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## PRESS RELEASE

### **U.S. softwood lumber demand and prices poised to rise slowly in 2010 but gaining momentum in 2011 as demand climbs - price surges to follow!**

*Softwood lumber outlook calls for gains as the U.S. economy and housing starts to recover slowly and steadily - but still some risks ahead*

**November 11, 2009 — Vancouver, BC.**

The worst is almost over for the North American softwood lumber market as improving demand in 2010 is expected to breathe some life back into a beaten up industry. While the coming winter will likely be a tough one, rising housing starts, lean distribution channel inventories and some lingering government stimulus programs should kick-start lumber demand and even prices. After facing declining markets and prices since 2006, the 2010 outlook predicts that there will be enough building blocks in place to allow for some much needed market improvement. But it is in 2011 - and especially in 2012 and 2013 – that a real housing recovery is forecast to take hold, creating higher prices with significant price volatility occurring as sudden demand surges catch the lumber market by surprise.

These and other outlooks, including a detailed forecast of U.S. and Canadian housing starts, North American consumption trends and production output by supplying region, are part of the comprehensive assessments in the Softwood Lumber Chapter from the multi-client report published by International WOOD MARKETS Group. **WOOD Markets 2010 – the Five-Year Outlook for North American Solid Wood Products** is the first five-year outlook that has required an investigation into a number of new factors impacting the demand for structural lumber and wood products given the state of the U.S. and Canadian housing markets and the impact of the U.S. and global economies and the recession.

The **WOOD Markets 2010** forecast for softwood lumber outlines a number of structural changes that are occurring in lumber supply dynamics in North America. “With permanent timber supply cut backs in Eastern Canada and the mountain pine lumber negatively impacting the economics of processing logs to lumber in B.C., Canada’s lumber production has peaked and may never return to the record lumber output of 35.2 billion bf achieved in 2004,” explained Russell Taylor, President of WOOD MARKETS and the key author of **WOOD Markets 2010**. “In fact, Canada’s market share of U.S. consumption is expected to remain in the 27% range in the forecast vs. a more normal 32-34% over the last 15 years due simply to lower timber harvests and therefore less lumber production. And Canada’s market share is expected to drop even further by 2020!” This will provide some much needed good news for producers in other North American regions, as the U.S. South and the U.S. West are expected to be the major beneficiaries of these changes in Canadian supply dynamics.

There are many wild-cards expected to impact lumber prices in each year of the five-year forecast. “A big element impacting the lumber price outlook will be the industry’s schedule or strategy for putting curtailed or even closed sawmill production back online, not to mention the log inventories companies can, or are willing to, build,” commented Russell Taylor. “How it balances or doesn’t balance with lumber demand will show up in how lumber prices move in the next five years. **But by 2012 and especially 2013 when demand should outstrip supply at various stages, stud and dimension lumber prices should climb to average an incredible US\$200/Mbf or so higher than 2009 levels!**” The prospects of higher prices will be welcomed

by all players in the North American lumber sector, but cost pressures such as rising log costs may not directly translate into major windfalls – but modest profits, yes!

While everyone knows that the lumber market is going to get better, the challenge is in understanding all the economic variables and wildcards that can impact housing starts, repair and remodelling and overall lumber demand over the next five years. “Our analysis indicates that a slower recovery is expected initially, with housing starts in 2010 moving higher to the 700,000 unit range from about 575,000 units in 2009,” said Gerry Van Leeuwen, Vice-President. “However, a looming deficit in new single-family homes will require a significant surge in U.S. housing starts that is expected to exceed 1.5 million units by 2013 – or back to more “normal” or long-term housing start levels.”

Some of the other highlights from the Softwood Lumber Chapter of **WOOD Markets 2010** include:

- Rising housing starts in the U.S. are expected to occur in 2010 following the Obama government housing stimulus legislation of 2009 and the development of more normalized housing inventories. These two factors are key in allowing for a rebound in new residential housing starts and increasing lumber demand that is forecast to continue through 2013.
- Total U.S. lumber consumption is forecast to increase from 32.8 billion bf in 2009 to over 50 billion bf in 2013 — a 50+% increase from 2009.
- From a peak of 28.6 billion bf of lumber consumed in new U.S. residential housing construction in 2005, lumber demand plummeted to about 6.9 billion bf in 2009. By 2013, and, in using what appears to be a conservative housing forecast, lumber consumption in new housing is expected to rebound to over 19 billion bf in 2013 — a huge gain but still well below the peak of 2005.
- All regions in the U.S. and Canada are expected to rebound with an average annual increase of about 10% expected from 2009 to 2014 as sawmill operating rates improve from dismal levels averaging just 50% in 2009 to near 90% levels by 2013.
- Total North American lumber production peaked at 75 billion bf in 2005 and will bottom out dramatically lower at near 43 billion bf in 2009. Steady rises are forecast in output, to well over 60 billion bf in 2013 allowing most remaining mills to resume production at more normal historic levels.

**WOOD Markets 2010 – The Solid Wood Products Outlook for North America: 2010-2014**, is produced by International WOOD Markets Group Inc. and is based on 20 years of on-going market research and analysis. **Note: details on the five-year forecast for structural and non-structural panels will be released on November 26.**

#### **About International WOOD Markets Group**

International WOOD Markets Group ([www.woodmarkets.com](http://www.woodmarkets.com)) comprises wood products market and business consulting services for industry and government clients. The firm maintains a global data-base and also offers numerous industry or market specific multi-client reports, including its landmark *WOOD Markets Monthly International Report*.

Strategic business assessments of matching timber resources to global commodity and specialty wood product markets coupled with our feasibility analyses of timber processing options are trademark skills of the firm. Our ability to conduct in-the-field investigations coupled with our global network of contacts and comprehensive data-base delivers strategic results for clients looking to review their domestic or global business and marketing plan or in evaluating other potential solid wood product manufacturing investments.

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