

Featuring Lumber, Panels
and Wood Products Analysis

WHAT'S INSIDE...

Features

- 1 2016 Market Dynamics
- 2 Canada/U.S. "Top 20" Producers
- 4 MDF/Particleboard: Outlook 2016–17

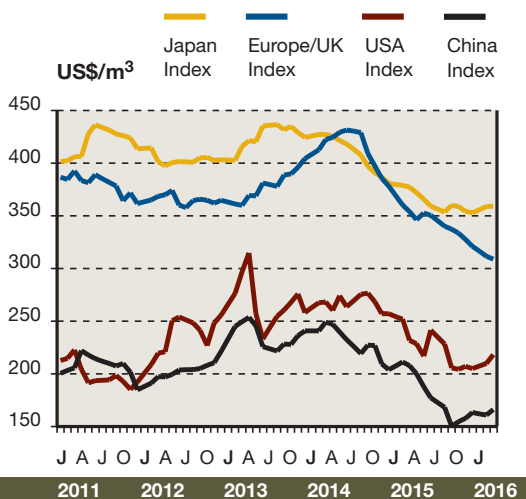
Global Statistics

- 6 Annual USA/Canada
- 8 Monthly USA/Canada
- 10 China: Logs and Lumber

Analysis

- 11 Price Forecasts: One-Year Price Outlooks
- 13 Monthly Prices: World Lumber & Panel Prices

GLOBAL PRICE TRENDS



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

2016 MARKET DYNAMICS

Volatility and Uncertainty Lie Ahead!

There are already a number of supply/demand dynamics in effect that will partially shape the direction of log and lumber markets/prices in major producing and consuming regions in 2016, as outlined in *WOOD MARKETS 2016 • The Five-Year Outlook*.

In North America:

- U.S./Canada negotiations on a new softwood lumber agreement are now starting, and the outcome will likely be punitive to Canadian exporters to the U.S. market.
- A decline in the timber harvest and lumber production of the B.C. Interior is imminent (the peak may have been reached in 2015).
- The eastern Canadian lumber business is still somewhat fragile, especially given log supply issues in Quebec. The East is still the high-cost producing region in North America, and another round of low lumber prices will negatively impact sawmills.
- There is a growing surplus of timber in the U.S. South, but a "shortage" of sawmill capacity exists to process the logs.
- The U.S. West remains in tight balance in terms of log supply and prices; sawmills are still fighting tight margins and need to see lumber prices remain high.

Internationally, some big question marks exist in key markets/exporting regions:

- Japan's housing market and log and lumber consumption: how much strength is there left in 2016 before the next consumption tax hike in Q1/2017 kicks in?
- China's slowing construction market/economy and high housing stocks are problematic for exporters from western North America (and others) that sell into this segment.
- China's demand for imported logs/lumber is directly affected by construction (housing, infrastructure projects, etc.) and demand for furniture/decor products. However, there should be an impact from the potential reduction of China's native timber harvest (estimated at 20–45 million m³, almost as high as the volume of all imported logs!).
- Russia is now the low-cost global log and lumber producer after the devaluation of its ruble (now at 45% of its January 2014 level to the U.S. dollar); what will this mean for Russia's log and lumber exports to China and Europe, and any new investments?
- The role of radiata pine logs and lumber continues to evolve — especially in China, where, combined, New Zealand and Australia hold a 50%+ share of total softwood log imports. As well, New Zealand currently has very favourable cost structures; incremental standing timber volumes could be processed/exported if demand were to warrant it.

All of these factors, issues and dynamics will be front and centre at WOOD MARKETS' **Global Softwood Log and Lumber Conference** to be held in Vancouver May 5–6. The second day will be fully devoted to discussions around two of the biggest wild cards: China and Russia. **Early Bird pricing ends on Friday, March 18** — visit <https://www.woodmarkets.com/conference/conferences-vancouver/>.

By Russ Taylor, President

SPECIAL REPORT

CANADA/U.S. "TOP 20" PRODUCERS

Canadians Continue their U.S. South Pivot

The year 2015 brought ongoing acquisitions, expansions and capital expenditures by Canadian firms looking for more ample supplies of sawlogs in the U.S. South.

The top five Canadian lumber producers in 2015 were **Canfor, West Fraser, Tolko and Resolute** — the same lineup as in 2014 — with **Western Forest Products** moving into fifth spot. These companies collectively produced 45% of Canadian lumber output.

The top five U.S. lumber producers in 2015 were **Weyerhaeuser, Georgia-Pacific, Sierra Pacific, West Fraser and Interfor**. Collectively, these five companies produced 36% of all U.S. lumber shipments.

The wild card in 2016 are the ongoing negotiations around the next softwood lumber agreement. What impact an agreement (or absence thereof) will have on Canadian and U.S. shipments/production remains to be seen. ■

(The full *WOOD MARKETS* article details the top 20 using tables and graphs.)

MARKET REPORT

MDF/PARTICLEBOARD: OUTLOOK 2016-17

Key Drivers Lead to Market Optimism

Given the current and projected performance of key consumption drivers and end-use markets, North American particleboard use is expected to grow by 4% in 2016 and 3% in 2017, and MDF could see consumption growth of 6% and 4%, respectively, over the next two years. These details are summarized in *WOOD MARKETS'* 2016-20 outlook report for MDF and particleboard.

Supply/demand fundamentals hint at particleboard price appreciation in the medium-term. However, despite demand growth, growing MDF imports are now likely to add extra pressure, causing prices to drift downward through 2017. ■

(The full *WOOD MARKETS* article examines this topic in great detail.)

MARK YOUR CALENDARS:

NEW 2-Day Global Softwood Log & Lumber Conference

May 5-6, 2016 at Fairmont Hotel Vancouver

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

NOW AVAILABLE:

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/>

SIGN UP:

CHINA BULLETIN (monthly)

- www.woodmarkets.com/publication/china-bulletin/

Please contact us for pricing details for the full *WOOD MARKETS Monthly International Report*.

Publisher & Editor
Associate Editors

Russell E. Taylor
Peter Butzelaar
Tony Marra

Managing Editor/Layout
Research
Subscriptions

Jane Keyes
Chari Gimenez
Barb MacDonald

Mailing Address

Suite 603-55 E. Cordova Street
Vancouver, BC, Canada V6A 0A5

Phone: 604-801-5996 (country code 1)

Fax: 604-801-5997

Email: info@woodmarkets.com

Website: www.woodmarkets.com

© International WOOD MARKETS Group Inc.

Vancouver, BC, Canada

All rights reserved • Printed in Canada

No part of this publication may be reproduced or transmitted in any form whatsoever (electronic, mechanical, photocopy, facsimile, etc.) without the express written permission of the publisher.

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



Forecasts, by their very nature, are based upon assumptions and are subject to future events over which we have no control; we make no warranties regarding such projections. Although great care has been taken to ensure accuracy and completeness in the analysis, data and forecasts in this report, no legal responsibility can be accepted by IWMMG for the information and opinions contained herein. ISSN #1480-0969