



## WRI Market Insights 2021

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### **Global Lumber Markets**

#### **The record high lumber prices in the US shifted global lumber trade flows in the first half of 2021**

- US lumber prices reached unprecedented highs in the 2Q/21. For example, the costs for 2x4 framing pine lumber in the US South averaged almost \$800/m<sup>3</sup> in May, up from \$210/m<sup>3</sup> as recent as February 2020 and nearly four times as much as the 20-year average price for southern yellow pine. The costs for sawlogs, typically accounting for 60-70% of the production costs when manufacturing lumber, have seen only relatively small adjustments throughout the first half of 2021 in the key lumber-producing regions of North America, according to the Wood Resource Quarterly. The favorable lumber price/sawlog cost ratio has resulted in record-high profits for lumber companies across the continent.
- Canadian lumber prices have spiked similarly to US prices, with record highs in May followed by sharp declines during June through August. Canada and the US reduced lumber exports overseas in the first half of 2021 due to the strong US lumber market. The most significant decline came in North American shipments headed to China, which fell from over 1.9 million m<sup>3</sup> in the 1H/20 to only 820,000 m<sup>3</sup> in the 1H/21.
- Two of the four largest lumber exporters in Europe, Sweden, and Germany increased their shipments substantially during the first six months of 2021 compared to the same period in 2020. The significant rise in exports from Sweden and Germany was in sales to the US. Both countries have benefited from not only larger export volumes but also substantially higher lumber prices. In May 2021, average export prices for Sweden and Germany were up 83% and 93% from May 2020, respectively. The most significant changes in trade by the major European lumber exporters in 2021 have been increases in intra-continental sales and a decline in shipments to China, the US, and the MENA region.
- Softwood lumber imports to China fell by 24% y-o-y in the first half of 2021. Although importation rose in the 2Q, the 1H/21 import volume has been the lowest first half in six years. It is interesting to note that China's consumption of foreign softwood lumber as a percentage of the total usage of both lumber and logs was at its lowest level in over ten years, reports the WRQ. China's supply from all countries except Ukraine has

declined from 2020, with the most significant reductions having been in imports from the US and Sweden. In contrast, importation to China from Chile and Russia has been relatively less impacted.

- The costs for lumber in China have sky-rocketed this year, reaching their highest levels on record. Canadian lumber prices have gone up the most as they have been heavily impacted by the alternative market in the US. From late 2020 to July 2021, Chinese import prices for lumber from British Columbia were up about 60% during this period.

*Are you interested in the worldwide wood products market? The Wood Resource Quarterly (WRQ) is a 75-page report established in 1988 and has subscribers in over 30 countries. The publication tracks **prices for sawlog, pulpwood, lumber, and pellets** and reports on trade and wood market developments in most key regions worldwide. For more insights on the latest international forest product market trends, please go to [www.WoodPrices.com](http://www.WoodPrices.com)*

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