

WOOD MARKETS



HIGHLIGHTS

MONTHLY INTERNATIONAL REPORT

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Featuring Lumber, Panels and Wood Products Analysis

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North America/Global Developments

Looking Ahead to See What's Next!

As wood products seller and buyers emerge slowly from the horrendous fallout of the U.S. housing-market slump, it is becoming quite obvious that the decade ahead will be quite different from the previous ten-year period. In this article, WOOD MARKETS takes a high-level perspective to provide an overview of some of the trends, issues and developments that will likely impact markets, both in the short-term and over the next five years and beyond.

NEW DEVELOPMENTS

As is usual with the wood products industry and markets, there are a number of new developments that could be game-changers in the short- to medium-term. Some of the more recent developments now undergoing assessments include the following:

- The supply impact of expanding Chinese demand for lumber (as opposed to logs) is a continuing development with huge implications. Most industry players that are not close to the developments in China do not seem to be aware of how big an impact this is having — and will continue to have — on North American lumber supply and prices. **China demand is helping to create a “floor price” for W-SPF #2 Structural & Better lumber, and is impacting the cash and**

futures markets. This discussion has been outlined in previous issues of this report, and further details can be found in WOOD MARKETS' *China Book — Outlook to 2015*.

- The recent reopening of the Canada–U.S. softwood lumber dispute over British Columbia's pricing method for harvesting mountain pine beetle-damaged timber is a development with major implications, and one that is causing much uncertainty. **Should there be some basis for this action such that penalties are imposed, then the potential supply disruption from B.C. could cause a spike in North American lumber prices.**
- On January 1, 2011, California building codes will require dry framing lumber with less than 19% moisture content. **This will impact green Douglas fir and hemlock mills, and create an advantage for SPF (and maybe even SYP).**

ONGOING U.S. ISSUES

The status and likelihood of a recovery with the U.S. economy, including the following:

- GDP growth rates;
- Unemployment rates;
- Consumer and investor confidence; and
- Interest-/inflation-rate trends. *...cont'd*

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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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North America/Global Developments

Looking Ahead to See What's Next! (cont.)

Housing-Market Issues (covered in *WOOD MARKETS 2011*): existing homes, including the shadow inventory of foreclosed houses by banks, that aren't on the market yet are still the main problem affecting housing

starts. Also summarized are timber supply issues; North American lumber industry developments; market developments; new revenue models; global developments; and North American panels. ■

Global MDF Capacity

China Soars While Rest of the World Slows

Global MDF capacity grew by four million m³ in 2009 over 2008. China remains the largest MDF-producing country, as reported in our *China Book — Outlook to 2015*.

Europe is the second-highest in world capacity, while North America comes in

fourth. European growth in 2010 and 2011 is expected to be around 7% per year, largely from eastern European mills.

Global MDF capacity is forecast to reach about 80 million m³ in 2010, a huge increase of over 10%. ■

(The full *WOOD MARKETS* report provides details, graphs, tables and analysis for each of the above articles.)

Pages 4–5

U.S. Distribution Channels In 2009

Another Tough Year for Most Distributors!

Sales for top 150 U.S. home channel distributors fell by 16.9% in 2009, with only eight firms enjoying improved sales and 113 showing lower revenues from 2008.

Overall, the largest two-step distributor remains Ace Hardware (a hard-lines co-op); second was Lumbermens Merchandising (LBM co-op distributor); and the third was Do It Best, also a hard-lines co-op. Weyerhaeuser came fourth, rising to the top of the LBM distributors with \$2.2 million in sales. Each of these

companies' sales fell by 7%–42% in 2009 over 2008.

Since peaking in 2005, home channel distributors have endured consecutive year-over-year losses, with 2009 being the largest (lowest since 2001). The hardest-hit were those that specialized in high-volume structural lumber and panel product sales.

Other than a slight reprieve in prices in Q1/2010, results have not changed much this year. ■

(The complete *WOOD MARKETS* article provides further details, graphs and analysis.)

WOOD MARKETS' Global Wood Products Industry/Market Conference

- Westin Bayshore Hotel, Vancouver, B.C., Tuesday, May 10, 2011. Save this date!
- Assessing the Inter-Connectiveness of Global Supply Chain Dynamics and Emerging Market Opportunities and Constraints.
- In conjunction with the PwC Annual Forest Industry Conference and the Global Forest Products Leadership Summit, May 8–11, 2011.
- www.woodmarkets.com/conf_conferences.html.

NOW AVAILABLE:

China Book • Outlook to 2015

Wood Products Industry and Market Review

- Outlook on wood products industry, exports & imports.
- Log, lumber and panel price trends/softwood forecast.
- Full brochure available at http://www.woodmarkets.com/p_chinabook.html.

NOW AVAILABLE: 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.

Upcoming Publications/Event

- *U.S. Moulding & Millwork Outlook to 2015...* coming in November.
- *WOOD MARKETS 2011 — North American Wood Product Outlook to 2015...* coming in November.
- 2010 China–ASEAN Timber and Wood Products Exhibition, November 19–22, 2010, Nanning city, Guangxi province. For additional information, please contact Ms. Wang Xinxin at cawoodexpo@126.com or visit the conference website at www.cawoodexpo.org.

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