

Featuring Lumber, Panels
and Wood Products Analysis

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THE RUSSIANS ARE COMING!

April Export Volumes “Off the Scale”

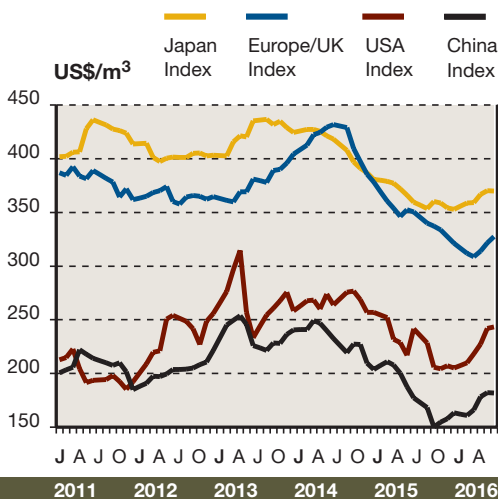
The Global Softwood Log and Lumber Conference held in Vancouver in early May was designed to have an expanded focus on industry developments in Russia and China. This was a strategic decision that came from WOOD MARKETS' ongoing global travels and the steady changes we have witnessed in both industries over the course of a few years. Our analysts have come to believe that these shifts will change the dynamics of softwood log and lumber export markets worldwide. “The Russians are coming” was a key theme of the Vancouver conference, and current trade data certainly supports this changing trend.

Russian softwood lumber exports to China were 1.55 million m³ in April, an increase of 81% from March's 853,000 m³. March volumes were already up by 55% from February. In fact, Russia's March export volumes to China had been the largest-ever single month's volume to China by a single country; that makes the April export volumes even more staggering. Russian softwood lumber exports are now 50% higher than during the same four-month period in 2015 — 3.6 million m³ versus 2.4 million m³. The specific reasons for this massive increase still need to be qualified, but initial reports indicate that it is partly related to having shifted exports away from weak markets in Egypt and diverting excess production to China. Nevertheless, it should be a wake-up call to exporters to China that Russia can make some big changes in terms of where it ships lumber, and has the cost structure and supply chain to do so.

This doesn't bode well for lumber prices: SPF prices in China were flat to down in early June, with some of the impact likely coming from the increased Russian competition. Logs were affected too, with radiata pine and hemlock/Douglas fir log prices moving lower.

We continue to believe that further production and trade developments could emerge with little warning in both China and Russia — changes that will have profound and sometimes immediate effects on supply dynamics/export markets, in turn boomeranging back into domestic/other export markets. That's one reason we decided, in late 2015, to relaunch our **Siberia Forest & Industry and Northern China Tour (September 11–19, 2016)** and tie it into our **China Supply Chain & Logistics Conference and Industry Tours (September 20–23)**. We could just say that we “saw some of these new dynamics coming,” but it really springs from our regular travels throughout global markets, during which we visit with major exporters and producers (while most exporters speak only to buyers). This broad international network enables us to see new trends much earlier, and it is our current view that many in the industry do not understand the industry scale and low costs in both China and Russia, and how this will impact global trade. We suggest that those with an export business begin looking more closely at these new, visible trends. Those who do may just find themselves with a strategic advantage. ■

GLOBAL PRICE TRENDS



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

SPECIAL REPORT

RUSSIA EMERGING AS A GLOBAL THREAT

Global Conference Vancouver • Highlights, Part 2

With Russia's new competitiveness, there are plans by five companies to produce an additional two million m³ of softwood lumber, and other companies are looking to expand in the pulp and paper sector, to meeting growing global demand.

In the U.S., although homeownership rates declined to their lowest level in fifty years after the recession, the housing recovery may now be gaining momentum: recently, the housing industry has had difficulty keeping up with even the current level of depressed demand, exacerbated by an extreme shortage of residential building lots and labour.

In India, wood demand will require a 23 million m³ increase in imports by 2020, spelling opportunity for exporters. Whether Indian wood importers purchase more softwood species and sawn lumber products will depend largely on if they are able to access enough of their traditional products (tropical hardwood logs) to meet their growing demand. ■

(The full *WOOD MARKETS* article provides in-depth details about Russia, the U.S. and India.)

MARKET REPORT

JAPAN MARKET UPDATE

Market is Stable for Now, but Many Changes Lie Ahead!

Japan's demand for wood products has been in steady decline for more than twenty years, and an increased domestic timber harvest will further reduce the country's need for imported logs, lumber and panels.

Japan's drive for self-sufficiency in wood products is a core policy that will continue to negatively impact exporters. With poor demographics and a generally lacklustre economy, it is harder to get excited about Japan as a volume market; still, the country remains the premium market in the world, and exporters will continue to understand its importance — no matter how small the market becomes. ■

(The full *WOOD MARKETS* article provides excellent detail on the Japanese wood industry.)

MARK YOUR CALENDARS FOR 2016:

September 11–19, 2016: Siberia Forest & Industry Tour and Northern China/Russia Border Tour

September 20, 2016: China Market, Supply Chain & Logistics Conference, Qingdao

September 21–23, 2016: China Industry & Port Tours

- <https://www.woodmarkets.com/conference/>

NOW AVAILABLE:

2016 Global Softwood Log & Lumber Conference Proceedings

- 18 speaker presentations
- <https://www.woodmarkets.com/conference/conferences-vancouver/2016-global-softwood-conference/>

WOOD MARKETS 2016 • Outlook to 2020

- www.woodmarkets.com/publication/5-year-outlook/outlook-2019/

Global Timber/Sawmill/Lumber Cost Benchmarking 2014 Annual Basis & Q1/15

- www.woodmarkets.com/publication/global-cost-benchmarking/benchmarking-report-2014/

U.S. Clear Pine Lumber & Moulding Market Outlook to 2020

- <http://www.woodmarkets.com/publication/us-moulding-market-report/u-s-clear-pine-lumber-moulding-market-outlook-2015-2020/>

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- 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