Lumber Track

MARCH 2010
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WWPA'S MONTHLY REVIEW OF NORTH AMERICAN LUMBER STATISTICS, INCLUDING TRADE HIGHLIGHTS AND KEY MARKETS

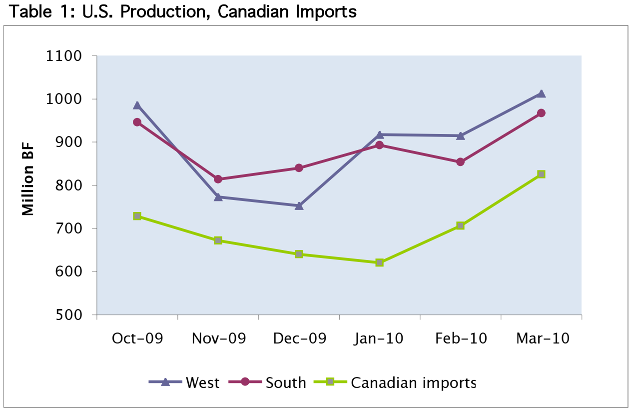
Road to recovery likely to be volatile

The Western lumber industry's path to recovery from the worst market downturn in history promises to be filled with many twists and turns that will whipsaw both producers and buyers.

The first quarter of 2010 offered an interesting milepost on this road, with prices advancing strongly and mills slowly raising production volumes in the face of strong order volumes. But the quick rise in prices peaked early then retreated just as quickly.

Lumber prices had been on a steady climb since bottoming out during March 2009. WWPA's Framing Lumber Index was just $193 last March, far below the high point of $504 set in August 2004. The Framing Index stood at $253 in January and then rose 23 percent over the next four months.

Table 1: U.S. Production, Canadian Imports



Increased order files fueled the price increases. Western mills booked 24 percent more in orders during the first quarter compared to the same time in 2009. In March alone, orders increased 29 percent from the previous month.

To meet demand, mills drew down their yard stocks, pushing inventories down 14 percent from a year ago.

More orders and lower inventories began translating into higher production, particularly in March. In the first quarter, Western production rose to 2.8 billion board feet, up 19.5 percent from a year ago. It was the highest quarterly total since the third quarter of 2008.

Import volumes followed a similar trend. Led by British Columbia, Canada increased lumber shipments to the U.S. by 8.9 percent. Total Canadian lumber production was up 14.2 percent for the quarter, as more lumber moved into Japan and China.

Mills in the U.S. South posted more modest gains. Winter weather impacted many key markets in the Midwest, South and East, keeping the lid on construction activity. Production in the South was down 7.7 percent in the first quarter compared to a year ago, although March's output was the highest in six months.

Signs of life in the housing market, as well as the need to replenish already lean supplies held by distributors, created the conditions for the price and volume gains. The actual number of housing starts was up 17 percent in the first quarter compared to a year ago. While the percentage was impressive, the actual number of houses started increased only about 20,000 units.

The second quarter of 2010 will probably be a transition that could set the tone for the remainder of the year. Both lumber and panel prices fell in April and May. Random Length's Composite Price decreased 17 percent during the month of May alone. Western mills announced some week-long shutdowns, taking production offline.

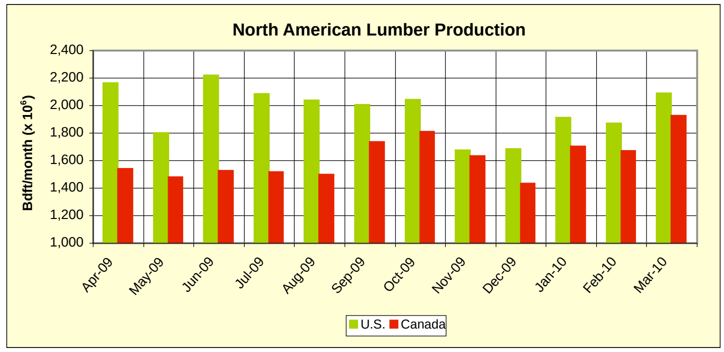
While the lumber market will see additional rises and falls in the coming months, the overall trend should continue to point upward.

For more information on Lumber Track *or other WWPA statistical reports, contact Butch Bernhardt at 503-306-3488 or* ***bbernhardt@wwpa.org***

U.S. Softwood Lumber Industry Activity by Region (million board feet)

	Full Year	3 months YTD								1st Qtr-10	1st Qtr-09	% Chg
Production	2009	2010	2009	% Chg	Mar-10	Feb-10	Mar-09	M to M %	Y to Y%	1st Qtr-10	1st Qtr-09	% Chg
West	10,300	2,845	2,380	19.5	1,013	915	794	10.7	27.6	2,845	2,380	19.5
South	11,788	2,714	2,942	-7.7	967	854	1,038	13.2	-6.8	2,714	2,942	-7.7
Other	1,233	310	297	4.4	110	99	102	11.9	8.1	310	297	4.4
Total	23,320	5,869	5,619	4.4	2,090	1,868	1,934	11.9	8.1	5,869	5,619	4.4
Shipments												
West	10,583	2,798	2,441	14.6	1,014	900	852	12.7	19.0	2,798	2,441	14.6
South	11,788	2,714	2,942	-7.7	967	854	1,038	13.2	-6.8	2,714	2,942	-7.7
Other	1,248	308	300	2.4	111	98	105	12.9	4.8	308	300	2.4
Total	23,620	5,819	5,683	2.4	2,092	1,852	1,995	12.9	4.8	5,819	5,683	2.4
New Orders												
West	10,546	2,915	2,346	24.3	1,084	839	886	29.1	22.4	2,915	2,346	24.3
South	11,788	2,714	2,942	-7.7	967	854	1,038	13.2	-6.8	2,714	2,942	-7.7
Other	1,246	314	295	6.5	114	94	107	21.1	6.6	314	295	6.5
Total	23,580	5,943	5,583	6.5	2,165	1,788	2,031	21.1	6.6	5,943	5,583	6.5

Unfilled Orders		Mar-10	Mar-09	
West	453	570	396	44.0
South	807	807	807	0.0
Other	122	128	119	8.2
Total	1,382	1,505	1,321	13.9
Inventories		Mar-10	Mar-09	
West	991	1,038	1,213	-14.5
South	1,818	1,818	1,818	0.0
Other	268	271	281	-3.5
Total	3,077	3,126	3,312	-5.6



Source: Southern Forest Products Association, U.S. Census Bureau, Council of Forest Industries-CAN, WWPA

Canadian Softwood Lumber Industry Activity by Region (million board feet)

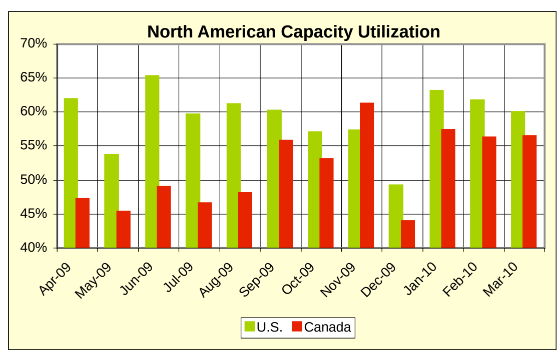
	Full Year	3 months YTD										
Production	2009	2010	2009	% Chg.	Mar-10	Feb-10	Mar-09	M to M %	Y to Y%	1st Qtr-10	1st Qtr-09	% Chg
British Columbia	9,681	2,791	2,219	25.8	954	884	718	7.9	33.0	2,791	2,219	25.8
East of the Rockies	9,123	2,502	2,416	3.5	970	784	787	23.7	23.3	2,502	2,416	3.5
Total	18,804	5,293	4,635	14.2	1,924	1,668	1,504	15.3	27.9	5,293	4,635	14.2
Shipments												
British Columbia	9,979	2,769	2,244	23.4	916	890	742	2.9	23.6	2,769	2,244	23.4
East of the Rockies	9,486	2,420	2,401	0.8	912	749	835	21.9	9.2	2,420	2,401	0.8
Total	19,466	5,188	4,645	11.7	1,829	1,639	1,577	11.6	16.0	5,188	4,645	11.7

Inventories		Mar-10	Mar-09	
British Columbia	943	966	1,216	-20.6
East of the Rockies	1,408	1,490	1,786	-16.6
Total	2,350	2,455	3,002	-18.2

Source: Statistics Canada, Council of Forest Industries-CAN

Production as Percent of Practical Capacity

	Full Year	3 months YTD				
	2009	2010	2009	Mar-10	Feb-10	Mar-09
West	59%	73%	68%	71%	74%	52%
South	56%	53%	75%	51%	52%	61%
Total U.S.	58%	61%	72%	60%	62%	57%
British Columbia	51%	60%	66%	56%	60%	46%
East of the Rockies	48%	54%	63%	57%	53%	50%
Total Canada	49%	57%	65%	56%	56%	48%



Source: USDA Profile:Softwood Sawmills in the United States and Canada, WWPA

Trade Statistics

U. S. Softwood Lumber Imports (million board feet)

	Full Year	3 months YTD										
	2009	2010	2009	% Chg.	Mar-10	Feb-10	Mar-09	M to M %	Y to Y%	1st Qtr-10	1st Qtr-09	% Chg
From British Columbia	5,075	1,329	1,156	15.0	491	453	401	8.3	22.3	1,329	1,156	15.0
East of the Rockies	3,228	822	820	0.2	334	252	347	32.4	-3.7	822	820	0.2
Total Canadian Imports	8,303	2,151	1,976	8.9	825	706	748	16.9	10.2	2,151	1,976	8.9
From Latin America	284	58	76	-23.6	16	20	21	-19.2	-22.9	58	76	-23.6
From Europe	177	24	83	-71.1	9	9	16	0.3	-44.2	24	83	-71.1
Total Non-Canadian	551	103	176	-41.7	34	34	44	-0.2	-22.1	103	176	-41.7
Total Lumber Imports	8,855	2,254	2,152	4.7	859	740	792	16.1	8.4	2,254	2,152	4.7

U. S. Softwood Lumber Exports (million board feet)

	Full Year 2009	3 months YTD 2010	3 months YTD 2009	% Chg.	Mar-10	Feb-10	Mar-09	M to M %	Y to Y%	1st Qtr-10	1st Qtr-09	% Chg
To Canada	268	105	48	118.9	40	34	18	18.1	122.8	105	48	118.9
To Japan	115	34	27	27.9	14	11	9	30.9	57.7	34	27	27.9
To Mexico	182	49	50	-3.2	19	14	19	35.4	2.0	49	50	-3.2
To Other Countries	417	104	91	13.8	39	35	34	12.7	16.5	104	91	13.8
Total Lumber Exports	983	292	217	34.9	112	93	79	20.2	41.6	292	217	34.9

U. S. Softwood Log Imports (million board feet)

	Full Year 2009	3 months YTD 2010	3 months YTD 2009	% Chg.	Mar-10	Feb-10	Mar-09	M to M %	Y to Y%	1st Qtr-10	1st Qtr-09	% Chg
From Canada	89	6	31	-81.9	1	3	10	-81.8	-93.9	6	31	-81.9
Non-Canadian Sources	1	0	0	0.0	0	0	0	0	0	0	0	0
Total Log Imports	90	6	31	-81.8	1	3	10	-81.0	-93.7	6	31	-81.8

U. S. Softwood Log Exports (million board feet)

	Full Year 2009	3 months YTD 2010	3 months YTD 2009	% Chg.	Mar-10	Feb-10	Mar-09	M to M %	Y to Y%	1st Qtr-10	1st Qtr-09	% Chg
To Japan	430	85	90	-6.0	25	32	26	-20.2	-1.4	85	90	-6.0
To Canada	537	185	216	-14.4	60	69	86	-12.1	-29.9	185	216	-14.4
To Other Countries	537	134	70	90.7	46	48	24	-5.2	86.4	134	70	90.7
Total Log Exports	1,504	403	376	7.2	131	148	136	-11.6	-3.6	403	376	7.2

Source: U.S. Department of Commerce, U.S. International Trade Commission, Foreign Agricultural Service

Canadian Softwood Lumber Exports (million board feet)

	Full Year 2009	3 months YTD 2010	3 months YTD 2009	% Chg.	Mar-10	Feb-10	Mar-09	M to M %	Y to Y%	1st Qtr-10	1st Qtr-09	% Chg
To U.S.	8,303	2,151	1,976	8.9	825	706	748	16.9	10.2	2,151	1,976	8.9
To Japan	918	258	203	27.3	99	84	77	17.9	27.4	258	203	27.3
Other	1,824	499	304	64.2	187	172	141	8.7	32.7	499	304	64.2
Total Lumber Exports	11,046	2,908	2,483	17.1	1,111	961	967	15.5	14.9	2,908	2,483	17.1

Source: Statistics Canada, Council of Forest Industries-CAN

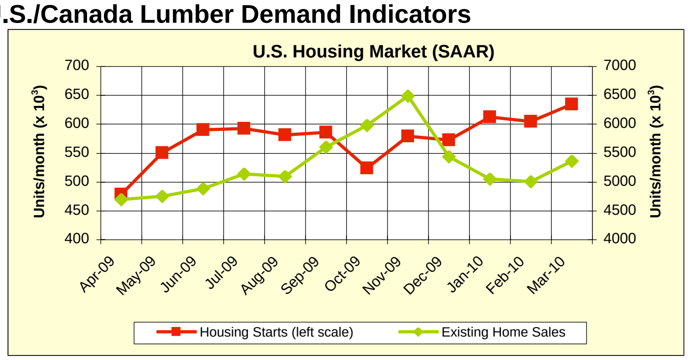
U.S. Softwood Lumber Consumption (million board feet)

	Full Year 2009	3 months YTD 2010	3 months YTD 2009	% Chg.	Mar-10	Feb-10	Mar-09	M to M %	Y to Y%	1st Qtr-10	1st Qtr-09	% Chg
Lumber Shipments	23,620	5,819	5,683	2.4	2,092	1,852	1,995	12.9	4.8	5,819	5,683	2.4
Plus Imports	8,855	2,254	2,152	4.7	859	740	792	16.1	8.4	2,254	2,152	4.7
Minus Exports	(983)	(292)	(217)	34.9	(112)	(93)	(79)	20.2	41.6	(292)	(217)	34.9
Apparent Consumption	31,491	7,781	7,618	2.1	2,838	2,499	2,708	13.6	4.8	7,781	7,618	2.1

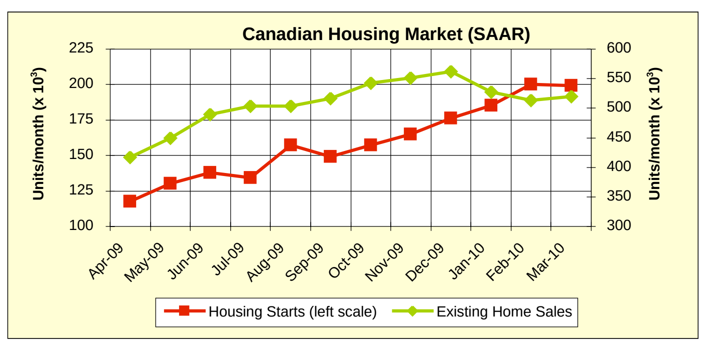
Canadian Softwood Lumber Consumption (million board feet)

	Full Year 2009	3 months YTD 2010	3 months YTD 2009	% Chg.	Mar-10	Feb-10	Mar-09	M to M %	Y to Y%	1st Qtr-10	1st Qtr-09	% Chg
Lumber Shipments	19,466	5,188	4,645	11.7	1,829	1,639	1,577	11.6	16.0	5,188	4,645	11.7
Plus Imports	289	114	52	118.9	43	36	19	18.1	122.8	114	52	118.9
Minus Exports	(11,046)	(2,908)	(2,483)	17.1	(1,111)	(961)	(967)	15.5	14.9	(2,908)	(2,483)	17.1
Apparent Consumption	8,710	2,394	2,215	8.1	761	714	629	6.6	20.9	2,394	2,215	8.1

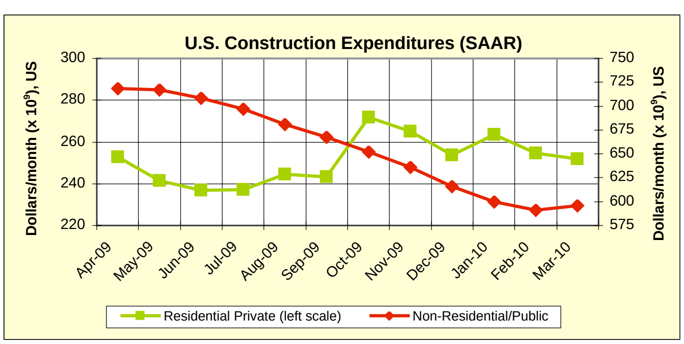
U.S./Canada Lumber Demand Indicators



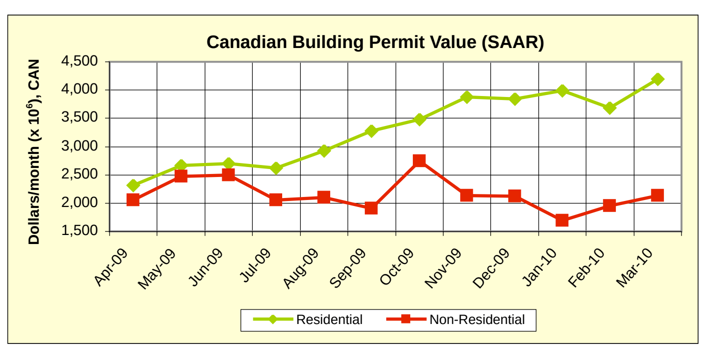
Source: National Association of Realtors, U.S. Census Bureau



Source: Canadian Real Estate Association, Canada Mortgage & Housing



Source: U.S. Census Bureau



Source: Statistics Canada