



PAL Forest Products Phone 1-800-748-0089 FAX 1-800-748-0330

February 5, 2010

Week #5

NORTHEAST
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 MBDFT 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.	Baltimore	Change	Month Ago	Truck Frt Adders
2x4	384	+38	310	
2x6	388	+44	308	Baltimore +10
2x8	366	+23	316	Boston +33
2x10	457	+24	407	Harrisburg +20
2x12	545	+17	516	Pittsburgh +25
2x4 92-5/8	389	+35	308	Philadelphia +23
2x6 92-5/8	415	+26	354	

***** Freight rates have changed*****

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

	Boston Truck	Change	Month Ago	Truck Frt Adders
2x4	340	+20	298	Scranton +12
2x6	348	+8	318	Baltimore +22
2x4 92-5/8	340	+20	297	Harrisburg +15
2x4 104-5/8	335	+21	283	Pittsburg +21
2x6 92-5/8	380	+12	347	Philadelphia +16

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

	Baltimore	Change	Month Ago	Truck Frt Adders
2x4	380	+20	335	Baltimore +10
2x6	370	+20	325	Boston +38
2x8	355	+10	305	Harrisburg +25
2x10	395	+10	345	Philadelphia +25
2x12	410	+30	350	Pittsburg +28
2x4 92-5/8	370	+20	312	
2x6 92-5/8	360	+12	320	

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 (SYP)

	#1 Central	Change	Month Ago	Truck Frt Adders
2x4	332	+23	272	Annapolis +80
2x6	320	+20	263	Baltimore +81
2x8	322	+17	278	Boston +143
2x10	347	+18	306	Harrisburg +80
2x12	430	+28	360	Pittsburg +69
2x4 92-5/8	290	+32	224	
*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

	Eastern	Change	Month Ago	Truck Frt Adders		
					15/32	23/32
				Albany	+42	+67
15/32 CDX/PRS 4ply	332	+7	310	Baltimore	+24	+38
19/32 CDX/PRS	360	+8	320	Scranton	+34	+53
23/32 CDX/PRS	450	+10	405	Watertown	+45	+72
23/32 UL T&G	475	+10	455	Wilmington	+28	+44

** Freight Rates have changed **

Fir Plywood

	Baltimore	Change	Month Ago	Truck Frt Adders		
					15/32	23/32
15/32 CDX 5ply	381	+5	341	Annapolis	+12	+18
19/32 CDX	439	+10	389	Baltimore	+12	+18
23/32 CDX	534	+15	482	Boston	+25	+38
23/32 UL T&G	564	+10	519	Harrisburg	+15	+22
23/32 ACX	754	0	754	Pittsburgh	+17	+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

	E. Canada	Change	Month Ago	Truck Frt Adders			
1/4	147	+3	140		7/16	1/2	23/32
3/8	190	+10	170	Annapolis	+55	+63	+90
7/16	195	+10	175	Baltimore	+52	+59	+85
15/32	205	+10	185	Boston	+59	+67	+97
1/2	215	+10	195	Harrisburg	+47	+54	+77
19/32 T&G	260	+10	235	Pittsburgh	+42	+48	+69
23/32 T&G	315	+15	280				

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	+15	295	Pittsburgh +70
4 x 4 – 12'	350	+25	285	
4 x 6 -12'	345	+20	305	Syracuse +90
6 x 6 -12'	345	+15	310	Boston +100
5/4 x 6 -12' Std	425	+20	360	Wilmington +50
5/4 x 6 -12' Prem.	660	+35	550	
<i>**Approximate Treatment Adders – G/C +150, A/G + 110, .60 CCA +80**</i>				

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.