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July 2, 2009 **Week #26**

MIDWEST

Lumber Summary

Lumber markets continued to escalate albeit at a more modest pace than the previous two weeks. Activity slowed as holidays in the U.S. and Canada took traders out of the office. Even though the pace of new orders was limited, mills kept the pressure on prices as curtailments, holiday shutdowns and now extended order files have allowed them to move into the driver's seat. Most increases were posted in the wider widths of all species as limited big log availability has taken its toll on production. Conversely price appreciation in offerings of 2x4 was negligible as a selloff in the futures market gave buyers another place to buy stock below mill asking levels. Most traders agree that pricing should remain "range bound" at these current levels while the market absorbs the material purchased during the past two weeks. Coupling the solid mill order files with curtailments and possible labor disruptions at month's end, most traders feel that producers will remain "in charge" through July however are unclear about the markets long term direction especially if all the "what if" scenarios come to fruition.

Western SPF

#2 & Btr.	Chicago	Change	Month Ago	Truck Frt Adders
2x4	265	0	246	Indianapolis +20
2x6	272	+2	235	Lansing +20
2x8	284	+7	237	Columbus +26
2x10	390	+20	268	Peoria +20
2x12	416	+10	366	Green Bay +24
2x4 92-5/8	265	+1	242	Traverse City +27
2x6 92-5/8	269	+5	239	Louisville +25

Activity cooled considerably this week as holidays and extended order files at the mills sent buyers to the sideline. Most buyers were reluctant to guess at market conditions in 3-4 weeks, which is when cars purchased today would arrive. The secondaries were starting to undercut mill prices and found a little business with quicker ship material. The 2x10 markets remained strong with $20/m increases for the week, but mills were having difficult time finding any buyers at the new numbers. Most feel the market has topped out for now, but low inventories in the pipeline could hold prices firm if demand stays good thru July.

Eastern SPF

	Great Lakes	Change	Month Ago	Truck Frt Adders
2x4	288	+1	260	GR/Saginaw MI 0
2x6	289	+1	265	Elkhart IN +8
2x4 92-5/8	282	+2	250	Green Bay WI +8
2x4 104-5/8	285	0	250	Cheboygan MI -14
2x6 92-5/8	290	+2	270	

Trading slowed down as many traders took some extra time off for the Canadian & US holidays. Prices held firm throughout the week, with still most of the sales staying in Canada. Both randoms and studs sold in a very narrow trading range, with strong competition from their western counterparts, which garnished most of the U.S. business. Buyers remained disciplined, purchasing highly mixed reload trucks to fill in their inventory holes. Expect little change as we head into July, with limited mill offering - due to curtailments and the usual summer shutdowns.

Hem-Fir

	Chicago	Change	Month Ago	Truck Frt Adders
2x4	285	0	250	Green Bay +20
2x6	270	0	220	Peoria +20
2x8	300	0	230	Lansing +22
2x10	320	0	270	Toledo +25
2x12	315	+5	275	Pittsburgh +35
2x4 92-5/8	285	+5	255	Traverse City +26
2x6 92-5/8	265	+5	235	Louisville +28

Momentum from last week's rally pushed prices slightly higher early in the week, but trading tapered off as the week progressed. Hem-Fir was able to post modest gains of $5-10/m in the Coast and Inland regions, while Northern California prices remained mostly unchanged. Studs continued to move at a steady pace, gaining $5/m for the week. Fir & Larch posted gains of $5-10/m across the board, with 2x12 being the biggest beneficiary. Expect steady prices going into next week, as buyers assess their post-holiday needs.

Southern Pine

	#1 Westside	Change	Month Ago	Truck Frt Adders
2x4	270	+2	246	Indianapolis +52
2x6	325	+6	249	Peoria +50
2x8	298	+10	232	Cleveland +74
2x10	301	+8	253	Toledo +68
2x12	437	+6	375	Louisville +49
2x4 92-5/8	197	+4	185	South Bend +62
*Subtract $25/m for #2				

Sales trailed off as the week progressed, but mills continued to push numbers higher on holiday shutdowns and tight supply. Prices rose by $6-10/m on the westside on 2x6 thru 2x12 while the central zone jumped $10-12/m as some buyers took advantage of its spread under the westside. Order files varied depending on the mix as mills continued to cite holes in their production and floor stock. This rally's momentum has begun to lose steam as demand dwindles and buyers digest recent purchases. Look for numbers to edge slightly higher as some buyers take advantage of the spreads between zones to cover their needs.

Panel Summary

Panel markets posted another solid round of gains for the week however the sales pace slowed to a crawl as traders left early for the holiday weekend. Prices remain at some of the highest levels for the year however, are substantially less than a year ago. Buyers were able to digest the new price levels rather easily but could deal order files that sometimes stretched into the end of July, forcing many back into the market to cover product for anticipated sales later in the month and early August. OSB remained the item on top of the heap as curtailments and producers' contract "holdbacks" limited the amount of product on the open market. Traders discussed the probability that current levels could be with us for a while but wondered openly if the market could sustain these prices when new home construction remain in disarray. At the end of the day all agree that we are looking at current pricing being with us for the foreseeable future.

Southern Pine Plywood

	Westside	Change	Month Ago	Truck Frt Adders		
15/32 CDX/PRS 3ply	268	0	278		15/32	23/32
15/32 CDX/PRS 4ply	273	0	250	Indianapolis	+38	+58
19/32 CDX/PRS	320	0	302	Lansing	+48	+72
23/32 CDX/PRS	390	+2	345	Peoria	+36	+54
23/32 UL T&G	415	+10	370	Columbus	+40	+60

** Freight Rates have changed **

Fir Plywood

	Chicago	Change	Month Ago	Truck Frt Adders		
15/32 CDX 5ply	326	0	295		15/32	23/32
19/32 CDX	400	+5	370	Indianapolis	+15	+22
23/32 CDX	474	+5	464	Lansing	+16	+24
519	529	+10	494	Peoria	+15	+23
23/32 ACX	749	0	754	Columbus	+22	+33

** Freight Rates have changed **

Trading in plywood slowed down dramatically by the end of the week as most buyer shifted into holiday mode. Pine plywood pricing held steady as mills focused on adding to their order files which are out 2-3 weeks. Secondaries gave the market a bit of a two-tiered feel as they sold off lower priced inventory. Fir producers got limited interest from buyers as activity slowed there as well. Underlayment was stronger but most items were mostly flat and order files were out to the week of the 20th. Expect prices to remain firm in the near term.

OSB

	North Central	Change	Month Ago	Truck Frt Adders			
1/4	-	-	-		7/16	1/2	23/32
3/8	165	+3	133	Indianapolis	+29	+32	+46
7/16	170	+3	138	Lansing	+24	+27	+39
15/32	180	+3	148	Peoria	+26	+29	+42
1/2	190	+3	158	Columbus	+37	+42	+61
19/32 T&G	240	+2	312	Madison	+20	+23	+33
23/32 T&G	282	+4	246				

OSB sales continue their upward tread before the long holiday weekend. Increases were in the $3-$7m range in most producing regions. Good activity on the west coast led the way, followed by the southwest, with the southeast seeing the smallest increase. Little wood in the pipeline sent some wholesalers and distributors back to the mills to replenish broken inventories. Mills that are quoting wood are into the w/o 7-27, with a few into August. Others are off the market. With mill order files reaching the end of July look for prices to remain firm to higher over the next several weeks.

Treated Lumber/Specialties

#2 SYP	FOB SYP Mill	Change	Month Ago	Truck Frt Adders
4 x 4 – 8’	315	+5	295	Indianapolis +63
4 x 4 – 12’	230	0	230	Lansing +85
4 x 6 -12’	265	-10	300	Columbus +70
6 x 6 -12’	320	+5	320	Peoria +62
5/4 x 6 -12’ Std	335	+5	330	Madison +82
5/4 x 6 -12’ Prem.	515	+5	510	Louisville +57
				Cleveland + 90
Approximate Treatment Adders – G/C +150, A/G + 110, .60 CCA +80				

Sales continued through the week as buyers filled in their pre-holiday inventories. The large run that has occurred in the SYP was translated in treated prices as numbers climbed higher. Treaters continued to move material at a steady pace as they have been most of the year. Timbers edged up slightly on some items, but stayed virtually unchanged. Treated remains one of the steady movers for most retailers and should continue as we make our way through the summer months.