

Featuring Lumber, Panels  
and Wood Products Analysis

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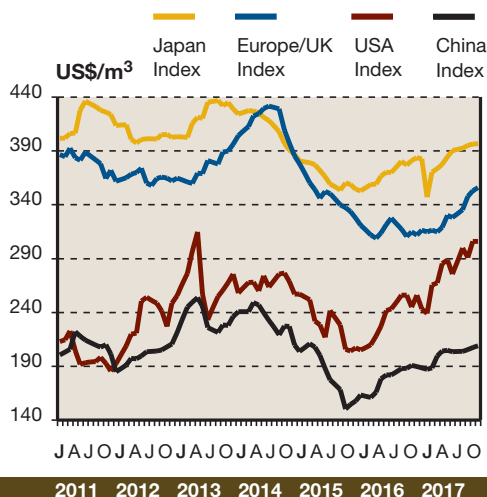
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## GLOBAL PRICE TRENDS



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

## GLOBAL TIMBER & SAWMILL COST BENCHMARKING RESULTS

### Great Results in 2016; Even Better in 2017

The improving dynamics in almost all global markets positively impacted the timberland and lumber producers in the major importing and exporting countries in 2016 and again — even more significantly — in 2017. Expanding demand and high prices have been key themes for lumber producers and exporters, with some strong earnings being recorded (particularly by U.S. producers).

The just-released eighth edition of the *Global Timber/Sawmill/Lumber Cost Benchmarking Report* assesses and compares 2016 annual results for timber harvesting, delivered log and sawmilling costs, lumber and by-product revenues/margins for 29 global producing regions, and includes an update for Q2/2017 for both “average” and “top-quartile” sawmills. This summary article highlights the global trends for 2016 (and some for Q2/17) based on results from mainly “average” sawmills. Results for top-quartile sawmills — normally more relevant — are available in our complete report.

### Global Results

Our survey converts all costs to a U.S.-dollar basis (US\$/m<sup>3</sup> net size), and shifting exchange rates continue to affect costs and margins.

Comparing results from the 2016 and 2014 global surveys, average and top-quartile mills saw generally improving lumber markets and favourable currency relationships (relative to the U.S. dollar), but lower U.S. dollar prices in 2016 eliminated many countries' currency gains, lowering mills' results across the board in U.S.-dollar terms. Russia in particular had some of the best earnings in the world in 2014, but these slipped in 2016 and even more so in Q2/2017. While the “global EBITDA averages” for both average and top-quartile mills were essentially the same in 2016 as in 2014, the fortunes of most regions improved significantly in Q2/2017 (driven by stronger global lumber prices). The North American economy has been stable (boosting lumber demand and prices), and the European economy improved in both 2016 and 2017 — in fact, 2017 has seen many mills/countries record their best results in half a decade.

Our analysis points to some key themes:

- U.S. West mills continue to have much higher total costs (in US\$/m<sup>3</sup>) than other producing regions within North America (due mainly to very high log costs);

...continued

## MARKET REPORT

## GLOBAL TIMBER &amp; SAWMILL COST BENCHMARKING RESULTS cont'd

## Great Results in 2016; Even Better in 2017

- The U.S. South has the highest global sawmilling margins in the world (double the next highest), and import duties against Canadian exporters will solidify this position further;
- Only Finland and Siberia (logs at market) recorded losses at "average" mills in Q2/2017; and
- Import duties on Canadian lumber significantly reduce sawmill margins on U.S. shipments; this will further stimulate European and other lumber exports to the U.S. ■

## SPECIAL REPORT

## 2016 TOP 300 US RETAILERS

## Steady Sales Growth Continues

Many of the top 300 home improvement retailers are protected due to realities such as "lumber is too big and bulky to sell and deliver online" and "many home improvement projects need offline assistance," but many companies have still joined the online gravy train. ■

## MARKET REPORT

## CHINA'S NEW (AND TRADITIONAL) SUPPLIERS

## Highlights of China's Global Supply Chain

FEA/WOOD MARKETS held its 11th China conference in Taicang (near Shanghai) in late October. There are several key findings around the export potential from Russia, Uruguay and Brazil to China:

- Russia's high log-export duties now favour lumber exports;
- Efficient, low-cost transportation schemes have been established from all parts of Russia to China;
- Many small Chinese sawmills located at Russian railway stations are producing lumber, large squares or cants to bypass the log export tax;

...concluded at right

## MARK YOUR CALENDARS FOR 2018:

## Global Softwood Log &amp; 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/>

## PUBLICATIONS AVAILABLE:

## Global Timber/Sawmill/Lumber Cost Benchmarking 2016 Annual Basis &amp; 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 &amp; 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/](http://www.woodmarkets.com/publication/china-bulletin/)

- The supply chain for eucalyptus and pine logs from Uruguay has improved, and 80% of Uruguay's forests are now certified; and
- Log exports have emerged as a solution to Uruguay's lack of domestic processing capacity (there are already 5–6 exporters operating);
- Brazil has the second-largest plantation area in the world, with a rotation age for eucalyptus (for use as cellulose pulp) of only 7 years;
- Brazil views plantations as the solution to ensuring raw material supply and fostering a low-carbon economy, and its key objective is to extract maximum value from each and every tree planted. ■

(The full report contains in-depth details on all of the topics shown here, with graphs and tables to tell the story.)

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

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