

WOOD MARKETS



HIGHLIGHTS

MONTHLY INTERNATIONAL REPORT

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Featuring Lumber, Panels and Wood Products Analysis



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Global MDF

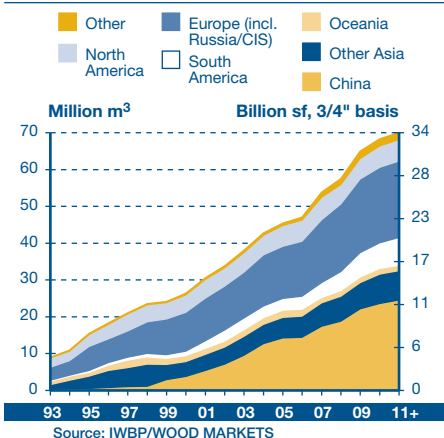
Rising Capacity, Declining Operating Rates

The global economic crisis has created more uncertainty and led to reduced consumption in 2009 for the global MDF industry. There continue to be lower output and slower growth trends in the more established North American and European regions (limited to just 20% of global growth in the last three years), with more dynamic supply/demand and growth trends being seen in the rest of the world.

Global MDF capacity increased by an estimated 12.9% (+7.4 million m³), moving from 2008 to 64.9 million m³ (36.7 billion sf) in 2009 despite the global slowdown. However, reduced demand in all corners of the world also impaired operating rates and led to lower prices (in many cases to near cost levels). With rising cost pressures — from input costs to meeting regulatory requirements (air quality and formaldehyde emissions) to logistics expenditures — many regions were facing negative operating margins, while others clung to razor-thin profits. New capacity is scheduled to come on-line in 2010 that could potentially push global capacity to more than 68 million m³ — lots of capacity, with limited prospects for increased demand.

There continues to be a shift of new production away from traditional regions to countries such as China, Russia, Turkey, Southeast Asia and South America. The catalyst varies — from low-cost fibre and/or labour

Figure 1
WORLD MDF CAPACITY BY REGION



to fast-growing consumer markets to large-scale furniture/flooring centres.

China persists in adding capacity and building on its position as the world's largest MDF-producing country. In 2009, capacity is estimated by WBPI to rise by up to 3.3 million m³ (to 22.1 million m³) from 32 new lines, raising its share of global capacity to 34% (figure 1). Despite the small decline in China's furniture and laminated flooring exports, Chinese domestic demand remains strong. As a result, Chinese MDF panel producers have closed higher-cost plants and continue to service the domestic market through remaining plants. At the same time, China's growth in export markets has been underpinned by it becoming the largest foreign supplier of MDF to Russia (replacing Germany), accounting for 29% of MDF imports. ...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:

Page 2 • Global MDF

Rising Capacity, Declining Operating Rates (cont'd)

- Chinese thin MDF production capacity has increased to almost 10 million m³.
- Europe also increased capacity in eastern countries by 1.6 million m³.
- North America continues to lag due to the weak domestic market conditions.
- There are three new South American MDF projects coming onboard in this year, increasing capacity by 6.6 million m³. ■

Page 3 • U.S. 1" Board Market Overview

An Insight Into a Specialty Market Segment

Despite strong DIY and industrial market demand in North America, production of structural lumber and panels, including 1" boards, has lessened.

WOOD MARKETS' proprietary survey of board producers realized some interesting

results. Responses came from producers both inside and outside of North America, representing just over half of estimated U.S. softwood board supply. Opinions varied about green technology, but all agreed that market pressure is building. ■

(Both WOOD MARKETS articles provide more details, charts and graphs to further detail the market.)

Pages 4–5

U.S. Distribution Channels in 2008

The Going Gets Tougher — For Most!

Total sales for the top 150 home channel firms declined by 9% in 2008 over 2007.

Only 15 of the top 150 distributor companies realized a year-over-year sales increase in 2008 over 2007.

Sales of the top five lumber and building materials (LBM) two-step distributors declined by an average of 15%, while those of the other three home channel distributor groups were down by only about 3.4%. In fact, the top five hardlines distributors actually grew their total sales in 2008. Smaller

LBM distributors seemed to have fared better than larger companies in this group, but the top 30 continued to dominate in home channel two-step distribution.

LBM co-op buying groups: the top six U.S. firms dropped by only 2.1% in 2008.

The housing recession worsened in 2009, with new starts plunging over 35%. This has turned into a lesson of "survival of the strongest." Hopefully 2010 will witness an economic turnaround and provide relief for struggling survivors. ■

(The complete WOOD MARKETS report also provides B.C. export statistics along with Japan statistics, U.S. and Canada wood product supply/demand, plus world lumber and panel pricing.)

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

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.

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, with pricing details and order form on the back page, 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, with pricing details and order form on the back page, is available at http://www.woodmarkets.com/p_wm2006.html.

UPCOMING:

CLEARWOOD (PINE) MOULDINGS

U.S. Market Outlook, 2010–2014

- Executive Summary Update Report
Annual 5th edition available November 2009 with new concise format. Core contents include the following:
- U.S. economic overview.
 - U.S. shop & better lumber supply/demand/prices.
 - U.S. moulding market supply/demand/prices.
 - Full brochure available at http://www.woodmarkets.com/p_clearwoodreport.html.

NOW AVAILABLE:

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.
- Contact us for pricing details and order form.

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