

Featuring Lumber, Panels  
and Wood Products Analysis

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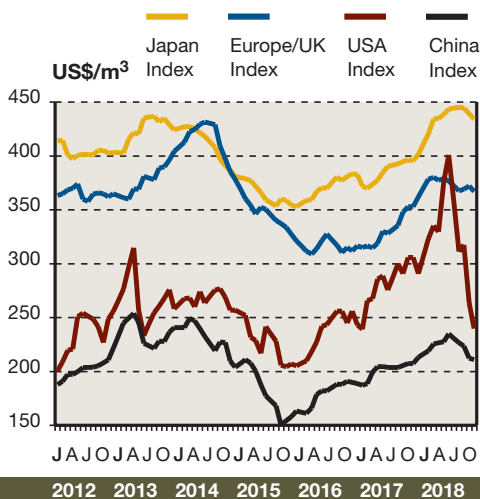
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## GLOBAL PRICE TRENDS



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

## GLOBAL MALAISE

### Lumber Uncertainty Spreading

**W**ith a record run in the first half of 2018 followed by a massive U.S. lumber price correction from June to October, buyers and sellers appear to be getting more nervous about lumber prices and markets for 2019.

Subscribers to our *WOOD MARKETS 2015* five-year outlook report (released in December 2014) might remember that we pointed to a combination of factors propelling the strong prices expected in 2015–19. At that time, we expressed a caution:

*The entire “super-cycle” thesis still requires both a steady to strong level of demand in the U.S. market, plus stable to increasing demand in other global markets (i.e., no global economic recession). Without steady to stronger global lumber demand, it is possible the super-cycle may never really get going, or could stall early or be delayed (perhaps resulting in more of a “super-spike”).*

In 2018, it appears that market prices may have exhibited both dynamics, with a “super-spike” occurring as a result of several temporary supply constraints in H1/2018, followed by a slowing housing market in the U.S. and market uncertainty in China (and elsewhere) during the second half of the year.

Market fundamentals and the outlook for the U.S. market in 2019 all appear to be solid, notwithstanding the huge volatility in 2018. The potential for a super-cycle may now be easing due to slower demand drivers, but there is a strong likelihood of 2019 being the second-highest year of annual U.S. lumber prices (after the record set in 2018). Perhaps the 17% increase in W-SPF prices over the past few weeks will continue helping to stabilize the U.S. market, and the sentiment could spread to other global markets.

We are watching market dynamics in key markets such as China very carefully. A visit to the country in early November revealed apparent nervousness on the part of Chinese buyers around market “uncontrollables,” particularly U.S.–China tariffs. The possibility of a new round of 25% tariffs being applied on January 1 is creating huge uncertainty for importers with respect to their purchases of logs and lumber. In short, with no way to be sure whether a higher tariff will in fact be applied to logs and lumber by both governments, or who will bear the cost, buyers are choosing to sit on the sidelines and purchase their needs in a more hand-to-mouth fashion.

Other export markets (such as North Africa, an important market for both Europeans and Russians) are also exhibiting slower demand. At such times, the major exporting countries need a large market such as China to absorb incremental production, so with Chinese buyers apparently uninterested in buying in the short-term, imported log and lumber prices there are eroding (as outlined in this month’s *China Bulletin*). Despite relatively good macro-market conditions, market malaise is spreading, and this is leading to slow and steady erosion in global lumber prices. We are projecting a price rebound in 2019, but its timing is now highly uncertain. ■

By Russ Taylor, Managing Director

## MARKET REPORT

## GLOBAL MDF UPDATE

## Steady Growth in Many Countries

Global MDF capacity increased by 2.9% in 2017. China remained the world's largest MDF-producing country at 45 million m<sup>3</sup>, followed by Europe at 27 million m<sup>3</sup>, other Asia at 10.7 million m<sup>3</sup>, South America at 9.5 million m<sup>3</sup>, and North America at 5.8 million m<sup>3</sup>. The global outlook for 2018 and beyond point to worldwide capacity exceeding 109 million m<sup>3</sup>. ■

## SPECIAL REPORT

BEETLE-DAMAGED TIMBER SWAMPS  
CENTRAL EUROPE

## But Creates Opportunities for European Mills

Essentially, Central Europe is awash in beetle-infested timber, as discussed at the International Softwood Conference held this year in Riga, Latvia. In combination with an extended summer drought and Hurricane Friedericke's actions in uprooting trees, the authorities believe the situation threatens to become a problem now for stands of beech throughout Central Europe.

In 2019, selling blue-stained lumber will remain a challenge for European mills given the rising volume of damaged logs they will be forced to process. As a result, look for more central European lumber to enter the U.S. in 2019, especially once prices rise. ■

## MARKET REPORT

## 2018 TOP US CHANNEL RETAILERS

## Online Shopping Helping Profits &amp; Market Share

Many home centres such as Home Depot are adopting the one-stop shopping culture; there is now a race to offer the fastest delivery service — even faster than Amazon! Some retailers are offering improved and specialized services (e.g., installation), sharply boosting sales.

In 2017, the largest pro dealers were Builders FirstSource, BMC, 84 Lumber, US LBM Holdings, and Carter Lumber. The leading home centres continue to be Home Depot, Lowe's and Menards. ■

(The full articles offer in-depth details, with comprehensive graphs and tables.)

## MARK YOUR CALENDARS:

## 9th Annual Global Softwood Log &amp; 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/>

## 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
- Now available
- <https://www.woodmarkets.com/publication/china-book/outlook-to-2023/>

## Russia Forest Industry Competitive &amp; Export Outlook to 2025

## Focus on China

- Scheduled for January 2019
- <https://www.woodmarkets.com/publication/russian-reports/russia-forest-industry-competitiveness-export-outlook-to-2025>

## Global Timber/Sawmill/Lumber Cost Benchmarking 2016 Annual Basis &amp; Q2/2017

- Available now
- <https://www.woodmarkets.com/publication/global-cost-benchmarking/>

## CHINA BULLETIN (monthly)

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

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