

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

Increased demand for softwood lumber worldwide has pushed lumber prices upward, particularly in the US and China during the first half of 2017, according to the Wood Resource Quarterly

This is an excerpt from the newly released market report Wood Resource Quarterly. To read the full 56-page quarterly report, please visit www.woodprices.com to initiate an annual subscription.

WRQ - 30 Years of Global Wood Price Reporting

Global Lumber Trade

International trade of softwood lumber is on pace to a new record high in 2017 if the trend from the first six months of 2017 continues in the second half of the year.

Of the ten largest lumber-exporting countries in the world, Russia, Finland, Austria and Ukraine increased shipments the most year-over-year during the first half of 2017. Russia alone, has accounted for 22% of global lumber trade so far in 2017, which is up from 15% ten years ago, according to the WRQ. Canada's seven consecutive years of expanding shipments may reach an end this year with export volumes having declined 2.2% during the 1H/17.

Lumber markets – North America

During the first five months of 2017, lumber production in the US South bounced back after having declined during the second half of 2016. The total production output from January through May was 7.3% higher this year as compared to the same period in 2016, according to the WWPA.

In Canada, lumber production was up seven percent in the Eastern provinces during the first five months of 2017, while it fell 2.1% in British Columbia. The decline in BC occurred mostly because of a reduction in lumber exports to China by 10% year-over-year.

Lumber prices in both the US and Canada have trended upward for almost two years and reached 13-year highs in July. One exception has been pine lumber prices in the US South, which have fallen the past few months to the lowest level seen in almost a year.

Lumber markets – Northern Europe

Lumber production in the Nordic countries has increased faster than the rest of the continent the past five years. The sawmilling industry in Finland has grown more than in any other country in Europe the past few years, with production in 2016 being 21% higher than in 2012. This can be compared to increase of 12% during the same period in all of Europe.

Lumber prices in the Nordic countries continue to be depressed in US dollar terms, although they have moved up slightly during the 2Q/17. Current price levels are close to the lowest they have been in eight years.

Lumber markets – China

Demand for softwood lumber has picked up in China in 2017 with import volumes during the first seven months being 16% higher than during the same period in 2016. By far, the biggest jump in supply sources has been from Russia, which increased shipments by 24% y-o-y to 7.1 million m³ from January to July.

Russian sawmills also increased their market share from 42% of total Chinese imports in 2014 to 62% in 2017. Despite a substantial decline in the cost of Canadian lumber delivered to China from the record highs in 2013 and 2014, Canadian sawmills have lost market share substantially, dropping from a 40% share in 2013, when it was the largest supplier of softwood lumber to the Chinese market, to a current 22%.

Lumber market – Japan

Japan has increased importation of softwood lumber by two percent during the first half of 2017 as compared to the 1H/16. Total import volume in the 2Q/17 was 1.6 million m³, the highest level in two years. The biggest changes on the supply side this year compared to 2016 has been an increase in imports from Canada and Sweden, and a decline from Russia.

In Yen terms, domestic lumber prices have moved up slightly in 2017, while import prices have remained practically unchanged.

Lumber market – Russia

Russian sawmills have increased production by an estimated 14% the past five years,

mainly driven by a rise in demand for wood in China. Although domestic softwood lumber demand was up three percent in 2016 from the previous year, domestic consumption has fallen 12 percent the past five years. Russia has become a major player in the global lumber market the past ten years, but exported a surprisingly small share to Europe or the US. Instead a majority of the Russian lumber has been shipped to China, Japan, Iran and the CIS countries (see detailed export data in the latest WRQ Trade Snapshot). Export prices have trended upward for more than a year, and in June 2017, reached their highest levels since February of 2015.

*Global lumber, sawlog and pulpwood market reporting is included in the 52-page quarterly publication Wood Resource Quarterly (WRQ). The report, which was established in 1988 and has subscribers in over 30 countries, tracks sawlog, pulpwood, wood chip, lumber and pellet prices, trade and market developments in most key regions around the world. **To subscribe to the WRQ**, please go to www.woodprices.com*

Contact Information

Wood Resources International LLC

Hakan Ekstrom

Seattle, USA

info@woodprices.com

www.woodprices.com