

Featuring Lumber, Panels
and Wood Products Analysis

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GLOBAL PRICE TRENDS



Source: WOOD MARKETS

*Europe/UK Index revised

Note: Features structural lumber products from our Global Prices section

U.S. LUMBER MARKET: 2018 REVIEW AND 2019 PREVIEW

Will 2019 Surprise to the Upside?

These days, forecasting U.S. softwood lumber prices requires that industry analysts consider a range of additional factors, among them global supply/demand dynamics. This is due largely to the U.S. requirement for more offshore imports to offset the losses from Canada and any new-production lags in the U.S. South. Therefore, although last year's U.S. lumber market can be succinctly described as being marked by unpredictable demand, volatile pricing, and changing cost structures in some supplying regions, this simple description belies the year's actual outcomes. As everyone is now well aware, the results were much more complicated than that, for a wide variety of reasons.

Our February issue of a year ago contained a U.S. lumber market outlook for 2018. While many of the overall themes predicted were correct — such as record-high lumber prices and lumber supply lagging demand in the first half of the year — the overall results were not well predicted. U.S. lumber demand slowed dramatically in the second half of the year to change the picture significantly, resulting in excess production and plunging lumber prices, followed by a yearend blowout.

In this issue, we present our annual outlook for 2019, with the changes in the 2018 outlook compared to actual results. Table 1 presents the detailed data.

Table 1
NORTH AMERICA: EXPECTED ANNUAL INCREMENTAL
LUMBER VOLUME CHANGES IN 2018 AND 2019

Incremental Demand & Supply	Ann Chg: Forecast: 2018 vs. 2017	Ann Chg: Actual* 2018 vs. 2017	Variance	Ann Chg: Forecast: 2019 vs. 2018
U.S. Demand Change	2.00	0.77	-1.23	1.40
Canada Demand Change	0.15	0.30	-0.15	0.05
N. America Demand Change	2.15	1.07	-1.08	1.45
Annual Prod'n Changes				
BC	0.20	-0.68	-0.88	-0.29
Canada East	0.30	-0.28	-0.58	0.22
U.S. West	0.30	0.60	0.30	0.27
U.S. South	0.70	0.44	-0.26	1.18
N. America Prod'n Change	1.50	0.09	-1.41	1.37
Annual Import/Export Changes				
N. America Offshore Imports	0.50	0.35	-0.15	0.12
N. American Offshore Exports	-0.25	-0.38	-0.13	-0.22
Net Offshore Import Change	0.25	-0.03	-0.28	-0.10
Net Change/Inventory Change	-0.40	-1.01	-0.61	-0.18

Source: FEA

Note: *Actual 2018 results prorated from 11 months of data

...continued

SPECIAL REPORT cont'd

The fundamental difference between the 2018 and 2019 outlooks is reduced incremental lumber demand in the U.S. A year ago, all forecasters were projecting roughly a 2 billion bf annual increase in demand for each year. With this growth, led by an anticipated strong pull by housing and R&R, there was a question of where all the supply would come from.

With the experience of hindsight and a fresh look at U.S. demand, a more conservative result is projected for 2019 (but still a sizeable increase versus 2018). For 2019, the increase in U.S. demand is likely to be higher, although housing starts are still slowing and are the real unknown. ■

SPECIAL REPORT

B.C. COAST FOREST SECTOR
REVITALIZATION INITIATIVE

There are five dominant goals of this initiative:

- Rebuild solid wood and secondary industries to ensure that more B.C. logs and fibre are processed domestically;
- Improve harvest performance to expand fibre availability for domestic mills (including the pulp and paper sector);
- Maintain a credible auction system by taking steps to ensure that bids on timber sale licences are made independently;
- Foster stronger business-to-business relationships between B.C. Timber Sales, major licensees and First Nations; and
- Restore public confidence through amendments to the *Forest and Range Practices Act*. ■

MARKET REPORT

CLT IN BUILDING CONSTRUCTION
Comparing CLT Usage to Light Framing

CLT is embarking on a fast growth curve. Given all the buzz about mass-timber buildings and their carbon footprint, and amid a race by cities to boast the tallest building, mass-timber construction is sure to be a growth business. This article takes a look at the applications for which CLT is best suited. ■

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

MARK YOUR CALENDARS:

9th Annual Global Softwood Log & Lumber Conference

- Wednesday, May 8 and Thursday, May 9, 2019
- Hyatt Regency Hotel, Vancouver, BC, Canada
- <https://www.woodmarkets.com/conference/conferences-vancouver/2019-global-softwood-conference/>

9th CHINA GLOBAL WOOD TRADE CONFERENCE

- CHONGQING, CHINA
- Sept 7-8, 2019
- More details to come
- <https://www.woodmarkets.com/conference/conferences-china/2019-china-global-wood-trade-conference-tour/>

LATEST OFFERINGS:

China's Import Demand for Softwood Logs and Lumber to 2023

- Examines the changing supply chain in China, with a focus on Russia's industry/export potential
- Available now
- <https://www.woodmarkets.com/publication/china-book/outlook-to-2023/>

Russia Forest Industry Competitive & Export Outlook to 2025

Focus on China

- New field analysis on Siberia and the Russian Far East
- Available now
- <https://www.woodmarkets.com/publication/russian-reports/russia-forest-industry-competitiveness-export-outlook-to-2025>

CHINA BULLETIN (monthly)

- <http://www.woodmarkets.com/publication/china-bulletin/>

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Subscription Rates (1 year, 10 issues):

E-mail (pdf): U.S./International/Canada:

US\$565

(+GST/HST in Canada)

Back issues (subscribers only): US\$100



Forest Economic Advisors

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