

Featuring Lumber, Panels
and Wood Products Analysis

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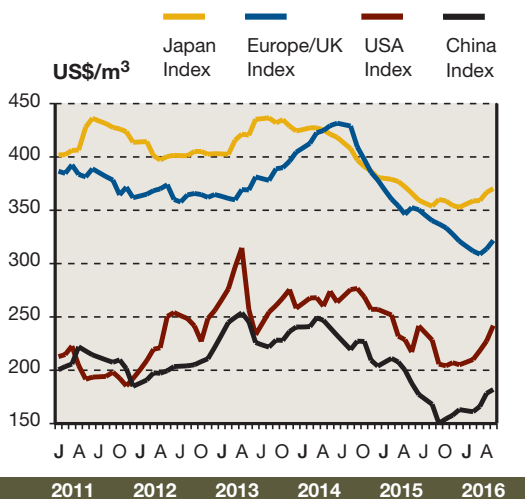
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GLOBAL PRICE TRENDS



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

GLOBAL LOG/LUMBER SUPPLY DYNAMICS COULD TIGHTEN...SOON?

WOOD MARKETS' Global Conference, Vancouver • Highlights, Part 1

Changing global dynamics and connectivity were both dominant themes during WOOD MARKETS' 6th Annual Global Softwood Log and Lumber Conference (held May 5–6 in Vancouver). This year's conference spotlighted China and Russia, with the second day of speakers and panelists devoted solely to these two countries. This article — the first in a two-part series — will focus on how the changes in Chinese softwood supply and demand could cause a global ripple, potentially benefiting the major exporting countries of softwood logs and lumber

WOOD MARKETS' president, Russ Taylor, kicked off the conference with an overview of current trends in global softwood log and lumber markets. As in recent years, China, Russia and the U.S. continue to have the largest market influence in almost all categories, with Canada and India also significant (for different reasons). While an overall balance in supply and demand to 2020 could normally be expected, there is one "elephant in the room" that could upset this balance, and it was tackled early in the conference.

Mr. Taylor, followed by speaker Liwei Wang of China National Forest Products Corporation, introduced a new development: the Chinese National Forest Protection Program (CNFPP), a three-year conservation program aimed at banning timber harvesting from natural forests in various regions in China. Currently in its second year of a three-year rollout, this program could eventually reduce the Chinese timber harvest by up to 50 million m³ per year. During the conference, Mr. Taylor and Mr. Wang used different calculations to estimate the magnitude of the Chinese timber harvest decline. Using a conservative estimate of a reduction of 40 million m³ in the annual timber harvest, with a 65% softwood and 35% hardwood mix, Mr. Taylor's experts in China estimated that the result could be a drop of 25 million m³ per year in China's softwood log supply. While the Chinese government is massively expanding its southern plantations (mainly eucalyptus and poplar), much of the gap in China's domestic log production will need to come from increased imports of temperate softwood logs and lumber.

Mr. Wang approached the logging ban differently by estimating China's demand for imported logs and lumber in 2020 versus 2015. His paper suggested the increases in log and lumber imports by 2020 seen in table 1 and figures 1 and 2.

In this scenario, projections are being made for a huge increase in log/lumber imports, in part due to the logging ban and also as a result of increases in Chinese demand.

...continued

SPECIAL REPORT *cont'd***GLOBAL LOG/LUMBER SUPPLY DYNAMICS COULD TIGHTEN...SOON?****WOOD MARKETS' Global Conference
Vancouver • Highlights, Part 1**

There is little doubt that the evolving changes in China's timber harvest regulations on natural forests could cause a major ripple throughout global softwood markets, just as the rapid rise in Chinese construction did during 2010–2013. In this scenario, it is expected that the direction of shipments of western Canadian lumber suppliers could quickly switch back to China, leaving a gap in North America to be filled by other producing regions. In fact, while there is uncertainty about how the new Chinese government policies will impact China's overall supply/demand situation, a number of speakers at the conference suggested that an imbalance in North American timber and lumber production is likely to be seen within the next two years, with or without the impact of the Chinese timber harvesting ban. ■

(The full *WOOD MARKETS* article provides more in-depth regional information.)

MARKET REPORT

CHINA MARKET UPDATE**New Dynamics Involving Russian Wood,
Chinese Industry, Etc.**

If a better balance between log and lumber arrivals versus actual consumption and outgoing shipments from ports can be maintained, then prices could hold after June. However, with prices sensitive to many different dynamics (especially inventories), it is a delicate balance.

To better determine some of the true factors impacting events in both China and Russia, WOOD MARKETS is hosting a nine-day tour of Siberia and northern China (September 11–19), a one-day China Supply Chain Conference in Qingdao, China (September 20), and one- and three-day tours along China's eastern coast (September 21–23). ■

(The full *WOOD MARKETS* article further details the Chinese industry at the Russian border and on the coast.)

MARK YOUR CALENDARS FOR 2016:

September 11–19, 2016: Siberia Forest & Industry Tour and Northern China/Russia Border Tour

September 20, 2016: China Market, Supply Chain & Logistics Conference, Qingdao

September 21–23, 2016: China Industry & Port Tours

- <https://www.woodmarkets.com/conference/>

NOW AVAILABLE:**2016 Global Softwood Log & Lumber Conference Proceedings**

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

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/

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