

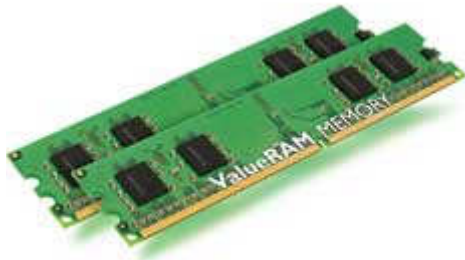
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Memory glut means consumer deals

DRAM prices down have dropped 80 percent from last year.

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The Orange County Register
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MEMORY KING: Fountain Valley memory company Kingston Technology generated over \$1 billion in sales from DRAM like this unit.

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An oversupply of computer memory chips means one thing: time to go shopping for computer memory.

Prices for computer memory, also known as DRAM, have been slipping for more than a year. Now, we're at some of the lowest prices in history.

A 1-gigabyte module of memory that a consumer buys at the electronics store was \$68 last year, said Nam Hyung Kim, an analyst with researcher **iSuppli Corp.** Now, it's \$14!

"Typically, DRAM prices decline 30 percent annually" because of lower production costs, Kim said. "Last year, prices declined 51 percent. We expect this year to be closer to a 40-percent decline. That's not good for memory makers because that means they're losing money. ... But this is a good time for the consumer to upgrade."

Even Fountain Valley's **Kingston Technology Co.**, which is on the losing end of this consumer deal, recommends buying now.

"Definitely," said Mark Leathem, Kingston's director of marketing. "At those levels, I can't put it any other way and I'm not trying to sell this. It would just be madness not to (buy more memory). It's a no brainer."

The simple explanation for the memory lapse: Too much memory was made. Overseas chip factories have spent the last few years upgrading facilities and improving production of computer memory, known as dynamic random access memory. But now, they are making too much memory. Hence, prices today are nearly 80 percent less than a year ago, said Kim with iSuppli.

DRAM speeds up computer performance. Leathem, with Kingston, said that by doubling your computer's memory, you'll see a significant improvement in tasks, from how fast it opens files to switching between open programs.

The current slump is more than a year old. But it's nothing new. Back in 2001, there was another glut in the memory market and prices also fell 80 percent.

In 2000, 1 GB of DRAM was \$931, remembers Bob Merritt, vice president with **Semico Research**, which tracks the memory industry. A year later, prices collapsed to \$224. Today, 1 GB of DRAM is between \$16 and \$20.

Overall DRAM revenue went from \$29 billion in 2000 to \$11 billion a year later. Thanks to an increase in computer and server sales, the industry recovered and posted \$31 billion in revenue last year. But because of the oversupply, Merritt is forecasting \$25 billion in revenues for this year.

"Prices are going to continue to fall," Merritt said. "There's been discussion that there is so much oversupply that some of the less efficient companies will be dropping out soon."

There are always rumors about companies dropping out but nothing official yet. Last week, Taiwan's **Nanya Technology Inc.** said it would consider raising prices, despite the glut. Same with Japan's **Elpida Memory Inc.**, which said it would raise prices 20 percent this month.

Companies like Kingston and rivals such as **Fabric Inc.**'s SimpleTech, expanded into flash-memory – used in digital cameras, cell phones and even computers – following the 2001 downturn. Now flash has become a big source of business.

In reporting \$4.6 billion in 2007 revenue, Kingston praised flash memory and high-end gaming memory for gains. Not a peep about its DRAM business.

"From our perspective, it's a good thing. It does shake out the market. It defines the people who want to stay in the market for the long haul," Leathem said, while on his way to promote Kingston's flash memory at the CTIA mobile-phone convention in Las Vegas last week.

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