

Featuring Lumber, Panels
and Wood Products Analysis

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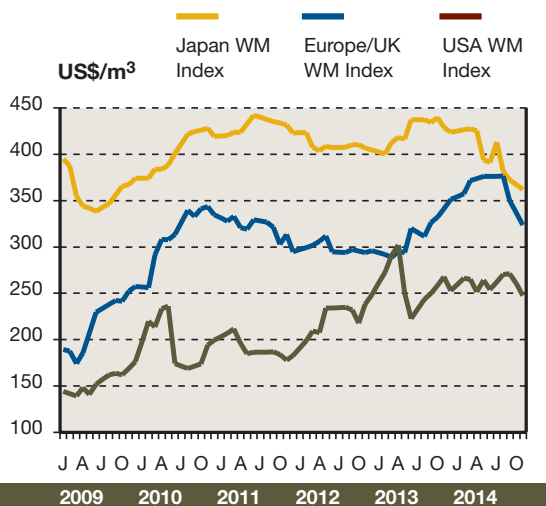
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GLOBAL PRICE TRENDS



Source: WOOD MARKETS

Note: Features structural lumber products from our Global Prices section

ISC 2014 BERLIN CONFERENCE

European & Russian Exporters Get Ready!

At the annual International Softwood Conference (ISC) held in Berlin, recent trends in the European market were generally reported as lacklustre and fragile. A few country markets showed rebounds from their previous cyclical lows, while stalwart markets such as Germany remained stable. After peaking in 2011 at 81.2 million m³, European sawn softwood consumption witnessed steady declines to 76.7 million m³ in 2012 and 74.5 million m³ in 2013. With the European debt crisis now bottoming out, more countries are seeing some growth, and this should result in European consumption rising to 78.2 million m³ in 2014. The outlook for 2015 is for marginal growth to 78.8 million m³ due to the fact that generally weak market demand is still expected in Europe. Over the same period, North American softwood lumber consumption has soared, moving from 72.2 million m³ in 2011 to an anticipated 91.8 million m³ in 2015 (+27% over a four-year period).

These lower consumption levels in Europe have had a corresponding drag on sawn-wood production: European output dropped from 110.6 million m³ in 2011 to 107.3 million m³ in 2013, but in 2014 there has been surge to a forecasted 114.4 million m³. For 2015, the outlook calls for further increases to 116.6 million m³. The bright spot has come in the form of a significant increase in lumber exports from Europe, especially going to the Middle East and North Africa markets (some 8 million m³ in 2014), as well as to Japan (until 2013). However, the country that is predicted to record the biggest increase in output is Russia — projected to account for more than 4 million m³ of the total increase (45% of the European region's forecasted growth from 2013 to 2015, and a jump from 28.9 million m³ to 33). Much of this increased output will be destined for China. The second-largest growth in production over the same period should come from Sweden — up 1.5 million m³ (from 16.1 million m³ to 17.5). Germany is anticipated to see the next largest rise — 1 million m³ (from 20.0 million m³ to 21.0).

The biggest news of all for European exporters is in currency values. The value of the euro to the U.S. dollar, for instance, has dropped from nearly 1.40 to 1.25 in the last eight months. Even more dramatic is the devaluation of the Russian ruble, plunging by 38% (from 33 rubles to the dollar to 45) in the last twelve months as a result of political instability occurring in the Ukraine. This will enable European — especially Russian — exporters to be much more competitive in export markets in 2015. ■

*By Russ Taylor, President
(and speaker at the conference)*

MARKET REPORTS

U.S. HOUSING MARKET UPDATE

The Return to Rentals

The ongoing result of the slow U.S. housing market recovery is a significant structural change that continues to be a drag on lumber and panel demand. Home ownership has fallen back to 64%, in turn lowering rental market vacancies to as low as 7.4%. Tighter mortgage standards have reduced overall housing starts,

with current trends favouring the construction of smaller, purpose-built rental units.

Given the Millennial Generation's struggles to find well-paying jobs, home-ownership has lost some of its appeal. All of this points to lacklustre growth in wood products for the housing market. ■

GLOBAL MDF CAPACITY EXPANDING

China Dominates, But Growth Slowing

Global MDF capacity reached almost 90 million m³ by the end of 2013, with China the largest producer. In fact, China accounts for almost half of global MDF production following dramatic growth over the last decade.

Several recent MDF expansion announcements (e.g., three lines in Turkey, two in Belarus, two in Russia, and three in Mexico) will raise global capacity by almost 10%, with even further growth projected. ■

(These two one-page reports offer more detailed information and analysis.)

SPECIAL REPORT

BRAZIL'S EMERGING FIT IN EXPORT MARKETS

Highlights of the Brazil Conference

Attendees of WOOD MARKETS' Brazil conference/tour enjoyed a highly informative event and an excellent networking opportunity.

A challenging country in which to operate, Brazil nevertheless offers some unique strengths and untapped export potential, making it a country to watch. The forest products industry is actively investing in and expanding its manufacturing capabilities.

Brazil's high inflation and weakened currency, along with its high labour costs and scarcity of qualified manpower, all pose

challenges for forest companies, which are investing heavily in automation and computer systems as a means to reduce staffing needs; the other roadblock is transportation. In short, there is still much work to be done.

Brazil is a world leader in plantation forestry, with world-class eucalyptus and pine stands. There remains significant growth potential for additional plantations, with many opportunities for complementary "cluster" industries to form, ensuring that maximum value is garnered from each and every tree. ■

(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.

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