

Overview of North American Softwood Lumber and Panel Markets

Based on, Ch. 1 Buying and Selling
Softwood Lumber and Panels by Dave
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Topics

- Trading terminology – learn the language
- Overview of Lumber and Panel Markets
- Describe Players in the Distribution Chain
- Illustrate Production Regions

Softwood Lumber Terminology

- Softwood – Conifer, evergreen
 - Fir, Douglas Fir (not a true fir)
 - Cedar (Western Red)
 - Pine (many)
 - Spruce
 - Hemlock
 - Larch

Softwood Lumber Terminology

- Lumber – Wood sawn on all 4-sides, cut to a specific length
- Board Foot – 1" thick by 12" wide by 1 ft long
- $(\text{ins.} \times \text{ins.} \times \text{ft}) / 12 = \text{bd. Ft.}$
- Thousand board-ft = MBF
- Nominal vs. Actual – Nominal is used to calculate board-footage

Softwood Lumber Terminology

- Structural panels
 - Plywood – Douglas fir, Southern Yellow Pine
 - OSB (Oriented Strand Board, Poplar and Aspen)
- Panels measured in square feet. (sf)
- Surface measure (no regard to thickness)
- Thousand Sq. Ft. = MSF

Softwood Lumber Terminology

- Trading
 - The act of buying/selling wholesale quantities of lumber and panels
- North America
 - For these purposes Canada and USA only (don't feel too sorry for Mexico)

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NA Softwood Lumber and Panel Market

- 17,250 truckloads of softwood lumber and panels sold EVERY WORKING DAY
- 220 miles of trucks end to end
- 2/3 lumber, 1/3 Panels

Free Market

- Many Buyers
- Many Sellers
- Prices at which product is bought/sold are determined Daily/hourly/minute-by-minute through negotiations of thousands of buyers/sellers.

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Market Players in the Distribution channel

- | | |
|-----------------------------|--|
| • Mill sales office | • Reload centers |
| • Reman plants | • Stocking wholesalers (Regional Distributors) |
| • Office Wholesalers | • Lumberyards – Retail |
| • Manufacturing companies | • Building Contractors |
| • Cooperative Buying Groups | • DIY |

Mill Sales Office

- Small staff – sells mill production
- Can affect future production schedule given mill's log mix, quality, size, current inventory levels and demand.
- Sell to customers in LARGE VOLUME and with Solid Credit History
- Traffic Department (trucking)
- Delivered to Destination Pricing – includes freight

Remanufacturing Plants

- Obtain material from High Production Mills, usually lower grade
- Reman lumber and panel products to higher-grade, different products
- Some product competes directly with mills (bad 14' converted to "good" 8')
- Treating Plants – pressure treat
- Moulding & Millwork plants – create mouldings



Office Wholesalers

- Buy/sell Large Quantities
- Buy From Producers (Mills)
- Sell To:
 - Distribution Centers (Wholesalers)
 - Treaters
 - Large Retailers
 - Large manufacturers
- Trading done over phone, email, FAX – they do not take delivery of the product

Manufacturers

- Take carload or truckload (T/L) quantities
- Cut it up to produce:
 - Cabinets, furniture, crates, boxes ...

Co-ops and Buying Groups

- Lumbermens Merchandising Corp (LMC)
- Ace Hardware
- Do It Best

Co-ops and Buying Groups

- Members – retail lumber yards
- Employ lumber and panel specialists
- Buy in large volume, time the market, obtain long term supply contracts
- Buy from mills, remans, treaters, office and other wholesalers

Reload Centers

- Take in train and T/L, offload
- Ship out specific T/L to buyers
- “Origin reloads” – Near mills
- “Destination reloads” – Near customers (Palmer, MA)
- Reload inventories are “carried” by the mills and wholesalers
- Reload yards charge “rent”, storage and handling

Distribution Yards (Merchandising/Stocking Wholesalers)

- Inside sales – phone work
- Outside sales –travel and meet with customers
- 200 mile service radius
- Buy and store inventory, regular shipments to retail lumber dealers

Lumber Yards

- Independent/Local
 - Northeast Retail Lumber Dealers Assoc.
- Big Box – Home Depot, Lowes
- Typically purchase in LTL (Less than Truckload quantities)

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Lumber Producing Regions

- West Coast
 - Douglas fir, Western Red Cedar, Western Hemlock, Sitka Spruce, Redwood
- Inland (Between Cascades and Rocky Mtns.)
 - Spruce, Pine, True Fir (SPF), Douglas fir, Western Larch, Western Red Cedar
- The South
 - Southern Yellow Pine

Lumber Producing Regions

- Midwest & Northeast
 - SPF, Hemlock, and Tamarack (Larch)
- Western Canada
 - Spruce, Pine, True Fir (SPF), Douglas fir, Western Hemlock, Western Red Cedar
- Eastern Canada
 - SPF

Plywood Producing Regions

- Western
 - WA, OR, ID, MT
- Southern Yellow Pine Region
- Canadian Softwood Plywood
 - British Columbia -> Alberta
 - New Brunswick

OSB

- North Central
- Mid-Atlantic
- Southeast
- Southwest
- Western Canadian
- Eastern Canadian