The LAYMAN'S GUIDE FRIDAY FORECAST

A Week Ending Lumber & Panel Market Analysis, Forecast, & Trading Strategy

by

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Life after the Countervailing Duty!

SYP Lumber... Canadian SPF Lumber... Western US Lumber ... Panels...

Here is the sum total of the pertinent facts for today. The duty on Canadian lumber is in...for now. Mills say it will have to come from some where, but there was enough anticipatory buying before the duty that mills are not selling production even at the old numbers. That is because consumers expected Canadian producers to raise prices thus increasing the value of the consumer spec buy. So, for now...the 19.3% increase is not coming from the consumers.

Right now consumers are nervous and feel like they have over bought. That means they will begin to reduce that inventory to a better comfort level. That means unless Canadian mills are willing to build inventory, or curtail, this market is going to sell off. Perhaps "sell off" means it goes right back where it came from two weeks ago; i.e. \$305 mill BC 2x4's.

Norscan (North American & Scandinavian) pulp inventories rose only 4,000 tons in July. The 10-year average July increase is 150,000-160,000 tons. Pulp inventories are getting back in line but pulp prices are still falling. Pulp mills are losing money and do not expect to recover until after the fourth quarter.

Lumber mills have effectively had their break even point raised by 20%. If \$250 BC 2x4's was red ink, the new number is now \$300. Curtailments are already being announced.

Dealers expect good sales in September and October but cannot see beyond August.

As I see it, the SPF trading level today is about \$20 from break even with no revenue from chips and very little coming from lumber in the months ahead at these prices. Treaters need to buy SYP in a big way. California & the Northeast are cranking up for the fall. Panel consumers are once again nervous and liquidating stocks.

The consuming market is not prepared for, nor is it preparing for, a surge in overall demand and loss of supply in SPF.

All prices are FOB mill except Eastern SPF which is FOB Boston and Green Doug Fir which is FOB Portland.
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PRICES at the FINISH

	FROM LAST WEDNESDAY		UNTIL TODAY		Net Cha	
SYP LBR	**East**	**West**	**East**	**West**	**E**	**W**
2x4 #2	362	359	357	359	-5	0
2x6 #2	326	319	326	320	-0	1
2x8 #2	366	360	371	370	5	10
2x10 #2	388	361	388	361	-0	-0
2x12 #2	434	421	434	421	0	-0
Composite	375		375		-0	
CANADIAN SPF	**East Boston**	**West BC**	**East Boston**	**West BC**	**Net Ea**	**Cha We**
2X4 Std&Bt	405	315	440	335	35	20
2X6 #2	380	300	400	310	20	10
2X8 #2	420	340	445	350	25	10
2x10 #2	415	305	440	325	25	20
2X12 #2	-	315		325		10
WesternU.S	**KDHF**	**GDF**	**KDHF**	**GDF**	**HF**	**GDF**
2x4 Std&Bt	373	325	385	325	12	0
2X6 #2	353	335	365	320	12	-15
2X8 #2	383	340	400	340	17	0
2x10 #2	368	350	385	350	17	0
2X12 #2	363	350	380	355	17	5

SYP R/L prices are averages of 8-20' tallies.
KDHem Fir is delivered Chicago Green Doug Fir is fob Portland
SPF-W is fob mill.

SYP Sheathing	**East**	**West**	**East**	**West**	**Net Ea**	**Cha We**
3/8"	242	240	244	242	2	2
15/32"3-Ply	295	278	297	278	2	0
15/32"4-Ply	325	295	325	300	0	5
19/32"	355	350	360	350	5	0
23/32"	455	435	460	440	5	5
23/32"T&G	485	460	485	460	0	0
Western U.S. Fir Sheathing						
3/8"		245		250		5
1/2"3-Ply		310		315		5
1/2"4-Ply		340		345		5
5/8" 4 Ply		390		390		0
3/4"		475		475		0
3/4" UL T&G		525		530		5
OSB	**SW**	**NC**	**SW**	**NC**	**SW**	**NC**
7/16"	165	190	172	190	7	0
23/32"T&G	305	320	312	320	7	0