

Lumber prices surge over supply, labour worries

BY GORDON HAMILTON, VANCOUVER SUN MAY 28, 2009



Lumber futures have gone up more than 10 per cent over the last two days on the Chicago Mercantile Exchange.

Photograph by: Reuters, Reuters

The looming expiration of labour contracts at Interior B.C. sawmills coupled with rumours that Canfor Corp. is going to curtail production have pushed lumber futures up more than 10 per cent over the last two days on the Chicago Mercantile Exchange.

The contract between employers and the United Steelworkers expires June 30, in the midst of one toughest lumber market in memory, raising concerns that the Interior supply could be disrupted.

Further, reports are circulating that Canfor Corp. has put a floor price on its lumber sales that are well above the current market price for lumber, said Jamie Greenough, of Global Futures Corp.

"They have established a floor price that's well above the market, that means they are not selling any lumber," Greenough said.

If Canfor is not selling lumber, then traders are speculating that the company is going to announce curtailments, which will likely push prices higher.

"There's got to be a reason for it and people are speculating on the reason they did it," Greenough said.

Canfor spokesman Dave Lefebvre was not available for comment.

In a report issued Thursday, economist Henry Spelter, of the U.S. Forest Service's Forest Products Laboratory, said the expiry of labour contracts in the Interior is raising concerns about future shipments.

"Talks are likely to be contentious in the current economy," he said. "Recently some firms had asked for wage concessions, which were rejected, much to the firms' indignation.

"But wage concessions make no sense from a union viewpoint without an offsetting guarantee against lay offs."

Bob Matters, wood council president for the United Steelworkers Union, said neither side has exchanged formal proposals.

“Employers have asked during the term of the current agreement, as early as 2007, to do certain things but we have said 'Thanks but no thanks' each time.”

He said the union has offers alternatives to wage concessions which the employers have also rejected. He does not expect concession to be on the table.

The dramatic rise in the Canadian dollar, which hit 90 cents US is another factor fueling the speculative jump in futures prices.

July futures hit \$193.60 US per thousand board feet Thursday, up from \$174.50 Tuesday.

Western spruce, pine fir (SPF) prices closed last week at \$162 US a thousand board feet, according to Madison's Lumber Reporter.

Lumber bottomed out at \$137.90 US a thousand board feet on Jan. 29, the lowest price since 1986. It hit a 10-year high of \$458.70 in August, 2004.

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