

# WOOD MARKETS MONTHLY

**November 28, 2012**

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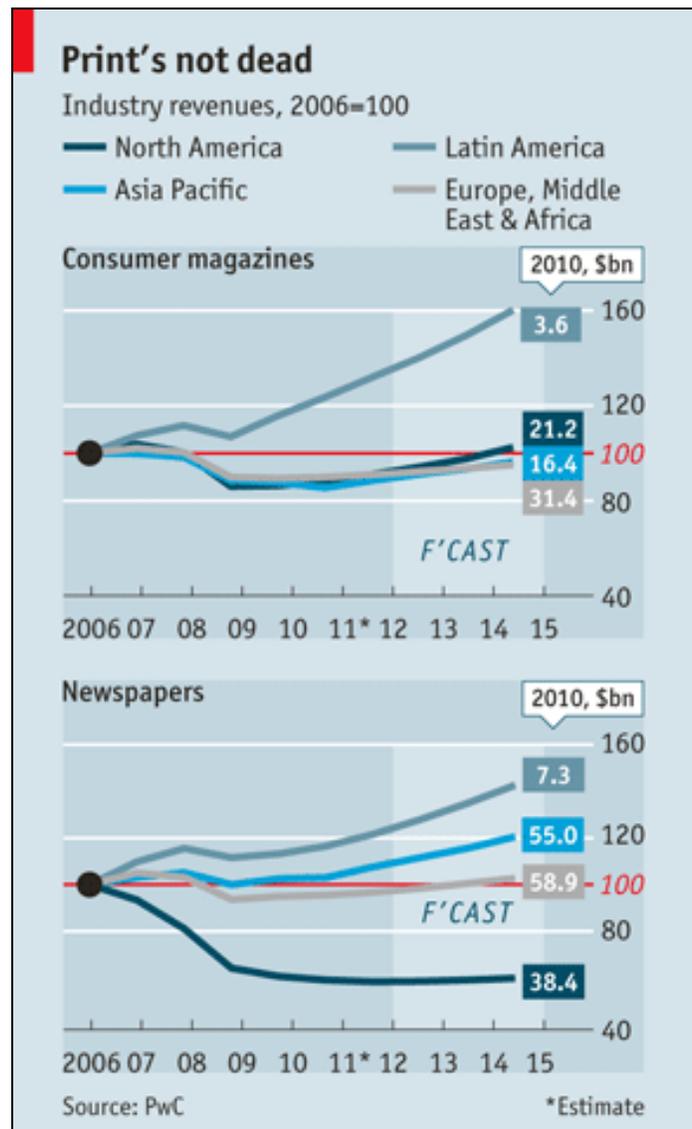
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Source: economist.com, published June 9, 2012

## Newsweek ending print edition, going all-digital

October 18, 2012 (CNNMoney)—**Newsweek will publish its final print edition December 31**, the company announced Thursday morning. It will launch a digital subscription product called Newsweek Global, some of whose content will be available on the Daily Beast. According to Newsweek's most recent publisher's statement filed with the Audit Bureau of Circulations, the company's **print circulation dropped 51% since 2007**. Tina Brown, editor-in-chief of both Newsweek and The Daily Beast, the online news site that was combined with the magazine last year, made the announcement online. She said the **growing use of tablet computers combined with continued weakness in print advertising, forced the decision.**

## GENERAL INTEREST

### **Molpus Minnesota lands remain open to public “for now”**

October 25, 2012 (Outdoor News)—Rep. David Dill, DFL-Crane Lake, and Sen. Tom Bakk, DFL-Cook, said in a news release that they “have reached a tentative agreement with Molpus ... that will provide for public access to Molpus land for the duration of 2012 and continuing through the close of the 2013 state legislative session.” The announcement came after Dill and Bakk met with Molpus representatives to discuss the tax issue. The legislators told the company that they cannot guarantee any outcome, but they will work to pass legislation next spring that addresses Molpus’ concerns and maintains public access to the affected land.

### **ACI report claims FSC monopoly would increase consumer costs by US\$34 billion and undermine sustainability**

According to a new report by the American Consumer Institute (ACI) Center for Citizen Research (“The Monopolization of Forest Certification...”) the consequences of a reliance on an FSC-only approach, consumers would face price increases of 15-20%, domestic wood and paper markets would face tens of billions of dollars in losses, and the laudable environmental and sustainability goals the programs were established to achieve would be undermined by a certification monopoly. “Misguided policies and organized pressure from environmental activists to elevate one forest certification program over all others are creating confusion in the marketplace. As a result, consumer costs are increasing by as much as 20% for some green products that may not be superior. It also puts U.S. foresters at a competitive disadvantage, despite the fact that 40% of the world’s certified forests are located in North America,” says Steve Pociask, president of the American Consumer Institute Center for Citizen Research.

#### Key report findings:

- FSC certification seems to be significantly more costly than other standards, thereby raising producer costs and consumer prices in the range of 15-20%, without ensuring corresponding superior environmental benefits, as well as upsetting the balance between sustainability and economic viability;
- The FSC standard in the US is stricter, therefore more costly, than standards applied overseas, thereby disadvantaging many US producers and raising retail prices for American consumers; and
- If an FSC standard becomes a regulatory requirement for U.S. forests (through edict or non-market pressures from outside groups), consumer welfare losses would occur in a number of markets, including an annual loss of approximately \$10 billion for wood products and \$24 billion for paper products markets.

Download the report: <http://www.theamericanconsumer.org/wp-content/uploads/2012/10/Certification-Study-FINAL.pdf>

### **USFS cracks down on ginseng poaching**

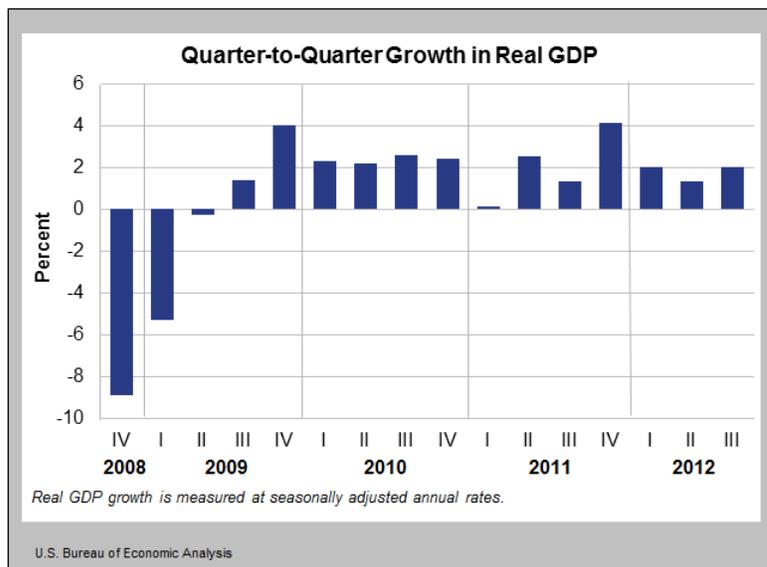
October 31, 2012 (Smoky Mountain News)—Kristin Bail, forest supervisor of the Pisgah and Nantahala national forests, warned would-be ginseng poachers last week that law enforcement officers are cracking down on the illegal act. So far this year, Forest Service officials caught and arrested nine people for illegally possessing ginseng. The average ginseng poacher was caught with 25 roots and ultimately spent about two weeks in jail.

While ginseng can legally be harvested from the national forests, there are several restrictions. The roots can only be dug at certain times of year, there’s a limit on how many you can take, and only larger roots can be taken. Ginseng diggers must also have a permit. Removing any plant or its parts from national forest land without a permit or outside of the legal harvest season is considered theft. Penalties for plant poaching may include a fine up to \$5,000 or six-month sentence in federal prison, or both. Visitors to the Nantahala and Pisgah National Forests must obtain a permit to collect ginseng during the designated harvest season, which runs Sept. 1 through 30. Ginseng permits cost \$40 per wet pound. An individual may purchase up to three wet pounds annually although harvest is prohibited in Wilderness.

## ECONOMY & HOUSING

### Q3 GDP growth advance est. 2%

October 26, 2012 (BEA News Release)—Real gross domestic product, the output of goods and services produced by labor and property located in the United States, increased at an annual rate of 2.0 percent in the third quarter of 2012, according to the "advance" estimate released by the Bureau of Economic Analysis. In the second quarter, real GDP increased 1.3 percent. The increase in real GDP in the third quarter primarily reflected positive contributions from personal consumption expenditures (PCE), federal government spending, and residential fixed investment that were partly offset by negative contributions from exports, nonresidential fixed investment, and private inventory investment. Imports, a subtraction from GDP, decreased slightly.



### U.S. added 171,000 jobs in October, Aug and Sept jobs revised up

WASHINGTON, DC November 2, 2012 (BLS News Release)—U.S. employers added 171,000 jobs in October and hiring was stronger over the previous two months than first thought. The change in total nonfarm payroll employment for August was revised from +142,000 to +192,000, and the change for September was revised from +114,000 to +148,000. Since July, the economy has created an average of 173,000 jobs a month, up from 67,000 a month from April through June.

### FHA has \$16.3 billion shortfall, taking drastic measures to avoid need for bailout

November 16, 2012 (Bloomberg)—The Federal Housing Administration (FHA) is going to raise annual mortgage insurance premiums by 10 basis points, sell 10,000 delinquent loans per quarter and boost relief for borrowers as part of a plan to improve the agency's finances, U.S. Housing and Urban Development Secretary Shaun Donovan said today. Donovan spoke at a briefing in Washington a day after the FHA reported a \$16.3 billion deficit in its insurance fund due to defaults on loans it insured during the housing bubble. "This set of measures will reduce the likelihood that FHA will need to tap into Treasury assistance next September," Donovan said. The FHA, which currently backs 15 percent of U.S. mortgages, provides liquidity to the housing market by insuring lenders against losses on loans with down payments as low as 3.5 percent. The premium increase outlined today is for the annual fee charged to borrowers to guarantee their lender will be made whole in the event of a default.

### Metro area Q3 home prices up 7.6% y/y

WASHINGTON, November 7, 2012 (NAR News Release)—Growth in US metropolitan area median home prices increased in Q3 according to the latest report by the National Association of Realtors®. Based on Q3 closings, the median existing single-family home price rose in 120 out of 149 metropolitan statistical areas (MSAs) y/y, while 29 areas had price declines y/y. The national median existing single-family home price was \$186,100 in Q3, up 7.6% from \$173,000 in Q3 2011, the strongest year-over-year price increase since the first quarter of 2006 when the median price rose 9.4 percent.

## FINANCE & MANAGEMENT

### **Boise Inc Q3 earnings down 87% y/y to \$3.6 million**

BOISE, ID, Nov. 1, 2012 (Press Release) - Boise Inc. today reported net income of \$3.6 million, or \$0.04 per diluted share, for third quarter 2012, compared with net income of \$28.4 million, or \$0.24 per diluted share, for the same period in 2011. Excluding special items, net income was \$22.8 million or \$0.23 per diluted share for third quarter 2012. EBITDA, excluding special items, was \$90.5 million for third quarter 2012, compared with \$98.5 million for third quarter 2011.

### **LP posts Q3 net income of \$31 million**

NASHVILLE, Tenn.--(BUSINESS WIRE)--Nov. 6, 2012-- Louisiana-Pacific Corporation (LP) (NYSE: LPX) reported today results for the third quarter of 2012. For the third quarter of 2012, LP reported income from continuing operations of \$31 million, or \$0.22 per diluted share, as compared to a loss from continuing operations of \$59 million, or \$0.44 per diluted share for the third quarter of 2011. The Siding segment reported net sales of \$134 million in the third quarter of 2012, an increase of 20 percent from \$112 million in the year-ago third quarter. For the third quarter of 2012, the Siding segment reported operating income of \$20 million compared to \$12 million in the year-ago quarter.

### **Norbord reports Q3 net income of \$28 million**

TORONTO, Oct. 25, 2012 /CNW/ - Norbord Inc. (TSX: NBD, NBD.WT) today recorded net earnings of \$28 million or \$0.64 per share (\$0.61 per share diluted) in the third quarter of 2012. This compares to earnings of \$6 million or \$0.14 per share in the prior quarter and a loss of \$1 million or \$0.02 per share in the same quarter last year. Third quarter 2012 EBITDA was \$66 million compared to \$31 million in the second quarter of 2012 and \$12 million in the third quarter of 2011. North American operations generated EBITDA of \$58 million in the quarter versus \$26 million in the prior quarter and \$5 million in the same quarter last year. European operations generated EBITDA of \$10 million in the third quarters of 2012 and 2011 versus \$9 million in the prior quarter.

### **Sappi posts Q4 net earnings of US\$107 million**

JOHANNESBURG, South Africa, Nov. 8, 2012 (Press Release)—Sappi reported today Q4 net profit of US\$107 million compared to Q4 2011 net loss US\$127 million with earnings per share of 21 US cents compared to Q4 2011 loss per share 24 US cents. Q4 operating profit excluding special items was US\$118 million compared to Q4 2011 US\$80 million and net cash generated was US\$203 million compared to Q4 2011 US\$279 million. For fiscal year 2012 ended September, net profit was US\$104 million compared to a net loss of US\$232 million in the prior year. The prior year net loss included special item losses of US\$318 million, principally related to the restructuring of the European and Southern African operations.

### **UPM reports Q3 net income of EUR 33 million**

Profit for Q3 2012 was EUR 33 million (Q3 2011 loss of EUR 109 million) and earnings per share (eps) were EUR 0.06 (Q3 2011 eps -0.21). Earnings per share excluding special items were EUR 0.15 (0.19).

### **Ainsworth posts Q3 net earnings of \$32.6 million**

October 31, 2012 (News Release)—Ainsworth Lumber Co. Ltd. today reported net income from continuing operations in the third quarter of 2012 of \$32.6 million compared to a net loss of \$58.9 million in the third quarter of 2011. The \$91.5 million increase in net income resulted from a \$61.2 million increase in foreign exchange gain on long-term debt, a \$36.5 million increase in gross profit (sales less cost of products sold (exclusive of amortization)), and a \$12.5 million increase in gain on derivative financial instrument.

### **Ainsworth files prospectus to offer \$175 million common stock**

November 2, 2012 (News Release)—Ainsworth Lumber Co. Ltd. (TSX: ANS and ANS.WT) has filed a preliminary short form prospectus with the securities regulatory authorities in each of the provinces of Canada in respect of a fully backstopped rights offering to holders of its common shares of record in Canada. Ainsworth expects to raise gross proceeds of \$175 million through the issue of 140 million common shares pursuant to the Rights Offering. Ainsworth intends to use the net proceeds of the Rights Offering, along with the net proceeds from the previously announced proposed new debt financing for gross proceeds of at least US\$350 million, to repay in full all amounts owing under Ainsworth's senior secured term loan due June 2014 and the company's 11% senior unsecured notes due July 2015, which comprise substantially all of the company's existing indebtedness.

### **NewPage disclosure statement approved by bankruptcy court**

MIAMISBURG, OH, Nov. 8, 2012 (PRNewswire) - NewPage Corporation (the Company) announced today that the Disclosure Statement for its Fourth Amended Chapter 11 Plan (the Plan) has been approved by the U.S. Bankruptcy Court for the District of Delaware. The Court's approval of the Disclosure Statement allows the Company to begin the Plan voting process, leading to a confirmation hearing scheduled for mid-December and the Company's expected emergence from bankruptcy before the end of the year. The Company also was authorized to enter into a commitment letter and related fee letters for its exit financing, consisting of a \$500 million term loan facility led by Goldman Sachs Lending Partners LLC and a \$350 million revolving credit facility led by J.P. Morgan Securities LLC. The Company filed the fourth amendment to its Plan and related Disclosure Statement on November 7, 2012. A copy of the Plan and Disclosure Statement is available at [www.kccllc.net/NewPage](http://www.kccllc.net/NewPage)

### **Verso posts Q3 net loss of \$104.7 million including \$97.2 million cost to close Sartell mill**

MEMPHIS, November 13, 2012 (News Release)—Verso Paper Corp. (NYSE: VRS) today reported financial results for the third quarter and nine months ended September 30, 2012. Verso reported a net loss of \$104.7 million in the third quarter of 2012, or \$1.98 per diluted share, which included \$97.2 million in charges from special items, or \$1.75 per diluted share, primarily due to restructuring charges related to the closure of the Sartell mill in the third quarter of this year. Closure of the Sartell mill resulted in an aggregate pre-tax charge to earnings of approximately \$97.2 million in the third quarter of 2012. This includes approximately \$16.3 million for severance and benefit costs; \$75.8 million in non-cash charges for fixed asset and other impairment charges; and \$5.1 million related to other costs.

### **Plum Creek reports Q3 earnings of \$59 million**

SEATTLE, October 29, 2012 (BUSINESS WIRE)—Plum Creek Timber Company, Inc. (NYSE:PCL) today announced third quarter earnings of \$59 million, or \$0.36 per diluted share, on revenues of \$354 million. Earnings for the third quarter of 2011 were \$50 million, or \$0.31 per diluted share, on revenues of \$293 million. Earnings for the first nine months of 2012 were \$124 million, or \$0.76 per diluted share, on revenues of \$985 million. Earnings for the first nine months of 2011 were \$132 million, or \$0.81 per diluted share, on revenues of \$852 million.

*Northern Resources* reported operating income of \$5 million for the quarter, down \$2 million from the third quarter of 2011. The lower operating income was primarily the result of a \$2 decline in average sawlog prices due to the decline in export log prices experienced over the past year. Average pulpwood prices of \$42 per ton were unchanged when compared to the third quarter of 2011.

*Real Estate* reported third quarter total revenue of \$96 million and operating income of \$54 million. Third quarter 2011 Real Estate segment revenue was \$67 million and operating income was \$46 million. The 2012 sales were anchored by the sale of approximately 100,000 acres of Wisconsin timberland for approximately \$67 million. Smaller rural land sales across the company's holdings accounted for the \$29 million balance of the quarter's revenue. Rural land prices remained stable with HBU/recreation parcels averaging \$2,100 per acre.

**Resolute swings to profit in Q3, posts net US\$31 million**

MONTREAL, Nov. 2, 2012 /CNW Telbec/ ---Resolute Forest Products (NYSE: RFP) (TSX: RFP) today reported net income of \$31 million for the third quarter, or \$0.32 per diluted share, on sales of \$1.2 billion. This compares with a net loss of \$44 million, or \$(0.46) per share, on sales of \$1.2 billion in the third quarter of 2011. While the stronger pricing in wood products offset weak conditions in the market pulp segment, price eroded \$9 million of operating income in paper grades, mostly in the coated papers segment. Resolute Forest Products used cash on hand to repurchase 2,609,680 shares of common stock during the quarter, at a total cost of \$33 million, and to repay \$97 million of Fibrek's debt.

**NCREIF Q3 timberland returns continue positive trend**

CHICAGO, October 25, 2012 (News Release)—The National Council of Real Estate Investment Fiduciaries (NCREIF) has released third quarter 2012 results of the NCREIF Timberland Index. The 0.75% total return, while still sluggish, is a vast improvement over the past several quarters. It is the highest return since 0.75% total return in the first quarter last year. The return was split between 0.23% appreciation and 0.52% income.

NCREIF Timberland Returns					
Year	Q1	Q2	Q3	Q4	Annual
2005	1.81%	3.70%	0.95%	11.98%	18.44%
2006	2.31%	3.49%	0.85%	6.46%	13.11%
2007	1.86%	2.31%	3.90%	9.38%	17.45%
2008	4.50%	1.01%	0.99%	2.74%	9.24%
2009	0.73%	-1.20%	0.26%	-4.55%	-4.76%
2010	-0.25%	0.99%	-0.10%	-0.79%	-0.15%
2011	0.75%	0.66%	-0.35%	0.51%	1.57%
2012	0.36%	0.61%	<b>0.75%</b>		

Capital appreciation was positive for the second consecutive quarter. The two quarters of slight positive appreciation doesn't offset the greater than 10% decline since the beginning of 2009, but it is a step in the right direction. The Pacific Northwest was the best performing region for the fifth consecutive quarter with a total return of 1.25%, of which 0.83% was income. It was also the best performing region on a rolling four quarter basis with an 11.76% total return. The South was the worst performing region with a total return of 0.60%. All four regions had positive appreciation for the first time since first quarter 2007.

**China near closing on \$100 million Canadian timberland deal**

November 6, 2012 (WSJ)—China Investment Corp. is close to purchasing a 12.5% stake in Canadian timber assets, located on Vancouver Island, from an affiliate of Brookfield Asset Management Inc. (BAM) for about \$100 million. The move, the latest effort by the Chinese sovereign-wealth fund to step up its investment in assets that could help shield its giant overseas portfolio from rising inflation risks.

**PRT agrees to acquisition by Mill Road Capital**

November 2, 2012 (Marketwire)—PRT Growing Services Ltd. (TSX:PRT) ("PRT" or the "Corporation") and Mill Road Capital, L.P. ("Mill Road") have entered into a definitive agreement (the "Agreement") pursuant to which an entity controlled by Mill Road will acquire all of the issued and outstanding common shares of PRT for \$4.45 in cash in respect of each common share. The transaction represents a premium of 34.2% based on the volume weighted average trading price for the 90 prior trading days. The proposed transaction values PRT at approximately \$45.6 million. PRT Growing Services Ltd. is a seedling propagator and the largest producer of container grown forest seedlings in North America, currently operating 13 nursery locations expected to produce over 160 million seedlings in 2012.

## PRODUCTION & PRICES

### **Boise Inc. International Falls, Minn. stops purchasing pulp from Resolute Fort Frances, Resolute announces shut**

November 21, 2012 (The Globe & Mail and Local News Remix)---The Boise Inc. paper mill in International Falls, Minnesota stopped regular pulp purchases from the Resolute Fort Frances, Ontario mill as of this month and began using pulp from its Wallula, Washington mill. Resolute Forest Products has announced the indefinite idling of the kraft mill and paper machine number 5 (PM5) at its pulp and paper operation in Fort Frances, Ontario. Approximately 239 employees will be impacted by the shutdown. The company will incur a charge of approximately \$12 million for severance and other termination benefits, and \$5 million in other closure costs resulting from the indefinite idling of the kraft mill and PM5. The kraft mill has an annual production capacity of approximately 200,000 metric tons of market pulp, while PM5 has an annual capacity of 105,000 metric tons of groundwood specialty printing papers. "The kraft mill situation is particularly difficult given Fort Frances' operating configuration and the recent decision by Boise Inc. to stop purchasing pulp supplied by Resolutel," said Resolute's President and CEO, Richard Garneau. "Our kraft mill's drying capacity is limited to about 40% of its production capacity, making it impossible to continue operating the mill in a profitable manner."

### **Minnesota timber glut hits Cass County**

November 9, 2012 (Brainerd Dispatch)—The stumpage market surplus finally hit Cass County in October when the county sold only five of 17 sites offered for logging at the monthly auction. The price paid for aspen dropped to \$15.91 per cord for the first time since the early 1990's, according to Land Commissioner Joshua Stevenson. While the county appraises its timber at \$15 to \$17 per cord, the average price paid has been running about \$28 per cord. Until now, 99% of the sales Cass put up for timber auction have sold. During the recession, several Minnesota wood processing plants closed, but enough remained open to keep wood moving. The key recent change, however, was the permanent loss of the Verso Sartell paper mill. Stevenson told the county board Tuesday he expects slow timber sales to continue through this winter. Having Cass County timber certified as a sustainable forest makes its wood more marketable, but does not increase the price the county can expect, he said.

### **US spot market pulp prices up \$20 per tonne**

SAN FRANCISCO, Oct. 30, 2012 (RISI)—In U.S. pulp spot markets, prices for northern bleached softwood kraft (NSBK) increased for the third time in a month. Benchmark NBSK spot prices for November delivery rose \$20/tonne to \$620-660/tonne net delivered to the U.S. East and Midwest, with the number of deals appearing sparser than at any time since the spring. In bleached hardwood kraft (BHK) markets, prices rose after lagging the recovery in softwood and falling to near cash cost levels, where prices stayed for six weeks. Northern bleached hardwood kraft (NBHK) spot prices rose \$20/tonne to \$540-580/tonne net delivered.

### **GP Miss. selling dissolving pulp to China for \$800 per tonne**

November 12, 2012 (RISI)—U.S. pulp producer Georgia-Pacific (G-P), in a move it never publicly announced, swung an estimated 50,000 to 60,000 tonnes/yr of mill production at the 571,000 tonnes/yr Leaf River facility earlier this year to a converting grade dissolving pulp (DP). The mill, located at New Augusta, MS, previously made only fluff and southern bleached softwood kraft (SBSK) pulp. Contacts said G-P has been selling much of the converting grade DP to China since the spring. PPI P&PW reported that November spot viscose DP prices to China were declining to below the \$900/tonne mark for the first time in years due to high supplies in the wake of an ongoing capacity build in the sector. Meanwhile G-P has been selling its converting grade DP for below \$800/tonne, contacts said.

### **Fortress stock plunges 40% on weak dissolving pulp demand**

November 5, 2012 (Edmonton Journal)—Fortress Paper (TSX: FTP) shares plunged 40 percent Monday after the Company reported Q3 loss of \$18.9 million and revealed an unexpected problem hitting a major dissolving pulp mill in Thurso, Quebec. The weakening viscose staple fiber market in China combined with excess supply from new market entrants has driven down global dissolving pulp prices to below US\$1,000 per tonne. Even with a scheduled maintenance shutdown during the quarter, Fortress said the Thurso mill produced 4,500 tonnes more than it could sell. It expects to sell the pulp this quarter.

### **October printing & writing paper demand down 2.4% y/y**

November 26, 2012 (News Release)—Overall demand for printing and writing paper in North America slid 2.4% year-over-year in October due to a 14.4% drop in demand for uncoated mechanical that offset modest gains in the other three main grade sectors, according to Pulp and Paper Products Council (PPPC) data. Domestic shipments posted a 2.6% annual decline, a significant improvement on their 7% ytd drop. But overseas shipments in October fell 13.3%, a big turnaround from their 3.6% average increase during the first ten months of the year.

### **Sandy drives surge in lumber futures**

October 31, 2012 (Globe and Mail)—Lumber prices surged to a 19-month high after this week's devastating storm Sandy spurred forecasts of a spike in demand for construction material, providing a lift to Canadian producers already benefiting from surprising strength in the forestry sector. The benchmark futures contract for January delivery of lumber closed at \$331.20 (U.S.) for 1,000 board feet on the Chicago Mercantile Exchange on Wednesday, up by the maximum \$10 daily limit as traders focused on the need to rebuild thousands of homes destroyed or severely damaged by Sandy. Spot prices for Western lumber two-by-fours produced from spruce, pine and fir have reached \$315 for 1,000 board feet, up from \$302 a week ago and \$229 a year ago, according to Random Lengths.

### **P&G to drop uncertified pulp by 2015**

CINCINNATI, November 8, 2012 (BUSINESS WIRE)—Procter & Gamble Company (NYSE:PG) today announced new 100% certified fiber sourcing goals for the pulp it purchases for its tissue-towel, baby care, and feminine hygiene brands. These new goals help deliver progress toward P&G's long-term environmental sustainability vision, which includes having all products and packaging made from 100% sustainably sourced renewable or recycled materials by 2015. In 2006, P&G began requiring certification from all suppliers managing forests. In 2008, P&G joined the World Wildlife Fund (WWF) sponsored Global Forest & Trade Network program, which assists companies with sourcing more of their wood and paper products from responsibly managed forests. As part of this WWF collaboration, P&G has engaged more closely with suppliers to encourage certification, and established a baseline.

### **China illegally dumping hardwood plywood**

On November 9, the United States International Trade Commission (USITC) determined that there is a reasonable indication that a U.S. industry is materially injured by reason of imports of hardwood plywood from China that are allegedly subsidized and sold in the United States at less than fair value. All six Commissioners of the USITC voted in the affirmative. As a result, the U.S. Department of Commerce will continue to conduct its investigations on imports of these products, with its preliminary countervailing duty determination due on December 21, and its preliminary antidumping duty determination due on March 6, 2013

## BIO-MARKETS

### **Colorado group looking at repurposing Verso Sartell paper mill for wood pellet production**

October 31, 2012 (Local News)—Bob Bell, a 90-year-old entrepreneur from Grand Junction, Colo., said he's leading a group that's exploring repurposing the Verso site into a facility to produce wood pellets for heating use. Bell said the Verso facility includes much of the electrical power and machinery needed to convert raw timber into wood pellets. Bell and others at Tuesday's meeting also said Minnesota's timber stands could easily supply such a facility. Graves said a potential market for the wood pellets could be to heat commercial poultry barns, of which Minnesota, especially Central Minnesota, has many.

### **Mass. new 60% bio-efficiency regulations claim first victim**

October 26, 2012 (RISI)—The first "fatality" occurred this week among wood power projects in Massachusetts in the wake of regulations instituted midyear limiting access to state renewable energy credits (RECs). The MA Department of Energy Resources (DOER) now requires wood biomass energy facilities be at least 60% efficient to attain RECs - language presenting a de facto barrier to stand-alone power plants, which are rarely more than 30% efficient. The fact of the matter is that DOER sought to force the hand of wood power developers towards high-efficiency models.

The DOER efficiency policy reads, "This provision fundamentally will shift biomass development from power-only generation units typically operating at efficiencies around 25%... DOER believes this criterion remains practical for project development and will further increase the energy utilization of our limited sustainable biomass resource." So, as was predicted, the first project fell: Russell Biomass' proposal to build a 50 MW wood-fired power plant in the western MA town of Russell. In development since 2005, the plant would have provided an estimated \$15 million/year local wood market (using about 510,000 green tons per year wood biomass.) At stake is another estimated \$37 million annual biomass market at the three remaining biomass energy projects. But like the ill-fated Russell, these are seriously in doubt for the same reasons illustrated above.

### **Commissioning begins at Ontario cellulosic ethanol demo plant**

October 25, 2012 (Ethanol Producer Magazine)—Woodland Biofuels Inc. has begun commissioning its new demonstration cellulosic ethanol facility in Sarnia, Ontario. Located at the Bio Industrial Innovation Centre, the facility will be capable of handling 7.2 metric tons per day of wood waste, or about 2,400 metric tons per year.

Woodland Biofuels' thermochemical process is based on its unique Catalyzed Pressure Reduction technology. Syngas produced in a standard gasifier is run through a series of catalyzed chemical reactions to convert the syngas into ethanol. Less than 10 percent of the original biomass is left at the end in the form of ash or char. We're confident our first commercial plant will produce 100 to 110 gallons from a metric ton of dry biomass, and we believe we'll be able to work our way up to 130 gallons," Nuttall said. Commissioning of the demonstration plant is expected to be completed and ethanol production will begin by the end of the year. Enough data should be gathered by late March to be used for commercialization plans, Nuttall said. With the initial target feedstock being wood waste, the company is looking in Ontario and the southeastern U.S. for the site of its first commercial-scale facility. "The forest industry in North America has seen better days," he said. "There are hundreds of potential sites."

Woodland Biofuels is a privately held Canadian company. Investors in the \$12 million demonstration plant include the Ontario Emerging Technologies Fund [OETF], Investeco Capital, and David LeGresley, former vice-chairman of National Bank Financial. OETF is a \$250 million fund established by the Province of Ontario to co-invest alongside qualified investors in innovative, high-growth, private Ontario companies. Investeco Capital is a private equity firm focused primarily on high-growth companies.

**UPM construction of EUR 150 million wood-based biodiesel refinery on track**

HELSINKI, Nov. 12, 2012 (Press Release) - **The construction of the world's first biorefinery producing wood-based renewable diesel in Lappeenranta is running according to schedule.** The foundation stone of UPM Lappeenranta Biorefinery will be encased today. Construction began last summer and the biorefinery will start producing renewable diesel made from tall oil in 2014. "The EUR 150 million investment to Lappeenranta is UPM's spearhead project and the first step on our way to becoming a significant producer of advanced second generation biofuels. The Biorefinery is also a focal part in the realisation of our Biofore strategy, combining the bio and forest industries," says UPM President and CEO Jussi Pesonen.

**Cool Planet claims production of drop-in wood-based vehicle fuel at \$1.50/gal.**

CAMARILLO, CA, Oct. 25, 2012 (Business Wire)—Cool Planet Energy Systems today announced a major breakthrough in the commercialization and affordability of biofuels from non-food biomass that can run in any vehicle on the road today. **Using a patented mechanical process and unique scaling approach, Cool Planet is the only company projected to produce high octane gasoline at the cost of \$1.50 per gallon, without the need for government subsidies, which actually removes carbon from the atmosphere during the course of production.** Cool Planet's technology has attracted investors including GE, Google Ventures, BP, ConocoPhillips, NRG and the Constellation Energy division of Exelon.

**USDA issues loan for construction of Hawaiian wood energy plant**

KOLOA, HI, Oct. 25, 2012 (PR Web) - A team of Haynes and Boone, LLP attorneys advised Deutsche Bank in arranging a loan to fund construction of a **\$73 million, 7.5-megawatt (net) biomass-to-energy facility near Koloa on the Hawaiian island of Kaua`i that will sell its output to Kaua'i Island Utility Cooperative (KIUC).** The loan will be taken out at completion by a loan guaranteed by the U.S. Department of Agriculture's Rural Utilities Service. The plant will be owned by the Green Energy Team LLC and designed by Standardkessel Baumgarte Contracting GmbH of Germany as a state-of-the-art facility burning woodchips from trees grown and harvested on Kaua`i. **The facility will be the first "closed loop biomass" facility in the U.S., meaning that the facility will grow and produce all of its own fuel feedstock on dedicated lands owned or controlled by it.** Construction of the facility is scheduled to begin soon, and the plant is scheduled to be operational in 2014.

## Wood Statistics Monthly

Category & Sub-Category	Latest Month	Month Ago	M/M Change	Year Ago	Y/Y Change
<b>Industrial Production (2007=100 SA)</b>					
Mfg - Lumber & Wood Products	Oct(p) 71.52	71.46	0.1%	69.81	2.4%
Mfg - Pulp, Paper, & Paperboard	Oct(p) 81.33	82.31	-1.2%	84.76	-4.0%
Mfg - All NAICS	Oct(p) 94.37	95.10	-0.8%	92.51	2.0%
<b>Capacity Utilization (% SA)</b>					
Mfg - Lumber & Wood Products	Oct(p) 66.9%	66.8%	0.1%	63.7%	5.0%
Mfg - Pulp, Paper, & Paperboard	Oct(p) 79.4%	80.2%	-1.0%	80.9%	-1.9%
Mfg - All NAICS	Oct(p) 76.6%	77.3%	-0.9%	76.3%	0.4%
<b>Exports F.A.S. Basis (US\$ Millions)</b>					
Roundwood, Chips, & Misc	Sept \$182.7	\$189.7	-3.7%	\$208.2	-12.2%
Lumber & Wood Products	Sept \$521.8	\$549.1	-5.0%	\$494.3	5.6%
Pulp, Paper, & Paperboard	Sept \$2,163.3	\$2,173.4	-0.5%	\$2,224.9	-2.8%
<b>Housing Market (000s Units SAAR)</b>					
Private Housing Starts	Oct(p) 894	863	3.6%	630	41.9%
Private Building Permits	Oct(p) 866	890	-2.7%	667	29.8%
New Residential Sales	Oct(p) 368	369	-0.3%	314	17.2%
<b>Employment (000s Jobs NSA)</b>					
Total Nonfarm	Oct(p) 134,792	133,881	0.7%	132,870	1.4%
Manufacturing	Oct(p) 12,019	12,035	-0.1%	11,839	1.5%
State & Local Govt.	Oct(p) 19,586	19,030	2.9%	19,545	0.2%
<b>Forest Industry (000s Jobs NSA)</b>					
Logging	Oct(p) 51.9	52.6	-1.3%	50.0	3.8%
Lumber & Wood Products	Oct(p) 333.5	333.4	0.0%	333.9	-0.1%
Pulp, Paper, & Paperboard	Sept(p) 109.0	109.0	0.0%	109.5	-0.5%
Converted Paper Products	Sept(p) 281	282.1	-0.4%	283.5	-0.9%
<b>Market Pulp SPOT Prices (US\$/ton)</b>					
Eucalyptus (delivered US East)	Nov(p) \$735	\$735	0.0%	\$689	6.7%
NBHK (delivered US East)	Nov(p) \$490	\$481	1.9%	\$470	4.3%
NBSK (delivered US East)	Nov(p) \$572	\$553	3.4%	\$611	-6.4%
<b>Structural Panel Prices (US\$/Msf)</b>					
RL Structural Panel Composite	Nov-2 \$422	\$402	5.0%	\$287	47.0%
OSB NC 7/16 Sheathing (fob)	Nov-2 \$325	\$295	10.2%	\$185	75.7%
OSB SE 7/16 Sheathing (fob)	Nov-2 \$292	\$252	15.9%	\$162	80.2%
<b>Lumber Prices (US\$/Mbf)</b>					
RL Eastern SPF Composite	Nov-2 \$381	\$360	5.8%	\$297	28.3%
KD West-SPF 2x4, #2&Btr. del Chicago	Nov-2 \$403	\$361	11.6%	\$295	36.6%
Red Oak Grn 4/4 #2A& (fob)	Nov-2 \$480	\$490	-2.0%	\$500	-4.0%
Pallet Lbr Mixed Grn 4/4 RW (fob)	Nov-2 \$225	\$225	0.0%	\$225	0.0%
<b>US Rail Shipments (carloads)</b>					
	5 weeks	4 weeks		5 weeks	
Roundwood & Chips	Oct 7,515	5,964	n/a	7,517	0.0%
Lumber & Wood Products	Oct 15,859	12,180	n/a	13,454	17.9%
Pulp & Paper Products	Oct 28,128	23,578	n/a	28,601	-1.7%
<b>Canadian Rail Shipments (carloads)</b>					
	5 weeks	4 weeks		5 weeks	
Roundwood & Chips	Oct 7,619	6,467	n/a	8,135	-6.3%
Lumber & Wood Products	Oct 14,193	10,525	n/a	13,300	6.7%
Pulp & Paper Products	Oct 15,527	12,821	n/a	16,172	-4.0%