

Featuring Lumber, Panels
and Wood Products Analysis

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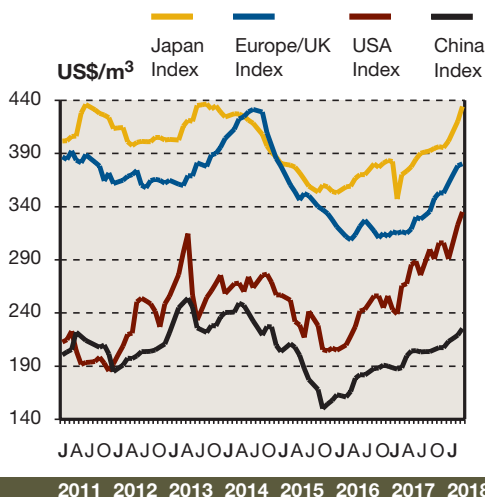
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GLOBAL PRICE TRENDS



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

U.S. LUMBER MARKETS

Trying to Assess Price Direction!

With the recent run-up in lumber prices appearing to be peaking, will market forces rebalance to allow for lower prices, or is this just a pause before prices move higher?

It is evident that dimension lumber prices have been able to achieve record-high levels with the help of several supply disruptions, including import taxes on Canadian lumber and reduced log/lumber output in BC, Washington and Oregon (the latter was due to forest fires in summer 2017 and railcar/truck shortages related to winter weather).

Looking ahead to Q2/2018, it is likely the many supply-chain disruptions will start to ease, and also that more production (output that has been sold but not shipped) will enter the market. This should allow supply/demand forces to move back into a more balanced situation, resulting in a price correction of 10% (and potentially more).

Does that mean we have seen the last of such high prices?

Trying to predict lumber pricing is complicated, as there are a multitude of wild cards that can impact prices both negatively and positively. Back in 2007, we predicted the potential for a North American lumber shortage; in 2009, we calculated that this supply/demand gap would probably occur about mid-decade, spawning the "supercycle" thesis. The theory was simple: when U.S. consumption began to reach 1.3–1.4 million housing starts, North American mills (especially in Canada) would not be able to supply enough lumber to meet U.S. demand. This was expected to result in record-high prices that would attract both incremental (timber and lumber) and offshore supply.

This situation essentially exists today, but features more of a series of price cycles (or even "superspikes") such as we predicted a few years ago. With demand growing (albeit more slowly than anticipated in 2009), there was an increased likelihood of severe price spikes, but ones that would not be sustainable until total demand reached higher levels.

Our most recent analysis suggests that the true "supercycle" may not be here yet: a bigger one could be coming later in 2019 or early 2020. This will depend on the timing of sawmill output declines in BC's Interior (potentially 1–2 billion bf in losses in the next five years); the rest of Canada will not likely be able to make up the deficit, leaving Canadian lumber output relatively flat (see *WOOD MARKETS 2018 • Five-Year Outlook*). As U.S. consumption continues to expand (~2 billion bf per year), new sawmill projects of ~3.5 billion bf (and counting) in the U.S. South over the next three years will not ramp up fast enough. The likely outcome: either a series of superspikes or even a more sustained price supercycle (at higher levels) until U.S. lumber demand slows (in 2021 or 2022).

Supply and demand always balance, and history shows that higher prices don't normally last long in the lumber business. However, we are in some interesting times, with many unknowns ahead. You can bet many people will have these questions on their minds at this year's two-day *Global Softwood Log and Lumber Conference* (May 9–10 in Vancouver)! ■

By Russ Taylor, Managing Director

MARKET REPORT

CANADA/U.S. "TOP 20" PRODUCERS

Soaring Prices (But Subdued Production Trends) in 2017

The 2017 survey of the "top 20" Canadian and U.S. lumber producers featured mixed production trends despite a runaway lumber market in the U.S. Most output gains arose from improvements at existing mills. Of the top 40 companies, 8 in Canada and 6 in the U.S. recorded production declines — unexpected at a time of near-record-high to record-high lumber prices.

Extremely high prices represent a wild card for 2018; current price levels are attracting increased offshore exports and a dozen new sawmill projects in the U.S. South. This will be discussed in detail at the **Global Softwood Log & Lumber Conference** in Vancouver, May 9–10, 2018. ■

SPECIAL REPORTS

GLOBAL MDF UPDATE

Now at 100 Million Cubic Metres

China remained the world's dominant MDF-producing country in 2016 at 44.7 million m³; that's 82% of Asia's capacity and 45% of world capacity! For 2017 and beyond, a global increase to over 108 million m³ is expected.

Southeast Asian economies are slated to be among the world's fastest-growing. This and other factors will support residential construction and drive up demand for MDF for use in furniture, etc. Global MDF capacity in 2017 and beyond could show up to an 8% expansion. ■

CHINA'S CHANGING SUPPLY CHAIN

New Dynamics Include Russian Wood

China is working strategically to expand its plantations and improve its supply chain in order to prepare for the coming era of very expensive/scarce imported raw materials. To this end, many developments are taking place at China's major land ports at its northern border with Russia. Learn much more in our new multi-client study, *China's Import Demand for Softwood Logs and Lumber to 2022* (Early Bird price until March 31). ■

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

MARK YOUR CALENDARS FOR 2018:

Global Softwood Log & Lumber Conference

- 8th Annual Event: May 9–10, 2018
- Hyatt Regency Hotel, Vancouver, Canada
- Sponsorships available
- <https://www.woodmarkets.com/conference/conferences-vancouver/2018-global-softwood-conference/>

2018 China Global Wood Trade Conference

- Chongqing, China
- September 16-17, 2018
- Further details to come

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 & 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/

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/>

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