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PAL
NATIONAL BUYING POWER

**July 2, 2009** **Week #26**

# NORTHEAST

### 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. | Baltimore | Change | Month Ago | Truck Frt Adders |
|---|---|---|---|---|
| 2x4 | 295 | 0 | 276 | |
| 2x6 | 302 | +2 | 265 | Baltimore +10 |
| 2x8 | 314 | +7 | 267 | Boston +33 |
| 2x10 | 420 | +20 | 298 | Harrisburg +20 |
| 2x12 | 446 | +10 | 396 | Pittsburgh +25 |
| 2x4 92-5/8 | 295 | +1 | 272 | Philadelphia +23 |
| 2x6 92-5/8 | 299 | +5 | 269 | |
| | | | | |

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

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

| | Boston Truck | Change | Month Ago | Truck Frt Adders |
|---|---|---|---|---|
| 2x4 | 287 | +2 | 252 | Scranton +12 |
| 2x6 | 288 | +3 | 254 | Baltimore +22 |
| 2x4 92-5/8 | 285 | +5 | 250 | Harrisburg +15 |
| 2x4 104-5/8 | 285 | +3 | 244 | Pittsburg +21 |
| 2x6 92-5/8 | 290 | +5 | 265 | Philadelphia +16 |

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

| | Baltimore | Change | Month Ago | Truck Frt Adders |
|---|---|---|---|---|
| 2x4 | 315 | 0 | 280 | Baltimore +10 |
| 2x6 | 300 | 0 | 250 | Boston +38 |
| 2x8 | 330 | 0 | 260 | Harrisburg +25 |
| 2x10 | 350 | 0 | 270 | Philadelphia +25 |
| 2x12 | 345 | +5 | 305 | Pittsburg +28 |
| 2x4 92-5/8 | 315 | +5 | 285 | |
| 2x6 92-5/8 | 295 | +5 | 265 | |

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 (SYP)

| | #1 Central | Change | Month Ago | Truck Frt Adders |
|---|---|---|---|---|
| 2x4 | 283 | +5 | 263 | Annapolis +80 |
| 2x6 | 306 | +11 | 254 | Baltimore +81 |
| 2x8 | 279 | +11 | 242 | Boston +143 |
| 2x10 | 309 | +11 | 266 | Harrisburg +80 |
| 2x12 | 421 | +9 | 384 | Pittsburg +69 |
| 2x4 92-5/8 | 197 | +4 | 185 | |
| *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

| | Eastern | Change | Month Ago | Truck Frt Adders | | |
|---|---|---|---|---|---|---|
| | | | | | 15/32 | 23/32 |
| | | | | Albany | +42 | +67 |
| 15/32 CDX/PRS 4ply | 280 | 0 | 252 | Baltimore | +24 | +38 |
| 19/32 CDX/PRS | 330 | +5 | 310 | Scranton | +34 | +53 |
| 23/32 CDX/PRS | 385 | 0 | 350 | Watertown | +45 | +72 |
| 23/32 UL T&G | 405 | +5 | 385 | Wilmington | +28 | +44 |

** Freight Rates have changed **

## Fir Plywood

| | Baltimore | Change | Month Ago | Truck Frt Adders | | |
|---|---|---|---|---|---|---|
| | | | | | 15/32 | 23/32 |
| 15/32 CDX 5ply | 346 | 0 | 315 | Annapolis | +12 | +18 |
| 19/32 CDX | 424 | +5 | 394 | Baltimore | +12 | +18 |
| 23/32 CDX | 504 | +5 | 494 | Boston | +25 | +38 |
| 23/32 UL T&G | 559 | +10 | 524 | Harrisburg | +15 | +22 |
| 23/32 ACX | 779 | 0 | 779 | Pittsburgh | +17 | +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

| | E. Canada | Change | Month Ago | Truck Frt Adders | | | |
|---|---|---|---|---|---|---|---|
| 1/4 | 138 | 0 | 130 | | 7/16 | 1/2 | 23/32 |
| 3/8 | 155 | +3 | 138 | Annapolis | +55 | +63 | +90 |
| 7/16 | 160 | +3 | 143 | Baltimore | +52 | +59 | +85 |
| 15/32 | 170 | +3 | 153 | Boston | +59 | +67 | +97 |
| 1/2 | 180 | +3 | 163 | Harrisburg | +47 | +54 | +77 |
| 19/32 T&G | 235 | +5 | 215 | Pittsburgh | +42 | +48 | +69 |
| 23/32 T&G | 275 | +7 | 250 | | | | |

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 | Pittsburgh +70 |
| 4 x 4 – 12’ | 230 | 0 | 230 | |
| 4 x 6 -12’ | 265 | -10 | 300 | Syracuse +90 |
| 6 x 6 -12’ | 320 | +5 | 320 | Boston +100 |
| 5/4 x 6 -12’ Std | 345 | +5 | 335 | Wilmington +50 |
| 5/4 x 6 -12’ Prem. | 530 | +5 | 520 | |
| ***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.