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Lumber Rises to Four-Month High as U.S. Disputes Canada Pricing
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By Leslie Patton

Oct. 12 (Bloomberg) -- Lumber futures rose the maximum permitted by the Chicago Mercantile Exchange, reaching a four-month high, as the U.S. disputes the pricing of wood imported from Canada, the biggest foreign supplier.

British Columbia is "under-pricing" timber from public lands and "circumventing the export measures" in an agreement the two nations reached in 2006, the Office of the U.S. Trade Representative said in a statement dated Oct. 8. The U.S. requested talks to resolve the dispute. Lumber futures have surged 13 percent from a week ago and 30 percent in the past year.

"It just creates uncertainty, and that's probably why lumber prices have gone up," said Hakan Ekstrom, the president of Wood Resources International LLC in Bothell, Washington.

Lumber futures for November delivery jumped the CME's \$10 trading limit, or 4.3 percent, to settle at \$244 per 1,000 board feet at 1:05 p.m. in Chicago, the highest price since June 4.

The cost of wood has jumped in the past year, partly on speculation that a housing recovery would boost demand.

There may be "changes in how much lumber Canadian sawmills could send into the U.S. if the U.S. delegation is successful in restricting or adding some kind of tax," Ekstrom said.

A U.S.-Canada pricing agreement may take a "long, long, long time," he said.

"The British Columbia government is effectively funneling back hundreds of millions of dollars in collected export fees to BC producers," the U.S. Coalition for Fair Lumber Imports said in a statement dated Oct. 8. This "has caused serious harm to the entire North American industry," it said.

If the dispute isn't resolved in 40 days, either party may refer the matter to arbitration, according to the U.S. Trade Representative.

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