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HARDWOOD MARKET REPORT

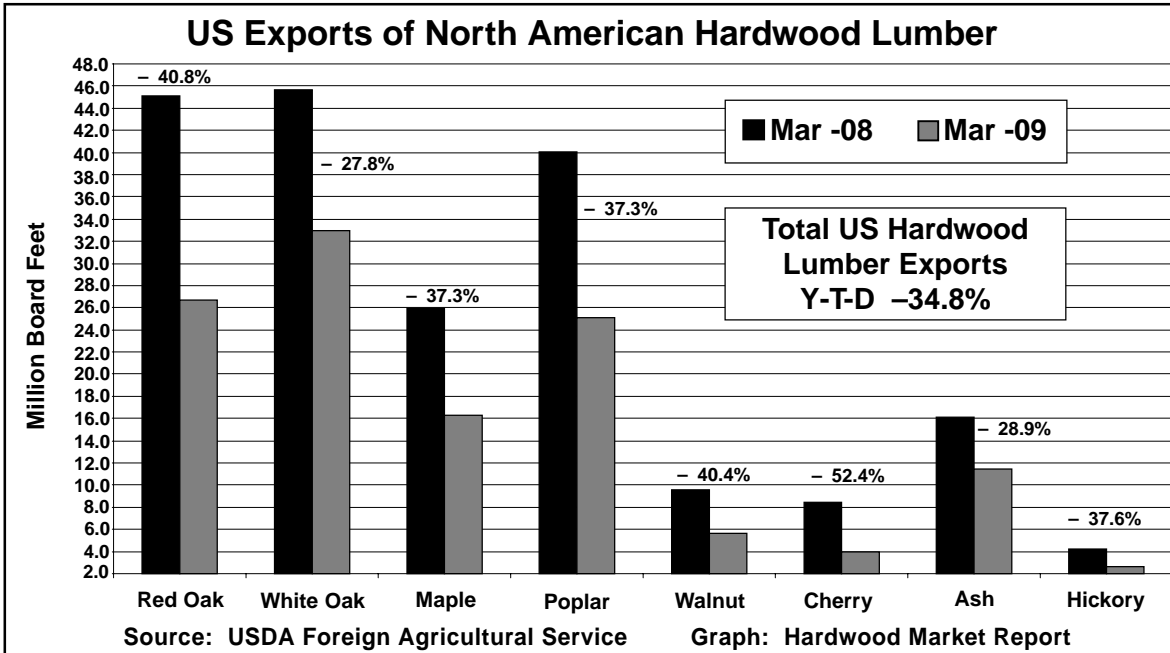


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HMR™

May 30, 2009



- The NAHB Housing Opportunity Index ended 1Q 2009 at a record high reading of 72.5. The median sales price dropped to \$176,000, equaling the 2003 annual price, and mortgage interest rates were the lowest on record at 5.14% (fixed).
- According to US International Trade Administration data, imports of household wood furniture decreased 23.6% in the first quarter of 2009 compared to last year. China and Vietnam provided 56.9% of total imports during this period.
- Upholstered household furniture imports fell 24.4% in the first three months of 2009. China was the dominant importer, though shipments declined 17.3% for the quarter.

The Conference Board Leading Economic Index for the US increased 1.0% in April, but the Coincident and Lagging Indexes fell 0.2% and 0.5%, respectively.

Canada's leading indicators slid 1.1% lower in April compared to March. The housing index declined 1.2% for the month.

US consumer prices were unchanged in April from March and down 0.7% from April 2008.



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87 YEARS AUTHORITY HARDWOOD MARKET REPORTING

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SOUTHERN HARDWOODS

5/30/09

<p>ASH</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>FAS</th> <th>1F</th> <th>#1C</th> <th>#2A</th> </tr> </thead> <tbody> <tr> <td>4/4</td> <td>720</td> <td>710</td> <td>475</td> <td>305</td> </tr> <tr> <td>5/4</td> <td>860</td> <td>850</td> <td>545</td> <td>325</td> </tr> <tr> <td>6/4</td> <td>915</td> <td>905</td> <td>660</td> <td>365</td> </tr> <tr> <td>8/4</td> <td>965</td> <td>955</td> <td>765</td> <td>400</td> </tr> </tbody> </table>		FAS	1F	#1C	#2A	4/4	720	710	475	305	5/4	860	850	545	325	6/4	915	905	660	365	8/4	965	955	765	400	<p>PECAN & HICKORY</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>FAS</th> <th>#1C</th> <th>#2A</th> <th>#2B</th> </tr> </thead> <tbody> <tr> <td>4/4</td> <td>630</td> <td>490</td> <td>340</td> <td>205</td> </tr> <tr> <td>5/4</td> <td>720</td> <td>600</td> <td>355</td> <td>205</td> </tr> <tr> <td>6/4</td> <td>745</td> <td>635</td> <td>360</td> <td>205</td> </tr> <tr> <td>8/4</td> <td>790</td> <td>675</td> <td>360</td> <td>205</td> </tr> </tbody> </table>		FAS	#1C	#2A	#2B	4/4	630	490	340	205	5/4	720	600	355	205	6/4	745	635	360	205	8/4	790	675	360	205
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						<p>F. O. B. MILLS - SOUTHERN AREA</p> <p>Estimate of FOB Southern mill point average market prices for well manufactured Southern hardwoods in truckload and greater quantities. Stocks are random widths and lengths, green, rough, and graded in accordance with NHLA rules. Prices in US dollars per M'. Prices published in Hardwood Market Report are presented only as a guide. See statement on page one.</p> <p style="text-align: right;">© 2009 <i>Hardwood Market Report</i></p>																																													

The first figure in each row and column is an estimate of the current **predominant** price for the respective item. Figures in parentheses are estimates of the market's **prevailing range** of prices, the variations due to differences in product characteristics, specifications, nature of markets, volume, etc. All kiln dried prices refer to lumber inspected and **measured before kiln drying**. Bold figures indicate change. Prices published in **Hardwood Market Report** are presented only as a guide. See statement on page one.

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		FAS		#1 Common		#2A Common	
ASH	4/4	1020	(965-1080)	710	– (650-780)	475	(445-540)
	8/4	1485	(1420-1585)	1265	(1175-1345)	675	(640-725)
COTTONWOOD	4/4	740	(710-785)	510	(465-540)	– – –	– – – – –
RED OAK	4/4	875	(800-975)	680	(600-745)	500	– (435-540)
	5/4	1100	(1025-1175)	730	(650-790)	560	(520-600)
WHITE OAK	4/4	1050	– (985-1160)	625	– (555-700)	485	(435-535)
	5/4	1470	(1395-1550)	735	(685-810)	550	(500-605)
POPLAR	4/4	800	(710-870)	495	(440-525)	365	(325-385)
	5/4	860	(800-915)	590	(560-640)	415	(375-445)
	6/4	905	(865-955)	655	(595-710)	– – –	– – – – –
	8/4	935	(900-985)	695	(640-770)	– – –	– – – – –

Comments

Sales operations state that orders and shipments have stalled the past several weeks. After a slight uptick in business the first three months of the year compared to the final quarter of 2008, buyers have taken a more aggressive approach to control purchases. Because of slow finished goods sales, secondary manufacturers simply need fewer raw materials to sustain production schedules. Additionally, most have implemented measures to maintain or reduce inventories to preserve cash flow. At the same time, planned and unplanned log shortages have lowered output of green stocks. Previous supply-based pressures have eased, though pricing remains at unsustainably low levels based on log and timber costs. Several contacts report that kiln dried inventories are more manageable. However, contraction has resulted from decreased availability of green stocks rather than increased demand. Housing data provide little hope for a near-term improvement in markets for hardwood construction materials or lumber. For information on individual species, please read the following comments.

ASH: Interest in this species has declined over time. Reasons vary from poor housing markets to consumer preferences for closed grain species. The results are the same – challenging circumstances for suppliers up and down the distribution chain. Inventories of kiln dried #2A&Btr Ash remain high relative to the market's needs, and prices are pressured lower. To encompass reported numbers,

the 4/4 #1C listing and range drop \$20. Past changes have the remaining kiln dried figures in order. While demand for green stocks is limited, production is being absorbed as it develops. The #2A&Btr listings are reflective of activity.

COTTONWOOD: Demand for this species is in line with past weeks. Interest is far from overwhelming; however, green supplies have been limited by wet weather conditions and flooding in areas conducive to Cottonwood timber growth. Orders and shipments of green stocks are keeping pace with output. The listings are reflective of reported pricing. Domestic and international kiln dried markets are challenging, though changes in reported prices are confined within the ranges.

PECAN & HICKORY: Business for this species is heavily tied to solid wood flooring manufacturers and crosstie buyers. Demand is not overwhelming from either industry segment, though is sufficient for mills and yards to ship developing output. Reported prices vary based on specifications for lengths, but are consistent with past weeks.

SAP GUM: There are steady and ongoing domestic and international markets for this species. However, demand has contracted alongside slow eco-

(Continued on Page 12)

APPALACHIAN HARDWOODS

5/30/09

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F. O. B. MILLS - APPALACHIAN AREA

Estimate of FOB Appalachian mill point average market prices for well manufactured Appalachian hardwoods in truckload and greater quantities. Stocks are random widths and lengths, green, rough, and graded in accordance with NHLA rules. Prices in US dollars per M'. Prices published in **Hardwood Market Report** are presented only as a guide. See statement on page one.

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APPALACHIAN HARDWOODS

WHITE OAK - WHND						FRAMESTOCK - AIR DRIED		
	FAS	1F	#1C	SW				
4/4	565	555	390	330		4/4 OAK S2S (310-390)		
5/4	575	565	395	335		4/4 MIXED S2S (310-390)		
POPLAR						CANTS - MIXED - GREEN		
	FAS	1F	#1C	#2A	#2B			
4/4	585	575	340	290	235	4x4, 4x6 310 (265-365)		
5/4	600	590	365	305	250			
6/4	615	605	390	310	260			
8/4	615	605	410	325	260			
10/4	860	850	550	375	265			
12/4	900	890	570	390	275			
16/4	940	930	600	405	280			
WALNUT						TIES - 7x9 - MIXED - GREEN		
	FAS	1F	#1C	#2A				
4/4	1800	1700	765	360		SOUTHERN APPALACHIAN - 8½'		
5/4	1950	1850	940	555		CROSSTIES (20.50-25.00) Per Pc.		
6/4	2225	2125	1060	650		NORTHERN APPALACHIAN - 8½'		
8/4	2375	2275	1170	670		CROSSTIES (20.00-24.50) Per Pc.		
						BOARD ROAD - MIXED - GREEN		
						2x8	425	(395-470)

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Comments

The holiday-shortened workweek had little impact on shipments according to area sales operations. Many state that business has been and remains slow. Activity for kiln dried stocks is relegated to very specific quantities and often exacting length, width, and color qualities. Distributors and secondary manufacturers are unwilling to purchase beyond immediate needs. Competition remains intense for limited orders. However, information points out more manageable inventory levels for most mills and resellers. Meanwhile, weak demand for green lumber and industrial timbers has kept production at low levels. Some sawmill operators in the Appalachian region have idled plants; others have cut back output to volumes that can be readily shipped. The result is a closer balance in supply and demand, and a more stable pricing environment for green lumber. For information on individual species, please read the following comments.

ASH: Interest in this species has waned as it has for most hardwoods. However, closed-grained whitewoods remain favored over species such as Oak and Ash. At the same time, slow residential construction and remodeling have had a devastating affect on business overall. Activity for kiln dried Ash was limited last week, though pricing was mostly unchanged, allowing the listings and ranges to stand. Meanwhile, wet weather conditions have impacted logging in lowland areas, reducing the volume of green Ash available to the marketplace. Transactions show prices for green #2A&Btr were static, holding the published figures in check.

BASSWOOD: Because mills need to process Basswood logs rapidly during warm temperature months to avoid stain, supplies of in-process stocks have remained ample to satisfy the market's needs. Demand is limited, though pricing is mostly unchanged from past weeks. The kiln dried #2A&Btr listings and ranges are reflective of reported pricing. Meanwhile, green Basswood production has been restricted recently; generally, log decks are low at area sawmill operations, especially whitewoods. Few transactions were reported, but prices were stable, allowing the green listings to stand.

BIRCH: There is consistent demand for this species, albeit at a reduced rate. Additionally, green Birch supplies have been limited by low log decks. However, production is adequate to meet the market's needs, and prices are mostly stable. The green #2A&Btr listings and premium for Fas&1f remain intact. Use of kiln dried stocks has declined over an extended period of time, equal to slow new home construction and remodeling. Buyers are purchasing specific quantities to fill specific objectives. Transactions show static pricing, allowing the listings to stand.

CHERRY: While production has declined for this and other species, demand for Cherry has fallen at a faster rate. Market interest is described as anemic. Salability of developing supplies is an ongoing problem for mills and yards, which has led to lower pricing in a number of transactions.

(Continued on Page 7)

The first figure in each row and column is an estimate of the current **predominant** price for the respective item. Figures in parentheses are estimates of the market's **prevailing range** of prices, the variations due to differences in product characteristics, specifications, nature of markets, volume, etc. All kiln dried prices refer to lumber inspected and **measured before kiln drying**. Bold figures indicate change. Prices published in **Hardwood Market Report** are presented only as a guide. See statement on page one.
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		<u>FAS</u>		<u>#1 Common</u>		<u>#2A Common</u>	
ASH	4/4	965	(875-1005)	670	(585-715)	490	(440-530)
	5/4	1055	(975-1130)	790	(730-900)	540	(495-585)
	6/4	1205	(1125-1300)	930	(840-1000)	615	(575-645)
	8/4	1330	(1245-1385)	995	(925-1050)	635	(600-685)
BASSWOOD	4/4	950	(885-1000)	560	(510-620)	330	(300-360)
	5/4	1000	(970-1140)	600	(550-670)	---	-----
	9/4	1255	(1205-1325)	850	(810-915)	---	-----
CHERRY	4/4	2260	(2080-2440)	860	(750-945)	555	(465-610)
	5/4	2605	(2490-2740)	1140	(1060-1295)	685	(615-775)
	6/4	3005	(2945-3100)	1945	(1855-2100)	---	-----
	8/4	3285	(3175-3365)	2085	(2005-2240)	---	-----
CHERRY <i>North Central</i>	4/4	2280	(2105-2455)	865	(750-975)	570	(495-670)
	5/4	2605	(2490-2760)	1140	(1060-1335)	685	(615-810)
	6/4	3010	(2950-3130)	1950	(1865-2145)	---	-----
	8/4	3295	(3210-3400)	2110	(2005-2280)	---	-----
HICKORY	4/4	985	(885-1100)	825	(735-915)	695	(605-775)
HARD MAPLE <i>#1&2 White</i>	4/4	1530	(1380-1685)	900	(800-960)	680	(575-750)
	5/4	2000	(1895-2085)	990	(890-1090)	850	(770-920)
	6/4	2305	(2175-2405)	1375	(1295-1505)	---	-----
	8/4	2490	(2365-2525)	1485	(1375-1595)	---	-----
HARD MAPLE <i>Unselected</i>	4/4	1395	(1335-1540)	800	(730-875)	580	(550-655)
	5/4	1680	(1630-1745)	920	(830-995)	665	(625-735)
	6/4	1885	(1825-1960)	1225	(1175-1265)	---	-----
	8/4	2025	(1965-2100)	1360	(1300-1400)	---	-----
SOFT MAPLE <i>Sap&Btr</i>	4/4	1345	(1245-1450)	830	(740-920)	540	(485-600)
	5/4	1495	(1425-1580)	910	(845-960)	590	(540-645)
	6/4	1635	(1545-1695)	1080	(990-1140)	620	(575-685)
	8/4	1715	(1655-1795)	1195	(1155-1255)	685	(610-760)
SOFT MAPLE <i>Unselected</i>	4/4	1230	(1145-1330)	735	(625-820)	450	(400-500)
	5/4	1370	(1315-1420)	795	(745-855)	535	(510-585)
	6/4	1520	(1470-1570)	1005	(930-1080)	590	(540-640)
	8/4	1570	(1520-1620)	1190	(1140-1255)	640	(590-730)
RED OAK	4/4	950	(850-1075)	725	(635-820)	565	(485-630)
	5/4	1200	(1110-1315)	825	(770-910)	630	(560-670)
	6/4	1570	(1490-1695)	1105	(975-1225)	765	(705-815)
	8/4	1715	(1640-1795)	1195	(1095-1305)	855	(790-935)

		FAS		#1 Common		#2A Common	
WHITE OAK	4/4	1260	(1150-1460)	685	(590-760)	515	(450-570)
	5/4	1665	– (1600-1765)	855	(770-910)	655	(610-695)
	6/4	1985	(1920-2095)	1100	(1040-1185)	785	(710-845)
	8/4	2375	– (2310-2490)	1310	(1220-1355)	860	(760-950)
POPLAR	4/4	750	(690-860)	500	(440-590)	370	(345-400)
	5/4	810	(730-930)	550	(500-625)	415	(375-460)
	6/4	880	(770-970)	640	(555-700)	450	(410-485)
	8/4	950	(870-1015)	690	(600-735)	515	(450-545)
WALNUT	4/4	2695	(2605-2830)	1340	(1240-1490)	755	(700-840)
	5/4	3275	(3190-3410)	1580	(1455-1635)	975	– (930-1085)
	6/4	3470	(3400-3605)	1815	(1740-1890)	1295	(1230-1350)
	8/4	3855	(3755-4075)	2115	(2015-2160)	1395	(1325-1465)

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APPALACHIAN COMMENTS (Cont'd from Page 5)

To better encompass activity, the green 4/4 through 8/4 Fas&1f listings drop \$25, and the 5/4 #1C listings are reduced \$20 in both areas. Sales competition has led to lower reported numbers for kiln dried stocks as well. However, decreases have been made to the #2A&Btr listings and ranges in past issues to reflect this trend. No additional changes are warranted at this time.

HICKORY: The rustic and whitewood appearance grades of this species are still favored by consumers. However, overall demand has fallen alongside slow new home construction and remodeling. Secondary manufacturers are purchasing both green and kiln dried Hickory for short-term objectives, controlling inventories and preserving cash flow as possible. While sawmill output has dropped significantly the past few months, supplies seem adequate if not ample for given items. Sales competition persists, especially for kiln dried stocks, though no changes are required to the listings and ranges at this time. Likewise, past adjustments have the green listings in line with reported prices.

HARD MAPLE: Sawmill operators state that Hard Maple and other whitewood log supplies are limited. Most have already worked off large log decks of these species ahead of warm, stain-inducing weather conditions. Excessive rainfall this spring along with poor markets and cash constraints have prevented most mills from replenishing log inventories – whitewoods or otherwise. The resulting decline in production has green Hard Maple output closer in line with the market's

needs. However, demand for green and kiln dried stocks remains weak; yards and secondary manufacturers are reluctant to speculate on future business. The housing market has provided no reason to believe demand will improve in the near future. Lumber purchases are being made for short-term objectives. Kiln dried pricing covers a broad spectrum and is highly competitive, though little change was seen in activity this past holiday-shortened week. Similarly, fewer transactions were reported for green stocks, with prices remaining static for #1&2 White and Unselected Hard Maple.

SOFT MAPLE: Logging contractors and sawmill operators continue to adapt activity to weak markets for this and other species. For most mills, log inventories are low due to poor business conditions but also from extraordinarily wet weather patterns. Salability is a pressing problem for the upper grades, and prices remain unsettled. However, past reductions have the green and kiln dried Fas&1f listings and ranges in order. Demand for Sap&Btr and Unselected #1C is absorbing the lower rate of green and kiln dried output. Pricing continues to cover a broad spectrum but has stabilized to a degree. The published figures are reflective of reported pricing, holding the listings and ranges in check. Business for green and kiln dried #2A Soft Maple is mixed. Sales operations report moderate success shipping developing production. No changes are required to the Sap&Btr and Unselected #2A figures.

#2A&3A OAK: Markets for green #2A&3A White Oak remain particularly challenging for area mills and resellers. Reduced production of Red Oak has eased supply-based pressures. However, declining

(Continued on Page 13)

NORTHERN HARDWOODS

5/30/09

<p>ASH</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>FAS</th> <th>SEL</th> <th>#1C</th> <th>#2A</th> </tr> </thead> <tbody> <tr> <td>4/4</td> <td>625</td> <td>615</td> <td>420</td> <td>295</td> </tr> <tr> <td>5/4</td> <td>650</td> <td>640</td> <td>465</td> <td>320</td> </tr> <tr> <td>6/4</td> <td>725</td> <td>715</td> <td>540</td> <td>355</td> </tr> <tr> <td>8/4</td> <td>790</td> <td>780</td> <td>605</td> <td>365</td> </tr> </tbody> </table>		FAS	SEL	#1C	#2A	4/4	625	615	420	295	5/4	650	640	465	320	6/4	725	715	540	355	8/4	790	780	605	365	<p>SOFT MAPLE - SAP&BTR</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>FAS</th> <th>SEL</th> <th>#1C</th> <th>#2A</th> </tr> </thead> <tbody> <tr> <td>4/4</td> <td>1110</td> <td>1090</td> <td>535</td> <td>280</td> </tr> <tr> <td>5/4</td> <td>1295</td> <td>1275</td> <td>745</td> <td>395</td> </tr> <tr> <td>6/4</td> <td>1360</td> <td>1340</td> <td>850</td> <td>485</td> </tr> <tr> <td>8/4</td> <td>1420</td> <td>1400</td> <td>930</td> <td>520</td> </tr> </tbody> </table>		FAS	SEL	#1C	#2A	4/4	1110	1090	535	280	5/4	1295	1275	745	395	6/4	1360	1340	850	485	8/4	1420	1400	930	520																
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<p>HARD MAPLE - UNSELECTED</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>FAS</th> <th>SEL</th> <th>#1C</th> <th>#2A</th> <th>#3A</th> </tr> </thead> <tbody> <tr> <td>4/4</td> <td>1165</td> <td>1145</td> <td>625 -</td> <td>490</td> <td>300</td> </tr> <tr> <td>5/4</td> <td>1320</td> <td>1300</td> <td>750 -</td> <td>570</td> <td>365</td> </tr> <tr> <td>6/4</td> <td>1415</td> <td>1395</td> <td>930</td> <td>670</td> <td>475</td> </tr> <tr> <td>8/4</td> <td>1460</td> <td>1440</td> <td>1030</td> <td>675</td> <td>---</td> </tr> </tbody> </table> <p>Sap 1-Face in cuttings Add \$100 FAS&SEL ALONE ADD \$0</p>		FAS	SEL	#1C	#2A	#3A	4/4	1165	1145	625 -	490	300	5/4	1320	1300	750 -	570	365	6/4	1415	1395	930	670	475	8/4	1460	1440	1030	675	---	<p>BOARD ROAD - MIXED - GREEN</p> <p>2x8 410 (375-455)</p>																																				
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F. O. B. MILLS - NORTHERN AREA

Estimate of FOB Northern mill point average market prices for well manufactured Northern hardwoods in truckload and greater quantities. Stocks are random widths and lengths, green, rough, and graded in accordance with NHLA rules. Prices in US dollars per M'. Prices published in **Hardwood Market Report** are presented only as a guide. See statement on page one. © 2009 *Hardwood Market Report*

The first figure in each row and column is an estimate of the current **predominant** price for the respective item. Figures in parentheses are estimates of the market's **prevailing range** of prices, the variations due to differences in product characteristics, order specifications, nature of markets, volume, etc. All kiln dried prices refer to lumber inspected and **measured before kiln drying**. Bold figures indicate change. Prices published in **Hardwood Market Report** are presented only as a guide. See statement on page one. © 2009 *Hardwood Market Report*

		FAS		#1 Common		#2A Common	
ASH	4/4	905	(825-945)	665 -	(620-700)	580	(520-600)
ASPEN	4/4	870	(830-910)	530	(475-560)	430 -	(375-455)
BASSWOOD	4/4	890	(800-920)	520 -	(485-565)	395	(355-425)
	5/4	975	(925-1020)	585	(520-625)	395	(380-425)
	8/4	1105	(1060-1155)	745 -	(695-800)	485	(455-520)
	9/4	1140	(1085-1195)	825	(770-865)	550	(520-595)
YELLOW BIRCH	4/4	1760	(1705-1830)	940	(890-1005)	650	(620-695)
HARD MAPLE	4/4	1705	(1600-1790)	985 -	(915-1055)	760 -	(705-820)
#1&2 White	5/4	1980 -	(1895-2060)	1190	(1100-1235)	- - -	- - - - -
	6/4	2445	(2310-2540)	1520	(1480-1590)	- - -	- - - - -
	8/4	2675	(2585-2715)	1640	(1590-1685)	- - -	- - - - -
HARD MAPLE	4/4	1590	(1490-1640)	880	(835-960)	705	(670-740)
Unselected	5/4	1760	(1680-1805)	1090	(1020-1130)	775	(735-805)
SOFT MAPLE	4/4	1530	(1440-1600)	870 -	(810-910)	650	(580-695)
Sap&Btr	5/4	1675	(1600-1765)	1000 -	(915-1060)	710	(665-755)
	6/4	1850	(1790-1900)	1265	(1185-1325)	815	(770-860)
	8/4	1915	(1850-1980)	1350	(1295-1405)	905	(860-955)
SOFT MAPLE	4/4	1380	(1325-1470)	735	(685-785)	515	(460-555)
Unselected							
RED OAK	4/4	1095	(1020-1195)	785	(690-855)	620	(580-660)
	5/4	1410	(1345-1480)	940	(900-1000)	745	(710-790)
	6/4	1730	(1695-1795)	1210	(1180-1260)	- - -	- - - - -
WHITE OAK	4/4	1340	(1255-1395)	715	(670-780)	585	(550-625)

Comments

The holiday-shortened workweek caused few disruptions in market activity within the Northern region. Business was already down due to slow home construction and poor economic conditions; primary and secondary manufacturers had no trouble scheduling transactions around the one-day holiday. In fact, many sawmills and end-users are discussing extended shutdowns around the Fourth of July break. In the meantime, business is slow, and the supply side of the marketplace continues working to lower production. Reportedly, the volume of developing green stocks is close to demand for most grades and thicknesses. Kiln dried supplies are still adequate

if not ample, though are decreasing. In addition to work schedules being modified for holidays, area sources report Northern sawmill production is down by as much as 60%. Clearly, the supply correction is making progress, overall. However, the market's needs for given items is not necessarily settled. More information follows.

ASH: Reports point out decreased activity for Ash in both domestic and international market arenas. Global economic weakness has slowed consumerism in industrialized nations and has derailed

(Continued on Page 10)

NORTHERN COMMENTS (Cont'd from Page 9)

progress by developing countries. Ash supplies have contracted alongside of demand. Activity underway is priced steady at the listings for green #2A&Btr. Kiln dried stocks, on the other hand, continue to experience moderate price pressures. Lower reported prices take down the kiln dried 4/4 #1C listing and range \$15 and decrease the bottom ends of the 4/4 Fas and #2A ranges \$10.

ASPEN: The limited transactions reported for green Aspen are holding at stable prices; most are centered on the respective listings for #2B&Btr. Pricing for kiln dried Aspen shows more variability than for green stocks. However, only the kiln dried 4/4 #2A listing and upper end range figure warrant adjustments, with each coming down \$10.

BASSWOOD: Business for this species remains tightly controlled, though retains a level of continuity among established customer/supplier relationships. Orders and shipments are down, with mills and yards lowering production accordingly. Reportedly, the volumes of green stocks entering the marketplace are in line with demand; prices are static and remain at the listings. Some sources foresee shortages for given items before green Basswood production picks back up in the fall when temperatures cool. In fact, there are already some indications of tightening supplies for kiln dried 5/4 Fas, as advancing high end prices warrant a \$20 increase to the top side of the range this week. Less surprising, lower prices are reported for kiln dried 4/4 and 8/4 #1C; the 4/4 listing and high end of the range are reduced \$15, and the 8/4 #1C listing and high end range figure drop \$15 and \$10, respectively.

BEECH: Contacts describe a confined marketplace for this species, though acknowledge ongoing business is relatively consistent. Prices are unchanged from last week.

BIRCH: Business is holding steady for this species within ongoing buyer/seller activity. Prices for green #3A&Btr remain at the listings, with Fas&Sel Alone and color sorted stocks bringing premiums. Some moderate upward price movement is noted for selective kiln dried items. However, the listings and ranges are reflective of pricing in most reported activity.

HARD MAPLE: Contacts state business for this species is slow. Some are concerned demand may be affected by more than the housing market and

weak economic conditions. As if the historical downturns were not enough to seize up activity, inconclusive evidence suggests Hard Maple may be giving up share to an array of other species. It is impossible to grasp the full extent of demand at this time when the cabinet industry and other vital Hard Maple markets are operating at a fraction of normal rates. Furthermore, Hard Maple lumber can be processed relatively quickly from a green to kiln dried state, which gives buyers additional margin with on-hand inventories. Nonetheless, market conditions for this species are competitive despite significant reductions made to sawmill production. Prices reported for green stocks warrant \$15 reductions to the 4/4 and 5/4 #1C listings in both color designations and to the #1&2 White 4/4 #2A listing. The kiln dried #1&2 White listings are decreased \$15 for 4/4 #1C and #2A and \$20 for 5/4 Fas; the noted range figures are adjusted similar amounts.

SOFT MAPLE: Soft Maple has suffered the same consequences as most other species from falling home construction and weak economic conditions. Yet, the reaction by pricing to the business downturn seems moderate in comparison. Conscious reductions in green and kiln dried lumber production helped ease price pressures by lowering supplies. Reported prices are steady for green stocks and remain in line with the listings. However, competitive market pressures exist, and price movement is occurring for given items. Information warrants \$20 decreases to the kiln dried Sap&Btr 4/4 and 5/4 #1C listings, along with similar reductions to the ranges.

RED OAK: Area sales contacts agree that business is not very good for Red Oak. However, some find conditions are less troublesome than for Hard Maple and other selective species. Limited supplies may influence this perspective. The makeup of growing stocks within timber and log procurement areas determines how much Red Oak is produced; so can the time of year, as loggers and mills concentrate on whitewoods during cool temperature months. Efforts by mills and yards to restrict Red Oak output have been ongoing for the last several years in this and other producing regions. Without the burden of excess supplies, prices have become somewhat resilient. However, market pressures persist and Red Oak prices have not completely settled. The published figures are in order for most grades and thicknesses published for green stocks, though \$10 reductions are warranted to the 4/4 #2A and 4/4 #2A Alone listings. Adjustments made in past issues have the kiln dried listings and ranges in order.

(Continued on Page 15)

Figures in the Appalachian and Southern area columns are estimates of manufacturers' **predominant** prices for unfinished Oak strip flooring; figures under the column heading Industry Range are estimates of **prevailing industry ranges** of manufacturers' prices. Variations in prices are due, in part, to differences in freight considerations, the nature of markets, volumes ordered and shipped, etc. Prices are for truckload and greater quantities graded in accordance with rules governed by or that functionally are comparable to standards set forth by NOFMA. **Prices are in US Dollars per square foot (SF) and are net of dealer discount fees and commissions.** Figures in bold print signify price changes. Prices in **Hardwood Market Report** are presented only as a guide. See statement on page one. © 2009 *Hardwood Market Report*

<u>3/4 x 2-1/4" OAK STRIP FLOORING</u>	<u>APPALACHIAN</u>	<u>SOUTHERN</u>	<u>INDUSTRY RANGE</u>
NOFMA CLEAR PLAIN WHITE OAK	2.20	2.20	2.05-2.35
NOFMA CLEAR PLAIN RED OAK	2.35	2.35	2.20-2.45
NOFMA SELECT PLAIN WHITE OAK	1.55	1.55	1.45-1.66
NOFMA SELECT PLAIN RED OAK	1.55	1.52	1.45-1.65
NOFMA No. 1 COM PLAIN WHITE OAK	1.15	1.10	1.00-1.25
NOFMA No. 1 COM PLAIN RED OAK	1.25	1.15	1.05-1.30
NOFMA No. 2 COM WHITE OAK	0.95	0.95	0.80-1.00
NOFMA No. 2 COM RED OAK	1.00	1.00	0.85-1.10

<u>3/4 x 3-1/4" OAK STRIP FLOORING</u>	<u>APPALACHIAN</u>	<u>SOUTHERN</u>	<u>INDUSTRY RANGE</u>
NOFMA CLEAR PLAIN WHITE OAK	2.53	2.51	2.45-2.58
NOFMA CLEAR PLAIN RED OAK	2.65	2.61	2.56-2.70
NOFMA SELECT PLAIN WHITE OAK	1.60	1.60	1.50-1.65
NOFMA SELECT PLAIN RED OAK	1.60	1.55	1.50-1.65
NOFMA No. 1 COM PLAIN WHITE OAK	1.30	1.25	1.15-1.35
NOFMA No. 1 COM PLAIN RED OAK	1.30	1.20	1.15-1.40
NOFMA No. 2 COM WHITE OAK	1.10	1.10	1.00-1.20
NOFMA No. 2 COM RED OAK	1.10	1.10	1.00-1.20

In the last several weeks, this column has discussed changing supply circumstances in all facets of the economy. More to the point for the solid wood flooring market, the articles provided strong supporting evidence of correction in housing, the engine that drives business for flooring, as well as in flooring manufacturers' inventories.

The narrowing supply stream has put solid wood flooring on firmer ground. Although there are imbalances between product availability and demand for given items, the effects of sharply reduced manufacturing output and decreasing backlogged inventories provide a measure of business stability where previously there was little traction.

The solid wood flooring sector is a crucial primary market for hardwood lumber. However, the timing of the last significant drop in flooring manufacturing (February '09) coincided with reduced raw material needs by other low grade lumber and industrial timber markets. The combined drop in raw material demand has been catastrophic to sawmills.

Sawmill companies responded by radically reducing production. The difference in lumber volume

entering the marketplace was immediately noticeable. The decreases were initially a non-issue for flooring manufacturers since they were then in the process of lowering inventories. Though as time passed, manufacturers' lumber receipts began dipping below targeted levels. Now, decreased sawmill production warrants attention. The estimated annual rate of Eastern US hardwood production for April was 5.9B bd. ft.; preliminary estimates have production down further for May. Annual hardwood consumption by primary US markets is projected at nearly 6.3B bd. ft. for 2009.

Supply correction is easy enough to recognize. In contrast, it is difficult for flooring manufacturers and distributors to establish exactly how and when to respond to tightening supplies. Obviously, market conditions are still very weak, and there is not much hope for a strong rebound in the near-term. And, because conditions have been so bad for so long, businesses are reluctant to react to potential change; instead, the focus remains centered on survival. Moreover, the timing of supply change for lumber and flooring is uneven. Unsure if higher raw material costs can pass through to finished goods, manufacturers are standing pat, awaiting the marketplace to dictate the next move.

SOUTHERN COMMENTS (Cont'd from Page 3)

conomic conditions. At the same time, sawmill production of this species has decreased. Crosstie output has fallen, which has limited grade lumber output. Supplies and use are fairly evenly matched with the market's needs.

SOFT MAPLE: Markets for this species have contracted in response to slow new home construction and remodeling. Business that is in process is firmly established among long-term buyers and sellers. In ongoing activity, volumes shipped have fallen, though reported prices are static. No changes are warranted to the published figures.

#2A&3A OAK: Declining sawmill production has had a profound impact on the supply-side of the marketplace. Just a few weeks ago, mills and resellers were unable to ship total output of lumber and industrial products. Combined with poor markets, wet weather conditions reduced log inventories. Now, Southern production of green lumber is closer in line with the market's needs. However, the demand side of the equation has not improved. Weak sales of finished goods have warranted reductions of scheduled hours by residential and truck trailer flooring manufacturers, requiring less #2A&3A Oak. Buyers continue to control receipts of raw materials. Reported prices for these grades were unchanged last week.

RED OAK: Kiln dried #1C&Btr Red Oak inventories are at least sufficient to satisfy the market's needs. Yet, contacts acknowledge that supplies have fallen over time, in part, due to lower green lumber production entering the supply pipeline. Demand has not noticeably improved for these grades. However, reported prices were unchanged last week, keeping the kiln dried #1C&Btr listings and ranges intact. On the other hand, #2A Red Oak markets remain highly competitive, pressuring prices lower. The kiln dried 4/4 #2A listing and bottom side of the range are reduced \$15. Low log decks and stagnant interest in green stocks have limited output. The rapid decline in pricing seen late last year and earlier this year has eased. The green #3A&Btr listings are reflective of prices in recently reported activity.

WHITE OAK: Exports of this species fell 27.8% in the first three months of 2009 versus 2008, which is consistent with declining finished goods sales and production. However, the numbers vary widely by countries. For instance, shipments to Germany were steady in 2007 and 2008 but increased 42.1% in the first quarter of this year. Exports to Italy grew 51.2% year-to-date compared

to last year. On the other hand, US White Oak shipments to Spain and Portugal declined 32.3% and 36.5%, respectively. Domestic markets for White Oak mirror slow new home construction and remodeling. Demand for this species remains weak. Inventories have moved down; however, market pressures are lingering. In fact, transactions continue to show lower numbers for kiln dried 4/4 #1C&Btr, requiring \$20 and \$15 decreases to the Fas and #1C listings and ranges, respectively. On the other hand, declining green #3A&Btr output has eased supply-based pressures. The listings are representative of reported pricing.

POPLAR: Activity for this species is spread between domestic and international customers, and varies with the respective markets around the world. However, slow economic conditions have hampered shipments of hardwood finished goods and lumber. At the same time, sawmill production has declined, easing supply-side pressures to a degree. Information shows green lumber output and use are closer aligned, holding the listings in check. Business results are wider mixed for kiln dried stocks. Buyers are purchasing for short-term needs, keeping sales competition stiff. Reported pricing has trended lower over time, and reductions have been made to the listings and ranges to reflect this trend. Following previous adjustments, the kiln dried numbers are in order.

FRAMESTOCK, CANTS, TIES, & BOARD ROAD: Demand for Oak and Mixed Species Framestock is less than robust, though is consistent with past weeks. Supplies are in line with the market's needs. Reported prices are static, allowing the Oak and Mixed Species Framestock ranges to stand.

Demand for Cants remains lackluster. Slow economic conditions have impacted sales, shipments, and production of wooden packaging materials. At the same time, supplies of Cants have declined alongside falling sawmill output. Reported prices are pressured lower, though the listing and range are reflective of activity.

Insertions of black Ties are consistent with projections. Railroads are on schedule with Tie replacement projects, and in process inventories are at desired levels. However, buyers have placed suppliers on quotas to control receipts. Previously, production grew beyond handling capabilities of many yards. Reported prices have eased lower, though fall within the ranges.

Activity for Board Road material remains slow. Business is centered on buyers and sellers with established markets. Pricing is consistent with past weeks, holding the listing and range intact.

APPALACHIAN COMMENTS (Cont'd from Page 7)

mill output of White Oak has not equaled falling demand. Both the solid wood and truck trailer flooring industries remain in contracted purchasing positions. Sales of finished goods have not improved, and buyers are working diligently to maintain or decrease raw material inventories. However, reported pricing for green #2A&3A Oak has stabilized. The listings are reflective of activity, allowing the published figures to stand.

RED OAK: In most sections of the Appalachian region, log inventories remain low. In the northern reaches, sawmill operators have processed white-wood log decks and are unwilling to speculate on future demand or risk degrade from warm weather. Complicating matters, markets for Red Oak have been weak for an extended period of time; therefore, mills have controlled log purchases of this species. Consequently, sawmill production of Red Oak is down, easing supply-side pressures of green and kiln dried lumber to a degree. Salability is still an ongoing issue, though pricing for green #3A&Btr Red Oak has stabilized, allowing the published numbers to stand. Pricing is more variable for kiln dried stocks. Buyers are purchasing only for immediate needs. Yet, lower green lumber output is beginning to impact kiln dried availability. There is no shortage of kiln dried stocks, but pressures to accept ever-falling prices have eased. At present, the kiln dried listings and ranges are reflective of reported activity, keeping the published figures intact.

WHITE OAK: Worldwide demand for hardwood construction materials has been negatively affected by soft economic conditions, weak housing markets, and limited available credit. Because finished goods sales are off, secondary manufacturers have scaled back production schedules and idled plants, requiring fewer raw materials. Domestic and export shipments of hardwood lumber, in general, and White Oak specifically, have declined as a result. At the same time, sawmill production has fallen, which has helped ease supply-based pressures for green stocks and lower in-process supplies. Reported pricing for green #3A&Btr was static last week, allowing the listings to stand. There is more variability in prices for kiln dried #2A&Btr, as influenced by sales operations' needing cash flow and/or shed space. Sufficiently reduced prices were reported last week for kiln dried 5/4 and 8/4 Fas to drop the listings \$25, with similar changes to the ranges. No other adjustments are required at this time.

POPLAR: Globally, demand for this species has declined. Slow residential and commercial con-

struction activity has lessened the need for hardwood interior fittings. Consequently, secondary manufacturers need fewer raw materials to maintain desired production and inventory objectives. At the same time, Eastern US hardwood output has fallen dramatically over the past several months. Supplies of green stocks are now more evenly balanced with the market's needs. Transactions point out static pricing for green #2B&Btr, holding the listings intact. While pricing is more varied for kiln dried #2A&Btr Poplar, there has been little change from past activity. The kiln dried figures are indicative of reported prices.

WALNUT: Demand for green #2A&Btr Walnut is absorbing limited output of this species. Lower production has eased price pressures, allowing the green listings to stand. On the other hand, inventories of kiln dried stocks are described as ample to excessive to satisfy buyers' needs. Based on specifications for lengths and widths, pricing covers a wide range. Several grades and thicknesses remain under pressure, though past reductions have the published figures in order. The lone exception is kiln dried 5/4 #2A; reported prices push the listing and range down \$20.

FRAMESTOCK, CANTS, TIES, & BOARD ROAD: The volume of in-process Oak and Mixed Species Framestock has declined alongside falling sawmill production. Too, conditions have been less than ideal for drying Framestock. At the same time, demand remains flat. Reported prices have steadied for Oak and Mixed Species stocks, keeping the ranges intact.

Demand for Cants has fallen in conjunction with weak economic conditions in the US and abroad. Activity was limited last week due to the holiday-shortened work schedule in the US. However, reported prices were unchanged, allowing the listing and range to stand.

7x9 Crosstie buyers remain proactive in controlling receipts. Information shows that receiving yards are beginning to clear backlogged supplies. Yet, inventories of in-process Ties are considered ample to satisfy immediate and longer-term insertion objectives. Pricing has eased lower over time, and changes have been made to the ranges to reflect this trend. However, no additional reductions are necessary to the published figures at this time.

There was very little activity for Board Road material last week. Business is confined to specific quantities to be shipped at specific times. In ongoing activity, pricing was static, holding the listing and range in check.

Export activity is largely based on individual specifications between buyer and seller. Factors such as color, texture, lengths, widths, special grade, packaging, consistency of quality and scheduling enter into price negotiations. However, the **Hardwood Market Report** can serve as a basis for information, and as a reference to domestic market activity and pricing that could contribute in export negotiations. © 2009 *Hardwood Market Report*

The financial crisis that became evident last fall continues to drag global economies down. GDP declined for industrialized and emerging economies. Banks remain under pressure to bolster cash reserves, limiting funds available for business expansion and consumerism. Deflated home values have affected equity, which has decreased borrowing power for remodeling projects and other expenditures. Builders are also struggling to obtain financing for residential and commercial construction. These and many more circumstances have impacted markets for US hardwoods.

In the United Kingdom, the Bank of England's *Credit Conditions Survey* shows that lending to households fell from mid-December to mid-March. In England, April's average price for a typical home declined 15% within the previous 12 months. And, these numbers are not unusual for other European countries.

In Japan, new residential construction continues to struggle amid limited financing and weak economic conditions. The seasonally adjusted annual rate for March was 888,000 units compared to 1,118,000 the previous year. Monthly totals were down 20.7% from February.

The International Monetary Fund (IMF) provides a broader scope of global economic conditions in their revised April report. In the fourth quarter of 2008, advanced countries experienced a 7.5% decrease in real GDP. Emerging economies also slowed, contracting 4.0% in the final quarter of last year. Projections show worldwide activity will fall 1.3% in 2009, a sharp reduction from January's estimate.

Governments have taken drastic steps to stabilize financial markets and restore confidence in local economies. And, sentiment at the G20 meeting in April was better, though prospects for a near-term recovery remained low.

Dismal industrial production data for the European Union (EU) point out how far economic conditions need to improve before significant gains can occur for hardwood construction materials. Forecasts show GDP for both the EU and the euro area is expected to contract 4% in 2009. However, situations vary widely for individual countries, depending on exposure to toxic debt incurred by financial institutions, unemployment, dependency on exports, housing markets, and many other variables.

In Spain, the economic crisis has had a dramatic impact on unemployment, which is projected to continue to rise through the first half of 2009. Therefore, consumer confidence and demand are expected to remain weak. The housing market in Spain is reportedly stabilizing, though remains soft after a severe downturn in 2008. In Italy, industrial production declined 24.0% in March compared to the prior year. But, the banking industry is apparently less exposed to the worldwide crisis than in other nations, and businesses have access to operating funds.

The Italian furniture industry held up fairly well through 2008, contracting a modest 5.6%, primarily from lower consumption by domestic customers. In fact, exports of Italian furniture dropped only 2.0% in 2008. However, manufacturers prepared for a worse case scenario, lowering raw material inventories. The most recent data from the USDA Foreign Agricultural Service show that Shipments of US hardwoods to Italy fell 32.5% in the first three months of 2009 compared to last year. Poplar led all species, but shipments declined 32.9% to 5.5 million board feet, 40% of total exports. On the other hand, White Oak gained 51.2%.

Overall, exports of US hardwoods decreased 34.8% through March versus the first three months of 2008. White Oak continued to lead other species; however, shipments dropped 27.8%. Red Oak followed White Oak, garnering 16.4% of the total to 26.7 million board feet. Poplar was third, though shipments fell 37.3% to 25.1 million board feet. Not surprising to US producers of Cherry, activity for this species decreased 52.4% for lumber and 60.9% for logs. Walnut also experienced major reductions in shipments, with lumber falling 40.4% and Walnut log exports dropping 58.3%.

It is certain that hardwood construction material sales have been negatively impacted by the worldwide financial crisis. Data show what exporters have been painfully aware of since last fall. However, reports offer some evidence that activity for US hardwoods has stabilized and, in certain markets, improvement is seen. One example is China; the government is implementing a \$585 billion dollar stimulus plan and is pushing banks to increase lending. At the very least, the government's efforts have provided manufacturers with a cushion until demand improves.

WHITE OAK: Reports indicate backlogged White Oak inventories are clearing out. Timber purchases and log decks that were built up for heavy White Oak production have been worked off; now, species production by area mills is more proportionate with that of local growing stocks. Furthermore, total sawmill output has been sharply reduced in the North Country, cutting green #3A&Btr White Oak volumes that much more. Yards substantially decreased or suspended green White Oak purchases while pressing to keep developing kiln dried lumber shipped. Secondary manufacturers restricted purchases to immediate needs, which is still the normal mode of operations. By most accounts, White Oak supplies are in decent shape relative to overall demand. However, sources point out that business is generally flat and still weak for certain items. Pricing is static in reported activity for green stocks, keeping the published figures in check. Upper end prices have slipped for kiln dried 4/4 Fas, pulling down the high side of the range \$20 this week. Pricing seems stable for kiln dried #1C and is mixed, but unchanged, for kiln dried #2A.

PALLET LUMBER, CANTS, TIES, & BOARD

ROAD: Some mills continue to experience difficulties moving all developing low grade lumber and industrial timbers. The economic fallout in the US has drastically reduced manufacturing and, with it, the need for wooden packaging materials. However, sharp reductions in sawmill production have helped ease supply-based pressures on Pallet Lumber and Cants. Prices are relatively stable and in line with the respective listings and ranges.

The latest report from RTA revised Tie inventory figures down for the month of March, although the adjusted numbers were still 7.5% above those from a year earlier. RTA also reported industry-wide Tie supplies slipped in April from March but, likewise, were higher than in April 2008. Furthermore, Tie inventories are expected to decrease when weather conditions improve and construction activity gains momentum. Locally, Tie buyers are purchasing at a controlled but steady rate from established sources. Some moderate price fluctuation is noted in given transactions. However, most of the pricing for 7x9 Crossties remains within the range.

Activity was limited for Board Road, though warrants no changes to the listing or range.



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Red Oak 4/4 -12/4
Soft Maple 4/4 - 12/4
Walnut 4/4 - 12/4
White Oak 4/4 - 12/4

Tropical

African Mahogany 4/4 - 16/4
Andiroba 4/4 & 8/4
Black Limba 4/4 & 8/4
Brazilian Cherry 4/4 - 8/4
Caribbean Cherry 4/4 8/4
Spanish Cedar 4/4 - 8/4
Ipe Lumber 4/4 - 8/4
Iroko 4/4
Makore 4/4 6/4 8/4
Santos Mahogany 4/4 - 5/4
Genuine Mahogany 4/4 -16/4
Teak 4/4 -10/4
Wenge 4/4 6/4 8/4
Anigre 4/4 & 8/4
Avodire 4/4
Bloodwood 4/4 & 8/4
Canarywood 4/4
Caribbean Rosewood 4/4
Cumaru 4/4 & 5/4
Ipe Decking 4/4 -8/4
Lacewood 4/4
Purpleheart 4/4 & 8/4
Sapele 4/4 - 12/4
Sipo/Utile 4/4 - 12/4
Tigerwood 4/4 5/4 8/4
Zebrawood 4/4 8/4