

# WOOD MARKETS



HIGHLIGHTS

MONTHLY INTERNATIONAL REPORT

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Featuring Lumber, Panels and Wood Products Analysis

## Are We At the Bottom?

### Indicators Suggest We Are Close!

**T**here are a number of positive factors that would indicate that the end of the horrific three-year market slide in wood products is near:

- **U.S. new housing starts** appear to be bottoming out (currently at historical lows).
- **New and existing U.S. homes sales** are both starting to show increases.
- **U.S. new housing inventory** is moving lower from its peak of 13 months' supply: six months' supply is "typical," and time on the market is about 90 days, but foreclosures are still the problem as they add back inventory.
- The rate of **house price declines** is starting to slow: prices are down 26.5% from the Q1/2006 peak, but many analysts expect another 10%–15% drop before we hit bottom later in 2009 (some markets are already there).
- The house **price-to-rent ratio** is moving down: buying becomes more attractive when this ratio is 15 or lower; it has moved from a peak of 25 to the current 19, and is dropping.
- **Housing affordability** is soaring: the NAHB index measuring households' ability to buy homes has moved from 40% to a more normal 65%.
- **Record-low interest rates** are making mortgages more affordable.
- The **rate of foreclosures** is finally falling; this is critical for a recovery.
- **Consumer confidence** has now bounced off its low of February 2009.

There are, however, a few negative factors still looming that will delay the recovery:

- The **Leading Indicator of Remodeling Activity (LIRA)** is weak: down 17% from the peak in Q2/2007 to Q4/2008; and it could fall by another 12% in 2009.
- **Overall U.S. economic conditions** (including GDP) continue to track lower.
- The **U.S. financial system** is still highly constrained in its ability to fund mortgages.
- **U.S. unemployment** is still anticipated to increase and peak in 2010 at 9.6%.

Over the past eight recessions, the U.S. housing sector has recovered the earliest versus all other industry and economic sectors. We expect this to be the case once again in this recession, and prices, along with demand for building materials, will be able to see some gains later in 2009 and even more so in 2010. **WOOD MARKETS still expects a slower recovery than in past recessions due to the anemic U.S. banking system and its continuation of tighter credit conditions. However, we expect 2011 to be the breakout year, and one in which supply and demand will become unbalanced, unleashing periods of volatile prices. We anticipate this to continue into 2012, at which time peak prices are projected — in our June issue, we will provide our full five-year price forecast!** ■

*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

### 2008 U.S. & Canada Wood Product Exports

#### Exporters Achieved Positive Results!

Improved export market competitiveness, due to lower delivered prices and costs, increased 2008 U.S. wood product exports.

U.S. softwood lumber exports to Europe dropped 46% due to oversupply, but exports to Asia rose almost 31% due to rising demand/softening prices. U.S. softwood plywood, OSB and MDF exports have also risen.

Canadian 2008 softwood lumber export markets were not affected as drastically

as the U.S., but softwood plywood exports have been clobbered 62% since 2005; due partly to the strengthening Canadian dollar. OSB and MDF exports rose slightly.

Particleboard exports have declined since 2003 for both the U.S. and Canada.

The 2009 outlook remains gloomy. The biggest unknown factor that will affect the North American prices and exports is currency exchange rates. ■

(The full *WOOD MARKETS* article provides charts and graphs to further detail the 2008 U.S. and Canada wood product exports.)

## Pages 4–5

### 2008 U.S. & Canada Wood Product Imports

#### U.S. Market Appeal Continues to Erode

Given the dramatic fall in U.S. demand since 2006 through to 2009, the impact on commodity U.S. wood product imports is not unexpected. Total U.S. wood product imports, based on dollar value, declined by 24.3%, with the largest dollar-value decreases as follows: OSB, -78.6%; hardwood panels, -60.1%; softwood lumber, -53.4%; and softwood mouldings, -33.4%

Total 2008 U.S. softwood lumber imports declined 31.5%, and Canadian softwood lumber shipments to the U.S. dropped by the same percentage. In

comparison, U.S. non-Canadian softwood lumber imports fell by 46% in 2008. Higher shipping costs, longer delivery times, less favourable currency exchange rates, and low U.S. lumber prices have affected non-Canadian softwood lumber imports more significantly than shipments from Canada.

Softwood plywood, OSB, MDF and particleboard imports to the U.S. all decreased in 2008.

Several key factors will determine the rate at which U.S. wood product imports increase over the next five years. ■

(The complete *WOOD MARKETS* report also provides global plywood/veneer and particleboard/MDF statistics, U.S. and Canada wood product supply and demand, and world lumber and panel pricing.)

### WOOD MARKETS CHINA BULLETIN

The seventeenth 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 & 2009 Q1 Basis

- Available end of June 1, 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 and order form on the back page, is available at [http://www.woodmarkets.com/p\\_globalreport.html](http://www.woodmarkets.com/p_globalreport.html).

### GLOBAL WOOD BOOK Trends & Statistics • 2nd Edition

- Now available.
- This 475-page report 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 particleboard.
- Economic and housing trends.
- Full statistical section with more than 300 data tables and summary graphs.
- 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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