

# WOOD MARKETS



HIGHLIGHTS

## MONTHLY INTERNATIONAL REPORT

VOLUME 14, NUMBER 6 ■ AUGUST 2009

Featuring Lumber, Panels and Wood Products Analysis

## Have Housing, Demand & Prices Bottomed? If so, the Outlook is Good — Starting in 2011

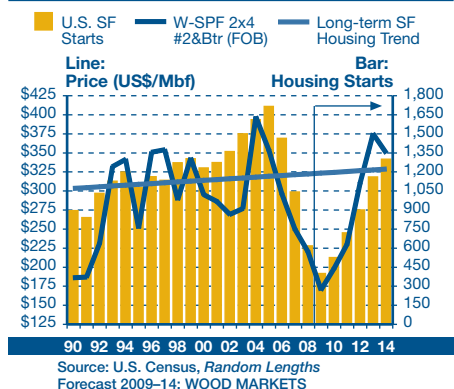
**L**umber and panel markets in the U.S. are still facing difficult times during which supply and demand will yield prices that are at or below cost levels. However, cautious optimism is emerging that we might be nearing (or even be at) the bottom, given that housing starts and other indicators have been rising for the first time since 2006. Yet a number of issues continue to loom, such as the next round of mortgage renewals and substantial housing foreclosures.

In our *WOOD MARKETS*' May 2008 issue, we suggested that W-SPF prices could almost double to US\$400/Mbf by 2011–2012. The global economic crisis interfered with this forecast, so our most recent projection pushes our earlier forecast out one to two years; as a result, we are forecasting peak annual prices of US\$375/Mbf by about 2013 (figure 1).

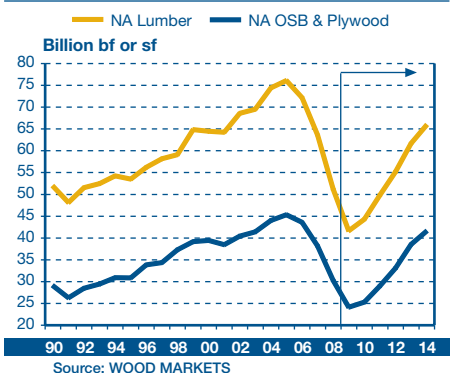
Based on a conservative forecast of U.S. housing starts of 1.3 million single-family and 330,000 multi-family starts in 2014 (close to the longer-term housing trend line), we estimate that lumber/structural panel demand and price trends will also be rising steadily as house building moves higher to historical levels (or close to 2002 levels, as outlined in figure 2).

As we stated in our 2008 analysis, "We believe the structural lumber and panel business is in the midst of a significant structural change — rather than just another housing cycle — and the current housing downturn will

**Figure 1**  
U.S. SINGLE-FAMILY HOUSING STARTS  
VS. W-SPF LUMBER PRICES



**Figure 2**  
NORTH AMERICAN LUMBER AND  
PANEL CONSUMPTION



create a template for potentially unprecedented lumber-price increases once we get closer to 2011"; that is, once we gain more momentum, starting in 2011. ■

*By Russ Taylor, President*

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## 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](mailto:info@woodmarkets.com), or visit [www.woodmarkets.com](http://www.woodmarkets.com).

[www.woodmarkets.com](http://www.woodmarkets.com)**WHAT'S NEW:****Pages 2–3****Global Lumber Benchmarking****Canada and Europe the Biggest Losers in 2008 & Q1/2009**

Slumping housing starts in the U.S. and the market slowdown in outer regions had a global ripple effect, culminating in the global losses of US\$14/m<sup>3</sup> by Q1/2009 (or \$22/Mbf, nominal) at “average” sawmills.

European mills were the next biggest financial losers into 2009, while the best earnings results were seen in the Southern Hemisphere (except Brazil).

Canadian regions (excluding the B.C. Coast) benefited from lower stumpage and delivered log costs, but were challenged

by higher transportation costs to markets, export duties to the U.S., a rising exchange rate and lower net lumber revenue.

U.S. regions saw higher revenues than Canada, but some areas were disadvantaged by higher manufacturing costs due to reduced shifts. In 2008, the weaker U.S. dollar improved the position of U.S. mills versus Canadian ones. Although the opposite currency result occurred in Q1/09, U.S. sawmills still saw better earnings results than their Canadian counterparts. ■

(The full *WOOD MARKETS* article provides more details, plus charts and graphs to further augment the global lumber benchmarking information).

**Pages 4–5****Europe & Russia: 2008/2009****Lumber Output/Demand Erodes with the Global Crisis**

Log prices in Europe in 2008 remained comparatively high despite the fact that global sawn softwood markets were collapsing. Some of the newly built, large-scale sawmills had to operate and utilize their capacities in order to control unit costs. And, since some of these operations had an export focus toward the U.S., they were forced to search for other opportunities in Europe and in other export markets. In a chain reaction, markets worldwide became unbalanced and prices declined significantly.

The sawn softwood lumber market in Europe is forecast to decline by about 17% in 2009, with the biggest reductions likely to occur in Austria, Germany, Finland, Latvia and Sweden. Consumption is projected to fall by double digits in 2009. It may take two years for the sawmill industry to return to a path of growth and profitability. Due to the high volatility and uncertainty of raw material supply and market demand, the business environment for producing companies is expected to remain challenging. ■

(The complete *WOOD MARKETS* report also provides European panels supply/demand, U.S. and Canada wood product supply/demand, and world lumber and panel pricing.)

**WOOD MARKETS  
CHINA BULLETIN**

The nineteenth 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](http://www.woodmarkets.com/p_chinabulletin.html).

**GLOBAL LUMBER/SAWNWOOD  
BENCHMARKING REPORT  
2008 & Q1/2009 Basis**

- The 400-page report is now available!
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- For further information, contact us to receive a free 50-page sample report. Go to [http://www.woodmarkets.com/p\\_globalreport.html](http://www.woodmarkets.com/p_globalreport.html).

**GLOBAL WOOD BOOK  
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- Full brochure, with pricing details and order form on the back page, is available at [http://www.woodmarkets.com/p\\_globalwoodbook.html](http://www.woodmarkets.com/p_globalwoodbook.html).

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