

Featuring Lumber, Panels
and Wood Products Analysis

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GLOBAL PRICE TRENDS

International WOOD MARKETS Group Inc. is pleased to provide you with this overview of our *WOOD MARKETS Monthly International Report*. The excerpts displayed in this two-page summary showcase why, since 1996, *WOOD MARKETS* has been the leading report addressing strategic issues and global topics that impact the solid wood products sector.

The full *WOOD MARKETS* report is available by annual subscription for US\$565 per year. Call 1-604-801-5996, by email at info@woodmarkets.com, or visit www.woodmarkets.com.

CHANGING INDUSTRY DYNAMICS IN PLAY

Turning the Page For a Record Run?

The last cyclical peak in the North American market occurred in 2005, and the low point was in 2009...*that* we all know too well. We have been on a slow recovery since then, with some promising market runs but nothing too sustainable. So — when will the next industry peak occur, how long will the ride be, and how good could it get?

Subscribers of *WOOD MARKETS Monthly* can look back to the May 2007 issue, when our team first predicted that a global softwood log shortage would develop in the following decade. This was followed by further analysis in August 2008 that predicted a decline in log exports that would change global markets — and that was before we had completely factored in the key role that China has played in both softwood log and lumber markets since 2009. **From our analysis, we were the first group to predict a possible “global log supply shock,” later paraphrased as a lumber “super-cycle.”**

Looking forward, the *WOOD MARKETS* outlook ahead is still bullish, but with one caveat on demand-side dynamics: while log supply shortages have occurred as forecast, it is the demand drivers in the key log- and lumber-consuming markets that have been, and will continue to be, the major wild cards. Without a sustained and accelerating rebound in U.S. demand, this has limited any significant upside so far. Getting back to 1.4–1.5 million U.S. housing starts at a faster pace than the last four years is what is missing; without an annual increase of 150,000–175,000 starts, industry capacity will most likely be able to expand at an equal or faster rate than production, limiting the upside.

As subscribers to our full five-year forecast in *WOOD MARKETS 2014 • The Five-Year Outlook* already know, we expect U.S. demand to come back slowly and steadily. However, factoring in the eventual recovery in Europe, rising log and lumber imports to China, and overall global demand growth, we are indeed heading toward a new cyclical high. While the first surge (which should include record prices) will likely not occur until 2016, it is the subsequent spike (2018?) that we believe will contain the next cyclical peak. It will take many changing dynamics for all this to occur, so hold onto your hat! ■

By Russ Taylor, President

Speaking of Change...

You will note some modifications to our look and format as of this issue — the first significant changes since 2006 — in recognition of what we believe is the start of the next super-cycle in business. We are also including some new statistics to keep our subscribers better informed. And, since we are no longer constrained by hard-copy page counts in this digital world, we will be extending our analysis beyond the traditional page limit. While other newsletters have dropped their page counts since 2006, we have not changed our format until now — and the result will be some extra content!

MARKET REPORT

MDF AND PARTICLEBOARD: OUTLOOK 2014–15**Consolidation Continues as Market Continues to Recover**

While U.S. housing construction increased in 2013, Canadian housing slowed. This resulted in approximately a 6% decrease in Canadian particleboard consumption, offset by a 4% increase in MDF consumption, for an overall non-structural panel decrease in Canada of 2% from 2012 to 2013 (summarized from *WOOD MARKETS 2014 • Outlook to 2018*).

The forecast for non-structural panel producers contains a mixture of sun and cloud for 2014 and 2015. Consumption is forecast

to expand slowly as the housing and renovation markets strengthen. With operating rates generally well below 80%, there is substantial room for production increases before the potential for supply shortages begins to put pressure on prices. WOOD MARKETS' forecast calls for a continued slow rise in prices of 3%–4% per year; rising fibre and resin costs are expected to keep a lid on margin increases. Capacity reopenings (if any) will likely be limited to niche products, such as thin MDF. ■

(The full *WOOD MARKETS* article provides further details, with several graphs for visual clarity.)

SPECIAL REPORT

JAPAN AIMS FOR A MORE SELF-SUFFICIENT WOOD INDUSTRY**Imports Rise in 2013, But the Trend is For a Decline**

Although North American softwood log and lumber exporters have been enjoying a resurgence of Japanese demand in the past year, various industry indicators suggest it will be short-lived. With the new federal government clearly pursuing a much stronger Japan-focused economic policy (higher inflation rates and a lower-valued yen) to stimulate the economy, imports will become more expensive and domestic wood products relatively less so. In addition, there are many signs of a change in Japan's drive to become more wood self-sufficient, such as a near-quadrupling of

the number of sawmills using domestic logs, log exports having more than doubled, new/higher quality standards for structural wood products, a large new sawmill and laminating plant in Kyushu, and the weakening Japanese yen; collectively, these have made Japanese log exports more competitive.

Of course, the growth of the domestic species wood industry depends to a large degree on price competitiveness with wood imports. The success (or lack) of the government's new economic direction will have a tremendous impact on future wood imports and Japanese self-sufficiency in wood. ■

(The full *WOOD MARKETS* article provides further details, with charts to tell the whole story.)

Note: Please contact us for pricing details for the full *WOOD MARKETS Monthly International Report*.

WHAT'S NEW

REGISTRATION IS OPEN:**GLOBAL SOFTWOOD LOG/LUMBER CONFERENCE: May 7, 2014**

- Hyatt Regency Hotel, Vancouver, BC, Canada
- www.woodmarkets.com/conf_conferences.html

MARK YOUR CALENDARS:**CHINA/GLOBAL WOOD PRODUCTS CONFERENCE: September 16–17, 2014**

- Qingdao, China
- www.woodmarkets.com/conf_conferences.html

NORTHERN CHINA INDUSTRY TOUR:

September 17–20, 2014

- All-inclusive, starting in Suifenhe, China
- www.woodmarkets.com/conf_conferences.html

RUSSIAN FAR EAST INDUSTRY TOUR:

September 20–25, 2014

- All-inclusive, ending in Suifenhe, China
- www.woodmarkets.com/conf_conferences.html

NOW AVAILABLE:**WOOD MARKETS 2014 • Outlook to 2018**

- www.woodmarkets.com/p_wmbook.htm

Russia: Forest Industry Competitiveness & Export Outlook

- www.woodmarkets.com/p_specialreports.htm

Global Timber/Sawmill/Lumber Cost Benchmarking • 2012 Annual Basis & Q1/13

- www.woodmarkets.com/p_globalreport.htm

North American Stud Industry & Market • Outlook to 2017

- www.woodmarkets.com/p_specialreports.htm

U.S. Moulding Market • Outlook to 2017

- www.woodmarkets.com/p_mouldingmarket.html

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- www.woodmarkets.com/p_chinabulletin.htm

Publisher & Editor
Associate Editors

Russell E. Taylor
Peter Butzelaar
Gerry Van Leeuwen

Managing Editor/Layout
Research
Subscriptions

Jane Keyes
Chari Gimenez
Barb MacDonald

Mailing Address

Suite 603–55 E. Cordova Street
Vancouver, BC, Canada V6A 0A5

Phone: 604-801-5996 (country code 1)

Fax: 604-801-5997

Email: info@woodmarkets.com

Website: www.woodmarkets.com

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