

WOOD MARKETS



HIGHLIGHTS

MONTHLY INTERNATIONAL REPORT

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Featuring Lumber, Panels and Wood Products Analysis

CLICK here to visit our website (www.woodmarkets.com)!

A Tale of Three Markets

Global Prices Trending Lower

Due to overbuilding of homes financed by sub-prime mortgages, drastic reductions in new residential construction in the **U.S. market** have occurred since mid-2006. While lower demand has eroded prices, lumber curtailments have not occurred fast enough in 2007 to prevent prices from falling to well below cost levels. It appears supply is finally moving closer to matching demand; however, improved (but low) lumber prices are still expected for 2008.

Japan's lumber market was relatively stable between 2004 and mid-2007, with prices peaking in mid-2006. Since July 2007, though, housing starts have been off by over 30% due to Building Standards Act revisions that slowed the permit process. This caused many lumber/plywood prices to plunge, where they should remain until inventories can be balanced.

The **European lumber market** had been the last bright spot following the rapid rise in prices, as demand in Europe took off and log supply tightened starting in the second half of 2006 (but ending in mid-2007). Rapid overproduction and declining export options led to a predictable supply/demand imbalance and price corrections. Canada added to the oversupply, as did Germany, causing prices in structural markets to collapse in Q3/07.

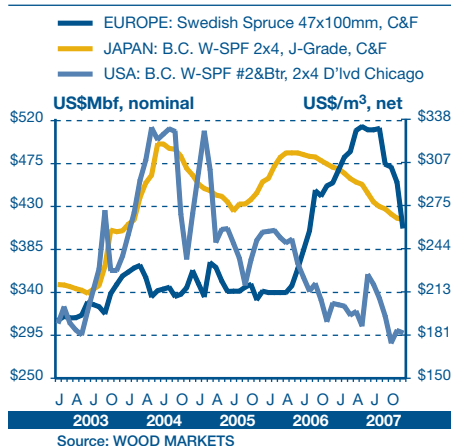
Global softwood lumber production has been expanding in capacity and output for a number of years. However, with lower demand

being recorded in the U.S., exports have steadily shifted away from this market to Japan and Europe. Japan is now experiencing oversupply, and a similar situation is developing in Europe, **with lower global prices the inevitable outcome**. As a result, lumber prices are projected to remain low in 2008 until demand reverses course and/or supply drops.

While mills search for "volume markets," **WOOD MARKETS currently has structural lumber inquiries for two smaller markets at delivered prices that are off the scale on the chart below (US\$400/m³; US\$650/Mbf)**. Subscribers are invited to contact us for further information! ■

By Russell Taylor, President

**Figure 1
GLOBAL STRUCTURAL LUMBER
PRICE TRENDS**



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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 show-case 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.

www.woodmarkets.com**WHAT'S NEW:**

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Global MDF and Particleboard

Capacity Expanding Despite Consumption Cooling.

Global expansion in MDF continued its steady rise in 2006 and 2007 despite rising raw material and processing costs and an easing in demand in a number of key markets. In many cases, the expansion was the result of new construction and upgrades that began ramping up in late 2006. For 2007, global MDF capacity is now set at 52.79 million m³ (29.8 billion sf, 3/4" basis) — an increase of 5.81 million m³ over 2006

As a more mature product than MDF,

the growth in global particleboard capacity has been more gradual and moderate. Over the last five years, the global trend continues to follow a pattern of mill closures and restructuring in Europe and North America, and gradual growth in emerging regions where fibre supply is not as constrained.

Global particleboard capacity in 2007 rose to 93.5 million m³ (52.8 billion sf, 3/4" basis), up 2.7 million m³ from the previous year's capacity level. ■

(The full WOOD Markets report provides regional capacity information and the trend in U.S. imports by country.)

Page 4–5 Special Report

B.C. Mountain Pine Beetle Update

Beetle Timber to Fuel the B.C. Industry for Another Decade

This report is the third article written by *WOOD MARKETS* on the topic of the mountain pine beetle (MPB) outbreak in British Columbia.

Latest estimates indicate that more than 900 million m³ (165 billion bf, Scribner) of pine will be killed by 2017, representing some one-third of the total volume of the B.C. Interior's timber harvesting land base. If all this timber could be converted into dimension lumber, it would be equivalent to building more than

15 million typical North American wood-frame homes (10–12 years' supply).

B.C.'s softwood lumber industry, however, is on course to salvage well over half this volume. Given that about one-third of the B.C. Interior's total harvestable land base has been affected by the MPB, and that B.C. operates under sustainable forest management practices, one can expect a substantial drop in the harvest once the merchantable dead pine has been processed. ■

(The complete WOOD Markets article adds further analysis, including harvest and production forecasts for the next ten years from the impact of the MPB epidemic on the B.C. forest industry.)

WOOD MARKETS CHINA BULLETIN

The third 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. For an interim period, this publication will be a free service to subscribers. To join, visit www.woodmarkets.com/china_products.html.

GLOBAL WOOD BOOK Trends & Statistics

Released in April 2007, this report features:

- Country profiles of softwood (and hardwood) wood products industries.
- Softwood/hardwood trends (prod'n/imports/exports/consumption) in timber harvests, lumber, plywood, OSB, MDF and particleboard.
- 550 pages, over 300 full data tables and 400 summary graphs.

For details go to www.woodmarkets.com.

CLEARWOOD REPORT

Pine Lumber, Moulding & Millwork Sector Outlook to 2012

4th Edition

Scheduled for release in March, IWGM will be publishing its 4th edition of its multi-client report on the supply/demand dynamics of:

- Global pine timber and appearance lumber;
- Mouldings: solidwood, finger-joint, MDF, & plastic (including five-year price forecasts); and
- Other millwork, including windows, doors, clear boards and other segments.

New to this edition is a cost benchmarking of finger-joint and MDF moulding producers from major producing regions, as well as updated analysis on the distribution channel for mouldings within the U.S.

This report provides our strategic insight of the current and anticipated trends in the clear pine lumber & moulding sector plus our analysis of the resulting downstream market implications. For information, please contact Peter Butzelaar (peterb@woodmarkets.com).

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