A Review of Econometric Models for Softwood Lumber

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Abstract: Past softwood lumber models have estimated price elasticities of the U.S. lumber demand ranging from -0.07 (Adams and Haynes, 1996) to -1.15 (Adams et al., 1992) with -0.17 obtained by Adams et al. (1986) used the most often. Some of the studies estimated both long-run and short-run elasticities while others do not specify if their results are for the long-run or short-run. In terms of data frequency, some of the models were estimated with annual data; others with quarterly data or monthly data. This paper will review published lumber models from 1980 and group them into long-run or short-run categories based on time series theories. Nonstationarity and endogeneity in these models will be reviewed. The implication of the estimated elasticities will be discussed according to the model forms and frequencies of their data used. The magnitude of the elasticities will be discussed according to the review of the models.

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