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## Big supply of chips makes for great buys

By **Michelle Kessler**, USA TODAY

SAN FRANCISCO — An oversupply of one kind of computer memory is creating great deals on digital camera cards, music players and other portable electronics.

Flash memory chips are so plentiful, they're being sold at steep losses. One common model sold Wednesday for \$3.37 wholesale, though it can cost between \$4 and \$4.50 to make, says market tracker DRAMeXchange and equity firm Lehman Bros.

Some wholesale flash prices tumbled 22% in the first quarter from the previous quarter, Semico Research says.

That's bad news for companies that manufacture flash, including Samsung, Toshiba and Hynix (formerly a division of Hyundai). But it lowers the cost of making everything from universal serial bus (USB) drives to navigation systems to cellphones.

Savings are being passed on to consumers — but not in the way one might expect, says tech analyst Stephen Baker at researcher NPD. "You're not seeing changes in the pricing. They're just giving you more (memory)," he says.

Take camera memory cards and USB drives, two common uses for flash. Average price for both has stayed around \$26 for six months, NPD says. But the average amount of storage in each has jumped to 2.15 gigabytes in the first quarter from 1.85 GB, NPD says.

A gigabyte is enough to hold about 250 songs or 875 photos.

There are some price cuts. Apple in February lowered the price of its flash-based iPod Shuffle music player to \$49 from \$79. But most electronics makers are reluctant to cut, in part because the flash business is volatile, Baker says.

Demand is huge around the holidays, when electronics buying peaks. Chipmakers ramp up factories to keep up. But it's difficult to slow factories down when demand plummets in the spring.

This year has been especially tough, says Semico chip analyst Adrienne Downey. New technology has made it easier to make flash chips, increasing supply, she says. And the economic downturn has made buyers cautious.

The industry likely has hit its low for the year, Samsung Vice President Jim Elliott says. Prices jumped in the past two weeks, although the chips are still often sold at a loss.

Samsung, the No. 1 flash maker, hopes for a more dramatic turnaround. Flash competes with a rival technology — hard drives. Flash is generally more durable, faster and uses less power, but it's also more expensive. Hard drives also have greater storage capacity.

That's why hard drives are used in most PCs and bigger music players, such as the iPod Classic. But if flash can catch up enough, sales could grow, and the chips could become more profitable.

"The market will strengthen," Elliott says. "We have a tremendous commitment to the staying power (of flash)."