What will a 2010 housing market recovery mean for softwood lumber supply?

### Beetle Resources:

- A credible website for the latest pine beetle information in British Columbia: [www.for.gov.bc.ca](http://www.for.gov.bc.ca)
- Check out the U.S. action plan and information in British Columbia: [www2.wwpa.org/ABOUTWWPA/Newsroom/tabid/817/Default.aspx](http://www2.wwpa.org/ABOUTWWPA/Newsroom/tabid/817/Default.aspx)
- [Increase in 2010 for lumber producers](http://www2.news.gov.bc.ca/news_releases_2009-2013/2009FOR0078-000617.htm)
- [Stocking dealers wanted!](http://www.woodtech.com/)

### Beetle Colonization

- The mountain pine beetle is a tiny insect that’s made a not-so-tiny imprint on the future availability of softwood lumber from the region.
- Scientists believe that the outbreak of this beetle species since the 1990s is due to warmer winters. In the past, below freezing temperatures would kill off the beetle in the winter. But recently, warmer temperatures in Canada haven’t dipped low enough to kill it. Additionally, hot and dry summers leave pine drought-stressed and more susceptible to beetle attack.
- As a result, the beetle continues to burrow its way into the bark of hundreds of thousands of acres of pine forests in British Columbia, Alberta and recently even further east into Saskatchewan. While burrowing through pine bark, the Mountain Pine Beetle leaves behind a blue-colored fungus that can eventually kill the tree. If the beetle colonization isn’t contained, the tree will eventually die.
- What’s more, the beetle has spread to the U.S., infecting various species in the Rocky Mountain states of Colorado, Wyoming, South Dakota and more. Although not nearly as widespread as Canada, the beetle has done enough damage—roughly 6 million acres so far—to impact more than 18 billion board feet (bbf) of American softwood lumber.
- Scientists say that many of the infected logs can be salvaged, and the blue stain left behind by the beetle does not compromise in structural integrity if harvested early enough. The Canadian and U.S. governments have launched initiatives and dedicated federal resources at trying to stop the beetles’ spread (e.g., a combined $1 billion investment in the case of B.C. and the Canadian governments) using chemical treatments, burning techniques and cutting healthy trees around infected ones. One of the techniques is allowing increased harvesting of infected forests. Though some of this stock can be diverted to manufacturing bioenergy and engineered wood products, a surplus supply of logs exists which has driven prices down for the moment. But when the supply runs out, some analysts expect prices to spike.
- The cumulative area of timberland affected in B.C. alone is estimated at more than 14 million hectares (or 39 million acres, about four times the size of Vancouver Island). Some experts say that the B.C. outbreaks will reduce the timber harvests by as much as 30 percent. B.C. is expected to spike between 2014/2015.
- The impact of the timber losses are likely to be felt for several years. Stay tuned for a follow-up article with more details about the affect of the beetle on softwood lumber supply and prices. See inset for list of credible sources in Canada and the U.S.

### Factor 2: The Recovery

After several consecutive years of sliding demand, most analysts predict an increase in demand for lumber as the housing recovery begins this year. Rising housing starts, inventories and government stimulus packages should kick-start lumber demand. But can production keep up?

In its 2010 forecast, the Western Wood Products Association (WWPA) predicts a mild 2010 recovery for lumber producers. “Given the unprecedented downturn, recovery for the lumber industry is unlikely to follow the same path as it has in the past,” said David Jackson, WWPA economist.

“The challenge for mills will be adjusting to a ‘new normal’ for the future.” Though 2010’s gradual recovery is expected, demand surges causing production and price spikes, the scenario is plausible for the 2011–2013 range.

Let’s look at the numbers. WWPA estimates that a total of 31 bbf of lumber was consumed by the U.S. market in 2009. About 11.6 bbf of that was harvested in B.C. Some experts say that the B.C. outbreaks will reduce the timber harvests by as early as 2011.

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