

Featuring Lumber, Panels
and Wood Products Analysis

WHAT'S INSIDE...

Features

2 Global Market Trends/Dynamics

Global Statistics

7 China Imports & Exports

9 U.S. & Canada Monthly

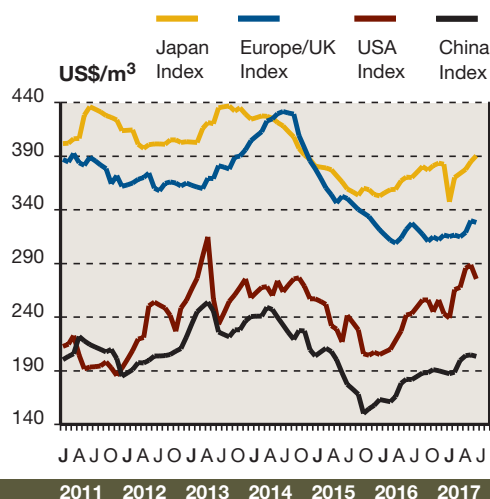
11 Global Price Indices

Analysis

12 Price Forecasts: One-Year Price Outlooks

14 Monthly Prices: World Lumber
& Panel Prices

GLOBAL PRICE TRENDS



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

THE “BULL” U.S. LUMBER MARKET

Record Prices Due to Tight Supply

The U.S. market has been red-hot in 2017 on a combination of supply, demand, trade and climate factors that have combined to create a “one-of-a-kind” year. And it isn’t over yet! We have been predicting a timber supply crunch in Canada since 2007, when we first analyzed the impact of a diminishing timber base in the B.C. Interior (mountain pine beetle-related) and Eastern Canada (mainly in Quebec, due to government timber policies). The effects of reduced timber supplies and, by default, lower lumber production, were expected to show up “in the middle of the next decade,” with the timing subject to U.S. lumber demand, key export-market dynamics, and supply from major offshore exporters.

This scenario began to show up in 2016 as rising global demand propelled prices higher in most markets, with many all-time U.S. price records being achieved this year. In its October 6 issue, *Random Lengths* highlighted that 297 (18%) of its reported 1,674 weekly prices of softwood lumber, panels and veneer “were at or had already touched record highs in 2017.” This is despite only somewhat modest gains in lumber consumption: U.S. “derived demand” volumes for the first seven months of 2017 (page 9) were near zero (although 4%–5% would be a more realistic gain, ignoring derived demand). Canada shows an 8% gain year-to-date due to its strong housing market.

B.C. Interior lumber production is finally declining, as predicted: year-to-date production is down 3.4% (-240 million bf) and total Canadian production is lower by almost 1% (-133 million bf). This is despite record-level prices in the U.S., and has resulted in significantly reduced Canadian exports south of the border: the Canadian trade data show a decline of 496 million bf (-5.6%), while the U.S. trade data point to a larger decline of 577 million bf (-6.5%).

At the same time, U.S. West production has grown by a mere 45 million bf (0.6%) in the first seven months of 2017 — also despite record-level prices, and also as a function of tight log supplies and a strong log-export market. Only the U.S. South has been able to show any real increase — 380 million bf (+3.7%) so far this year — despite huge availability of low-priced sawlogs amid rather limited sawmill capacity increases. Offshore imports have seen a substantial jump: up 130 million bf in the first seven months of the year (+32.8%), driven by high lumber prices and reduced Canadian supplies.

Throw in massive forest fires in B.C. and the U.S. Pacific Northwest, along with hurricanes in the U.S. South, and we have all the components of a “perfect storm.” With uncertainty around Canadian import duties starting in early January 2018, we are already setting up for another volatile year in North America! ■

By Russ Taylor, Managing Director

SPECIAL REPORT

GLOBAL MARKET TRENDS/DYNAMICS

Summary of Key Developments Occurring Outside North America

There is a net loss of forest area of ~7 million hectares per year globally. Global demand growth in 2018 and beyond will incorporate some of the following trends and factors:

- The global log supply is increasingly constrained, changing competitive positions of some regions/countries.
- Expect pressure to undertake technology developments that facilitate the processing of smaller-diameter logs.
- The U.S. market is growing, but timber-supply constraints and import duties on Canadian lumber will lead to even higher prices and rising exports from Europe/Southern Hemisphere.
- Asia is playing an increasingly important role in the wood industries of Europe, Russia, New Zealand and Australia.
- China is facing a growing timber-supply deficit.
- China's growth rate is still unchecked and imports will need to rise to meet its demand.
- Japan's demand remains strong despite changing demographics.
- In 2017, India is similar to the China of five or six years ago; increased growth can be anticipated.
- Sawnwood inventories are currently low in Europe for the first time in many years.
- Since the fastest-growing markets are all outside Europe, an increase in European exports is projected.
- A growing deficit in the global labour force is a new and looming long-term problem.
- Product substitution will continue, e.g., sawnwood by reconstituted panels, engineered and/or new products and, possibly, non-wood products.
- Wood processing must be intensified to offer advantages and new building solutions, e.g., CLT. ■

(Additional details are available in the full report, complete with graphs to offer further insight into the global lumber market.)

MARK YOUR CALENDARS FOR 2017:

China/Global Supply Chain Conference & Tour

- October 30–31, 2017
- <https://www.woodmarkets.com/conference/conferences-china/2017-china-supply-chain-conference/>

AVAILABLE SOON:

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

- Available October 2017
- <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 & Market

- Outlook 2018–2022
- Available early December 2017
- <https://www.woodmarkets.com/publication/5-year-outlook/outlook-2022/>

SIGN UP:

CHINA BULLETIN (monthly)

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

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

Publisher & Editor

Russell E. Taylor
Managing Director
FEA–Canada

Managing Editor/Layout
Research
Subscriptions

Jane Keyes
Chari Gimenez
Barb MacDonald



Forest Economic Advisors

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

©FEA LLC

Vancouver, BC, Canada

All rights reserved • Printed in Canada

No part of this publication may be reproduced or transmitted in any form whatsoever (electronic, mechanical, photocopy, facsimile, etc.) without the express written permission of the publisher.

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