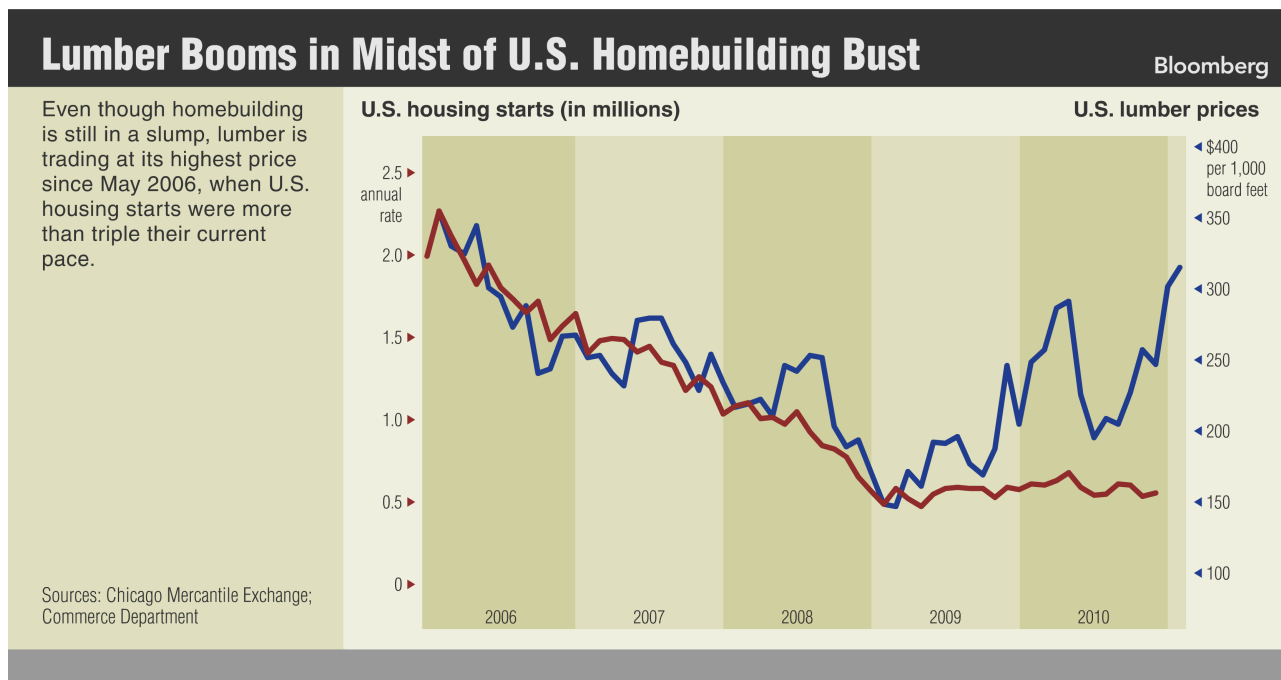


Bloomberg

Lumber Booms in Midst of Homebuilding's Bust: Chart of the Day



By David Wilson - Jan 5, 2011

Lumber has bounced back to prices seen during last decade's boom in U.S. housing even though the homebuilding industry, one of the biggest sources of demand, is still in a bust.

The CHART OF THE DAY illustrates how the price of lumber futures on the Chicago Mercantile Exchange compared with the annual rate of housing starts, as compiled by the Commerce Department, during the past five years.

Lumber traded yesterday at \$340 per 1,000 board feet -- the highest price since May 2006, when starts were more than triple their current pace. Futures jumped as much as 94 percent since June and rose by the exchange's \$10 daily limit three times in the past two weeks.

Growth in Chinese demand is behind the commodity's rally, according to Peter Ruschmeier, an analyst at Barclays Capital. [China](#) is the world's largest importer of logs and is reducing its dependence on Russia, the country's biggest supplier, he wrote yesterday in a report.

“A multiyear upturn in demand and prices is likely for logs, lumber and other wood products” as China increasingly turns to Canada and the U.S. Pacific Northwest for imports, Ruschmeier wrote.

Earnings at Louisiana-Pacific Corp., Plum Creek Timber Co., [Rayonier Inc.](#) and [Weyerhaeuser Co.](#) are poised to rise because of this shift, according to Ruschmeier. [Temple-Inland Inc.](#) may also benefit to a lesser degree, he added.

(To save a copy of the chart, [click here.](#))

To contact the reporter on this story: David Wilson in New York at dwilson@bloomberg.net

To contact the editor responsible for this story: James Greiff at jgreiff@bloomberg.net

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