WOOD MARKETS

MONTHLY INTERNATIONAL REPORT HIGHLIGHTS

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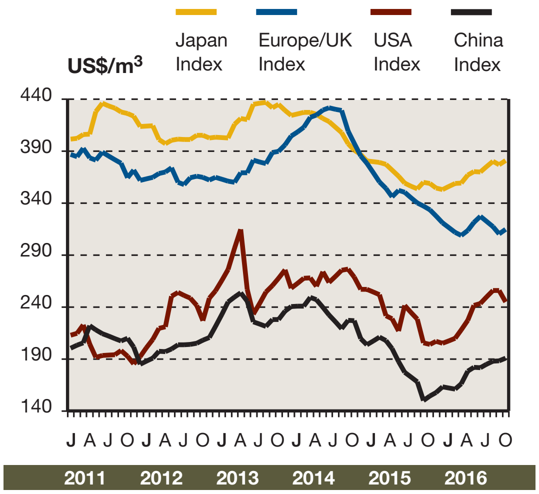
OCTOBER 2016 • Volume 21, Number 8

Featuring Lumber, Panels and Wood Products Analysis

WHAT'S INSIDE...

GLOBAL PRICE TRENDS



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

SIBERIA INDUSTRY UPDATE

Low Costs + Capex = Higher Exports

As the helicopter descends slowly through the smoke from the regional forest fire, the silhouette of a very large sawmill comes into view. Later, the sight of gun-barrel-straight Angara pine logs moving efficiently through a modern European sawing line tells only one part of the story in the heart of Siberia. Not only is this sawmill using the latest technology, it also has a high-speed European planer installed and is producing high-value *taruki* for the Japanese market. And, with relatively low-priced, high-quality sawlogs, we have just visited one of the lowest-cost and highest-margin sawmills in the world!

Touring this mill and others revealed many surprises, and were just some of the manufacturing and forestry developments viewed by participants during WOOD MARKETS' **Siberia Forest and Mill Tour** held in September 2016. A key takeaway was this: all mills are making good-to-excellent margins, helped significantly by the country's devalued currency. At the same time, virtually all of the companies visited were in the process of investing capital in logging equipment, sawing lines, kilns and/or planers. It was evident to all on the tour that the Russians are getting serious: over time, they will be able to both increase production and decrease costs.

Timber Supply

Access to Russia's timber supply is probably the only weakness noted from the tour. While the fine-grained timber offers some of the highest-quality fibre anywhere, the resource is increasingly difficult to access. For comparison, it was noted during our 2012 Siberia tour that the average hauling distance for most sawmills was 180–200 kilometres. In 2016, that figure is now closer to 250 kilometres, with more than one person commenting that the distance is rising at a rate of ~10 kilometres per year. Some companies even indicated that log hauling distances of 300–400 kilometres are becoming less and less unusual — and some logs were being delivered by river drives from 600 kilometres away!

Since the Russian government rarely builds forest roads, access to timber in Siberia has traditionally been restricted to harvesting in corridors close to railroad lines. Highways have been constructed for other purposes, however, so more forests have now become accessible through the building of spur roads. Still, over time the viable commercial forest land is located further and further away from mills, creating logistics obstacles for timber processors in Siberia.

Most of the forests in Siberia grow as mixed coniferous and deciduous trees, with the majority of state-owned forests FSC-certified; this enables exporters to sell into any and all markets. Unfortunately, with only two pulp mills operating in all of the region, there are few outlets for deciduous logs. This renders deciduous timber largely valueless.

...continued

HIGHLIGHTS
WHAT'S NEW

SPECIAL REPORT

SIBERIA INDUSTRY UPDATE cont'd

Low Costs & Capex = Higher Exports

New capital projects will continue to reduce logging and sawmilling costs, increase output, and yield more kiln-dried and value-added (mainly engineered) products.

With high margins on both log and lumber exports, and given these important capital investments, there is little doubt that Russian suppliers will be very aggressive competitors in core Asian markets going forward. While there are certainly challenges in the country's wood products industry, producers are being compensated by some of the highest sawmilling returns in the world. The strong Q3/2016 results for Siberia are in stark contrast to the poor results seen in 2014 and earlier — before the ruble's devaluation. All of this is documented in our new report ***Biannual Global Timber/Sawmill/Lumber Regional Cost & Revenue Profiles***. ■

(In the complete article, additional details and graphs offer further insight into the Russian wood industry.)

MARKET REPORT

2015 TOP U.S. CHANNEL RETAILERS

The Changing Pro-Dealer Landscape

The playing field of the top pro dealers has changed substantially due to mergers and acquisitions — again! Two of the largest pro dealers in 2014, ProBuild and Stock Building Supply, were bought by companies that were already in the top five (Builders FirstSource and BMC, respectively).

The ranking of the top 20 home-centre chains remained very consistent from 2014 to 2015, with 19 out of 20 companies staying on the top 20 list and the top 5 staying in the exact same order (led by Home Depot and Lowe's).

Future growth may be driven by home centres growing their pro-dealer and contractor customer bases, offering online home services, and connecting clients with high-quality pros — strategies that are leading to improvements in service-oriented revenue. ■

(The full article goes into greater detail, with several graphs.)

NEW!

Global Timber/Sawmill/Lumber Regional Cost & 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

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CHINA BULLETIN (monthly)

- www.woodmarkets.com/publication/china-bulletin/

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Annual Global Softwood Log & Lumber Conference

- May 11, 2017
- Hyatt Regency Vancouver

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Publisher & Editor Russell E. Taylor
Associate Editors Peter Butzelaar, Tony Marra
Managing Editor/Layout Jane Keyes
Research Chari Gimenez
Subscriptions Barb MacDonald

WOOD MARKETS MONTHLY INTERNATIONAL REPORT

Mailing Address
Suite 603–55 E. Cordova Street
Vancouver, BC, Canada V6A 0A5

Phone: 604-801-5996 (country code 1)
Fax: 604-801-5997
Email: info@woodmarkets.com
Website: www.woodmarkets.com

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

 ISSN #1480-0969