainably managed to meet broad societal objectives such as marketable products, clean waters, wildlife habitats and other ecological services, while ensuring healthy and vibrant forest-reliant communities.

by Kéta Kosman

"Biomass energy development has the potential to foster economic development, address wildfires and associated risks and costs, and reduce dependence on fossil fuels," says Jeff Howe, President of Dovetail Partners and a contributing author of the report.

"There are critical strategic, organizational, and financial issues that need to be addressed in order to realize the considerable potential of biomass energy. First and foremost, biomass energy needs to become an attractive and financially viable investment alternative. This can be aided by strategically applying a wide array of market-based, as well as incentive- and grant-based financial tools."

The report is part of a series of works produced by the Endowment in a collaborative effort with the USDA Forest Service to assess the potential of markets for low-value wood to enhance forest health while advancing energy security.

Below are some of the fascinating findings of this report:

"There is an old saying in the lumber business to the effect that "lumber sales keep the lights on, sawdust makes the profits." The historical interpretation has been that the commodity lumber business is so low margin, that the few dollars the business receives for waste products are critical to profitability. The emerging focus on energy resources and exploration of biomass energy opportunities has the potential to significantly influence this viewpoint. The continued interest in renewable fuels, combined with opportunities for forest restoration and innovations in biofuel technologies (e.g., liquid fuels, torrefied wood, etc.) offer the opportunity for wood products companies to rethink and redesign their operations to produce new products and

serve new markets. There is the potential to foster creative ways of thinking about wood products that can affect profitability and traditional views of commodity-oriented lumber workers. Changes in how wood is viewed as a fuel resource can foster a cash flow, a reduced seasonality, and a new mindset in regard to utilization throughout the product channel that could have broad ramifications for the forest products sector.

Globally, wood and charcoal are the main energy sources for more than two billion people. Production of energy using a renewable material such as wood can have positive impacts on the environment and the economy. It can also contribute to the nation's energy security in a significant way by reducing dependence on imported fossil fuels. Despite these positive impacts and abundant, in some cases overstocked, forest resources, woody biomass makes up only about 2 per cent of primary energy production in the US.

A final outcome of the project was the identification of major findings and recommendations that can support the further development and performance of biomass fuels and biomass energy facilities. These findings were divided into the main categories of: Finance; Biomass Project Development Practices; Aggregated and Clustered Projects; Biomass Technology; Biomass Fuel Competitiveness; Fuel Supply ; Fuel Delivery; Biomass Energy Co-Benefits; Policy; and, Noteworthy Regional Differences.

To better understand how biomass energy could be more widely adopted in the US, this project focused on identification of factors contributing to success or failure of biomass energy projects. These findings were used to identify barriers to and opportunities for achieving more extensive use of such systems. This project focused on addressing four primary questions:

- What are the opportunities and barriers to wood-to-energy facilities?
- What are the lessons learned from existing projects?
- What are the potential impacts of non-traditional revenue sources (e.g., payments for environmental services)?
- What models could be economically viable for development of wood-to-energy facilities in a western public lands environment?

The results of the interviews and surveys carried out aided in the identification of key opportunities, barriers, and lessons learned from current operations. The primary drivers in wood energy investments were also explored.

For many facilities, funding is a primary roadblock. Biomass energy systems may

provide significant annual heating cost savings, but potential investors may desire a shorter payback than is realistic without low interest financing. Biomass energy systems may also be more capital intensive than alternatives. In many instances, there is broad recognition of the potential environmental and socio-economic benefits of adopting a biomass energy system, but the system still needs to make financial sense as an investment.

Based on interviews, survey results, site visits, case study development, and a financial analysis that involved biomass energy facilities across the US, a number of barriers to wider adoption of biomass energy production in the US were identified. Recognition that economic factors and financial concerns on the part of potential purchasers and investors are critical elements in biomass energy adoption and long-term success led to close examination of the economics of biomass energy production. The result was the development of the Biomass Investment Multiplier (BIM) as an additional tool for use in economic assessment of bioenergy project potential.

[Please see graph on Page 6 - ed]

This, in turn, was used to evaluate a number of model scenarios in which biomass energy was compared with more traditional energy sources. This evaluation illustrated how biomass energy investments compare with alternatives and opportunities to design financially competitive biomass energy systems. The availability of payments for environmental services can contribute to improving the financial performance of associated biomass energy systems. Applying biomass energy development as a more economically efficient wildfire risk reduction activity could provide opportunities to access non-traditional revenue sources.

The production of energy using a renewable material such as wood can have positive impacts on all three legs of the sustainability stool. Biomass energy development has the potential to foster economic development, address wildfires and associated risks and costs, and reduce dependence on fossil fuels. There are critical strategic, organizational, and financial issues that need to be addressed in order to realize the considerable potential of biomass energy. First and foremost, biomass energy needs to become an attractive and financially viable investment alternative. This can be aided by strategically applying a wide array of market-based, as well as incentive and grant-based financial tools."

The full report is available here: <http://www.usendowment.org/news/latestnews.html>