

WOOD MARKETS



HIGHLIGHTS

MONTHLY INTERNATIONAL REPORT

VOLUME 15, NUMBER 2 ■ MARCH 2010

Featuring Lumber, Panels and Wood Products Analysis

 [CLICK here to visit our website \(www.woodmarkets.com\)!](http://www.woodmarkets.com)

Chile's Fit in the U.S. Market Assessing the Earthquake's Impact

Chile's earthquake — the fifth-strongest since 1900 — killed hundreds of victims, destroyed or heavily damaged at least 500,000 homes, and tore apart highways, buildings and other infrastructure. Reconstruction is now the government's top priority, and some of Chile's wood products output may also be redirected into the rebuilding of the country.

While much discussion has been held about the disruptions to Chile's market pulp segment (with its 6% of global capacity and 8% of production), the wood products sector has seen limited coverage given that it is more difficult to assess. The publishers of WOOD MARKETS have reviewed our publications — including November's two releases, *Clearwood Pine Lumber & Moulding Outlook to 2014* and *WOOD MARKETS 2010 • The Five-Year Outlook for North America* — and our database in an attempt to ascertain Chile's market share of key products in the U.S. market. This is summarized in table 1 below (other products not summarized include value-added pine products such as doors, edge-glued panels, etc.).

With some strong U.S. market shares, the run on prices has already started in some products, e.g., plywood, finger-joint and MDF mouldings; shop and better lumber; and finger-joint blocks and blanks. Aside from rising prices, the supply chain is seeing a few selected production ramp-ups at some U.S.

Table 1
CHILE'S MARKET SHARE IN THE U.S.: 2009
(% Market share)

	U.S. Import	U.S. Consumption
All Mouldings	50%	25%
Clearwood Lumber	50%	30%
Sanded Plywood	90%	25%
MDF	10%	5%

Source: WOOD MARKETS' Estimates

companies, and alternative supply options are already being offered. With some generally lean inventories, wholesale inventories may be drawn down if the disruption lasts more than six to eight weeks. This is likely to start showing up at big box stores first.

Chile's radiata pine lumber and plywood also shows up in dozens of export markets. For instance, Chile has a dominant 25%–30% share of softwood lumber imports in the Middle East markets.

While it is possible that domestic production (in conjunction with product from Brazil and New Zealand) could fill part of the short-term gap in U.S. pine markets, log inventories, mill shifting arrangements and marketing efforts taking place in export markets could limit this supply response. As a rule of thumb on price elasticity, a 1% immediate change in supply can cause a price response of anywhere from 2-5%. As a result, prices on a number of pine products are expected to keep rising through May. ■

By Russ Taylor, President

WHAT'S INSIDE

Analysis

2 Canada/U.S. "Top 20" Lumber Producers

12 Monthly Prices: World Lumber & Panel Prices

10 Price Forecasts: One-Year Price Outlooks

Features

4 Supply Chain Impacted by Recession

Global Statistics

6 Sweden, Finland, USA, Canada

GLOBAL PRICE TRENDS

International WOOD MARKETS Group Inc. 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.

www.woodmarkets.com

WHAT'S NEW:

Pages 2–3

Canada & U.S. Top Lumber Producers

Indefinitely Curtailed: The Buzz Phrase of 2009

North American lumber producers continue to fight for their survival against an onslaught of global economic and market challenges. The Canadian results show a drop of 18.5% in output from 2008, with eastern Canadian producers experiencing the greatest average declines. A few large Canadian firms were forced into bankruptcy.

U.S. top 20 lumber producers account for a smaller share of the market, but fared slightly worse than Canada, seeing a 19.1% decline. As in Canada, it appears

that both large and small lumber producers struggled with under-utilized capacity.

Despite the output reductions, softwood lumber prices in North America continued their descent into unsustainable, historically low levels.

Looking ahead, a modest increase in U.S. housing demand, along with rising demand in emerging export markets, may foster some improvement in mill output/returns. Stabilizing hemorrhaging balance sheets is still the top priority. ■

(The full article provides further details, including a list of Top 20 Canadian and U.S. softwood lumber producers.)

Pages 4–5

Supply Chain Impacted by Recession

Business as Usual Was Not an Option in 2009

For those who've spent their entire careers in wood products production, or as channel intermediaries or builders, 2009 has been the toughest recession ever...but there is cautious optimism for 2010.

Retail sales are down 17% from the 2006 peak; however, seasonally adjusted monthly figures appear to have stabilized in Q4/09.

Pro-dealers sales were hit hard, with sales slipping 27% since 2006. Once housing recovers, pro dealers sales will not only rebound, but builders will likely

need help with installations after losing many of their own tradespeople.

Distributors have taken it on the chin, with structural materials volumes down 50% and prices off by 25%–33%.

The next challenge for the supply chain will be in meeting the just-in-time requirements the industry has come to expect as a normal business practice. Various investor contacts indicate that now is the ideal time to make a strategic choice to go big, so those with strong balance sheets will be poised to take advantage. ■

(The complete *WOOD MARKETS* report provides further analysis of supply-chain business, with charts and graphs, as well as statistics for Sweden, Finland, the U.S. and Canada, and world prices.)

Note: Please contact us for **WOOD MARKETS Monthly International Report** pricing details.

Publisher & Editor

Russell E. Taylor

Associate Editors

Peter Butzelaar
Gerry Van Leeuwen

Managing Editor/Layout

Jane Keyes

Research

Chari Gimenez

Subscriptions

Barb MacDonald

Mailing Address

Suite 501–543 Granville Street
Vancouver, B.C., Canada V6C 1X8

Phone: 604-801-5996 (country code 1)

Fax: 604-801-5997

e-mail: info@woodmarkets.com

website: www.woodmarkets.com

©International WOOD MARKETS Group Inc.

Vancouver, B.C., Canada

All rights reserved • Printed in Canada

B.C. INTERIOR: MOUNTAIN PINE BEETLE ATTACK

Impact and Outlook on B.C. Timber Availability and Wood Products Production

- A proprietary modeling of B.C. timber fibre availability and production and the impact on supply/demand.
- An annual projection of supply of wood residuals (for pulp, MDF, particleboard, bioenergy and wood pellets).
- Order form and pricing details can be viewed at http://www.woodmarkets.com/p_specialreports.html.

GLOBAL LUMBER COST BENCHMARKING • 2008–09

- Benchmarking timber/sawmill costs, and lumber and residual prices, plus margins (top-quartile and average mills), in 29 major countries/regions.
- For further information, contact us to receive a free 50-page sample report. Go to http://www.woodmarkets.com/p_globalreport.html.

GLOBAL WOOD BOOK

Trends & Statistics • 2nd Edition

- Coverage of softwood/hardwood production and consumption trends in timber harvest, lumber (sawnwood), plywood, OSB, MDF & particleboard.
- Full brochure is available at http://www.woodmarkets.com/p_globalwoodbook.html.

WOOD MARKETS 2010 • The Solid Wood Products Outlook, 2010–2014

- Five-year outlook for supply, demand and prices.
- Six chapters organized into three parts or one complete report (softwood lumber, OSB/plywood, MDF/PB).
- Condensed format, more focused, with key assumptions, analysis and five-year forecasts.
- Full brochure is available at http://www.woodmarkets.com/p_wm2006.html.

CLEARWOOD (PINE) MOULDINGS

U.S. Market Outlook, 2010–2014

Executive Summary Update Report (new concise format, published annually). Fifth edition available NOW!

- U.S. economic overview.
- U.S. shop & better lumber supply/demand/prices.
- U.S. moulding market supply/demand/prices.
- Full brochure is available at http://www.woodmarkets.com/p_clearwoodreport.html.



Forecasts, by their very nature, are based upon assumptions and are subject to future events over which we have no control; we make no warranties regarding such projections. Although great care has been taken to ensure accuracy and completeness in the analysis, data and forecasts in this report, no legal responsibility can be accepted by IWMM for the information and opinions contained herein. ISSN #1480-0969

No part of this publication may be reproduced or transmitted in any form whatsoever (electronic, mechanical, photocopy, facsimile, etc.) without the express written permission of the publisher.

Subscription Rates (1 year, 10 issues):

E-mail (pdf): U.S. — US\$530
International — US\$565
Canada — Cdn\$565 (+GST/HST)

Back issues (subscribers only): US\$100