

Featuring Lumber, Panels
and Wood Products Analysis

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GLOBAL LUMBER SLUGGISH

Mills Looking for Markets!

In comparison to this time in 2018 — when all lumber markets were active and it was supply that was the constraint — the situation in 2019 is quite the opposite. When we look at the key global producing and consuming markets, there is a consistent theme: too much supply chasing markets amid slowing demand in most major markets. Whether this is temporary or not is a big question that will be answered shortly by the fast-approaching spring buying season. A quick look at the key countries, gained through recent travels by the FEA team, offers the perspectives summarized below.

China: As reported in this month's *China Bulletin*, log and lumber inventories are soaring and getting close to the levels achieved in early 2015 that set the stage for a price collapse both in China and around the world. All exporters need China to take either the low- or furniture-grade lumber that is incremental to other markets. For example, when U.S. markets for SPF #2&Better lumber collapsed in the fourth quarter of last year, B.C. mills diverted volumes to China. The consequence of that action has been a glut of SPF lumber at Chinese ports.

Finland: High cost logs are an overriding issue. Among other challenges, exports to China have slumped by one-third, and other markets are not as robust as last year.

Sweden: Despite some favourable operating and logistics costs, Sweden may see lower sawnwood prices in Q2 versus Q1, for only the second time in 20 years. Export opportunities to the U.S. and China have slowed, with margins much thinner than in 2018.

Germany: With a huge spruce bark beetle outbreak and vast areas of storm-felled timber, German sawmills in the affected areas (as well as Czech and Austrian mills) have low-cost logs; however, they need markets that will accept blue-stained lumber.

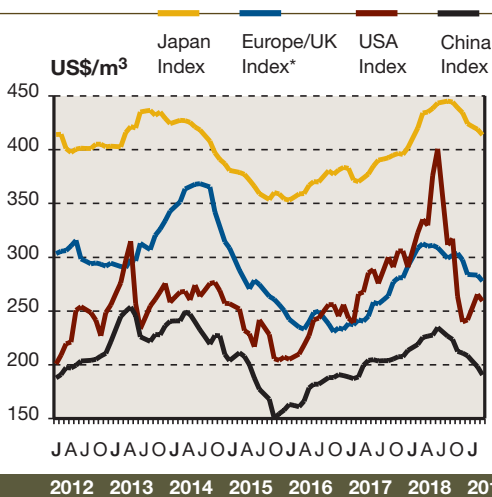
Australia: A slight slowdown in the housing market has combined with rising lumber inventories to keep lumber prices holding for now. European imports have surged, but this is not well timed to the current market situation. Australia's acceptance of blue-stained lumber has led to an increase in import volumes from Germany.

U.S.: So far in 2019, winter and/or rainy weather have slowed homebuilding activity, leading to some inventory buildup at mills. However, while dealers' inventories are reported as high in weather-constrained areas, they are low in most other regions. This situation could result in a surprise price spike in Q2/2019 given the number of sawmill curtailments witnessed in Q1.

All in all, 2019 should continue to be a volatile and unpredictable year in many regions. The key lumber markets will be discussed in greater detail during FEA/WOOD MARKETS' 2019 Vancouver Global Softwood Log and Lumber Conference (May 8–9). ■

By Russ Taylor, Managing Director, FEA-Canada

GLOBAL PRICE TRENDS



Source: WOOD MARKETS

*Europe/UK Index revised

Note: Features structural lumber products from our Global Prices section

SPECIAL REPORT

CANADA/U.S. TOP 15 PRODUCERS

Volatile Lumber Prices and Uneven Production Marked 2018

In 2018, the top 5 Canadian producers were West Fraser, Canfor, Resolute, Tolko and J.D. Irving; the top 5 U.S. producers were Weyerhaeuser, West Fraser, Georgia-Pacific, Sierra Pacific and Interfor. All of the four largest North American softwood lumber producers (West Fraser, Canfor, Weyerhaeuser and Interfor) have operations in both the U.S. and Canada.

The wild card for 2019 is a recovery in demand that would allow for more stable U.S. lumber prices. For Canadian firms, relatively high prices will be needed to offset the 20% import duties to the U.S. Our report lists the top 15 companies by production in both the U.S. and Canada.

This topic will be examined in much greater detail during our annual two-day Global Softwood Log and Lumber Conference (to be held May 8–9, 2019 in Vancouver, Canada). ■

MARKET REPORT

RUSSIAN INDUSTRY — PART 1

Log Exports Slow While Lumber Exports Soar

Due mainly to constrained log supply and new log export taxes in the RFE, projections call for the pace of Russian log exports to diminish in the future.

What is made clear in our new report, *Russia: Forest Industry Competitiveness & Export Outlook to 2025/2030 (with a focus on China)*, is that Russia is expanding its industry, improving its competitiveness, and increasing its softwood lumber exports in ways that few may understand.

There are numerous Chinese companies operating various forest products companies over the border in Russia, and many are targeting higher-value end users in China. Some Chinese firms in Russia are now adding dry kilns to their operations, enabling them to produce to the exact specifications of their customers. Furthermore, by enjoying a direct connection to China's supply chain via the Belt and Road Initiative, they are able to offer speedy delivery of products that meet their customers' exact needs (especially valuable to the expanding furniture industry). ■

(The full articles provide in-depth details, with graphs and tables that tell the story.)

MARK YOUR CALENDARS:

9th Annual Global Softwood Log & Lumber Conference

- Wednesday, May 8 and Thursday, May 9, 2019
- Hyatt Regency Hotel, Vancouver, BC, Canada
- <https://www.woodmarkets.com/conference/conferences-vancouver/2019-global-softwood-conference/>

9th CHINA GLOBAL WOOD TRADE CONFERENCE

- CHONGQING, CHINA
- Sept 7-8, 2019
- More details to come
- <https://www.woodmarkets.com/conference/conferences-china/2019-china-global-wood-trade-conference-tour/>

LATEST OFFERINGS:

China's Import Demand for Softwood Logs and Lumber to 2023

- Examines the changing supply chain in China, with a focus on Russia's industry/export potential
- Available now
- <https://www.woodmarkets.com/publication/china-book/outlook-to-2023/>

Russia Forest Industry Competitive & Export Outlook to 2025

Focus on China

- New field analysis on Siberia and the Russian Far East
- Available now
- <https://www.woodmarkets.com/publication/russian-reports/russia-forest-industry-competitiveness-export-outlook-to-2025>

CHINA BULLETIN (monthly)

- <http://www.woodmarkets.com/publication/china-bulletin/>

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