INTRO

- Degrees in Forestry, Business, (Wood Products)
- Career
  - Forestry Extension
  - NHLA
  - Hardwood Review
OUTLINE

- Hardwood Lumber Price Trends
  - What’s Driving Those Trends
  - Market Outlook
- Export Markets and Trends
  - Export Outlook
- Things to Watch
WORLD HISTORY (AS TOLD BY LUMBER PRICES)

LUMBER PRICETRENDS

• We are nearing the end (?) of the fastest run-up in hardwood lumber prices in at least 36 years – maybe ever

• Caused by a unique set of internal and external factors

• Many species/grades/thicknesses currently at record highs...even accounting for inflation
LUMBER PRICE HISTORIES

90/50 RED CHERRY

Supply panic  Chinese demand  FAS/1F

#1 Com  #2 Com

1/1/2012  1/1/2013  1/1/2014  1/1/2015  1/1/2016  1/1/2017  1/1/2018  1/1/2019  1/1/2020  1/1/2021  1/1/2022

LUMBER PRICE HISTORIES

RED OAK

FAS/1F

#1 Com  #2 Com

1/1/2012  1/1/2013  1/1/2014  1/1/2015  1/1/2016  1/1/2017  1/1/2018  1/1/2019  1/1/2020  1/1/2021  1/1/2022
LUMBER PRICE HISTORIES

ASH

SAP/BTR SOFT MAPLE

+$900 (+51%) Since Oct 1, 2020
LUMBER PRICE HISTORIES

WHITE OAK

POPLAR

1/1/2012 | 1/1/2013 | 1/1/2014 | 1/1/2015 | 1/1/2016 | 1/1/2017 | 1/1/2018 | 1/1/2019 | 1/1/2020 | 1/1/2021 | 1/1/2022

$4,500 | $4,000 | $3,500 | $3,000 | $2,500 | $2,000 | $1,500 | $1,000 | $500 | $1,975 | +83%

FAS/1F | #1 Com | #2 Com

+$1,035 | +102%

LUMBER PRICE HISTORIES

1/1/2012 | 1/1/2013 | 1/1/2014 | 1/1/2015 | 1/1/2016 | 1/1/2017 | 1/1/2018 | 1/1/2019 | 1/1/2020 | 1/1/2021 | 1/1/2022

$2,400 | $2,000 | $1,600 | $1,200 | $800 | $400

FAS/1F | #1 Com | #2 Com

Poplar isn’t supposed to do this!
LUMBER PRICE HISTORIES

Green Red Oak Lumber Prices

Flooring-grade lumber prices have nearly tripled

LUMBER PRICE HISTORIES

Green White Oak Lumber Prices

Flooring-grade lumber prices have doubled
WHAT’S DRIVING PRICE TRENDS?

• Hint: It’s NOT exports!

U.S. Lumber Exports

Billion Board Feet

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EXORTS

China drove the last two demand-driven price hikes

China growing into major market

Sustained Chinese demand growth

China Missing
SO, IF NOT EXPORTS, THEN WHAT?

• Strong domestic demand certainly a factor
• Lumber shortages**
• Short-term, rapid hardwood lumber price movements are almost always driven by supply
  • Actual shortages (or fear of shortages)
  • Actual oversupply (or fear of oversupply)
STRONG DOMESTIC DEMAND

• Grade lumber
  • FAS/1F, #1 Com, #2 Com
• Low-grade lumber
  • flooring lbr, pallet cants, ties, frame stock, other industrials
• Driven by demand for manufactured goods
  • cabinets, flooring, moulding, furniture(?), pallets
• Some sawmills’ sales have shifted from 80% export to 80% domestic

REAL DRIVER IS LUMBER SHORTAGES

• Mills suffered one-two punch of 18-month trade war with China, followed by months of pandemic-related disruptions in demand and production
• In October 2020, lumber surpluses turned to shortages and prices started to climb
• Almost unprecedented that prices rose for nearly all species and grades
LUMBER SHORTAGES

• Normally, increased prices would rather quickly entice higher production and prices would come down
  • As we saw in 2011-12 and 2015-16
  • “Never met a market the hardwood industry couldn’t overproduce”
• This time, increased production has been restrained

LUMBER SHORTAGES

• Production restraints
  • LOGS: availability and costs
  • LABOR:
    • Furloughed employees didn’t come back (still haven’t)
    • Expanded unemployment benefits; higher wages elsewhere
  • LORRIES:
    • Lack of trucks, containers, drivers (& high rates)
    • Rolled ocean bookings
• LOBLOLLY
LUMBER SHORTAGES

• 13 months into the fastest market price increase in history, and mills still can’t get enough labor to operate at desired capacities
• Logs are more available (but expensive)
• Shipping still a problem
• Where are we going?

MARKET OUTLOOK

• Market peak is here or near
• Showed up first in Red Oak
• “Canary in the coal mine” (most produced, narrow markets)
MARKET OUTLOOK

- Market peak is probably near; market collapse is not
- Global pipelines are low
- Demand still “strong”
- 2 of 3 major production constraints still in place
- ? Pine prices down, but not all have switched back to hdwd

MARKET OUTLOOK

- As supply/demand slowly come back into balance, some of the historically highest prices will correct
- Most agree they were not sustainable long-term
- Still, as global economies continue to recover from COVID, we don’t see a return to low “pandemic” pricing
THINGS TO WATCH

• Extended unemployment benefits ended in Sep, but that has not brought the speedy return of production workers and truck drivers
  • Which might have brought stronger price corrections
• Demand still strong domestically; growing in Europe, Canada and Mexico
• No end in sight for transportation issues

MARKET OUTLOOK

• Many still predicting strong markets will last through the middle of next year
• This could be the first market runup in decades that does not end in an equally dramatic collapse
EXPORT MARKETS

- A little historic background
- Major trend themes
  - Exports down from peak, but growing again
  - Demand less concentrated in China

IMPORTANCE OF SPECIES IN REGIONAL MARKETS

Asia
- Red Oak 28%
- White Oak 17%
- Poplar 16%
- Ash 9%
- Walnut 8%
- Cherry 7%
- Other 15%

Europe
- White Oak 50%
- Red Oak 10%
- Poplar 19%
- Ash 7%
- Walnut 7%
- Other 7%

Latin Amer.
- Hickory 20%
- Red Oak 13%
- Aspen 11%
- Poplar 6%
- Alder 8%
- Other 42%
IMPORTANCE OF REGIONAL MARKETS TO SPECIES

Red Oak
- Asia: 62%
- Europe: 5%
- LA: 6%
- Canada: 21%
- Other: 6%

White Oak
- Asia: 44%
- Europe: 31%
- LA: 2%
- Canada: 16%
- Other: 7%

Poplar
- Asia: 72%
- Europe: 21%
- LA: 6%

CHINA’S RISE TO DOMINANCE – TOTAL EXPORTS

2000
- China: 10%
- Other E. Asia: 13%
- Canada: 35%
- Mexico: 8%
- EU-27 + UK: 29%
- Other: 5%

2017
- China: 54%
- Other E. Asia: 15%
- Canada: 12%
- Mexico: 8%
- EU-27 + UK: 13%
- Other: 3%

2021
- China: 33%
- Other E. Asia: 20%
- Canada: 20%
- Mexico: 10%
- EU-27 + UK: 13%
- Other: 4%
CHINA’S RISE TO DOMINANCE – RED OAK EXPORTS

2000

China 8%
EU 6%
Mexico 13%
Oth Asia 8%
Canada 59%

2017

Mexico 4%
EU 2%
Oth Asia 3%
Canada 14%
China 74%

2021

EU-27 + UK 5%
Mexico 5%
Canada 21%
Other E. Asia 9%
Other 7%
China 53%

MARKET CONCENTRATION SHIFTS

Pre-Trade War

Total Exports 2017

% of Global Exports
MARKET CONCENTRATION SHIFTS

YTD Exports 2020

% of Global Exports

0% 10% 20% 30% 40% 50% 60%

China Vietnam Canada Mexico UK Japan Germany Spain Italy Indonesia

MARKET CONCENTRATION SHIFTS

YTD Exports 2021

% of Global Exports

0% 10% 20% 30% 40% 50% 60%

China Vietnam Canada Mexico UK Germany Japan Italy Indonesia Spain

Almost as concentrated in Top 5 as it was, but not as heavily weighted to one market
MARKET CONCENTRATION SHIFTS

Red Oak 2017

% of Global Total

China  Canada  Mexico  Vietnam  Japan  UAE  Italy  Egypt  S. Arabia  UK

MARKET CONCENTRATION SHIFTS

Red Oak 2021

% of Global Total

China  Canada  Vietnam  Mexico  Egypt  Morocco  S. Korea  Germany  Japan  Italy
MARKET CONCENTRATION SHIFTS

Ash 2017

MARKET CONCENTRATION SHIFTS

Ash 2021
MARKET CONCENTRATION SHIFTS

Poplar 2017

MARKET CONCENTRATION SHIFTS

Poplar 2021
MARKET CONCENTRATION SHIFTS

Cherry 2021

Losing 21% of export demand for a species that is in tight supply with strong domestic demand (White Oak) is a whole different scenario than losing 70-80% of export demand for species with limited domestic demand (Red Oak, Cherry).
TOP ASIAN MARKET TRENDS

U.S. Hardwood Lumber Exports: China

Source: Hardwood Review

Peaked at 99 MMBF in April 2018

TOP ASIAN MARKET TRENDS

U.S. Hardwood Lumber Exports: Vietnam

Source: Hardwood Review
TOP ASIAN MARKET TRENDS

U.S. Hardwood Lumber Exports: Japan

Source: Hardwood Review

7-year high

TOP ASIAN MARKET TRENDS

U.S. Hardwood Lumber Exports: Indonesia

Source: Hardwood Review

Record high
TOP EUROPEAN MARKET TRENDS

U.S. Hardwood Lumber Exports: United Kingdom

Source: Hardwood Review

32-year highs

TOP EUROPEAN MARKET TRENDS

U.S. Hardwood Lumber Exports: Germany

Source: Hardwood Review

2nd highest in 25 years
TOP EUROPEAN MARKET TRENDS

U.S. Hardwood Lumber Exports: Italy
Source: Hardwood Review
7-year high

TOP EUROPEAN MARKET TRENDS

U.S. Hardwood Lumber Exports: Spain
Source: Hardwood Review
TOP LATIN AMERICAN MARKET TRENDS

U.S. Hardwood Lumber Exports: Mexico

Source: Hardwood Review

EXPORT OUTLOOK

• Impressive that exports have grown at all in 2021
  • Many items at record high prices
  • Shipping rates astronomical
  • Lack of containers, trucks, drivers
  • Ocean bookings being rolled
• Portends very strong demand if/when prices and other limiting factors moderate
**EXPORT OUTLOOK**

- Chinese demand will likely not return to 2017-2018 peak
- Could take many years to replace that demand in other markets
- Assuming U.S. economy stays strong (especially housing), and production remains constrained, exports will be slow to grow
THINGS TO WATCH

• Surge in log exports could extend strong lumber markets.
  • Even if all other production barriers lift
  • Why focus on log exports?
THINGS TO WATCH

Hardwood Exports to China

QUESTIONS AND DISCUSSION

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