

WOOD MARKETS



HIGHLIGHTS

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Featuring Lumber, Panels and Wood Products Analysis

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Global Lumber Outlook '10 Optimistic Signs Starting to Emerge

After showing steady growth for a number of years, global softwood lumber/sawnwood consumption dropped by 1% in 2007, setting the stage for negative growth in 2008 and also 2009, mainly as a result of the global financial crisis that emerged in September 2008. As evidenced by pricing trends, all major softwood lumber markets headed toward a state of oversupply, but, by Q3/2009, many markets had finally bottomed and a recovery was beginning to build.

While 2009 demand will be the low point for the current cycle, it is anticipated that a modest global recovery starting in 2010 will be a good start to rebuilding fractured markets. However, timing remains a big question mark: while the worst may be over, it's not over yet, and some surprises may still be looming. Global markets should rebound when consumer and investor confidence return, and a break-out period in terms of strong prices due to a shortage of supply relative to demand is expected starting as early as 2011 (and most definitely by 2012).

GLOBAL ECONOMY

At the start of the fourth quarter of 2009, the global economy was beginning to recover faster than expected from its devastating recession. However, estimates of the future rate of recovery still show a wide variance between the various economic forecasters. In fact, this seems to be an ongoing guessing game by economists, as

WOOD MARKETS 2010-2014: Outlook on Lumber & Panels

Our strategic outlook report, *WOOD MARKETS 2010 — The Five-Year Outlook for the North American Wood Products: 2010-2014* is now available. This is the follow-up to previous WOOD MARKETS' five-year outlook reports for North America (the first since 2006) and complements ongoing analysis provided in our newsletter.

The 2010 edition addresses the rebounding North American economy and housing market, plus provides our standard five-year forecasts on supply, demand and prices for softwood lumber, plywood, OSB, MDF and particleboard. Based on an in-depth assessment of the risks and obstacles to an economic/housing recovery, the outlook for each commodity wood product matches the expected market demand with the supply base to offer a forecast of pricing direction.

The report features an assessment of mill operating rates by product line, as price trends will be particularly sensitive, not just to demand trends but also to the supply response as companies restart curtailed (and even closed) capacity.

With the five-year forecasts now completed, there is some incredible good news ahead, but the timing/results for some products will not necessarily be as soon as some might think! Amid the current weak global market conditions, an independent perspective can be valuable in getting your business ready for 2010 and beyond. Please contact us for more information.

there are few similarities between the current recession and previous ones, stymieing analysts and leading to vastly divergent forecasts, with few being correct. WOOD MARKETS' own analysis from the *Economics & International Trade* chapter of *WOOD MARKETS* ...continued

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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.

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WHAT'S NEW:

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Global Lumber Outlook 2010

Optimistic Signs Starting to Emerge (cont.)

cont'd...2010 outlines that any economic forecast being considered these days should be taken cautiously, as the track record of most economists in the last 18 months has been, in a word, "dismal."

The global economy is poised to grow by 3.1% in 2010, with the recovery led by China and India. Several countries are already officially out of recession, including France, Germany and Japan.

Global softwood lumber/sawnwood demand is now rebuilding after eroding to below 250 million m³ this year. A modest increase is expected in 2010.

European softwood lumber demand plunged 22.7% over the past two years. The housing market in Western Europe will likely bottom out at about one million starts, led by Ireland (-85%) and Spain (-84%). The outlook for sawnwood output is to increase by about four million m³ in 2010. Bio-energy remains one of the few big revenue streams for mills.

Russian log export tax has been delayed until late 2010 (minimum). Russian exports are forecast to decline this year, and rise

slightly as market activity improves in 2010. Domestic consumption is projected to expand by 20% in 2010.

Japan's import of Russian logs has declined by 84%, while lumber imports from North America are down by 59%. Changing Japanese demographics and better quality construction has housing starts dropping drastically.

The Chinese wood products industry has recovered due to domestic demand. Imports of expensive Russian logs were replaced largely by New Zealand radiata pine logs (+174%) in the first nine months of this year, but lumber imports have also risen sharply from several countries (+56%).

U.S. housing starts bottomed in Q2/2009. There remains an excess of unsold housing inventory that will continue to drag over the next several years. U.S. consumption of lumber is forecast to increase steadily in 2010 and 2011.

Total Canadian lumber demand should also bottom in 2009 and then rise through 2011. The housing market has already improved in 2009. ■

(The full *WOOD MARKETS* report also provides global economic and housing statistics, North American engineered wood product statistics, U.S./Canada wood products supply/demand figures, and world lumber/panel prices.)

WOOD MARKETS' CHINA BULLETIN

- The latest issue of WOOD MARKETS' China Bulletin is available, with expanded prices, tables and graphs.
- The Bulletin includes Chinese industry trends, trade statistics and import/domestic prices relevant to the wood industry. Sign up now at http://www.woodmarkets.com/p_chinabulletin.html.

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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

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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.

NOW AVAILABLE: 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.

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- U.S. moulding market supply/demand/prices.
- Full brochure is available at http://www.woodmarkets.com/p_clearwoodreport.html.

U.S. 1" BOARD MARKET STUDY

- A proprietary survey of 1" North American and offshore board producers supplying the U.S. (respondents represent just over half of 2008 estimated supply).
- Report summarizes market size, origin of supply, species and grade mix, and other channels to market.
- Order form and pricing details can be viewed at http://www.woodmarkets.com/p_russialogeptax.html.



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