

WOOD MARKETS



HIGHLIGHTS

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Featuring Lumber, Panels and Wood Products Analysis

2008 Billion Board Ft. Club Global Lumber Slump Hurts Most Mills

With a continued erosion of lumber production, WOOD MARKETS' "Billion Board Foot Club" for 2008 incorporates fewer members. The number of companies making the threshold volume decreased from 22 in 2006 to 15 in 2007, and then declined in 2008 to only 11 companies. This is based on companies with reported lumber production of more than one billion bf, nominal basis (or more than about 2.0 million m³, net basis). Making the list in 2007 were four Canada-based companies, four U.S.-based ones, two headquartered in Europe and one Southern Hemisphere-based company (table 1). Total output of these 11 companies was 27.0 billion board feet (bf) or 47.4 million m³, net, a drop of four billion bf (from production at 15 companies) from 2007.

After dominating North American and global output over the years, Weyerhaeuser has now relinquished its lead to West Fraser. Following its acquisition of 13 International Paper sawmills in the U.S. South in 2006, West Fraser has continued to expand production at its U.S. mills. The company also managed to hold output at its western Canadian mills in 2008 at levels very close to those seen in 2007. While low prices, the softwood export tax and the mountain pine infestation are all obstacles for its Canadian mills, the company has continued with its low-cost strategy at all operations of achieving total output of 4.96 billion bf, nominal

(7.96 million m³, net) — just 2% (86 Mbf) lower than in 2007.

Weyerhaeuser has seen various changes in its corporate strategy as it tries to reposition itself. Lumber and building products appear to be less core to its business, and numerous closures and sales (including its niche-positioned Australian sawmill assets) have resulted in lower production. After peaking in 2005 at almost seven billion bf from 36 sawmills, Weyerhaeuser's output in 2008 was lower for the third consecutive year: 4.45 billion bf from 27 mills.

Canfor remained in third place with 3.7 billion bf at its 19 sawmills (versus 4.5 billion bf at 20 sawmills in 2007). Canfor has one of the highest average outputs per mill (194 million bf) and is still leading the charge with two of the largest "super-mills" in the world.

Stora Enso Timber retained its fourth-place position, with an estimated 2.5 billion bf (5.9 million m³) of sawnwood at 24 mills (varying from small to large sizes) in nine countries.

The next three companies are private ones, and rounding out the top five is Tolko Industries with 2.1 billion bf (versus 2.3 billion in 2007) at its 10 sawmills. Based in Western Canada, the company has the highest average output per mill (210 million bf) in North America.

...cont'd on page 2

WHAT'S INSIDE

Analysis

- 1 2008 Billion Board Foot Club
- 3 Top European Lumber Producers in 2008
- 12 Monthly Prices: World Lumber & Panel Prices
- 10 Price Forecasts: One-Year Price Outlooks

Features

- 4 Japanese Market Erodes
- 6 Global Roundwood, USA, Canada

Global Statistics

GLOBAL PRICE TRENDS

International WOOD MARKETS Group Inc. (IWMRI & R.E. Taylor & Associates Ltd.) is pleased to provide you with an overview of our monthly 12-page WOOD Markets newsletter. The excerpts displayed in this two-page summary showcase why, since 1996, WOOD MARKETS has been the leading report addressing strategic issues and global topics that impact the solid wood products sector.

WOOD MARKETS (full 12-page report) is available by annual subscription for US\$530 (international US\$565) or Cdn\$565 per year. Call 1-604-801-5996, by e-mail at info@woodmarkets.com, or visit www.woodmarkets.com.

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WHAT'S NEW:

Pages 2–3

Top European Lumber Producers in 2008

The current market in Central Europe is quite precarious, as demand is evaporating in some markets, causing excess supply. As evidenced in our benchmarking work, no one is making any money in sawmilling in Europe or North America. Nevertheless, there are now a number of leading lumber/sawnwood producers in Europe with world-class, flexible mill processing for multiple markets.

Only two European companies made

the billion board foot club, but another 11 producers had output exceeding 1.5 million m³ (635 million bf, net). Four of the top companies are planning stable or increased output in 2009. The rest are selling or reducing capacity.

The four private companies included in the top list are all poised for growth (the fastest-growing sawnwood producer is Schweighofer Holz and is active in export markets). ■

(The full *WOOD MARKETS* article provides charts and graphs to further detail the top European lumber producers in 2008.)

Pages 4–5

Japanese Market Erodes

Housing and Softwood Lumber Imports Hit Hard

Japanese lumber demand fell by 9.8% in 2008 over 2007, with consumption now down almost 10 million m³ in the past ten years. External factors such as exchange rates, Russian log export taxes, production curtailments and demographics lowered the market share for some Japanese softwood wood exporters.

Due to Japanese Building Standards Law revisions in July 2007, housing starts declined by 18% from 2006. In 2009, housing starts will likely hit a new low of 850,000–900,000. The building code also

caused softwood lumber imports to drop by over two million m³ in the past two years. The Japanese market trend is toward the use of higher-quality, engineered wood products, increasingly sourced from U.S. and Canada, as well as Europe.

Non-market factors will continue to impact market shares of the major softwood lumber suppliers. Reduced housing starts, decreased lumber demand and increased domestic production do not bode well for the major global softwood lumber exporters. ■

(The complete *WOOD MARKETS* report also provides global softwood and hardwood log statistics, U.S. and Canada wood product supply & demand, and world lumber and panel pricing.)

WOOD MARKETS CHINA BULLETIN

The sixteenth issue of our newest publication, *WOOD MARKETS China Bulletin*, is ready for viewing at <http://newsletter.woodmarkets.com.cn>.

The Bulletin includes Chinese industry trends, topics of interest, statistics and prices relevant to the wood industry. To join, visit http://www.woodmarkets.com/p_chinabulletin.html.

GLOBAL LUMBER/SAWNWOOD BENCHMARKING REPORT 2008 & 2009 Q1 Basis

- Available end of May 2009.
- Benchmarking costs and revenues of top-quartile and average sawmills in 25 major countries/regions.
- Includes full 2008 costs/revenues, plus Q1/2009.
- Includes delivered log costs and stumpage costs, lumber and chip revenues, recovery of logs to lumber, and sawmill costs.
- Includes sawmill proformas at actual as well as "normal" operating rates.
- Full brochure, with pricing details on the back page available at http://www.woodmarkets.com/p_globalreport.html.

GLOBAL WOOD BOOK

Trends & Statistics • 2nd Edition

- Available end of April 2009.
- Profiles the 35 largest producing, importing, exporting and consuming countries that drive the global market.
- Coverage of softwood and hardwood production and consumption trends in timber harvest, lumber (sawnwood), plywood, OSB, MDF and particle-board.
- Economic and housing trends.
- Full statistical section with more than 300 data tables and summary graphs.
- Full brochure, with pricing details on the back page, available at http://www.woodmarkets.com/p_globalwoodbook.html.

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