

Featuring Lumber, Panels and Wood Products Analysis

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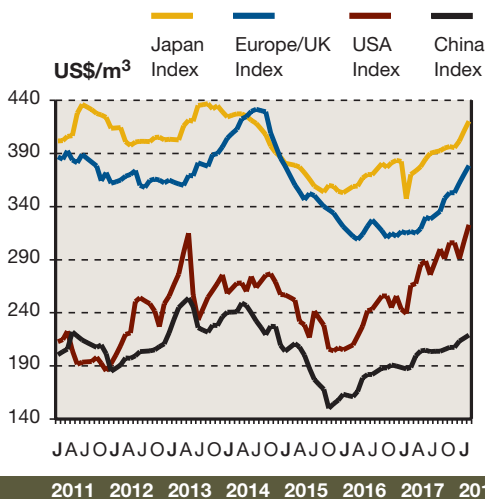
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## GLOBAL PRICE TRENDS



Source: WOOD MARKETS  
 Note: Features structural lumber products from our Global Prices section

## LUMBER PRICES SOAR Sustainable – or a Cyclical Peak?

Lumber (and OSB) prices in the U.S. strengthened in late Q4/17 and into early 2018, driven by supply disruptions and tight stocks that allowed mills to keep raising prices. With prices now eclipsing historical highs, the question is whether they are peaking or just getting going. Using W-SPF 2x4 #2&btr as an indicator, record weekly prices of over US\$500/Mbf were seen starting in the last two weeks of January (and so far in February). Other species, sizes and grades have also achieved record prices in the last few months.

For perspective, in the 1980s it was rare for average monthly prices to exceed US\$200/Mbf: it happened in only 14 months (table 1). This changed in the 1990s as strong demand and duties/quotas on Canadian imports led U.S. prices to crack the US\$400/Mbf level (for 14 months that decade). In the 2000s, the housing crisis short-circuited prices, and US\$400 was exceeded in only 8 months, after which average monthly prices dropped back

under \$200 for 11 months. Although this decade has shown a trend similar to the last one, W-SPF 2x4 prices have now surpassed

**Table 1**  
**W-SPF 2X4 STD&BTR/#2&BTR MONTHLY PRICES: 1980–2018\***

Number of months the average monthly price is:

Decade	<US\$200	>US\$200	>US\$400	>US\$500	Total Months
1980s	106	14	0	0	120
1990s	22	84	14	0	120
2000s	11	101	8	0	120
2010s	0*	74*	6*	1*	97

Note: \*So far to Jan/18; prices in US\$/Mbf Std&btr to Mar/99; #2&btr from Apr/99  
 Source: Random Lengths

the US\$500 threshold, setting the stage for more uncertainty and volatility. Are prices headed down, or will they go to US\$1,000? (See comment at the end of the next article!)

Higher prices will certainly be tied to tight lumber supplies. We've been predicting a supply/demand gap, led by the following, that will limit incremental supply to the U.S.:

- Timber supply constraints (in most areas except the U.S. South);
- Looming closure of additional B.C. Interior sawmills or reduction of shifts due to the mountain pine beetle (and now the spruce bark beetle);
- Labour availability, especially skilled (in the woods, mills and home construction);
- Sawmill by-product revenue options (in Eastern Canada especially, and elsewhere);
- A very lean/tight supply chain (from the woods to the homebuilder);
- Tighter availability of trucks, rail cars and even containers;
- Engineering and equipment vendors constraints (longer lead times to buy/install);
- Slowing growth in European imports to the U.S. (more options now in other markets);
- Increased demand in China for imported logs and lumber (due to the Natural Forest Protection, closures of older/polluting mills, and increased demand); and
- Trade policy (including duties on Canadian lumber to the U.S./plywood from China).

All of these factors promise a dynamic and volatile year ahead! ■

By Russ Taylor, Managing Director

## MARKET REPORT

STRUCTURAL PANELS: OUTLOOK  
2018-19

## Going Strong, But New OSB Start-Ups an Issue

The year 2017 was a great one for OSB and softwood plywood, and 2018 is off to a strong start. OSB prices soared in late January 2017 before skidding to a seasonal low in early December 2017. Since then, they have gained 28%, and were sitting at US\$385/Msf in mid-February 2018.

Similarly, southern yellow pine plywood prices went up in late February 2017, and then drifted back by June. Prices had surged by mid-October, then fell in early December. Like OSB, plywood prices have since soared, reaching US\$520/Msf in mid-February 2018.

While it is still early in the year, a number of factors should negatively impact the results later in 2018 — particularly, how quickly OSB capacity (both additional and curtailed) is brought online, and the role imports will play as prices move higher. ■

## SPECIAL REPORT

## LUMBER MARKET REVIEW &amp; PREVIEW

## Lumber Supply to Lag Demand in 2018

There was a mismatch between the highly profitable prices that prevailed in 2017 for sawmills and the feeble supply response, but mediocre gains in the face of healthy profits were evidently not for lack of trying: mills sought logs aggressively, but this mostly drove up log prices rather than providing extra volumes. Thus, log price gains accelerated, providing healthy profits that would otherwise have gone to sawmills given a more elastic timber supply.

Prices are back to or above the levels reached at the peak of last fall's fire season/import duty-driven rally. They are apt to remain there until dealers amass enough stock to await further clues from end users.

U.S. lumber end use is headed for a gain of about 2 billion bf in 2018. Therefore, the question is whether there is enough supply flexibility to meet that added need. ■

(The full articles contains in-depth details, complete with graphs to tell the story.)

## MARK YOUR CALENDARS FOR 2018:

## Global Softwood Log &amp; Lumber Conference

- 8th Annual Event: May 9–10, 2018
- Hyatt Regency Hotel, Vancouver, Canada
- Sponsorships available
- <https://www.woodmarkets.com/conference/conferences-vancouver/2018-global-softwood-conference/>

## 2018 China Global Wood Trade Conference

- Chongqing, China
- September 16-17, 2018
- Further details to come

## PUBLICATIONS AVAILABLE:

Global Timber/Sawmill/Lumber Cost Benchmarking  
2016 Annual Basis & Q2/2017

- Available now
- <https://www.woodmarkets.com/publication/global-costbenchmarking/benchmarking-report-2016/>

## WOOD MARKETS • 2018 Edition

Detailed Analysis and Forecast for the North American Wood  
Products Industry & Market

- Outlook 2018–2022
- Available early December 2017
- <https://www.woodmarkets.com/publication/5-year-outlook/outlook-2022/>

## CHINA BULLETIN (monthly)

- [www.woodmarkets.com/publication/china-bulletin/](http://www.woodmarkets.com/publication/china-bulletin/)

## NEW REPORT:

China's Import Demand for Softwood Logs and  
Lumber to 2022

- Examines the changing supply chain in China, with a focus on Russia's industry/export potential
- Available Q2/2018
- <https://www.woodmarkets.com/publication/china-book/outlook-to-2022/>

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