

Featuring Lumber, Panels
and Wood Products Analysis

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7TH ANNUAL GLOBAL SOFTWOOD LOG & LUMBER CONFERENCE

Part 2 Highlights: Growth, Competition and Wild Cards

While a major theme of this year's conference was the ongoing softwood lumber trade dispute in North America, there was also much discussion about emerging dynamics in Asia, Oceania, Europe and South America. Overall, speakers were optimistic about the opportunities in their respective regions, with all of the major markets expected to show gains in 2017.

WOOD MARKETS' President, Russ Taylor, launched the conference with an overview of global lumber markets that emphasized changing competitiveness and trade flows. For example, duties on Canadian lumber into the U.S. will not only increase the relative cost and required price of Canadian wood entering the U.S., it will also provide European exporters with a much improved cost advantage into the same market. Similarly, the doubling of container rates from the Baltic Sea area to China (since the start of the year) will reduce the competitiveness of some trade between these two regions, all the while improving opportunities for other exporters, e.g., Western Canada, the U.S. South, Siberia and South America.

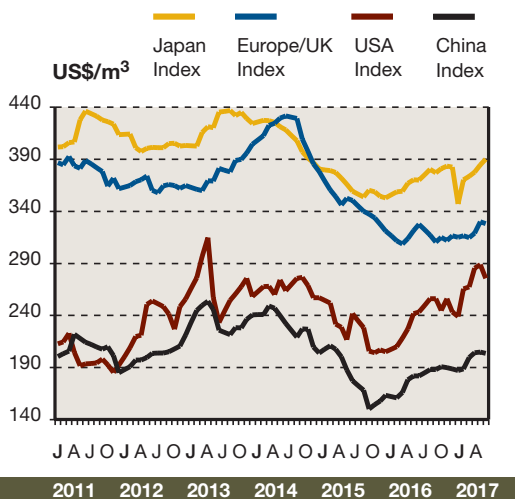
In the U.S., lumber consumption continues to rise, but production is still keeping up; this is putting some short-term pressure on prices. In contrast, China seems to have an ever-widening supply gap of both logs and lumber. A surge in lumber imports from Russia has partly offset this gap, aided partly by a lower ruble (another factor in relative competitiveness, although the ruble has been strengthening in 2017) and improved infrastructure near the Russia/China border.

Japan and China: A Tale of Two Markets

York Guan of Luli Group provided a view into China's always-dynamic market. As noted by Russ Taylor, there is a huge and widening gap between domestic log supply (65 million m³ and falling) and log demand (estimated at 160 million m³). Both new construction and renovation markets are strong, driving demand for lumber (either imported or produced domestically from domestic or imported logs). However, several factors have combined to create an "environmental protection storm" that is limiting domestic supply. First, as mentioned by Mr. Taylor, the National Forest Protection Plan has banned (or is banning) logging in selected natural forests. Second, wood production facilities (lumber, plywood and other products) on the outskirts of large cities have faced temporary or permanent shutdowns as a means to reduce air, water and noise pollution, as well as dust.

...continued

GLOBAL PRICE TRENDS



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

SPECIAL REPORT *cont'd*7TH ANNUAL GLOBAL SOFTWOOD LOG & LUMBER CONFERENCEPart 2 Highlights: Growth, Competition and Wild Cards *Cont'd*

Some highlights from the conference:

- Russia's share of China's log imports has dropped from around 80% in 2007 to about 28% today.
- Based on a rising inventory of harvest-aged trees in New Zealand, log exports to China hit a high in 2016.
- Europe still produces more lumber than it consumes, necessitating exports. China and U.S. offer huge potential for growth as lumber prices increase.
- Chilean wood is shipped worldwide to dozens of markets, with China and the Middle East its fastest-growing lumber markets in 2016. ■

MARKET REPORT

JAPAN MARKET TRENDS

Market Remains Firm, But Changes are Imminent

Japan is a very mature market for imported logs, wood products and engineered wood products, and its overall demand will continue to decline as a result of aging demographics and a generally stagnant economy. Nonetheless, the country remains the premium and highest-priced market in the world for quality products. There are always opportunities for those exporters able to understand what customers want, and the Japanese are ready and willing to pay for it.

Countering the downward trends in the new residential housing market is the repair and remodelling segment. This sector is set to expand to meet growth in the DIY market and cope with an aging housing stock.

Also, Japan's exports of logs and lumber have been growing, with more than 600,000 m³ of log exports in the last two years (the majority going to China). ■

(Additional details are available in the full articles, complete with graphs to offer further insight into the global lumber market.)

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China/Global Supply China Conference & Tour

- October 30–31, 2017
- <https://www.woodmarkets.com/conference/conferences-china/2017-china-supply-chain-conference/>

AVAILABLE AUGUST 2017:

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

- Available August 2017
- <https://www.woodmarkets.com/publication/global-costbenchmarking/benchmarking-report-2016/>

AVAILABLE NOW:

Global Timber/Sawmill/Lumber Regional Cost & Revenue Profiles

Quarterly Log and Sawmill Costs, with Lumber/By-Product Revenues/Prices, Starting from Q1/2017 for 20 Countries/Regions

- <https://www.woodmarkets.com/publication/global-cost-benchmarking/benchmarking-quarterly-update-2016h1/>

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