

Featuring Lumber, Panels  
and Wood Products Analysis

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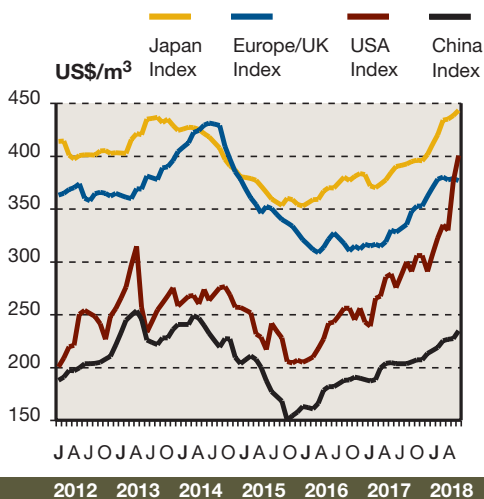
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## GLOBAL PRICE TRENDS



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

## U.S. LUMBER PRICES

### Why so High; Who were the Winners?

It appears that lumber prices are now moving down out of the stratosphere. The big questions now are around why prices moved to the record-high levels, and who were the big winners. Here are some clues.

First, industry data show clearly why we have a shortage of supply versus demand. Table 1 compares North American production and shipments data for Q1/2017 and Q1/2018, along with net imports and exports to quarterly consumption (one-quarter of annual demand). When production data are used, a slight surplus (+1.1%) is shown in Q1/17, but a deficit (-3.0%) in Q1/18. The imbalance of 3% should trigger at least a minor price rise, but not a major price spike. However, starting in Q4/17 and continuing into Q1/18, several well-documented factors have significantly constrained shipments from B.C. and backed up production at many mills. As a result, when the shipments data for the same period are used, a much wider supply deficit to demand shows up in both Q1/17 (-2.3%) and especially in Q1/18 (-7.5%). The constraints on shipments, coupled with U.S. import duties, have played a role in tightening Canadian supply and causing prices to soar.

Table 2 on page 6 looks at key commodity lumber prices and compares the first six months of 2018 with annual average prices in 2015 (representing the bottom part of the current price cycle). When the “all others” U.S. import duty rates are deducted from Canadian prices, the net mill price returns show some interesting trends compared with U.S. regions between the two time periods:

- The highest net price gains were in the U.S. West: net gain of US\$249–\$270/Mbf;
- Southern yellow pine and W-SPF regions had identical net gains of US\$183/Mbf; and
- Lowest net gains: E-SPF dimension (US\$155/Mbf) and SPF studs (US\$76–\$77/Mbf).

**Table 1**  
NORTH AMERICAN LUMBER: 3 MONTHS 2018 VS. 2017 (MMbf)

	PRODUCTION			SHIPMENTS		
	2017	2018	% Change	2017	2018	% Change
U.S. West	3,424	3,688	7.7%	3,374	3,630	7.6%
U.S. South	4,517	4,466	-1.1%	4,517	4,466	-1.1%
U.S. Other	392	403	2.8%	390	400	2.6%
Total U.S.	8,333	8,557	2.7%	8,281	8,496	2.6%
B.C.	3,330	3,137	-5.8%	3,207	2,894	-9.8%
Prairies/East	3,918	3,937	0.5%	3,596	3,562	-0.9%
Total Canada	7,248	7,074	-2.4%	6,803	6,456	-5.1%
Total N. America	15,581	15,631	0.3%	15,084	14,952	-0.9%
Non-Canada Imports	475	382	-19.6%	475	382	-19.6%
Offshore Exports	1,335	1,220	-8.6%	1,335	1,220	-8.6%
Total Supply	14,721	14,793	0.5%	14,224	14,114	-0.8%
Total Qtrly Consumption	14,557	15,253	4.8%	14,557	15,253	4.8%
Surplus/Deficit	164	(460)		(333)	(1,139)	
Surplus/Deficit (%)	1.1%	-3.0%		-2.3%	-7.5%	

Source: WWPA, Statistics Canada, FEA

...continued

## SPECIAL REPORT

## 8TH ANNUAL GLOBAL CONFERENCE

## Part 2: Emerging Trends in North America

Several conference speakers provided updates on U.S. regional timber supply/demand dynamics and the Canadian/U.S. softwood industries and supply dynamics. In the U.S. West, for instance, thanks to recent record-high U.S. lumber prices, mills have been able to compete with Asian buyers for logs. By comparison, there is excess log supply available in the U.S. South. In Canada, log supply is tight and declining.

Although North American lumber demand is forecasted to expand steadily, even in five years' time it will still be well below previous peaks.

Labour shortages are seen to be a growing trend, with 77% of builders reporting difficulty finding qualified framing crews in 2017. One potential solution to the problem of construction labour shortages is to use fully integrated offsite construction, sometimes also referred to as "panelized housing." Over time, the advantages of this mode of construction will outweigh any extra costs. ■

## MARKET REPORT

## INDIA: A MARKET TO WATCH

## Huge Growth Potential/Softwood Opportunities

Softwood is gaining market share over hardwood in the Indian market, assisted in part by limited volumes of renewable or certified hardwood fibre. A variety of initiatives are pointing to huge future increases in Indian wood products demand, with the country poised to become the third-largest economy in the world by 2030.

India is a difficult market to access for most major log/lumber exporting countries. New Zealand is its most dominant softwood country supplier, accounting for 70% of total softwood log and lumber imports; Malaysia is the country's largest hardwood supplier.

Rapidly depleting global hardwood supply and huge consumption growth anticipated in India mean that the demand for imported softwood will only expand. One forecast is for massive softwood expansion: from ~2.5 million m<sup>3</sup> in 2017 to over 65 million m<sup>3</sup> by 2027. ■

(The full articles contain in-depth details, complete with graphs and tables.)

## MARK YOUR CALENDARS:

## 2018 China Global Wood Trade Conference

- Chongqing, China
- September 16–17, 2018
- <https://www.woodmarkets.com/conference/conferences-china/2018-china-global-wood-trade-conference/>

## 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/>

## 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 &amp; 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/)

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