RISI

CROW'S
# WEEKLY MARKET REPORT

PRICE REPORTS FOR THE NORTH AMERICAN LUMBER AND PANEL MARKETS

Jan. 29, 2010 | Vol. 54, No. 04





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## Exports to China force domestic low grade buyers to adjust

By Gary Zauner

Buyers of low grade lumber produced in North America should not be surprised to see tight supplies of Utility/#3 and Economy/#4 in 2010. As offshore exports of low grade lumber are expected to increase, domestic users of low grade will likely experience stiff competition for the material. Availability is not likely to improve over the long term until lumber producers see consumption trend upward by way of increasing housing starts, prompting them to increase production and low grade output.

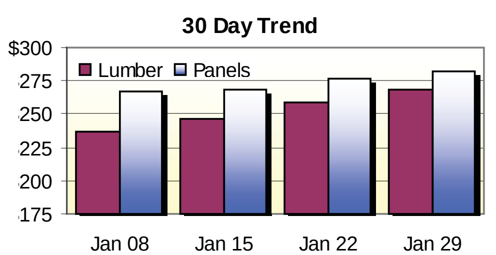
In 2009, narrow gaps between #3 and #2&Btr prices at various intervals resulted from upward trending #3 and cyclical drops in #2&Btr. During these events, 2x4 #3 and #2&Btr were traded at the same price in numerous instances. At times, the only price ceiling for low grade consisted of upper grade prices, not any unwillingness among low grade buyers to pay higher prices.

With persistent production cutbacks at mills and low grade comprising roughly only 15% of a mill's output, demand for low grade often outpaced production last year. SPF lumber producers in British Columbia shipped large volumes of low grade to Asia, which kept North American supplies in check and prices rising throughout most of the year. When the gap between #3 and #2&Btr prices narrowed, low grade buyers occasionally bought up, purchasing #2&Btr for the same price as #3. One example was in green Doug Fir, where overproduced 2x4 Std&Btr was sold at or even below the 2x4 Utility price. Even when prices were not equal, the higher grade prices often penciled out for those remanufacturers able to reduce downfall by utilizing lumber with fewer defects.

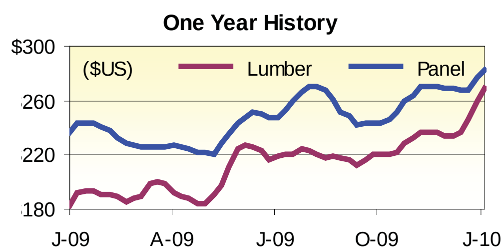
This year, 2x4 Utility prices have marched unencumbered to a cadence similar to rising #2&Btr prices, which have surpassed highs for all of 2009. Because of thin supplies, buyers are again purchasing #2&Btr volumes in place of #3. What is different so far this year is the price gap between low and high grades, which has not yet narrowed to the levels seen in 2009. Despite the current gaps of $35-40, buyers accustomed to purchasing low grade are purchasing the uppers because >>> *continued on page 4*

### CROW'S LUMBER AND STRUCTURAL PANEL COMPOSITE PRICE INDEX

| | Lumber (mbf) | Panels (msf) |
|---|---|---|
| **This Week** | **$269** | **$283** |
| Last Week | 259 | 277 |
| Last Year | 183 | 237 |




The Crow's Lumber and Structural Panel Composite Price Index is based on 40 key framing lumber and panel prices as published in *Crow's Weekly Market Report*. For a complete description of the Index, go to www.risiinfo.com.



## RECAP 01/29/10

***LUMBER:*** **SPF** lumber buyers were not as active as in past weeks, but there was no urgency among mills to lower prices. It was also suggested that rising prices in the East were influencing buyers' move to the sidelines. **Southern Pine** lumber supplies tightened further, forcing buyers to try to cover needs from an even smaller pool of lumber. Sales activity remained strong in the **Coastal Species** lumber markets. Steady buying of repeat volumes extended order files into the latter half of February. One solid prompter of the **Inland Species** lumber market has been a renewal of buyer interest following the holidays. Given the fact that buyer inventories have been very lean, replenishment comes as a welcome boost to Inland producers. **Ponderosa Pine** Mldg&Btr remains at the plateau it has held for many weeks. Shop is also unchanged, from P99 through the #2&Btr, and producers report no difficulties selling what they develop. Strong demand also exists for 1x10 and 1x12 #3 Commons. **Eastern White Pine** prices are firm and stable in Premium and Standard, escalating in Industrial grade, and still slightly soft in Selects. **Radiata Pine** is still very restricted in its flow from either Chile or New Zealand. Some signs of a more active **Western Red Cedar** market were apparent, giving producers a little more optimism heading toward spring. Factors such as the amount of consumption that lies ahead were still in question.

***PANELS:*** **Southern Pine** plywood producers were able to sell more readily for shipments in the week of February 15, but sales were not as numerous as in the previous week. Despite the quieter market, producers were able to bump quotes $5-10 in several instances. The **Western Fir** plywood market settled into a slower pace. Some producers raised sheathing and underlayment quotes modestly, while others held quotes from the week prior. Despite the price changes that are being reported, all of which are firmer, the tone of the **OSB** market in many regions is "toppy," to quote one source. As this week closes, the tone in **Canadian** softwood plywood is definitely upbeat. For much of the week, plywood sold at either list price or, for some smaller producers, at a slight discount. **Particleboard** and **MDF** sales volumes have not increased a great deal, and producers are not yet taking any steps to make substantial increases in production levels. Pricing is flat, a continuation of the stagnant price profile that has defined the industry for some time.

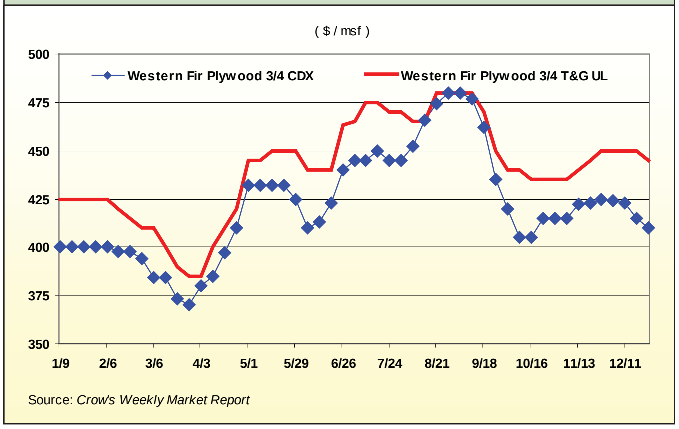
### CROW'S KEY WEEKLY LUMBER PRICES

| ($/mbf) | THIS WEEK | LAST WEEK | CHANGE | YEAR AGO |
|---|---|---|---|---|
| 2x4 Stud PET 8' W-SPF – Mill | $253 | $240 | $13 | $143 |
| 2x4 Stud PET 8'E-SPF – Boston | 320 | 310 | +10 | 235 |
| 2x4 2&BTR RL W-SPF – Mill | 250 | 250 | 0 | 136 |
| 2x4 2&BTR RL E-SPF – Boston | 315 | 312 | +3 | 240 |
| 2x4 2&BTR RL Southern Pine – Westside | 296 | 285 | +11 | 233 |
| 2x4 Stud PET 8' Green D. Fir – Portland | 200 | 200 | 0 | 125 |
| 2x4 STD&BTR RL Green D. Fir – Portland | 223 | 230 | -7 | 150 |
| 2x4 STD&BTR RL KD Hem-Fir – Spokane | 288 | 272 | +16 | 187 |
| 1x12 2&BTR RL KD Ponderosa Pine – Inland | 665 | 625 | +40 | 500 |
| 5/4 RWL #3 Shop KD Ponderosa Pine | 615 | 615 | 0 | 385 |
| 5/4 RWL RGH MLDG&BTR KD Ponderosa Pine | 1000 | 1000 | 0 | 725 |
| 5/4 RWL #3 Shop Radiata Pine – West Coast Docks | 550 | 550 | 0 | 425 |

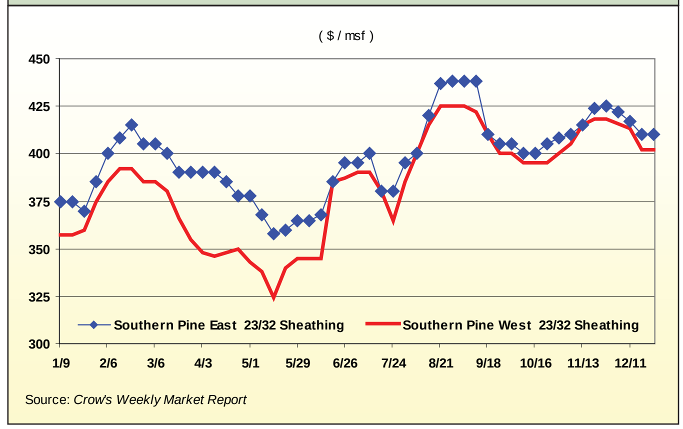
### CROW'S KEY WEEKLY PANEL PRICES

| ($/msf) | THIS WEEK | LAST WEEK | CHANGE | YEAR AGO |
|---|---|---|---|---|
| 7/16 Oriented Strand Board – North Central | $199 | $190 | $9 | $148 |
| 7/16 Oriented Strand Board – Southwest | 201 | 192 | +9 | 153 |
| 23/32 Oriented Strand Board UL – Southwest | 320 | 300 | +20 | 275 |
| 15/32 CD 3 Ply Southern Pine – Westside | 306 | 306 | 0 | 250 |
| 23/32 Underlayment Southern Pine – Westside | 465 | 460 | +5 | 413 |
| 23/32 BCX Southern Pine – Westside | 540 | 540 | 0 | 600 |
| 1/2 CDX 5 Ply Western Fir | 318 | 315 | +3 | 276 |
| 23/32 Underlayment T&G Western Fir | 470 | 465 | +5 | 425 |
| 23/32 ACX Western Fir | 670 | 670 | 0 | 745 |
| 1/10 CD 54" Fir Veneer | 37.50 | 36.00 | 1.50 | 36.00 |
| 3/4 Industrial Particleboard – Southeast | 300 | 300 | 0 | 330 |
| 3/4 Medium Density Fiberboard – Southeast | 475 | 475 | 0 | 500 |

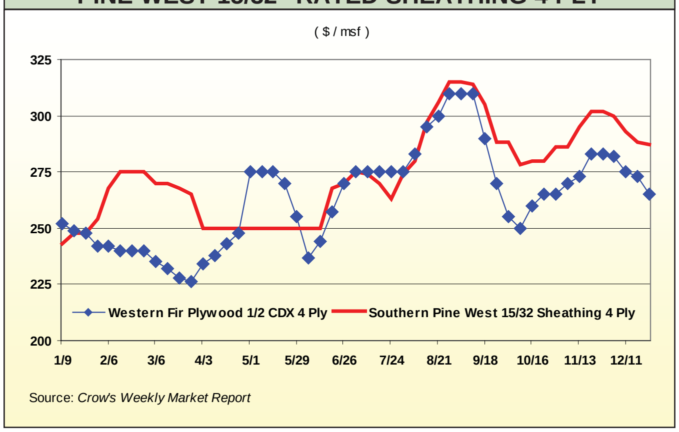
**WESTERN FIR PLYWOOD - 3/4" CDX vs 3/4" UNDERLAYMENT**



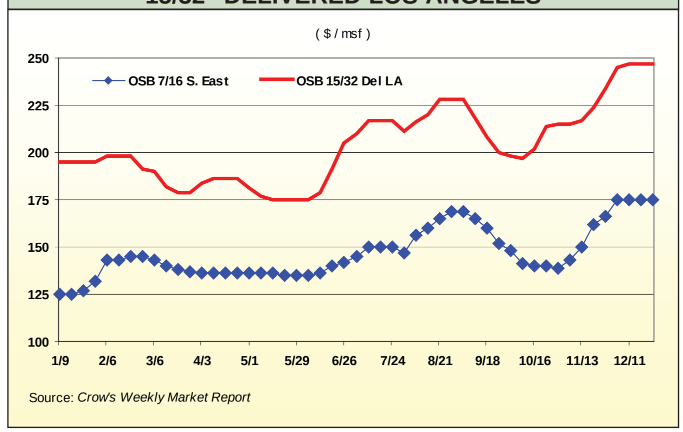

**SOUTHERN PINE 23/32" RATED SHEATHING - EAST vs WEST**




**WESTERN FIR PLYWOOD 1/2" CDX 4 PLY vs SOUTHERN PINE WEST 15/32" RATED SHEATHING 4 PLY**




**ORIENTED STRAND BOARD - 7/16" SOUTHEAST vs 15/32" DELIVERED LOS ANGELES**




## Structural panels strong at year's end

Some measure of the improvement in structural panel markets from the beginning of 2009 to its end can be seen in Crow's Structural Panel Composite Price Index. A year ago at this time, Crow's reported the Structural Panel Composite Price Index at $234. This year, on January 22, the Index read $277, an improvement of 15.5%.

A number of factors play into the strength of structural panels when compared with last year or with 2008, but perhaps the most significant is the ability of producers to secure control over the market through production modulations.

Producers of both OSB and plywood have gone through serious downsizing over the course of the last few years. According to statistics released by APA-The Engineered Wood Association, total structural panel production in North America has fallen 44% since its high point in 2005. From 2008 to 2009, North American softwood plywood production dropped 16.2%, and OSB fell 24%.

The realignment of production with demand was achieved in 2009. As prices of most structural panels illustrate, despite seasonal lagging in the last two months of the year, the price flow was upward when the trend line for each product is annualized.

So far in 2010, prices have continued to show strength, further illustrating producers' ability to keep markets firm, if not advancing. Although 3/4" Fir sheathing and underlayment both ended 2009 at the same levels each began the year, so far in 2010, 3/4" sheathing has gained $30, to reach $430, and underlayment has advanced $40, to $465.

Inventory replenishment buying is behind much of this market strength, engendered by the lack of inventories among retailers and distributors returning from holidays. Additionally, this year, seasonal buying appears to be earlier than in most previous years.

Of all the structural panels, OSB demonstrates the most dramatic growth. Again, the basis for this growth is simply production reductions to match demand and changes in production mixes by OSB producers.

## Exports to China force domestic low grade buyers to adjust

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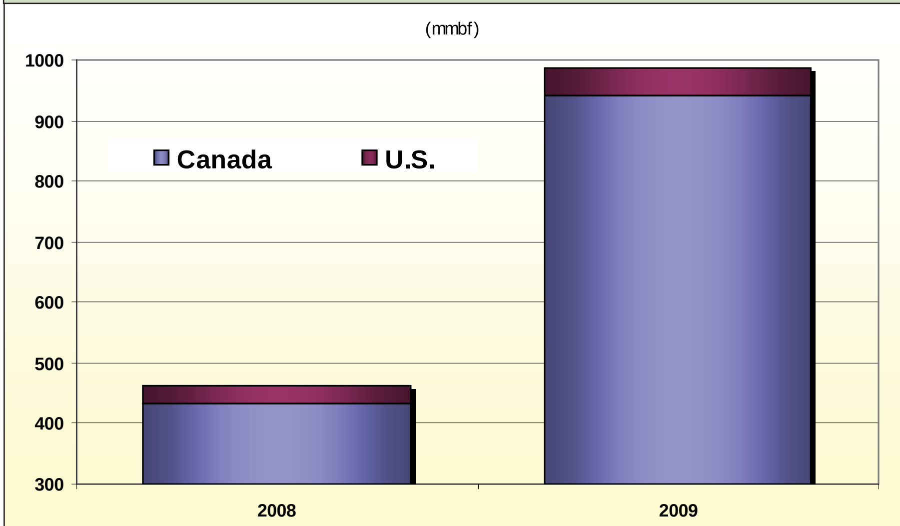
of tight low grade supplies. In many instances, low grade remanufacturers refuse to buy up, not wanting to "confuse" their production process. In those instances, buyers will pay #2&Btr prices for low grade if they can find it. In some extreme instances, which occurred this week in the Southern Pine market, buyers will pay #2 prices not only for #3, but also for #4.

In 2010, exports of low grades are expected to grow. Canada has placed more emphasis on exporting lumber to offshore countries, in part to reduce the country's reliance on the U.S. for sales. At the same time, China's economy is expected to still grow at an enviable rate. In the past, modest consumption in other countries has limited Canada's efforts to push large percentages of their exports overseas. Now, the volatile lumber trade relationship between the two countries appears to have heightened Canada's resolve to find alternative markets. Dismal U.S. housing starts are also forcing Canadian exporters to look elsewhere. Furthermore, some Canadians are leery of the U.S. economy, expecting rocky times for its neighbor for several years.

It has been estimated that 80% of the lumber entering China from Canada is low grade. To increase exports of upper grade volumes, Canada is pinning its hopes on the recent building codes adopted by Shanghai. They are the first set of published guidelines for wood frame construction in that country, which signal a new market for higher grade lumber. But while it does seem to be a major step, China has long been considered a giant marketplace for lumber for many years, if only because of its population of now over 1.3 billion. The pace of movement toward stick built construction could be described as, at the very least, laggard in a country where one out of every five people in the world call home.

**NORTH AMERICAN LUMBER EXPORTS TO CHINA (JAN-NOV)**




Sources: Council of Forest Industries; Foreign Agricultural Service

Anything Canada can do in the way of exporting more lumber abroad is likely to help North American markets in general, given that Canadian and U.S. production is a melting pot of supply. As it is, China now receives its largest volume of lumber from Russia and its second largest volume from Canada. It appears, however, that the potential for North American exports to China is growing.

Lumber export statistics from 2009 point to that growth. Through November of last year, Canada shipped 941.02 mmbf to China, according to Canada's Council of Foreign Industries (COFI). In the same period a year earlier, the total was 434.18 mmbf. That is a gain in 2009 of 117%. Out of the 941.02 mmbf shipped last year through November, 930.03 mmbf came from British Columbia.

Although not nearly to the degree of Canada, U.S. exporters also took advantage of China's immense potential in 2009. The Foreign Agricultural Service reported that U.S. shipments to China through November of last year grew by 56%, from 29.24 mmbf in 2008 to 45.49 mmbf. The gain was the largest among all the countries the U.S. traded with. U.S. producers are now hearing more from exporters looking to purchase low grade. One producer recently referred to exporters of low grade to China as "willing to pay up and not as picky."

Tempering the enthusiasm generated from exports to China is the fact that a price point likely exists where, when found, lumber buyers in that country will look elsewhere for less expensive fiber. In January, the price of western SPF 2x4 Utility has shot up above the $200 level after finishing last year at a 2009 high of $180. If China has sufficient demand and can't cover needs elsewhere, they will likely pay more. On the supply side, escalating North American price averages certainly have producers asking whether the time has come to increase output. This would also change the dynamics within markets, opening up greater availability for both domestic low grade users and the Chinese.

Producers stated throughout 2009 that they would be hard pressed to increase production until they saw an upward trend developing with regard to consumption. That trend

>>> continued on page 18

## Spruce Pine Fir

***"Not much lumber available."***

**Market Drivers:**

- **Mill order files extended**
- **Demand fades**

SPF lumber availability was tight at the mill level, leading to moderately higher prices in the West and slightly steeper increases in the East. With order files extending out into the week of February 15, some mills focused on cleaning up minor volumes of floor stocks consisting of odds and ends. One Toronto distributor said, "There is just not much lumber available from mills right now." Buyers were not as active as in past weeks, but there was no urgency among mills to lower prices. Sales activity was sometimes described as "spotty." It was also suggested that rising prices in the East were influencing buyers' move to the sidelines.

Wholesalers also experienced little pressure to sell off positions, often receiving replacement costs for what they had left to sell. When purchasing spec volumes, wholesalers were more cautious after the significant sales and price increases occurring in January. Several wholesalers turned their attention away from dimension lumber at midweek to focus more on studs, which heated up on Wednesday.

Western SPF price increases were limited to $4. The 2x4 #2&Btr price of $250 held with sales taking place a couple of dollars on either side of that price. The price of 2x6 was up $4, ending at $245. Tight supplies of MSR continued to propel those prices higher. The market price of 2x4 1650f ended at $284, up from $277. Prices of 2x4 and 2x6 2100f moved $2 and $3 higher respectively. In the East, price increases were most often in the $5-10 range.

One major British Columbia producer noted that their shipments to China would grow this year, as that market becomes more open to lumber usage.

## Inland Species

***"Not too aggressive."***

**Market Drivers:**

- **Gradual strengthening**
- **Reduced competition**

It is very clear that the last several weeks have brought solid price gains to Inland species. Defining the source of those gains is more difficult. One solid prompter of the market has been a renewal of buyer interest following the holidays, a renewal that is not unexpected. Given the fact that buyer inventories have been very lean, replenishment comes as a welcome boost to Inland producers.

Another push to the market has come from reduced competition, as regards both domestic and Canadian production. From the domestic side, Coastal Hem-Fir is less insistent in the marketplace, allowing Inland prices to float a little more freely. With British Columbia's attention turned to China, the intensity of competition has also lessened.

This is especially the case with the low grades of lumber: Utility/#3 and Economy. Once again this week, price gains have been recorded, with Fir-Larch leading the way to a $190 level for 2x4 Utility. The Economy price is stable at last week's level of $165.

Prices of Std&Btr/#2&Btr have nudged higher late in this week, carrying Fir-Larch 2x4 Std&Btr to a range of $280-290, a gain of $5-10, depending on the source. Both 2x6 and 2x8 #2&Btr are slightly below 2x4, each selling for nearly $280, or slightly above. Fir-Larch wides show marks ranging from $300-315, depending on the source.

Hem-Fir is stronger than Fir-Larch in pricing, but it is "not too aggressive," either. Gradual increments in price gains have kept buyers from being too reluctant. Hem-Fir 2x4 through 2x8 Std&Btr/#2&Btr now sells near $290, with wides above $300 and pushing MSR prices.

MSR lumber has, itself, gained in strength this week. Fir-Larch 2x4 1800f is the chief buyer desire, and it has moved to $305.

## Coastal Species

***"Nobody pushed back."***

**Market Drivers:**

- **Buyers remain active**
- **Some weakness in green**

Sales activity remained strong in the Coastal Species lumber market, propelling dry prices $10-15 higher. Steady buying from customers coming back into the market to purchase repeat volumes extended order files as far out as the latter half of February. Wholesalers sold spec volumes readily and re-entered the market to purchase again. One producer said of buyers and prices, "I expected some pushback, but nobody pushed back." Distributors continued to purchase steady volumes while pro-dealer yards entered the market in greater numbers. Buyers in general showed more urgency than they have in many months, if not years.

The largest of increases came in the wide widths, which picked up momentum as the week progressed. Volumes of 2x10 #2&Btr sold at levels $15 higher in both dry Doug Fir and Hem-Fir. Most other prices managed $10 gains in both species. Because of the limited buying coming out of a rain-soaked California, producers have steered more volumes toward kilns for drying. Dry Doug Fir 2x4 #2&Btr began this year at $243 and ended the month of January at $270. The price of KD Doug Fir 2x10 began at $275 and ended at $300.

Because of the rains in California, the green Doug fir market was not near as active. Most of the play in that market was in narrows, with 2x12 #2&Btr demand remaining dull. Buyers found a few mills that were willing to negotiate price in both 2x4 and 2x6 #2&Btr, lending some softness to those levels. Prices for 2x8 and wider dimensions maintained the same levels, although sales were recorded at slightly higher prices in rare instances.

## Southern Pine Lumber

***"You could see the potential for this."***

**Market Drivers:**

- **Lean log supplies**
- **Extended wave of demand**

"You could see the potential for this happening, but not this soon," said a Southern Pine lumber producer regarding the strength of the market and steep price increases generated from a lack of availability. Supplies tightened further, forcing buyers to try to cover needs from an even smaller pool of lumber. Log issues left log decks barren or extremely low, forcing mill shutdowns for yet another week. On the demand side, buyers purchased insurance volumes after seeing supplies tighten more. "I haven't seen a market like this in two or three years," said a supplier.

Lean log decks entering the year have created havoc with production schedules. The need for fiber from the pulp industry created a lack of log availability and a rise in prices that producers are becoming increasingly uncomfortable with. Producers know that lumber prices will eventually adjust and do not want a high priced supply of logs when prices do decline. Buyers realize that this situation could continue to present supply-side issues in the market and are buying accordingly.

Treaters were again seeking volumes to purchase, as were truss plants and distributors. Retailers with immediate needs often looked to distributors for coverage. Adding to the demand is the increase in buying for exports to Haiti. Exporters purchased significant volumes of various dimensions and grades for shipments to docks.

Supplies of 2x12 in all grades were extremely tight, prompting $20-30 price gains. Items such as 2x10 14' and 2x4 16' #2 remained tight, as they have for all of January. Long lengths of 2x8 24' were very scarce.

## Western Red Cedar

***"It just feels better."***

**Market Drivers:**

- **Signs of more activity**
- **Distributors fill in inventories**

Some signs of a more active Western Red Cedar market were apparent, giving producers a little more optimism heading toward spring. Factors such as the amount of consumption that lies ahead were still in question, but distributors filled inventory holes and some major retailers purchased greater volumes. The Texas market showed greater interest in purchasing increased volumes, which helped move some inventory that producers have built up. "It just feels better," one U.S. producer noted. Buyers purchased both prompt shipping volumes and those where shipments could wait until February or early March.

Fencing prices remained soft, with little in the way of demand. "It's still winter," was the reply from one producer. Some distributors carrying a wide array of various fencing materials purchased significant volumes of steel fencing at the end of 2009 before prices were expected to rise. Seeing weaker Western Red Cedar fencing prices, they felt more secure about putting off those purchases until later. Significant volumes of lower priced split rail fencing have entered the market, placing more pressure on other producers to adjust prices downward.

While shipments of low grade commodity lumber items to China increased tremendously in 2009, Western Red Cedar shipments out of both Canada and the U.S. to that country declined. Through November of 2008, Canada shipped 20.22 mmbf to Canada. In the same period in 2009, the volume dropped to 15.20 mmbf. In the same comparison, U.S. shipments to China dropped from 470,000 bf to 62,000 bf.

## Studs

***"Tight."***

**Market Drivers:**

- **Demand escalates**
- **Tight supplies**

Demand for studs increased at mid-week, injecting more volatility into the market. Extended order files possessed by SPF producers sent more buyers looking to secure needs. Demand for dry Doug Fir studs was relatively stellar, forcing market prices up $10-15, although some sales occurred at higher levels. Buyers often found it difficult to locate needs, as supplies tightened. They also reported a lot of variability in prices, having to question more often whether a particular price was fair. Distributors are selling significant volumes, most to retailers looking to fill-in inventories.

While dry Doug Fir prices escalated, green prices were not as buoyant, largely due to the absence of California buyers in the market. Buyers reported that green Doug Fir 2x4 9' was negotiable, sending that price from $220 down to $217. Other green prices were up by single digits.

Most other stud prices increased by double digits. Canadian producers in both the East and West raised most prices $10-15, although others were more aggressive. Demand for 2x6 was particularly strong and supplies were reported to be "tight." Western SPF finger joint studs edged higher, largely because of limited production, from $322 delivered to Houston to $326.

Almost all Inland prices increased $10. Coastal Hem-Fir, 2x4 8' shot up to $240 from $220. Since January 8, the price of dry Doug Fir 2x4 8' has jumped from $215 to $255.

## Low Grade Lumber

"*Money on the table?*"

**Market Drivers:**

- **Strong demand**
- **Slim production**

As tight as Southern Pine #2 supplies were, low grade items were even less available. Prices for both #3 and #4 leaped from previous levels, with shortages creating an array of sales levels, depending on a buyers' desperation. Mills often raised prices $15-25. Supply side tightness was even more pronounced because of ongoing log shortages and subsequent mill shutdowns.

Prices for low grade in the SPF lumber market remained strong, moving higher for yet another week in both the East and West. Limited availability because of production cutbacks and overseas shipments was the primary driver. In the West, 2x4 Utility sold readily at $216, while #3 sold at $226, both narrowing the gap with 2x4 #2&Btr selling at $250. Low grade volumes shipped overseas are expected to increase this year.

Low grade buyers of Coastal species lumber unable to locate needs were forced to purchase #2&Btr volumes, sometimes in carload quantities. "Pure and simple, there is just a lack of low grade fiber in the system," a producer aptly described the market situation. Producers bumped prices and sold so quickly at the new levels that they wondered whether they "left money on the table." Both Hem-Fir and KD Douglas Fir 2x4 and 2x6 Economy were sold at $175, while green Douglas Fir moved in a range of $145-150. Dry Utility/#3 prices often gained $10, but spot sales occurred at higher levels.

Inland producers, like their coastal counterparts, are finding the market for low grade lumber to be very progressive. Pricing is very experimental, varying from producer to producer and from sale to sale. Domestic buyers of low grade are being trumped by exporters, who have found a keen consumer in China. Canadian producers, especially those in British Columbia, have absented themselves from the U.S. market, favoring the vigor of Chinese demand. Fir-Larch 2x4 Utility and 2x6 #3 have both escalated $5 this session, and both Fir-Larch and Hem-Fir Economy are also $5 richer.

## Treated

"*Everything is hard to find.*"

**Market Drivers:**

- **Poor weather**
- **Availability**

Sales activity in the Southern Pine treated lumber market was slow, hampered by winter weather. Sales out of home center outlets were not expected to improve throughout much of the South, as wet and icy weather was forecast for the weekend. Treaters focused much of their attention on the purchasing aspect of the market, trying to cover needs in a market where supplies have tightened considerably. "You're quoted a high price and realize a few days later that the price wasn't bad," said a treater, "Everything is hard to find."

Double-digit price increases across all reported treated lumber items were common, with several in the range of $20-30.



**CROW'S HOUSE, RESIDENTIAL INDEX**
**A price index of lumber and panels used in actual framing construction**

**Western Region**
Jan 29, 2010

| | This Week | Last Week | Last Year |
|---|---|---|---|
| Crow's House* | $243 | $238 | $182 |
| Lumber: | 117 | 113 | 78 |
| Panels: | 125 | 125 | 104 |

**Southern Region**
Jan 29, 2010

| | This Week | Last Week | Last Year |
|---|---|---|---|
| Crow's House* | $224 | $213 | $164 |
| Lumber: | 168 | 159 | 118 |
| Panels: | 57 | 54 | 46 |

* Crow's House is an index of cost per hundred square feet for lumber and panel products, based on materials used in actual construction of houses which are similar in square footage to the U.S. Census Bureau's medium footage and design designation. The species and type of lumber and panels are the customary usage of each region. Go to www.risiinfo.com for more particulars.

Source: *Crow's Weekly Market Report*

# Framing Lumber

Prices are net F.O.B. mill to wholesalers unless otherwise noted. Prices indicate mixed car loadings.
Prices per thousand board feet. U.S. dollars unless noted.

| STUDS P.E.T. 8' | KD STUD 2x4 | GREEN STUD 2x4 | GREEN STD&BTR 2x4 | KD 2&BTR 2x6 | GREEN 2&BTR 2x6 | KD STUD 2x3 |
|---|---|---|---|---|---|---|
| Douglas Fir Portland [1] | 255 | 200 | 205 | 255 | 180 | — |
| Hem-Fir Coast [1] | 240 | — | — | 235 | — | — |
| Hem-Fir Spokane [1] | 250 | — | — | 255 | — | — |
| Fir-Larch | 252 | — | — | 265 | — | — |
| ESLP [2] | 265 | — | — | 295 | — | — |
| E-SPF Chicago [1] | 325 | — | — | 360 | — | — |
| W-SPF Mill [1] | 253 | — | — | 291 | — | 260 |
| W-SPF Chicago [1] | 315 | — | — | 355 | — | 322 |
| SPF Boston [1] | 320 | — | — | 370 | — | 305 |
| SPF Toronto [3] | 300 | 245 | — | 365 | 260 | 285 |
| Southern Pine West [4] | 240 | — | — | — | — | — |
| Southern Pine Central [5] | 240 | — | — | — | — | — |

| STUDS P.E.T. 9' & 10' | KD STD&BTR 2x4 9' | GREEN STD&BTR 2x4 9' | KD 2&BTR 2x6 9' | GREEN 2&BTR 2x6 9' | FINGER JOINT 2x4 9' | KD STUD 2x4 10' | GREEN STD&BTR 2x4 10' |
|---|---|---|---|---|---|---|---|
| Douglas Fir [1] | 260 | 217 | 275 | 230 | — | 245 | — |
| Hem-Fir Coast [1] | 258 | — | 265 | — | — | — | — |
| Hem-Fir Spokane [1] | 270 | — | 280 | — | — | — | — |
| Fir-Larch | 265 | — | 280 | — | 270 | 265 | — |
| ESLP [2] | 265 | — | 285 | — | 270 | — | — |
| E-SPF Chicago [1] | 320 | — | 365 | — | — | 310 | — |
| W-SPF Mill [1] | 257 | — | 291 | — | 326 * | — | — |
| W-SPF Chicago [1] | 319 | — | 355 | — | — | — | — |
| SPF Boston [1] | 310 | — | — | — | — | — | — |
| SPF Toronto [3] | 285 | 255 | 355 | — | — | 275 | 235 |

| RANDOM TALLY 8'- 20' | STD&BTR | 2&BTR | | | | | UTILITY | No. 3 | | | | ECON | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| KILN DRIED | 2x4 | 2x4 | 2x6 | 2x8 | 2x10 | 2x12 | 2x4 | 2x6 | 2x8 | 2x10 | 2x12 | 2x4 | 2x6 |
| Douglas Fir [1] | 260 | 270 | 262 | 250 | 300 | 302 | 220 | 215 | 190 | 190 | 190 | 175 | 175 |
| Hem-Fir Coast [1] | 250 | 260 | 255 | 250 | 290 | 285 | 220 | 195 | 190 | 190 | 190 | 175 | 175 |
| Hem-Fir Spokane [1] | 288 | 293 | 290 | 277 | 310 | 312 | 185 | 165 | 165 | 165 | 165 | 165 | 150 |
| Hem-Fir Redding [1] | 260 | 270 | 260 | 255 | 295 | 290 | 215 | 205 | 180 | 200 | 205 | 175 | 170 |
| Fir-Larch | 283 | 285 | 280 | 272 | 300 | 310 | 190 | 175 | 175 | 175 | 175 | 165 | 150 |
| Ponderosa Pine | 250 | — | 270 | 255 | 270 | 290 | — | — | — | — | — | — | — |
| W-SPF Mill | 245 | 250 | 245 | 250 | 330 | 430 | 216 | 192 | 197 | 197 | 200 | — | — |
| W-SPF Chicago [1,6] | 307 | 312 | 309 | 312 | 400 | 501 | — | — | — | — | — | — | — |
| E-SPF Chicago [1,6] | — | 338 | 247 | 345 | — | — | 280 | 245 | 265 | — | — | — | — |
| E-SPF Altanta [1,6] | — | 350 | 360 | 360 | — | — | 305 | 270 | 275 | — | — | — | — |
| E-SPF Boston [1] | — | 315 | 340 | 335 | 412 | — | 245 | 235 | 250 | — | — | — | — |
| E-SPF Toronto [3] | — | 310 | 320 | 320 | 400 | — | 250 | 260 | 260 | — | — | — | — |
| Southern Pine East [7] | — | 300 | 276 | 282 | 326 | 375 | 235 | 230 | 220 | 220 | 235 | 210 | 200 |
| Southern Pine West [4] | — | 296 | 297 | 292 | 310 | 407 | 275 | 255 | 257 | 225 | 275 | 220 | 205 |
| Southern Pine Central [5] | — | 293 | 288 | 280 | 308 | 383 | 245 | 230 | 210 | 210 | 225 | 205 | 190 |
| GREEN | | | | | | | | | | | | | |
| Douglas Fir Portland [1] | 223 | 235 | 225 | 220 | 255 | 243 | 190 | 180 | 150 | 150 | 155 | 145 | 145 |
| Douglas Fir Portland Prime [1] | 255 | 275 | 255 | 235 | 265 | 260 | — | — | — | — | — | — | — |
| Douglas Fir Redding [1] | 235 | — | 245 | 225 | 265 | 250 | 180 | 160 | 140 | 140 | 145 | 120 | 120 |
| SPF Toronto [3] | — | 250 | 320 | 270 | 305 | — | 220 | 220 | 220 | — | — | — | — |

[1]Prices reflect sales from area indicated.[2]Graded Englemann-Spruce, Lodgepole Pine.[3]F.O.B Toronto, Canadian Funds, tax excluded.[4]Mills in Texas, Oklahoma, Arkansas, Louisiana.
[5]Mills in Alabama, Mississippi, Louisiana (east of Mississippi River).[6]Flat car, paper wrapped. [7]Mills in Virginia, the Carolinas, Georgia, Florida. * Houston

# Framing Lumber

Prices are net F.O.B. mill to wholesalers unless otherwise noted.
Prices indicate mixed car loadings.
Prices per thousand board feet. U.S. dollars unless noted.

## STRUCTURAL LIGHT FRAMING

| | # 1 & BTR | | | | | SEL. STRUC. | | 1650f MSR | | 1800f MSR | | 2100f MSR | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2x4 | 2x6 | 2x8 | 2x10 | 2x12 | 2x4 | 2x6 | 2x4 | 2x6 | 2x4 | 2x6 | 2x4 | 2x6 |
| Douglas Fir Green | 242 | — | — | — | — | — | — | — | — | — | — | — | — |
| Douglas Fir KD | 285 | — | — | — | — | — | — | — | — | 280 | 280 | — | — |
| Hem-Fir | — | — | — | — | — | 320 | 295 | 310 | 310 | — | — | — | — |
| Fir-Larch KD | 295 | 293 | 308 | 330 | 345 | — | 315 | — | — | 305 | 285 | 315 | 295 |
| Southern Pine East * | 304 | — | — | — | — | — | — | — | — | — | — | — | — |
| Southern Pine Central ** | 313 | 303 | 308 | 337 | 415 | — | — | — | — | — | — | — | — |
| Southern Pine West *** | 305 | 298 | 304 | 315 | 421 | — | — | — | — | — | — | — | — |
| W-SPF Mill | — | — | — | — | — | — | — | 284 | 290 | — | — | 294 | 298 |

## LIGHT FRAMING, JOISTS & PLANKS - Douglas Fir Green – 8'-20'

| | STD&BTR | 2&BTR | | | | 1&BTR | |
|---|---|---|---|---|---|---|---|
| | 4x4 | 4x6 | 4x8 | 4x10 | 4x12 | 6x8 | 6x12 |
| Portland | 355 | 320 | 305 | 305 | 295 | 600 | 600 |
| Eureka | 365 | 330 | 330 | 330 | 300 | 580 | 580 |

## SOUTHERN PINE –Kiln Dried

| | 8' | 10' | 12' | 14' | 16' |
|---|---|---|---|---|---|
| 4x4 No. 2 | 330 | 330 | 330 | 280 | 335 |
| 4x6 No. 2 | 305 | 280 | 340 | 310 | 330 |
| 6x6 No. 2 | 320 | 315 | 335 | 300 | 320 |

## HEM-FIR KILN DRIED (COAST)

| | | 8' | 10' | 12' | 14' | 16' | 18' | 20' | 22' | 24' |
|---|---|---|---|---|---|---|---|---|---|---|
| 2x4 | STD&BTR | 235 | 240 | 250 | 255 | 285 | 245 | 245 | — | — |
| 2x4 | 2&BTR | 240 | 250 | 255 | 260 | 290 | 255 | 255 | — | — |
| 2x6 | 2&BTR | 235 | 250 | 255 | 255 | 285 | 265 | 265 | 350 | 350 |
| 2x8 | 2&BTR | 235 | 245 | 250 | 255 | 290 | 250 | 250 | 330 | 330 |
| 2x10 | 2&BTR | 245 | 285 | 305 | 305 | 280 | 280 | 275 | 320 | 320 |
| 2x12 | 2&BTR | 270 | 275 | 320 | 290 | 325 | 310 | 310 | 320 | 325 |

## DOUGLAS FIR GREEN

| | | 8' | 10' | 12' | 14' | 16' | 18' | 20' | 22' | 24' | 26' | 28' |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2x4 | STD&BTR | 215 | 220 | 220 | 220 | 245 | 230 | 230 | — | — | — | — |
| 2x4 | 2&BTR | — | — | — | — | — | — | — | — | — | — | — |
| 2x6 | 2&BTR | 210 | 210 | 215 | 215 | 255 | 225 | 230 | 300 | 290 | 310 | 330 |
| 2x8 | 2&BTR | 190 | 190 | 205 | 205 | 255 | 225 | 225 | 305 | 300 | 315 | 330 |
| 2x10 | 2&BTR | 180 | 240 | 255 | 290 | 280 | 255 | 260 | 315 | 305 | 325 | 325 |
| 2x12 | 2&BTR | 220 | 235 | 255 | 230 | 275 | 240 | 295 | 320 | 315 | 325 | 330 |

## SPF KILN DRIED

| | | WESTERN | | | | | | | | | EASTERN-BOSTON | | | | | EASTERN-CHICAGO | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 8' | 10' | 12' | 14' | 16' | 18' | 20' | 22' | 24' | 8' | 10' | 12' | 14' | 16' | 8' | 10' | 12' | 14' | 16' |
| 2x4 | STD&BTR | 242 | 232 | 227 | 245 | 260 | 235 | 225 | — | — | — | — | — | — | — | — | — | — | — | — |
| 2x4 | 2&BTR | 247 | 240 | 232 | 250 | 270 | 240 | 235 | 210 | 210 | 315 | 305 | 300 | 310 | 345 | 320 | 310 | 315 | 330 | 355 |
| 2x6 | 2&BTR | 245 | 255 | 235 | 252 | 242 | 260 | 255 | 320 | 320 | 360 | 345 | 335 | 335 | 345 | 360 | 355 | 355 | 325 | 360 |
| 2x8 | 2&BTR | 228 | 260 | 265 | 232 | 250 | 250 | 255 | 385 | 385 | — | — | — | — | — | — | — | — | — | — |
| 2x10 | 2&BTR | 290 | 330 | 375 | 318 | 290 | 315 | 310 | 475 | 475 | — | — | — | — | — | — | — | — | — | — |

## SOUTHERN PINE KILN DRIED

| | | EAST * | | | | | | | CENTRAL ** | | | | | | | WEST *** | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 8' | 10' | 12' | 14' | 16' | 18' | 20' | 8' | 10' | 12' | 14' | 16' | 18' | 20' | 8' | 10' | 12' | 14' | 16' | 18' | 20' |
| 2x4 | No. 1 | 295 | 280 | 280 | 285 | 330 | 305 | 340 | 305 | 385 | 290 | 290 | 350 | 310 | 360 | 305 | 295 | 285 | 285 | 345 | 290 | 290 |
| 2x6 | No. 1 | 305 | 295 | 290 | 290 | 325 | 290 | 340 | 290 | 300 | 290 | 290 | 315 | 300 | 325 | 290 | 315 | 288 | 295 | 305 | 280 | 290 |
| 2x4 | No. 2 | 295 | 280 | 285 | 290 | 340 | 290 | 320 | 290 | 280 | 280 | 285 | 340 | 280 | 290 | 300 | 285 | 285 | 270 | 335 | 280 | 280 |
| 2x6 | No. 2 | 250 | 295 | 265 | 285 | 280 | 260 | 285 | 265 | 290 | 285 | 285 | 300 | 275 | 295 | 280 | 310 | 290 | 290 | 305 | 280 | 295 |
| 2x8 | No. 2 | 250 | 260 | 270 | 265 | 315 | 300 | 315 | 245 | 260 | 275 | 270 | 310 | 290 | 290 | 260 | 265 | 270 | 275 | 310 | 320 | 315 |
| 2x10 | No. 2 | 295 | 335 | 335 | 325 | 330 | 310 | 350 | 285 | 310 | 310 | 305 | 305 | 290 | 345 | 295 | 305 | 300 | 310 | 300 | 295 | 365 |
| 2x12 | No. 2 | 370 | 310 | 400 | 340 | 400 | 395 | 465 | 370 | 340 | 405 | 360 | 400 | 360 | 450 | 380 | 360 | 425 | 395 | 410 | 375 | 460 |

* Mills in Virginia, the Carolinas, Georgia, Florida.
** Mills in Alabama, Mississippi, Louisiana (east of Mississippi River).
*** Mills in Texas, Oklahoma, Arkansas, Louisiana.

# Cedar

Prices are net F.O.B. mill to wholesalers unless otherwise noted.
Prices indicate mixed car loadings.
Prices per thousand board feet. U.S. dollars unless noted.

| WESTERN RED CEDAR – Mixed Lengths | | | 4" | 6" | 8" | 10" | 12" |
|---|---|---|---|---|---|---|---|
| Boards | 1" S1S2E Std&Btr | | 625 | 675 | 800 | 810 | 1055 |
| | 1"S1S2E No Hole Grade | | 670 | 775 | 890 | 975 | 1120 |
| Dimension | 2" Rgh Std&Btr #2&Btr | | 590 | 650 | 695 | 945 | 1055 |
| | 4" S4S Std&Btr | | 840 | 855 | — | — | — |
| | 4" Rgh Std&Btr #2&Btr | | 810 | 825 | 825 | 950 | 995 |
| | 6" Rgh #2&Btr | | — | 980 | 1050 | 1050 | 1050 |
| | 1"T&G KD 10/15% Qlty, Smooth Face | | — | 1260 | 1335 | — | — |
| Siding | 1" Channel STK 10/15% Qlty&Btr | Green | — | 1090 | 1195 | 1235 | — |
| | 1" Channel STK 10/15% Qlty&Btr | KD | — | — | 1335 | — | — |
| | 5/8" Bevel STK 10/15% Qlty&Btr | Green | — | 745 | 745 | — | — |
| | 5/8" Bevel STK 10/15% Qlty&Btr | KD | — | 825 | 825 | — | — |
| | 3/4" Bevel STK 10/15% Qlty&Btr | Green | — | 850 | 850 | 940 | — |
| | 3/4" Bevel STK 10/15% Qlty&Btr | KD | — | 1095 | 1095 | 1130 | — |
| | 11/16" Bevel STK 10/15% Qlty&Btr | Green | — | 850 | 850 | 860 | — |
| | 11/16" Bevel STK 10/15% Qlty&Btr | KD | — | 895 | 895 | 1080 | — |
| Decking | 5/4" Radius-Edge: Architect Knotty[1] | | 575 | 1020 | — | — | — |
| | 2" Custom Knotty[1] | | 465 | 815 | — | — | — |
| | 2" Architect Knotty[1] | | 750 | 1010 | 1110 | — | — |

| Bevel Siding 1/2" x 6 | | CLRVG | A | Rough | 2 X 2 S4S | 36" | 42" | 48" | 96" |
|---|---|---|---|---|---|---|---|---|---|
| | Kiln Dried | 1745 | 1475 | 1205 | D&Btr | 810 | 860 | 835 | 1350 |

Inland cedar prices listed on Page 9.

| FENCING | ROUGH | | S1S2E |
|---|---|---|---|
| 1x4 6' #1 (2 Face) | 400 [2] | 465 [3] | 500 |
| 1x4 6' #2&Btr NH | 315 [2] | 425 [3] | 370 |
| 1x4 8' #2&Btr NH | 490 [2] | 545 [3] | 640 |
| 1x6 5' #2&Btr NH | 400 [2] | 480 [3] | 520 |
| 1x6 6' #1 (2 Face) | 550 [2] | 600 [3] | 700 |
| 1x6 6' #2&Btr NH | 510 [2] | 570 [3] | 590 |
| 1x6 8' #2&Btr NH | 470 [2] | 625 [3] | 725 |
| 2x4 8' Std&Btr NH | 655 [2] | 655 [3] | 615 [4] |
| 4x4 8' Std&Btr NH | 750 [2] | 750 [3] | — |

| SHINGLES | 1 | 2 |
|---|---|---|
| 16" 5X[5] | 85.00 | 70.00 |
| 18" Perfections[5] | 105.00 | 85.00 |
| 18" R&R[5] | 90.00 | — |

| SPLIT RAIL | STD | PONY |
|---|---|---|
| 10' Rails | 4.45 | 3.20 |
| 2-Rail Line & End Posts | 4.70 | 3.60 |
| 2-Rail Corner Posts | 5.05 | 4.20 |
| 3-Rail Line & End Posts | 5.90 | 4.30 |
| 3-Rail Corner Posts | 6.30 | 5.10 |

| SHAKES | #1 PRODUCT |
|---|---|
| 1/2" x 24"H/S[5] | 115.00 |
| 3/4" x 24"H/S[5] | 135.00 |
| 5/8" x 24"T/S UBC#1[5] | 110.00 |
| 5/8" x 24"T/S Vertical Grain[5] | 125.00 |

[1]Registered trademark of the WRCLA. [2]Nominal width/full width and other factors. [3]NPS. [4]S4S. [5]Blocking/log source or other factors determining quality.

# Treated & Decking – SOUTHERN PINE

## DIMENSION – Treated

| | 8' | 10' | 12' | 14' | 16' |
|---|---|---|---|---|---|
| 2x4 No. 2 | 400 | 385 | 380 | 388 | 440 |
| 2x6 No. 2 | 350 | 385 | 370 | 380 | 385 |
| 2x8 No. 2 | 355 | 360 | 370 | 365 | 410 |
| 2x10 No. 2 | 390 | 435 | 435 | 420 | 425 |
| 2x12 No. 2 | 465 | 425 | 490 | 425 | 490 |

## RADIUS - EDGE DECKING – Treated

| 5/4x6 | 8' | 10' | 12' | 14' | 16' |
|---|---|---|---|---|---|
| Standard | 595 | 525 | 525 | 510 | 595 |
| Premium | 715 | 735 | 740 | 715 | 840 |

## BOARDS, SQUARES AND TIMBERS – Treated

| | 8' | 10' | 12' | 14' | 16' |
|---|---|---|---|---|---|
| 1x4 No. 2 | 375 | 390 | 430 | 405 | 485 |
| 1x6 No. 2 | 405 | 430 | 490 | 440 | 505 |
| 4x4 No. 2 | 485 | 485 | 485 | 435 | 490 |
| 4x6 No. 2 | 460 | 435 | 500 | 470 | 490 |
| 6x6 No. 2 | 475 | 470 | 490 | 460 | 475 |

## RADIUS - EDGE DECKING – Untreated

| 5/4x6 | 8' | 10' | 12' | 14' | 16' |
|---|---|---|---|---|---|
| Standard | 485 | 410 | 410 | 395 | 480 |
| Premium | 610 | 630 | 635 | 605 | 735 |

## Selects and Commons

### *"Huge fragmentation."*

**Market Drivers:**

- **Demand for low grades**
- **Log shortages**

The 4/4 board market, in all major species, is difficult to work from almost any angle. One eastern manager, commenting on buyer frustrations, noted that his term for the market is "dysfunctional." A western manager called his situation "frustrating," because he has essentially nothing to sell, because logs are in short supply. Price is not the object in most cases, but the general direction of most items is up, if there is movement at all.

Ponderosa Pine is well captured in the words of another manager, who said, "The lower the grade, the stronger it is." This applies equally to Eastern White Pine, as well. Domestic demand from industrial users has been added to export demand, creating strong competition for the material that is available. Because of reductions in overall production, the generation of low-grade boards has been sharply curtailed. This is one area where price increases are commonly reported, with gains averaging $5-10.

Strong demand also exists for 1x10 and 1x12 #3 Commons, based on their relative scarceness and the demand coming from moulding and millwork interests. Ponderosa Pine Shop has made such gains in price that remanners are looking for cheaper alternatives. These inquiries merely add to the strength of both #3 and #4 boards, pushing prices in an ironic twist of the market.

Eastern White Pine is experiencing a "huge fragmentation," according to another source. Many orders coming into mills now are made up of several items, each truckload usually being marked for two to four stops. Such a grocery store market results in accumulations of an item at one producer's site, while another reports shortages. Price spreads can be very wide under those conditions. Generally, Eastern White Pine prices are firm and stable in Premium and Standard, escalating in Industrial grade, and still slightly soft in Selects.

## Moulding & Better and Shop

### *"Things are good for a pine mill right now."*

**Market Drivers:**

- **Poor logging conditions**
- **Good overall demand**

Price increases are now focused on finished materials, as opposed to raw materials. For much of last year, and especially the second half of the year, price increases in lumber and raw materials put the squeeze on manufacturers of mouldings and millwork. In addition, production reductions made securing material a difficult matter at times. Now, with post-holiday inventories being refurbished among both distributors and retailers, prices of finished mouldings are appreciating, and those prices are firm.

Ponderosa Pine lumber prices are quite firm. An additional production snag surfaced this week, with one key producer reporting major logging problems because of muddy conditions. The winter has not kept the ground frozen, preventing normal logging in some areas.

Ponderosa Mldg&Btr remains at the $1000-1010 plateau it has held for many weeks. Shop is also unchanged, from P99 through the #2&Btr, and producers report no difficulties selling what they develop. The tone of this portion of the industry was captured by one manager's comment, "Things are good for a pine mill right now."

Radiata Pine is still very restricted in its flow from either Chile or New Zealand. Alternative markets, notably China, provide an outlet for both logs and lumber, and the returns from that market are better than the returns from the U.S. market. One manager, commenting on Radiata Pine industrial lumber, said, "It is moving only as holes develop." The prospects for any changes in lumber volume from either key Radiata source appear to be slim at this point.

"Blanks are very tough to find," was one importer's comment. Indeed blanks, like finger joint mouldings, are moving up in price. They now range from $1035-1050. Finger joint mouldings show a level of $1150-1175 for Radiata stock and perhaps $25 less for Taeda mouldings from Brazil.

## Smoke From the Burner

Very stable lumber prices and firmer moulding prices are the tale of the market this week. Here are some comments from conversations.

"New Zealand producers are favoring China over all markets. They are getting a better return for logs and Shop-type fiber." *(Importer, on Radiata lumber)*

"It's very difficult to get any Shop from New Zealand, because that portion of the log goes to China or elsewhere." *(Importer)*

"The market for clear boards from New Zealand is spotty, but it is the most active portion of the market for me." *(Importer)*

**CURRENCY COMPARISON**

Compared to U.S. Dollar

| | 1/27/10 | | 1/20/10 |
|---|---|---|---|
| Brazilian Real | 1.83 | ▲ | 1.77 |
| Canadian dollar | 1.06 | ▲ | 1.02 |
| Chilean peso | 518.00 | ▲ | 501.00 |
| Chinese renminbi | 6.83 | ▬ | 6.83 |
| Euro | 0.70 | ▲ | 0.69 |
| Mexican peso | 12.89 | ▲ | 12.67 |
| New Zealand dollar | 1.40 | ▲ | 1.35 |

# Industrial

Prices are net F.O.B. mill to wholesalers unless otherwise noted.
Prices indicate mixed car loadings. Prices per thousand board feet.
U.S. dollars unless noted.

## MOULDING & SHOP
### Pine & Fir Species

| | | S2S MLDG | | S4S MLDG | MLDG&BTR | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 1-5/16 | 1-9/16 | STANDARD | ROUGH | 3 CLEAR | 1 SHOP | 2 SHOP | 3 SHOP | P99 |
| Ponderosa Pine 4/4 | 1 | — | — | 655 | — | 625 | 455 | 370 | — | — |
| Ponderosa Pine 5/4 | | 1000 | — | — | 1000 | 870 | 830 | 730 | 615 | 410 |
| Ponderosa Pine 6/4 | | — | 1000 | — | 1000 | 880 | 840 | 750 | 625 | 410 |
| White Fir 5/4 | | — | 915 | — | 915 | 650 | 605 | 500 | 410 | |
| White Fir 6/4 | | | 915 | | 915 | 650 | 605 | 500 | 410 | |
| Douglas Fir 5/4 | | 915 | | | 915 | 650 | 605 | 500 | 410 | |
| Douglas Fir 6/4 | | | 915 | | 915 | 650 | 605 | 500 | 410 | |
| Radiata Pine 5/4 | 2,4 | | | | 1200 | 870 | 805 | 750 | 620 | |
| Radiata Pine 6/4 | 2,4 | | | | 1200 | 880 | 810 | 750 | 620 | |
| Radiata Pine 5/4 | 2,3 | | | | 1210 | — | — | 745 | 550 | |

### Blocks & Blanks

| | Blocks | | Blanks |
|---|---|---|---|
| | East | West | |
| Radiata Pine 5/4 | 895 [5] | 895 [4] | 1045 [4] |
| Radiata Pine 6/4 | 895 [5] | 895 [4] | 1035 [4] |
| Elliotti/Taeda Pine | 895 [6] | — | 1045 [5] |

[1] S4S Standard.
[2] Prices listed for sales this week, delivery expected in 60-90 days.
[3] RW/RL tally F.O.B. gulf and east coast ports.
[4] On truck, West Coast docks.
[5] Texas/East Coast. [6] On truck, gulf docks.

# Selects & Commons

## PONDEROSA PINE

| Inland | C&BTR | D | 2&BTR | No. 3 | No. 4 |
|---|---|---|---|---|---|
| 1x4 | 1200 | 715 | 420 | 285 | 220 |
| 1x6 | 2000 | 875 | 430 | 330 | 225 |
| 1x8 | 1700 | 950 | 560 | 370 | 225 |
| 1x10 | 1500 | 950 | 500 | 450 | 230 |
| 1x12 | 1800 | 1600 | 665 | 500 | 260 |

| California | C&Btr | D | 2&BTR | No. 3 | No. 4 |
|---|---|---|---|---|---|
| 1x4 | 1450 | 700 | 380 | 275 | 205 |
| 1x6 | 1300 | 825 | 410 | 340 | 220 |
| 1x8 | 1300 | 775 | 560 | 350 | 220 |
| 1x10 | 1150 | 775 | 500 | 420 | 230 |
| 1x12 | 1550 | 1300 | 610 | 470 | 270 |

## SUGAR PINE

| | C&BTR | D | 2&BTR | No. 3 | No. 4 |
|---|---|---|---|---|---|
| 1x4 | 1950 | 800 | 380 | 275 | 205 |
| 1x6 | 1900 | 925 | 410 | 345 | 220 |
| 1x8 | 1800 | 925 | 560 | 350 | 220 |
| 1x10 | 1900 | 925 | 500 | 420 | 230 |
| 1x12 | 2200 | 1550 | 315 | 480 | 270 |

## SOUTHERN PINE

| | C&BTR | D | No.2 | No.3 |
|---|---|---|---|---|
| 1x4 | 565 | 480 | 325 | 275 |
| 1x6 | 740 | 615 | 375 | 250 |
| 1x8 | 810 | 725 | 430 | 235 |
| 1x10 | 910 | 520 | 400 | 265 |
| 1x12 | 1225 | 925 | 485 | 275 |

## RADIATA PINE

| | C&BTR | D |
|---|---|---|
| 1x4 | 1650 | 1225 |
| 1x6 | 2000 | 1350 |
| 1x8 | 2000 | 1350 |
| 1x10 | 1825 | 1475 |
| 1x12 | 2025 | 1625 |

## IDAHO WHITE PINE

| | Sterling | Standard | Utility |
|---|---|---|---|
| 1x4 | 750 | 340 | 220 |
| 1x6 | 695 | 340 | 220 |
| 1x8 | 695 | 345 | 220 |
| 1x10 | 695 | 385 | 220 |
| 1x12 | 695 | 425 | 240 |
| 1x RWRL | 700 | 383 | 222 |

## SPRUCE – LODGEPOLE PINE

| | D&BTR | 2&BTR | No.3 | No.4 |
|---|---|---|---|---|
| 1x4 | 605 | 440 | 295 | 210 |
| 1x6 | 590 | 460 | 300 | 205 |
| 1x8 | 630 | 545 | 325 | 205 |
| 1x10 | 690 | 560 | 355 | 250 |
| 1x12 | 690 | 620 | 430 | 280 |
| 1x RWRL | — | — | — | — |

## EASTERN WHITE PINE

| | D | Premium | Standard | Industrial |
|---|---|---|---|---|
| 1x4 | 1100 | 845 | 345 | 265 |
| 1x6 | 1600 | 840 | 520 | 265 |
| 1x8 | 1300 | 750 | 495 | 250 |
| 1x10 | 1550 | 750 | 460 | 250 |
| 1x12 | 1750 | 750 | 500 | 285 |
| 1x RWRL | — | — | — | — |

## DOUGLAS FIR – Green

| | Portland | Eureka |
|---|---|---|
| 1x4 [1] | 340 | 335 |
| 1x6 [2] | 330 | 325 |

[1] 10-15% utility and better, minimum 65% 12' and longer.
[2] Standard and better, minimum 70% 12' and longer.

## INLAND RED CEDAR – Kiln Dried*

| | 4" | 6" | 8" | 10" | 12" |
|---|---|---|---|---|---|
| D&BTR | 1480 | 2210 | 2210 | 2625 | 2680 |
| 3&BTR | 560 | 800 | 800 | 1175 | 1650 |
| No. 4 | 180 | 230 | 260 | 300 | 345 |

*Prices forS1S2E 7/8"

## Southern Pine Plywood

*"Slower but still a good week of sales."*

### Market Drivers:

- **Persistent log issues**
- **Demand moderates**

Southern Pine plywood producers were able to sell more readily for shipments in the week of February 15, but sales were not as numerous as in the previous week. "It was slower but still a good week of sales," said one producer. Despite the quieter market, producers were able to bump quotes $5-10 in several instances and find success at those new levels. Having purchased volumes for shipment the week of February 15, apprehension generated from shipments in late February kept buyers from purchasing further out. Buyers often looked to wholesalers for quicker shipments than producers could provide.

Log issues created from persistent rains continued to dog the market. One producer battling this problem reported being "off the market" all week with a strong likelihood that it would again happen in the first week of February. More rain was expected in the upcoming days.

Exports appear to be on the increase. The Caribbean has been active and panels were shipped to the dock for shipment to Haiti.

Much of the buying remained focused on thick rated sheathing panels. As a result, thin panel prices adjusted very little overall. In the West zone, 15/32" 4 ply continued to be sold in a range of $311 to $315, but increased in the Central zone, from $318 up to $325. The biggest mover was 23/32", where $10 increases occurred across all zones.

Producers of sanded panel items have reported better sales volumes over the past few weeks, keeping supplies in check but having very little influence on prices as of yet. Underlayment prices were firm to higher, while concrete form in the East sold above the $550 mark for the first time in 12 weeks.

## Western Fir Plywood

*"A ho-hum week."*

### Market Drivers:

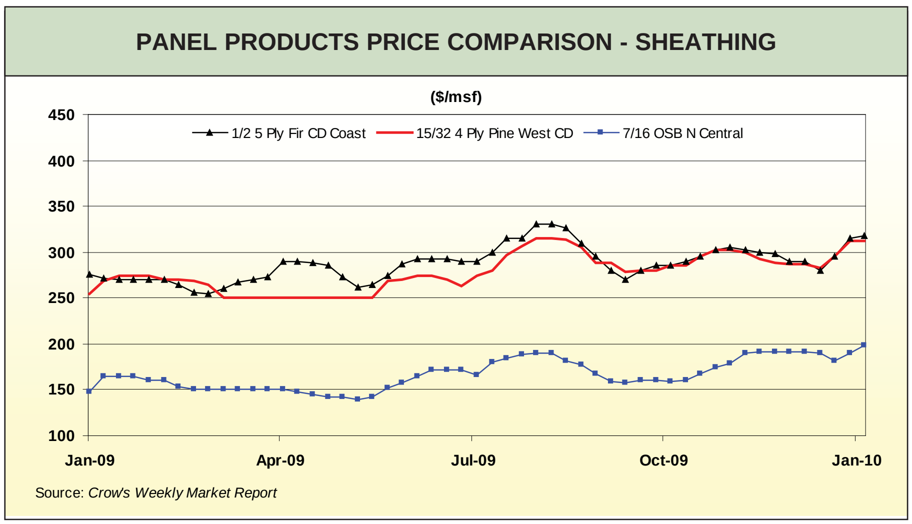
- **Order files provide cushion**
- **Eastern buyers digest**

The Western Fir plywood market settled into a slower pace, but most prices remained firm. "Kind of a ho-hum week," as one producer described sales. Order files covered a broad range, from the week of February 1 availability for a few items to light sales out into the week of February 22. Some producers raised sheathing and underlayment quotes modestly, while others held quotes from the week prior.

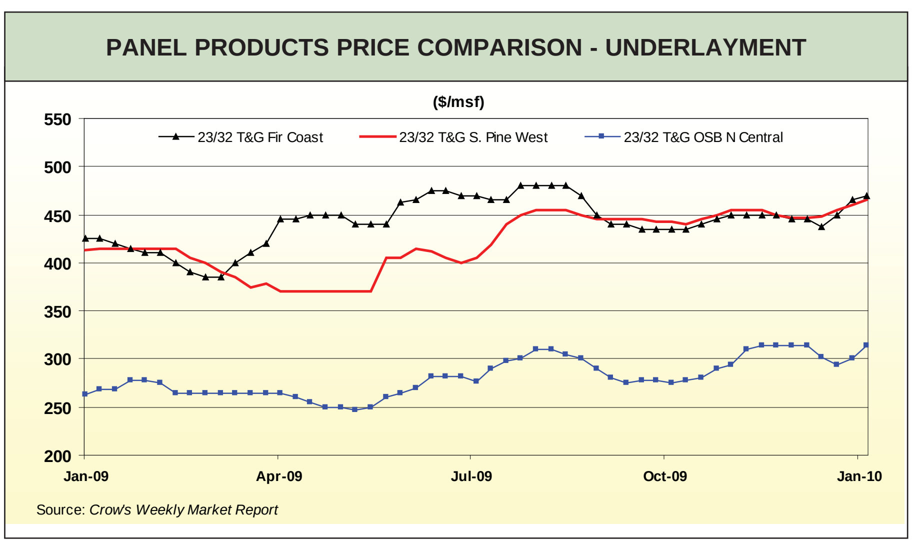
Demand out of the East was notably less, as that region seemed to enter a digestive phase of the market cycle. Still, "volumes sold to the East were better than in the West," said one producer, illustrating just how slow sales have been in the West. California rains have played a part in the lack of sales to that state. Sales into Canada persisted, but not in large volumes. Wholesalers sold positions near replacement levels.

Demand for veneer increased, as buyers perceive the possibility of upcoming shortages.

One price that did show considerably more strength than other items was 3/4" 5 ply CDX, which increased to $445 from $430. The price of 23/32" underlayment edged $5 higher to $470. Low priced 1-1/8 underlayment



Source: *Crow's Weekly Market Report*



Source: *Crow's Weekly Market Report*

left the market, sending that price up to $640 from $630. AC and BC prices remained stagnant, although sales were made below the report levels.

## Fir Veneer

"*Veneer is tight.*"

**Market Drivers:**

- **Production reductions**
- **Solid demand**

"Veneer is tight, and prices are stronger," was the comment from one manager this week. Production reductions, limited shifts and increased demand have all played a part in this scenario. Another source commented that, even with the price increases, "We will not process the logs." Indeed, log costs have escalated, and prices of veneer have not so far kept up. Most veneer staples have increased a dollar, with some sellers saying that is still not aggressive enough. AB is still a question, but producers are not prone to discount from the $105 previously set.

## Particleboard / MDF

"*A little light.*"

**Market Drivers:**

- **A better tone**
- **Not much more buying**

Improvements in composite panels must be measured in small increments these days, given the insistent competitive pressures of the last two years. However, some producers of both particleboard and MDF reported "A little light, mostly in conversations," as one manager termed the situation. No given segment of either product shows real market energy, but in some areas of the country a continuation of early-year strength is being reported.

The South has been more optimistic than the more-aggressive West for some months. This situation is still the case, although public price levels are not being affected in either region. Major Southern producers continue to report more competitive conditions in the Southeast than in the Texas region. Neither region reports any particular problems with fiber acquisition at this point.

The West remains as it has been, with prices being regularly negotiated for spot-market industrial board. In this sense, the market has changed very little in its tone from the last several months. However, a sense of expectation has been reported from some of the OEM's, causing at least modest relief among mill sales managers.

The reality is, so far, that sales volumes have not increased a great deal, and producers are not yet taking any steps to make substantial increases in production levels. Pricing is flat, a continuation of the stagnant price profile that has defined the industry for some time.

## Oriented Strand Board

"*A holding pattern.*"

**Market Drivers:**

- **Continued producer pressure**
- **Topping out in several regions**

Despite the price changes that are being reported, all of which are firmer, the tone of the OSB market in many regions is "toppy," to quote one source. "The market in the West is definitely in a holding pattern," according to another. This phrase was echoed in other regions, but prices in the South continue to appreciate, based on log shortages, lack of commodity availability and some lean inventories that have not yet been replenished.

Overall activity from the demand side has improved enough to reduce pressure on some distributors and wholesalers seeking to move their commitments. This is the case in both eastern Canada and the South. In eastern Canada, producers have been able to boost their prices by perhaps $5-10, with the result being a 7/16" price of C$210 for wood delivered to Toronto. In the South, the numbers continue to move upward, based on the slight gain in demand, coupled with producer leverage. In the Southeast, the price of 7/16" board has moved past $195, and the Southwest has crossed the $200 barrier. Commodities production in the Southwest remains very muted, with mills focusing almost entirely on specialty product lines.

Western Canada has had "a good week," according to one source.

CROW'S
WEEKLY MARKET REPORT



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"Edmonton is looking at another housing boom," was the comment from another. Canadian housing is good, but for much of the last year the force of the market has been felt in the East, as opposed to the West. For this week, prices in western Canada are flat and very firm, with producers continuing to quote stronger numbers than those generally being accepted in the field.

Prices in the U.S. West are very flat and firm, with printed numbers showing recent adjustments.

## Canadian Softwood Plywood and Douglas Fir Plywood

"*Acting stronger.*"

**Market Drivers:**

- **Mill order file strength**
- **Decent eastern demand**

Early-year construction activity continues to favor the eastern regions, as opposed to the West. However, according to one source in Edmonton, "Edmonton has another housing boom coming." Such talk is not foreign to Canada, as it is to the U.S., which continues to wait for some sign that recovery in housing is yet possible. For Canadians, the prospects are good, and both buying and selling in structural panels has offered a sense of good balance so far this year.

As this week closes, the tone in softwood plywood is definitely upbeat. For much of the week, plywood sold at either list price or, for some smaller producers, at a slight discount. However, even the smaller mills refused less than the C$317 list as the week drew down. One major producer moved to C$320 a couple of days ago, and as of Friday morning shows a list of C$326.

Order files have been taken sufficient to put mills out a full two weeks or more, which enables the price lists of producers to remain very firm. A little spread in selling levels can be found, but no discounting from the C$317 mark has been reported. Given the strength of major mill files, in fact, the tone of Canadian plywood has clearly improved this week, as compared with some prior weeks.

According to APA-The Engineered Wood Association statistics, Canadian softwood production in 2009 amounted to 1.630 bsf, a decline of 17.2% from the 1.969 bsf produced in 2008. Total North American plywood production in 2009 was 10.238 bsf, compared to 12.206 bsf in 2008, a decline of 16.1%.

**Canadian Softwood Plywood - Sheathing**

Canadian Funds - GST Out

| | Diff+/-* | Vanc.BC | Calg/Edmonton | Regina | Winnipeg | Toronto | Maritimes |
|---|---|---|---|---|---|---|---|
| 7.5mm-5/16” | + 0 | 287 | 292 | 304 | 312 | 317 | 333 |
| 9.5mm-3/8” | + 0 | 287 | 292 | 304 | 312 | 317 | 333 |
| 12.5mm-1/2” | + 0 | 383 | 390 | 406 | 417 | 423 | 444 |
| 15.5mm-5/8” | + 0 | 477 | 486 | 506 | 519 | 528 | 555 |
| 18.5mm-3/4” | + 0 | 574 | 584 | 608 | 625 | 634 | 666 |
| 25.5mm-1” | + 0 | 867 | 878 | 911 | 932 | 946 | 988 |

Select Add $40 T&G Add $20 * Difference from last week

**Doug-Fir Plywood - Sheathing**

| | Vanc.BC | Calg/Edmonton | Regina | Winnipeg | Toronto | Maritimes |
|---|---|---|---|---|---|---|
| 7.5mm-5/16” | 290 | 295 | 307 | 315 | 320 | 336 |
| 9.5mm-3/8” | 290 | 295 | 307 | 315 | 320 | 336 |
| 12.5mm-1/2” | 387 | 394 | 410 | 421 | 427 | 448 |
| 15.5mm-5/8” | 482 | 491 | 511 | 524 | 533 | 560 |
| 18.5mm-3/4” | 580 | 590 | 614 | 631 | 640 | 673 |
| 25.5mm-1” | 876 | 887 | 920 | 941 | 955 | 998 |

Select Add $60 T&G Add $20

**OSB - Delivered**

| | Diff+/-* | Seattle/ Vanc. BC | Calgary/ Edmonton | SK | MB | Diff+/-* | Toronto | Montreal/ Quebec | Atlantic | Seattle | Chicago |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1/4” | + 0 | 180 | 170 | 170 | 180 | + 2 | 161 | 161 | 175 | US$ | US$ |
| 3/8” | + 0 | 220 | 212 | 212 | 212 | + 5 | 200 | 200 | 228 | 223 | |
| 7/16” | + 0 | 220 | 212 | 212 | 212 | + 10 | 210 | 210 | 238 | 233 | 232 |
| 15/32” | + 0 | 235 | 227 | 227 | 232 | + 10 | 225 | 225 | 248 | 248 | |
| 19/32” | + 0 | 310 | 302 | 302 | 312 | + 10 | 315 | 315 | 325 | 325 | |
| 23/32” T&G | + 0 | 390 | 380 | 380 | 388 | + 5 | 355 | 355 | 393 | 392 | |

* Difference for Vanc. & Toronto from last week

# OSB, Plywood & Panels

Prices are net F.O.B. mill to wholesalers unless otherwise noted.
Prices indicate mixed car loadings.
Prices per thousand square feet. U.S. dollars unless noted.

## ORIENTED STRAND BOARD

| | NC | E CN | W CN | MID ATL | SE | SW |
|---|---|---|---|---|---|---|
| 1/4" | 170 | 160 | 169 | 170 | 171 | 172 |
| 3/8" | 189 | 176 | 185 | 182 | 180 | 191 |
| 7/16" | 199 | 186 | 195 | 192 | 195 | 201 |
| 15/32" | 209 | 201 | 210 | 212 | 205 | 216 |
| 1/2" | 219 | 211 | 220 | 222 | 215 | 226 |
| 19/32" T&G | 268 | 250 | 273 | 265 | 255 | 285 |
| 23/32" T&G | 314 | 297 | 324 | 300 | 305 | 320 |

## OSB DELIVERED

| | 3/8" | 7/16" | 15/32" | 1/2" | T&G 19/32" | T&G 23/32" |
|---|---|---|---|---|---|---|
| Seattle | 223 | 233 | 248 | 258 | 325 | 392 |
| Portland | 225 | 235 | 250 | 260 | 327 | 394 |
| Sacramento | 231 | 241 | 255 | 264 | 337 | 397 |
| Los Angeles | 235 | 245 | 255 | 270 | 345 | 400 |
| Phoenix | 235 | 245 | 255 | 270 | 345 | 400 |
| Salt Lake City | 227 | 237 | 247 | 257 | 333 | 398 |
| Denver | 226 | 236 | 246 | 256 | 331 | 396 |
| Boise | 225 | 235 | 247 | 257 | 327 | 394 |
| Albuquerque | 235 | 245 | 255 | 270 | 345 | 400 |
| Chicago | 222 | 232 | 247 | 262 | 336 | 401 |
| Vancouver BC * | 220 | 220 | 235 | 245 | 310 | 390 |
| Calgary * | 212 | 212 | 227 | 237 | 302 | 380 |
| Sask./Manitoba * | 212 | 212 | 232 | 243 | 312 | 388 |
| Toronto * | 200 | 210 | 225 | 235 | 315 | 355 |

*Canadian funds, GST excluded.

## SHEATHING

| FIR | CD Coast | CD Inland | Mill Cert | CD Struc | CC Ext | CC PTS |
|---|---|---|---|---|---|---|
| 3/8" | 240 | 240 | 195 | 250 | 260 | 365 |
| 1/2" 3 Ply | 287 | 290 | 225 | — | — | — |
| 1/2" 4 Ply | 295 | 298 | 230 | — | — | — |
| 1/2" 5 Ply | 318 | 320 | 240 | 325 | 325 | 460 |
| 5/8" 4 Ply | 363 | 360 | 250 | — | — | — |
| 5/8" 5 Ply | 380 | 380 | 310 | 405 | 420 | 545 |
| 3/4" 5 Ply | 445 | 445 | 360 | 455 | 470 | 610 |

| PINE | West CD | Mill Cert | Ctrl CD | Mill Cert | East CD | Mill Cert |
|---|---|---|---|---|---|---|
| 3/8" | 235 | 200 | 245 | 205 | 230 | 200 |
| 15/32" 3 Ply | 306 | 230 | — | — | 315 | 240 |
| 15/32" 4 Ply | 312 | 265 | 325 | 265 | 330 | 275 |
| 19/32" | 345 | 275 | 355 | 280 | 365 | 285 |
| 23/32" | 440 | 350 | 445 | 355 | 445 | 370 |

## SANDED

Western

| Group 1 | Exterior AC | Exterior BC | Exterior AB | Exterior AA | Interior AD | Interior BD | Interior AB | Interior AA |
|---|---|---|---|---|---|---|---|---|
| 1/4" | 365 | 315 | 490 | 505 | 340 | 305 | 480 | 490 |
| 11/32" | 405 | 355 | 530 | 545 | 380 | 345 | 520 | 530 |
| 15/32" | 510 | 460 | 635 | 650 | 485 | 450 | 625 | 635 |
| 19/32" | 600 | 550 | 725 | 740 | 575 | 540 | 715 | 725 |
| 23/32" | 670 | 620 | 795 | 810 | 645 | 610 | 685 | 800 |

Southern Pine

| | AC Exterior West | AC Exterior East | BC Exterior West | BC Exterior East |
|---|---|---|---|---|
| 1/4" | 335 | 325 | 325 | 310 |
| 11/32" | 325 | 295 | 300 | 275 |
| 15/32" | 395 | 395 | 370 | 340 |
| 19/32" | 500 | 505 | 470 | 445 |
| 23/32" | 605 | 595 | 540 | 475 |

## UNDERLAYMENT - C, X-Band T&G

| | West | Inland | SW | S Ctrl | SE |
|---|---|---|---|---|---|
| 19/32" | 440 | 440 | 400 | 385 | 390 |
| 23/32" | 470 | 475 | 465 | 470 | 475 |
| 1 - 1/8" | 640 | — | 775 | — | — |

## CONCRETE FORM - BB Class 1 Exterior

| | West |
|---|---|
| 5/8" | 680 |
| 3/4" | 690 |

| | SW | SE |
|---|---|---|
| 19/32" | 570 | 535 |
| 23/32" | 590 | 555 |

## SIDING

| Western | 6 Patch 8' | 6 Patch 9' | 6 Patch 10' | 18 Patch 8' | 18 Patch 9' | 18 Patch 10' |
|---|---|---|---|---|---|---|
| 11/32" | 610 | 965 | 975 | 505 | 705 | 715 |
| 19/32" | 810 | 1165 | 1175 | 745 | 945 | 955 |
| 19/32"RBB | 875 | 1230 | 1240 | 800 | 1000 | 1010 |

| Southern Pine | West | East |
|---|---|---|
| 11/32" | 365 | 380 |
| 19/32" | 590 | 620 |
| 19/32"RBB | 605 | 630 |

## FIR VENEER

| | CD 8' 75% | CD 8' 54" | CD 8' 27" | CD 8' RW | CD F/T | AB 54" | AB 27" |
|---|---|---|---|---|---|---|---|
| 1/10" | 32.75 | 37.50 | 28.00 | 21.50 | 18.75 | 105.00 | 95.00 |
| 1/8" | — | 46.50 | 37.75 | 25.50 | 23.25 | — | — |
| 1/6" Douglas Fir | — | 59.50 | 51.00 | 34.75 | 29.25 | — | — |
| 1/8" White Woods | — | 43.00 | 34.75 | 23.50 | 22.00 | — | — |

| | CD 4' 1/6" | CD 4' 3/16" |
|---|---|---|
| White Woods | 39.75 | — |
| Douglas Fir | 44.00 | 58.00 |

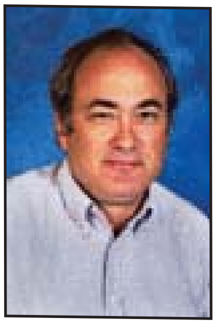
## PARTICLEBOARD

| | Western Coast | Western Inland | Industrial Southern Pine SW | Industrial Southern Pine S Ctrl | Industrial Southern Pine SE | Underlayment Mill | Underlayment Chicago |
|---|---|---|---|---|---|---|---|
| 3/8" | 210 | 217 | 245 | 225 | 215 | 190 | 250 |
| 1/2" | 220 | 240 | 265 | 240 | 230 | 205 | 280 |
| 5/8" | 250 | 270 | 295 | 270 | 260 | 245 | 320 |
| 11/16" | 280 | 310 | 315 | 295 | 285 | — | — |
| 3/4" | 305 | 320 | 340 | 315 | 300 | 280 | 340 |
| 1-1/8" | 480 | 510 | 505 | 485 | 485 | — | — |

## MEDIUM DENSITY FIBERBOARD

| | West | East |
|---|---|---|
| 3/8" | 275 | 290 |
| 1/2" | 310 | 350 |
| 5/8" | 405 | 420 |
| 3/4" | 445 | 475 |

RISI's Lumber & Panel Outlook is an excerpt from RISI's Commentaries, which are monthly reports that analyze North American lumber and panel markets and give a forecast of supply, demand and prices.



Robert L. Berg, Principal Economist, Lumber Wood Products Group, RISI

## Lumber Commentary

By Robert L. Berg

### Demand

The forecast for total demand for North American softwood lumber in 2010 has not been changed significantly since last month: it will be better, but only in comparison to 2009. Total US softwood lumber consumption is expected to increase 9% from 33.5 BBF in 2009 to 36.6 BBF, which is fully 43% below the 2005 peak and 34% below average annual demand in 2000-2008. As the recovery unfolds in 2010, year-over-year comparisons will improve 3% in the first quarter.

A recovery in Canadian housing construction is expected to yield improved domestic softwood lumber demand, but the recovery in total demand will be modest as residential construction accounts for a smaller share of total demand in Canada (15% in Canada versus 23% in the USA). For all of 2010, Canadian domestic consumption is expected to be up just 2% to 9.3 BBF.

The change in net offshore export demand for North American softwood lumber market is expected to be neutral in 2010 as flat to higher exports are matched by similar gains in imports. While all the data is not in, net offshore export demand in 2009 was around 2.7 BBF and we estimate that it will be around 2.5 BBF in 2010. This forecast could be conservative as exporters benefit from the weak dollar, but the impact on total demand for North American softwood lumber will be marginal at best.

In total, demand for lumber produced in the USA and Canada is expected to grow in 2010. Year-over-year comparisons will turn positive in the first quarter of 2010 for the first time in 15 successive quarters.

### Markets

End-use demand for lumber produced in the USA is currently running at seasonally depressed levels, but normal seasonal improvements will be reinforced by the anticipated cyclical recovery in wood markets. In the first quarter this demand is expected to average 1.71 BBF per month, down from 2.10 BBF per month in the August-October 2009 period. The good news is that demand on US mills is running slightly higher than year-ago.

Weekly data indicate that new ordering in the early weeks of this year was at a pace well above end-use demand. Using these data, we estimate new ordering in January will come in at around 2.03 BBF which compares with final demand of 1.71 BBF per month in the first quarter. So some inventory rebuilding is taking place. We still believe that dealers will continue to work to keep inventories in line with nearby requirements so the strong ordering may indicate that inventories were taken to such low levels at the end of 2009 that they were not sufficient to cover even one week's immediate needs. Once these holes are filled, new ordering should drop to final average demand levels in February-April (around 1.8 BBF), 10% below the January estimate.

Lumber producers control their profit destiny in 2010. Again relying on the available weekly data, it looks like weekly production returned to pre-holiday levels in early January which will put it at around 1.85 BBF for the month (adjusted to a 21-workday basis). This output is slightly higher than our estimate for demand in February-March (1.78 BBF) but well below new ordering in January. With production running well below ordering in January, the unfilled order to mill stock ratio (a very good metric for demand/supply conditions at the mill) will be double the level at the end of December. If output remains in line with final demand, inventories will not build and prices will remain on solid ground. However, production need only increase by 10% to match recent ordering, and for demand to be exceeded and mill inventories to be built.

Mills throttled back production to meet cyclically low demand late in 2009. Demand will be up from that low. Combine this cyclical improvement in demand with normal seasonality and production will have to increase 24%. There are some constraints that have the potential to limit sawmill supply response, at least in the near term: rain in the South, low log decks, and harvesting capacity limitations are just a few of the factors braking any immediate jump in production. However, the magnitude of the year-over-year increase in demand is not strong by past measures (and many think our forecast is too optimistic).

### Prices

IT'S ALIVE! After a very lackluster performance in 2009, lumber prices jerked alive in early 2010. The question is where lumber prices will go now. Many believe that lumber prices will retrace much of this latest move (we fall into this camp) as buyers back off and focus on selling recently purchased wood while producers gear up production in response to the surprise strength in prices. Recent evidence seems to indicate that housing is not going anywhere fast; credit for inventory purchasing remains tight, and the volume of lumber purchased in January is well above final demand for the month. Meanwhile, production appears to be back to pre-holiday levels and should edge up as producers start to feel a bit better about the markets. These developments are consistent with a retracement in prices.

It is important to note that sustained increases in lumber prices against a backdrop of low operating rates is not unprecedented nor out of the question. (Please see the Executive Summary in the October 2009 Lumber Commentary). Following the 1982 recession, lumber prices bottomed in September 1982 and moved higher in 8 of the next 9 months reaching levels 74-78% above their lows (note prices did drop in February 1983) despite the fact the industry's operating rate, on a seasonally adjusted basis, remained below 80% through the whole period when prices were rising. With low inventories, year-over-year increases in demand for lumber forced buyers to frequently return to the mills to meet their needs and it took nine months for production to catch up. Once production caught up, lumber prices fell 69% in three months to levels around 20% higher than the pre-rally lows. In the current market in which inventories throughout the supply chain are at extremely low levels, we could see the same kind of "catch up" price rally.

However, there are some key differences in the current market compared to 1982-1983. Demand growth in the current cycle is more muted than in the post-1982 recession, which means it will be easier for production to catch up with the rebound in demand. From September 1982 (low) to June 1983 (high), the demand/capacity ratio for the industry recovered from 66% to 79%. In the current cycle, demand is only expected to climb from a low of 60% of capacity in early 2009 to 64% by mid-2010. The current demand recovery is lackluster by any standard. Also, credit limitations should further constrain inventory buying. But this could actually work in favor of sustained increases in prices; if prices remain high, wholesalers and retailers cannot buy as much volume with the credit they have. In turn, this would cause them to buy smaller volumes at increased frequency. So while we have prices settling back in the spring, this forecast is in no way a slam-dunk.

*– Robert L. Berg, Principal Economist, Lumber Wood Products Group works out of RISI's Bedford, MA. office and can be reached at rberg@risi.com.*

## Exports to China force domestic low grade buyers to adjust

*‹‹‹ continued from page 4*

has not developed, despite the rise in demand experienced in markets in January. What has developed from the increased demand is improved prices, which could create excitement among the financial mavens within lumber companies. Add the expectation of housing starts rising modestly this year to the jump in permits reported in December, and increased output could increase the accessibility of low grades.

For now, low grade is a hot commodity, and domestic low grade users should be prepared to not only pay higher prices, but also find a greater challenge in procuring needs.

**FIG. 5 – HEM-FIR KD, RL, 2X4 PRICE**

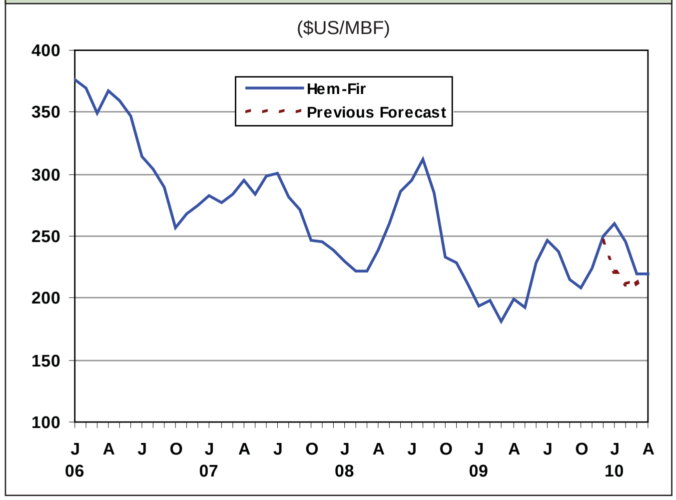



**FIG. 6 – WESTERN S-P-F KD, RL, 2X4 PRICE**

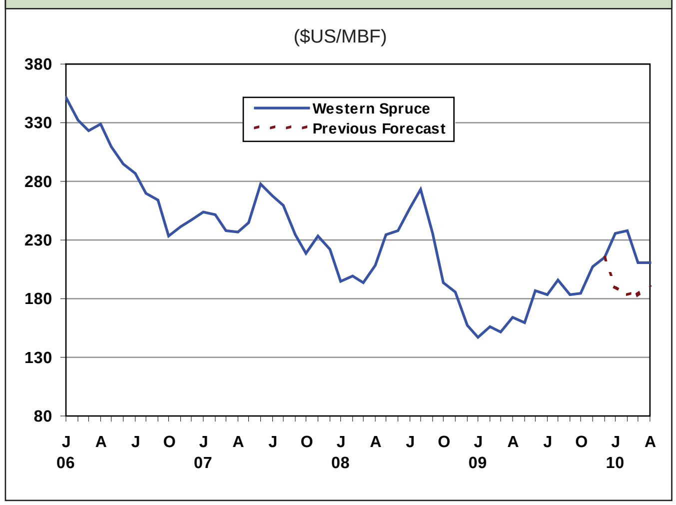



**FIG. 7 – SYP WESTSIDE KD, RL, 2X4 PRICE**