

Featuring Lumber, Panels  
and Wood Products Analysis

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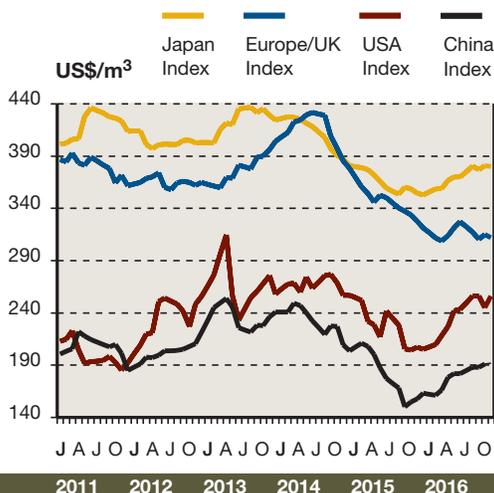
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## GLOBAL PRICE TRENDS



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

## U.S. LUMBER DUTIES

### What is the Likely Impact in 2017?

On May 23, 2002, a 27.2% duty (combined CVD/ADD) was imposed on Canadian softwood lumber exports to the U.S. This major market dynamic led to many unexpected events and unintended consequences. The following are excerpts from two issues of *WOOD MARKETS Monthly International Report* published that year:

- **September 2002:** The recently levied CV and AD duties on Canadian exports have yielded a drastically different outcome (at least so far) than was projected. Up to mid-September, the outcome has been exactly the opposite — as the whole industry is painfully aware. The fact is, since the implementation of CV and AD duties in late May on Canadian exporters, W-SPF lumber prices have fallen by 24% into a sinkhole (during a period of near-record North American consumption) — rather than rising to offset the impact of the 27.2% duties. For now, the CV and AD price fix has backfired: U.S. sawmills are curtailing at a faster rate than Canadian ones due to below break-even prices.
- **October 2002:** With record-low interest rates and record-high housing starts, and with duties on Canadian lumber ... who would have thought W-SPF lumber prices would ever get below US\$250 (now at US\$190/Mbf, a 17-year low) before duties?

With export duties now expected on Canadian lumber starting sometime in Q2/17, there are a number of structural differences today that should limit any price downside; in fact, we (and others) are predicting a more normal supply/demand response, with modestly higher prices resulting. The questions are, how long will it take U.S. lumber prices to move higher, and where will production curtailments occur in Canada?

We have produced a draft analysis of a North American cost and margin curve at different levels of export duties (using Q3/16 cost, revenue and margin data from our new report, *Biannual Global Timber/Sawmill/Lumber Regional Cost & Revenue Profiles*). The current cost and margin curve (before duties) already favours mills in the U.S. South, with eastern Canadian mills at the worst end of the curve. The analysis depends on many factors, such as what will happen to regional log costs, how much of the duty will be absorbed by higher market prices at various periods in the year, and how export markets will fit into the picture. If preliminary duties are set at 25% or higher (which we expect), Canadian company strategies will likely begin to announce both mill closures and curtailments. We expect a few B.C. mills to close early due to its already tight timber supply, while Eastern Canada will see the bulk of curtailments in the first round due to its low (poor) position on the margin curve. Our draft analysis suggests that the first billion board feet of reduced Canadian lumber exports to the U.S. will come mainly from mill curtailments in Eastern Canada and selective closures in B.C. However, some private firms may choose to curtail early rather than burn cash (it is always difficult to predict exact outcomes, as seen in 2002). Full details will be published in *WOOD MARKETS 2017 • The Five-Year Outlook Report*, scheduled for release in early December. ■

By Russ Taylor, President

## SPECIAL REPORT

## CHILE'S FOREST INDUSTRY

## Truly Innovative and Export-Driven

Chile's forest industry has grown its exports to about 350 different wood-based products and to 205 countries, and is now ranked 10th in terms of global roundwood production, 4th in pulp, 11th in lumber, and 15th in wood-based panels and veneer — impressive considering a population of just 17 million (more than 300,000 work in the forest sector) and given that most of the forest activity takes place in one-third of a small territory (one-eighth the size of Canada). The other two-thirds comprise the Atacama Desert), plus continental ice and glaciers in southern Patagonia. ■

## MARKET REPORT

## U.S. HOUSING UPDATE

## This Cloud Has a Rosy Lining

Gains in single-family housing (versus multi-family) market are good news for wood consumption and producers given that single-family starts generate nearly three times as much wood per house as their multi-family counterparts, and that over the past decade single-family housing consumed some 90% of the total wood used in new housing.

Speakers at May's Global Softwood Log and Lumber Conference explained that extreme shortages of lots and workers have held back the supply of new homes, slowing the recovery in residential construction. ■

## SPECIAL REPORT

## GLOBAL MDF

Soon a 100 Million m<sup>3</sup> Industry

Global MDF capacity reached over 96 million m<sup>3</sup> (54.3 billion sf, 3/4" basis) in 2015, an increase of 3.4% versus 2014. By the end of 2016, it is expected that this figure will eclipse the 100 million m<sup>3</sup> mark. China remains the world's largest MDF-producing country, with output of 44.79 million m<sup>3</sup> in 2015 — 82% of Asian capacity and 47% of world capacity! The 2017 global outlook calls for 5% increase to 105 million m<sup>3</sup>. ■

(Each of the articles above go into greater detail, with graphs, to provide in-depth insight.)

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

## NEW!

## Global Timber/Sawmill/Lumber Regional Cost &amp; Revenue Profiles

Quarterly Log and Sawmill Costs, with Lumber/By-Product Revenues/Prices, Starting from Q1/2015 for 20 Countries/Regions

- Available September 2016
- <https://www.woodmarkets.com/publication/global-cost-benchmarking/benchmarking-quarterly-update-2016h1/>

## WHAT'S NEXT

## WOOD MARKETS • 2017 Edition

Detailed Analysis and Forecast for the North American Wood Products Industry & Market

- Outlook 2017–2021
- Available December 2016
- <https://www.woodmarkets.com/publication/5-year-outlook/outlook-to-2021/>

## SIGN UP:

## CHINA BULLETIN (monthly)

- [www.woodmarkets.com/publication/china-bulletin/](http://www.woodmarkets.com/publication/china-bulletin/)

## MARK YOUR CALENDARS FOR 2017:

## Annual Global Softwood Log &amp; Lumber Conference

- May 11, 2017
- Hyatt Regency Vancouver
- <https://www.woodmarkets.com/conference/conferences-vancouver/2017-global-softwood-conference/>

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**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