

Global Timber and Wood Products Market Update

- a news brief from ForestEdge LLC and Wood Resources International LLC

US consumption of softwood lumber is likely to reach record-highs by 2030, resulting in export opportunities for sawmills in Europe and Latin America, according to a new study from ForestEdge and Wood Resources International

Higher lumber demand from all end-use sectors in the US in the coming years will result in continued expansion of sawmill capacity in the US South and increased imports from overseas, while Western Canada will reduce its shipments to the US market. For more, see the new report: “Future Suppliers of Softwood Lumber to the US Market – Supply and Demand Outlook 2017-2030”.

Seattle, USA. A newly released study by ForestEdge and Wood Resources International forecasts that US softwood lumber demand will grow at an annual rate of 2.3% through 2030, which will be higher than the reports projection of real GDP. The study’s Base Case demand scenario suggests that US lumber consumption will reach an all-time high by 2030.

A detailed analysis of the future consumption of softwood lumber in each of the five end-use categories (residential housing, repair & remodeling, non-residential construction, material handling and other) reveals that the category “Non-Residential Construction” will grow at the fastest rate and will increase its share of the total softwood lumber usage from just over 11% in 2016 to almost 14% by 2030. Lumber consumed by the residential housing sector, including repair and remodeling, will continue to account for the almost 70% of the end-use market.

At an estimated softwood lumber production cost of less than US\$200/m³ in 2016, the US South is one of the lowest cost suppliers of softwood lumber to the US market. This, combined with a significant “overhang” supply of softwood sawtimber as a result of the Global Financial Crisis in 2008-09 and a mature plantation resource, is expected to continue to facilitate a major expansion of sawmill capacity in the region.

The Canadian lumber producers market share in the US is expected to decline in the coming years, with the biggest reduction occurring between 2017 and 2025. The outlook for available log supply to the sawmilling sector will be different in the two major lumber-producing regions in Canada, with harvest levels falling substantially in British Columbia over the next ten years.

Overseas supply of lumber to the US is forecasted to increase both in volume and market share by 2025, followed by a decline until 2030. Based on the study's lumber supply curve analysis, the major supplying regions are likely to include Brazil, Chile, Germany and the Nordic countries. In the study's High Demand Scenario, which projects a very strong rebound in housing starts, R&R and non-residential construction, overseas supply will be crucial and reach a market share of over 10 % by 2030.

After nearly two decades of real price declines of sawlogs in North America and elsewhere, the combination of a rebounding US softwood lumber demand, constraints on log supply and export production in Western Canada, and continued strong demand for softwood lumber from markets in Europe, Asia and the Middle East/North Africa (MENA) region, is expected to push conifer log prices higher in real US dollar terms in many timberland investment regions by 2030.

*The excerpt above is from the new multi-client study "**Future Suppliers of Softwood Lumber to the US Market – Supply and Demand Outlook 2017-2030**", published by ForestEdge LLC and Wood Resources International LLC. For more information about the study or to enquire about the purchasing of the 218-page report, please contact either Robert Hagler (robert@forestedge.com) or Hakan Ekstrom (hakan@woodprices.com)*

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