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Week #5

MIDWEST

Lumber Summary

Prices moved higher throughout the week baffling buyers and leaving everyone wondering who was buying at these extremely inflated prices. When pressed for an answer all mills would say is "everybody" which included Canadian entities and offshore (Pacific Rim) sources. Producers began to price defensively but quickly found out that buyers who had not secured a position continued to buy prompting one major Western SPF producers to pull off the market on Wednesday in turn throwing the market into turmoil. By Friday mills were quoting the benchmark WSPF 2x4 at \$290 per MBDFE FOB mill with a few mills pushing that number over the \$300 level. Since December that item has moved up almost \$90 mirroring the overall market. Futures markets moved hand in hand with the cash market forcing traders hands resulting in limit or near limit up moves several times during the week. SPF buyers turned their focus to alternative species to cover their helping producers in the Hem Fir and Doug Fir markets post double digit gains even though the increases still left those species trading under SPF prices delivered into the Midwest and Eastern markets. Traders continue to resist the higher numbers but continue to purchase as the need for wood couple with the uncertainty of supply are forcing their hand daily. Add in the new wrinkle of possible tariff concerns on wood crossing the border leaves producers clearly planted in the market's driver's seat with order files that stretch into March.

Western SPF

#2 & Btr.	Chicago	Change	Month Ago	Truck Frt Adders
2x4	354	+38	280	Indianapolis +20
2x6	358	+44	278	Lansing +20
2x8	336	+23	286	Columbus +26
2x10	427	+24	377	Peoria +20
2x12	515	+17	486	Green Bay +24
2x4 92-5/8	359	+35	378	Traverse City +27
2x6 92-5/8	385	+26	324	Louisville +25

Western spruce prices climbed steadily through the week as buyers looked to cover needs and wholesale buyers took some long positions. Prices on all items showed huge gains as 2x4 #2 ran up +38 over last weeks levels, 2x6 #2 +44/m and 2x10 +24/m. Studs were also showing large gains with +35/m over previous levels. Most traders attribute the large gains to supply shortages and mills being short in March Futures, leaving the cash market under supplied for the next several weeks. Secondary's reported steady business as most have wood available slightly under mill levels along with reload and distribution yards who have bought some wood earlier this year. Look for prices to stay firm to higher next week as the supply side remains constant and demand stays firm.

Eastern SPF

	Great Lakes	Change	Month Ago	Truck Frt Adders
2x4	350	+15	320	GR/Saginaw MI 0
2x6	363	+18	320	Elkhart IN +8
2x4 92-5/8	345	+22	290	Green Bay WI +8
2x4 104-5/8	340	+20	287	Cheboygan MI -14
2x6 92-5/8	375	+15	340	

Sharp gains of \$15-20/m over last weeks prices left Eastern spruce producers holding the upper hand, with order files into March. The rally in Western spruce pushed buyers to cover some of their needs in eastern spruce, although slim offering helped mills to raise prices. As the Canadian markets cooled down, more sales state-side helped build order files and put some mills off the market. Stud prices also saw hefty gains of \$20-25/m, with slim coverage on 9' & 10' stock. Check with your trader as to where replacement costs are and adjust your retails accordingly.

Hem-Fir

	Chicago	Change	Month Ago	Truck Frt Adders
2x4	350	+20	305	Green Bay +20
2x6	340	+20	295	Peoria +20
2x8	325	+10	275	Lansing +22
2x10	365	+10	315	Toledo +25
2x12	380	+30	320	Pittsburgh +35
2x4 92-5/8	340	+20	282	Traverse City +26
2x6 92-5/8	330	+12	290	Louisville +28

Another solid week of sales kept prices moving higher. With order files reaching the end of February, producers raised prices aggressively. Most of the sales were to wholesalers and distributors, who needed to build inventories before spring. Hem-Fir prices jumped \$10-30/m across all widths and across all producing regions. Studs also remained active, gaining \$10-20/m. Fir & Larch wasn't quite as active, but still posted gains of \$15-22/m. Expect firm to higher prices until some less expensive wholesale offerings start showing up.

Southern Pine

	#1 Westside	Change	Month Ago	Truck Frt Adders
2x4	325	+21	267	Indianapolis +52
2x6	325	+25	257	Peoria +50
2x8	321	+15	269	Cleveland +74
2x10	338	+22	276	Toledo +68
2x12	450	+24	364	Louisville +49
2x4 92-5/8	290	+32	224	South Bend +62
*Subtract \$25/m for #2				

Sales continued to trickle in as production limitations kept plenty of upside momentum. Prices kept pace with last week posting large gains of \$20-25/m in nearly every width, with 2x8 lagging slightly at \$10-20/m increases. Winter weather continued to plague the south hindering logging and stifling availability of material. This supply driven market needs little demand to continue fueling its ascent as it replicates the seasonal trends prevalent prior to 2006. Look for this run to carry into late February and early March. Cover your 30-45 day needs as this market may not see a correction for the next 3-4 weeks

Panel Summary

Panel markets pushed higher for the week albeit in an uneven fashion. OSB producers in all regions posted the largest gains as constrained supply due to mill curtailments are leaving select regions short on product with the gap being filled by wood out of slower Northern regions. Price gains were less than in weeks prior however still were in the low single digits. The hardest issue for buyers to contend with was not the price however availability that stretched into mid-March in some instances. Plywood mills posted a late week rally after what appeared to most as a resting spot in early week trading. Log issues was the driving factor as one major producer pulled off the market when the flow of raw material stopped coming into the mill due to heavy rains across the entire region. Price increases were seen as minimal with many looking for higher numbers in early trading next week. Some buyers that could substitute Fir plywood looked West to fill their needs but ran into defensively priced product and order files that stretched into March. With wood finally starting to arrive at destinations many traders are looking for a breather however with log issues and extended availability it could be 30 to 60 days before we see any major pricing relief.

Southern Pine Plywood

	Westside	Change	Month Ago	Truck Frt Adders		
15/32 CDX/PRS 3ply	313	+7	285		15/32	23/32
15/32 CDX/PRS 4ply	318	+5	285	Indianapolis	+38	+58
19/32 CDX/PRS	350	+5	307	Lansing	+48	+72
23/32 CDX/PRS	448	+8	402	Peoria	+36	+54
23/32 UL T&G	470	+5	450	Columbus	+40	+60

** Freight Rates have changed **

Fir Plywood

	Chicago	Change	Month Ago	Truck Frt Adders		
15/32 CDX 5ply	361	+5	321		15/32	23/32
19/32 CDX	415	+10	365	Indianapolis	+15	+22
23/32 CDX	504	+15	452	Lansing	+16	+24
519	534	+10	489	Peoria	+15	+23
23/32 ACX	724	0	724	Columbus	+22	+33

** Freight Rates have changed **

Trading in plywood took a breather this week. In the south, mills reported quiet trading but eastside producers were able to push prices higher while offering quicker shipment. Westside mills had better order files but prices remained flat on most items. Fir producers are quoting the last week of February or the first of March and like pine, prices are firm but mostly flat. With this weeks surge in lumber, another round of buying in plywood should be expected.

OSB

	North Central	Change	Month Ago	Truck Frt Adders			
1/4	-	-	-		7/16	1/2	23/32
3/8	200	+7	177	Indianapolis	+29	+32	+46
7/16	210	+7	182	Lansing	+24	+27	+39
15/32	220	+7	192	Peoria	+26	+29	+42
1/2	230	+7	202	Columbus	+37	+42	+61
19/32 T&G	288	+10	253	Madison	+20	+23	+33
23/32 T&G	340	+15	297				

OSB prices continue to go higher as mills extend order files into the middle of March or sooner. The increases were nothing like what was seen in the lumber market, but most producers bumped numbers \$5-\$15/m as the week progressed. The southern region led the way as wholesalers and retailers found themselves under bought for the short term. Northern retailers were frustrated with the prices increases, feeling that their business was slow and they could not justify higher numbers. No news on the sale of Grant to G-P, as they are still waiting for the courts approval. We have contracts for the following weeks, so cover your short term needs.

Treated Lumber/Specialties

#2 SYP	FOB SYP Mill	Change	Month Ago	Truck Frt Adders
4 x 4 – 8'	340	+20	290	Indianapolis +63
4 x 4 – 12'	355	+25	290	Lansing +85
4 x 6 -12'	330	+15	295	Columbus +70
6 x 6 -12'	330	+20	280	Peoria +62
5/4 x 6 -12' Std	440	+20	370	Madison +82
5/4 x 6 -12' Prem.	630	+35	520	Louisville +57
				Cleveland + 90
Approximate Treatment Adders – G/C +150, A/G + 110, .60 CCA +80				

Treated sales saw a small spark as buys stepped in earlier than normal to cover their springtime needs. Mills eager to please offered show specials with delayed delivery and dating to help facilitate orders. Prompt needs were sluggish at best as treated mills were swept up in the vortex of SYP prices. Weather continued to hinder growth in additional sales. Strong prices have spilled over into radius decking, premium stock, and timbers. Continued production downtime and log shortage in SYP is expected to keep treated prices up for the next month.