

Lumber Industry Insight

ARE CURRENT LUMBER PRICES GOOD FOR OUR INDUSTRY?

The answer to this may appear to be an emphatic YES! But there are several reasons why the answer should be an emphatic NO! What are these? Builders and everyone else begin to believe that these are the prices that lumber companies can produce lumber at and still make a profit. Unfortunately, for many companies, that is just not true right now.

1. This creates a market that believes something that is not true. When the price goes up the sentiment is that the lumber companies are gouging its customers. How does this create trust between the truss industry and its lumber suppliers, the truss industry and its builder customers, and the lumber industry and its builder customers?
2. What is the natural response a manager is going to make when he/she is losing money? They are going to make changes in the way they transact business. Are those changes going to be in the best interest of the customer? Probably not, if the bleeding goes on too long. No manager wants to be part of a losing proposition, so changes will be made no matter what.
3. I have heard the thinking that the lumber companies are so big that they can easily absorb losses. Comments are made that they sometimes take losses just to produce more profitable paper products. While this may be partially true for the integrated forest products companies, not all companies can afford to operate this way. The real question is: How long can losses be sustained before Item #2 above comes into play?

4. What happens when one party is constantly a loser in a game or business relationship? The natural human response is to fight back and win big when you can. Does the current lumber market foster the business partnership our industry desires with the lumber industry where all parties are working together to make consistent profits on the best engineered wood product ever conceived - metal plate connected wood trusses?

5. Should we ever want any of our business partners to be losing money? Conversely, should we ever desire any of our business partners to gouge us when they can, and feel good about that because we did not have the right attitude when they were in the tank? How does this keep us consistently competitive in the market?

6. Have your builders asked you for a price break due to lower lumber costs? Did you give it to them? Did your competition? Are you making more or less money than last year?

7. Are you pricing your product based on the use of a multiplier on the price you pay for lumber? If so, didn't your price go down quite a bit recently? What happened to your profit margins if you price your product this way?

A little over 18 months ago the lumber companies were big profit winners in the market and truss companies were big losers. Today, the lumber companies are the big losers and the truss companies are making solid profits. The question we must ask ourselves is when there are big winners and big losers in the business we transact, how can it possibly be fun and worthwhile?