

HARDWOOD MARKET TRENDS & OUTLOOK

DAN MEYER,
HARDWOOD REVIEW & NC STATE UNIVERSITY

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INTRO

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

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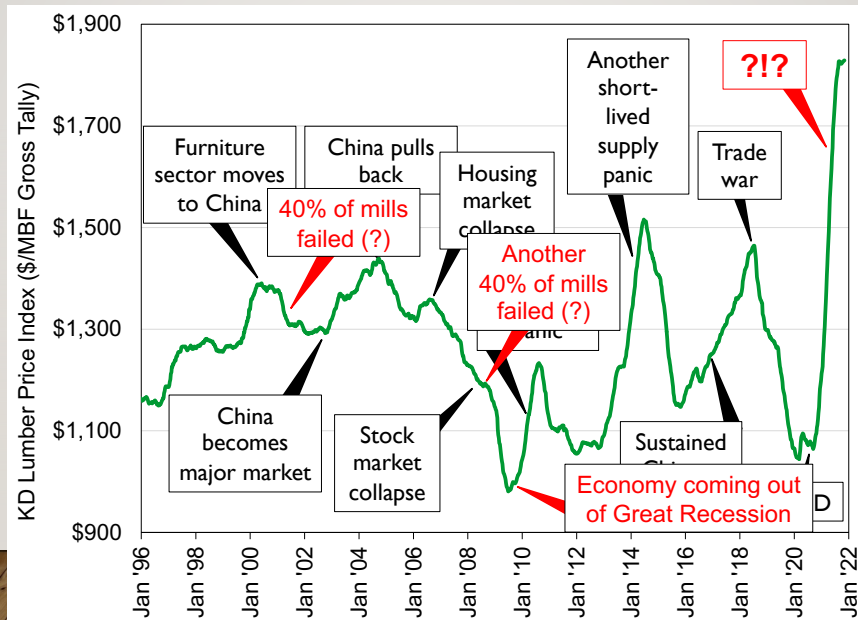
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OUTLINE

- Hardwood Lumber Price Trends
 - What's Driving Those Trends
 - Market Outlook
- Export Markets and Trends
 - Export Outlook
- Things to Watch

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WORLD HISTORY (AS TOLD BY LUMBER PRICES)



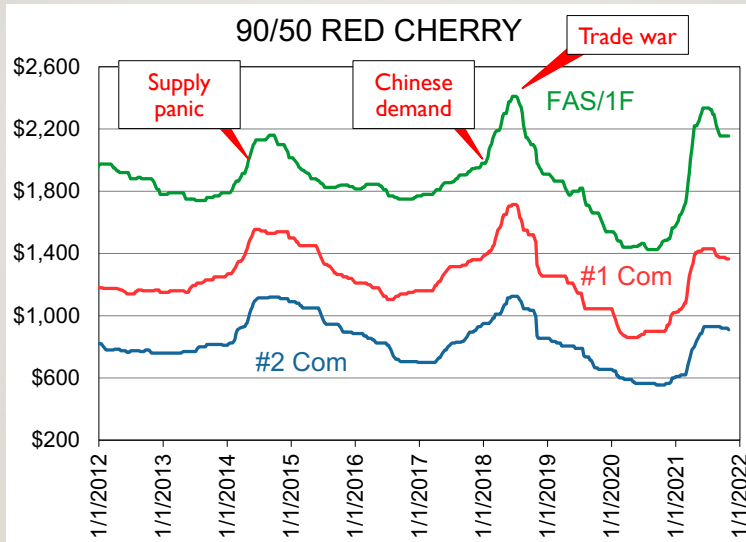
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LUMBER PRICE TRENDS

- 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

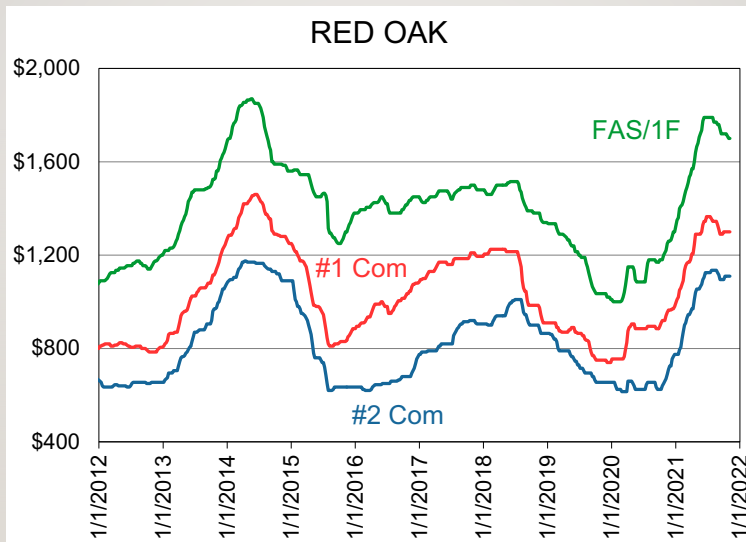
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LUMBER PRICE HISTORIES



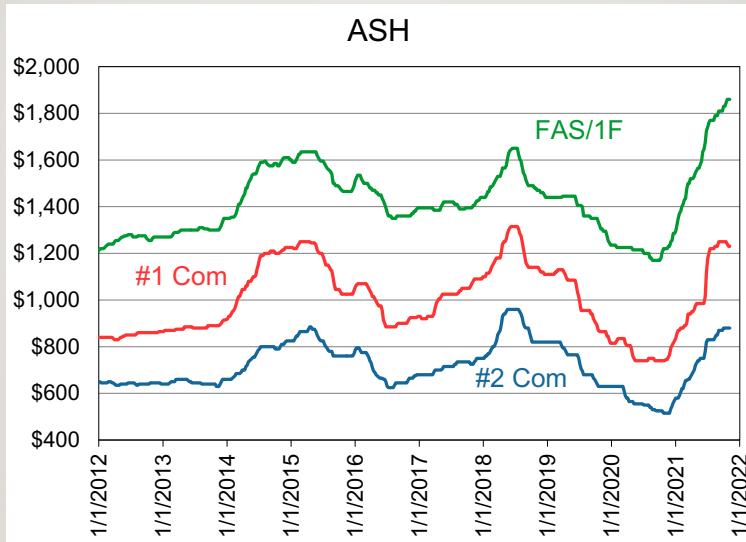
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LUMBER PRICE HISTORIES



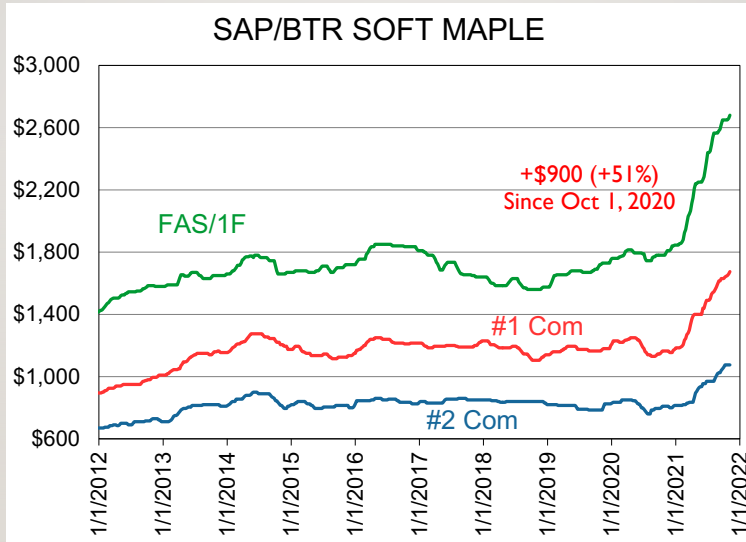
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LUMBER PRICE HISTORIES



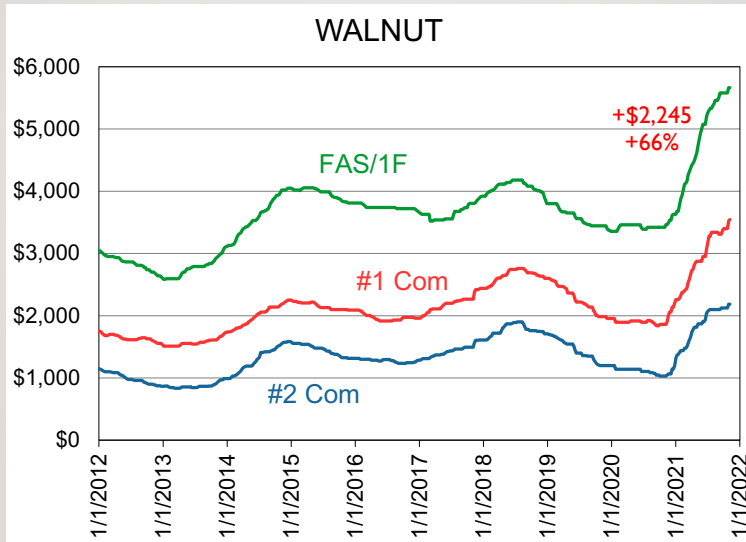
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LUMBER PRICE HISTORIES



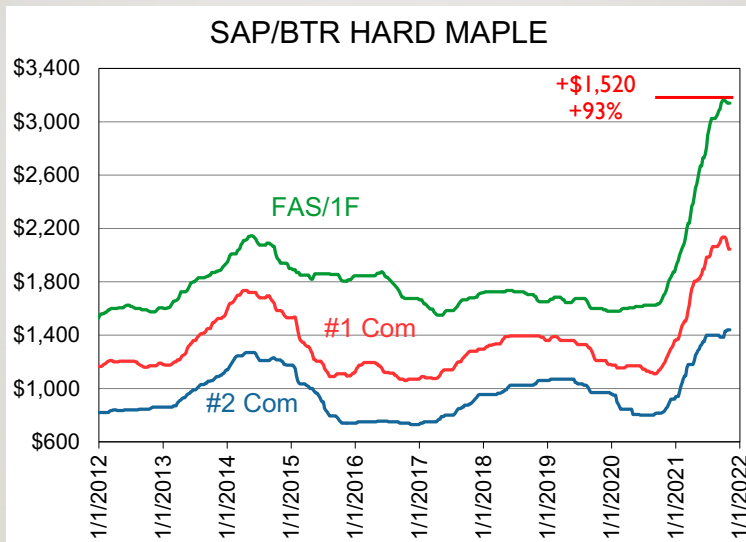
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LUMBER PRICE HISTORIES



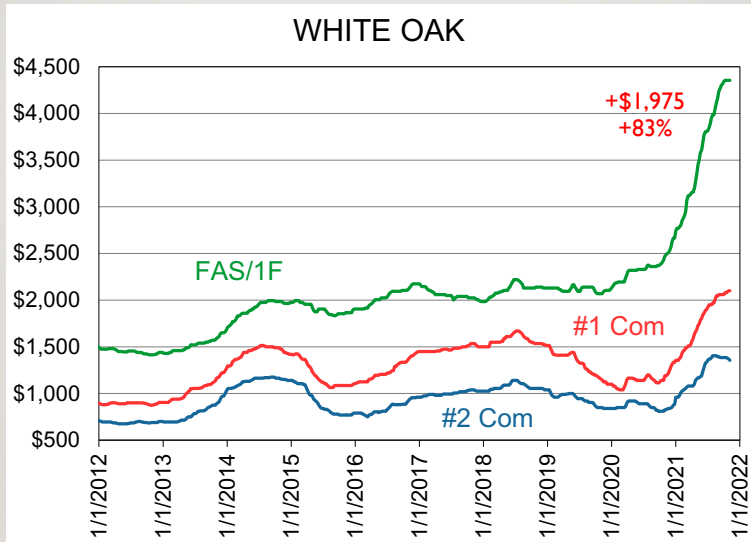
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LUMBER PRICE HISTORIES



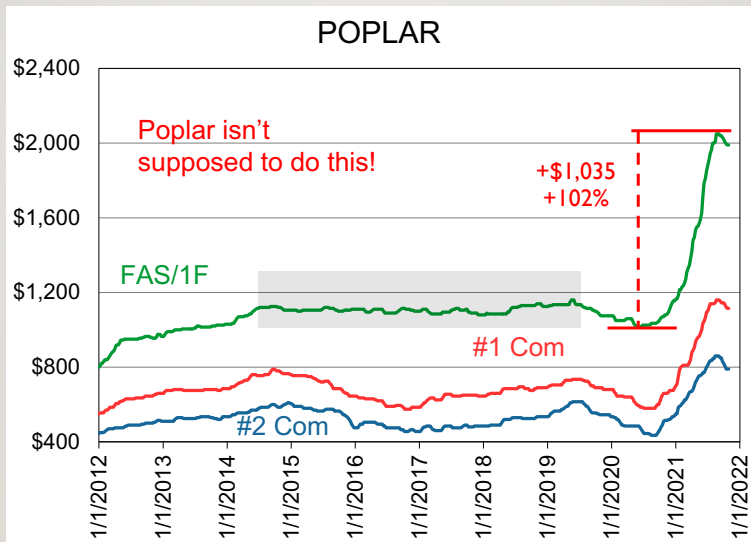
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LUMBER PRICE HISTORIES



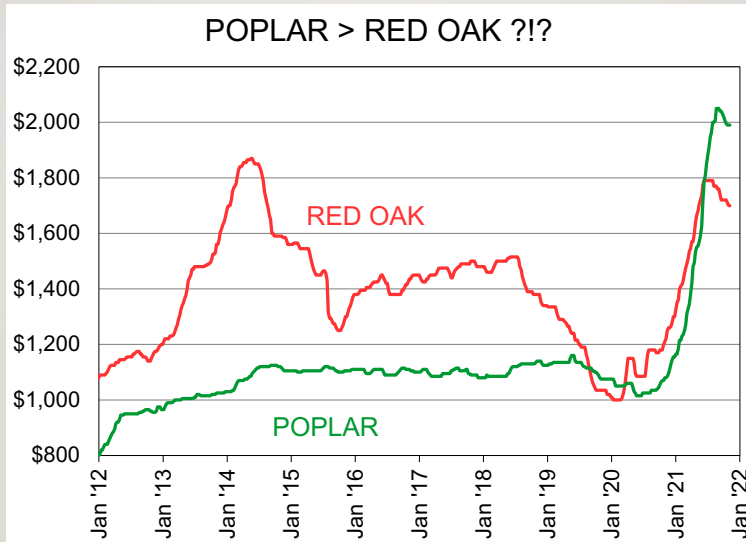
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LUMBER PRICE HISTORIES



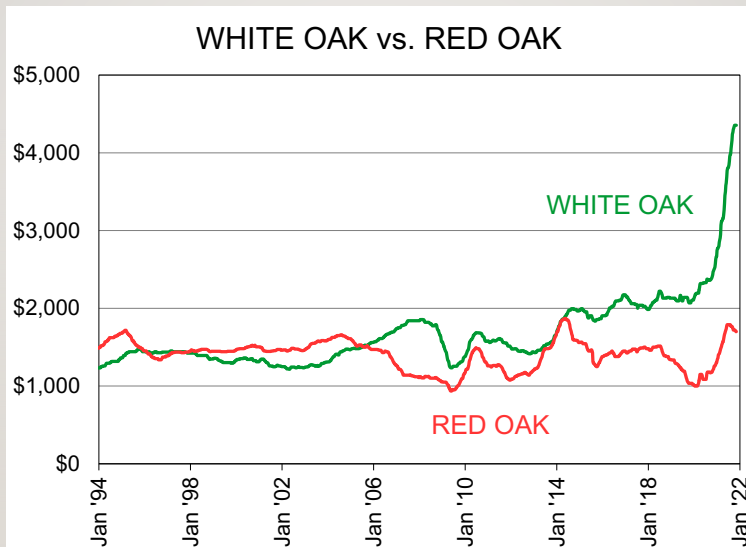
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LUMBER PRICE HISTORIES



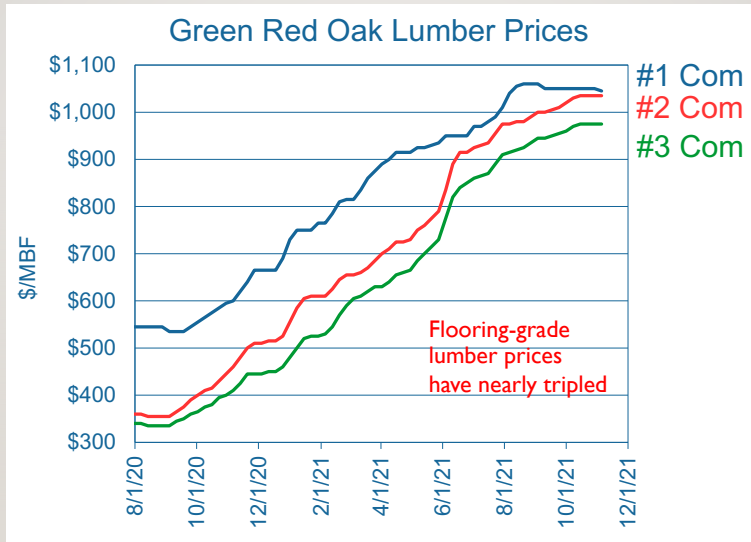
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LUMBER PRICE HISTORIES



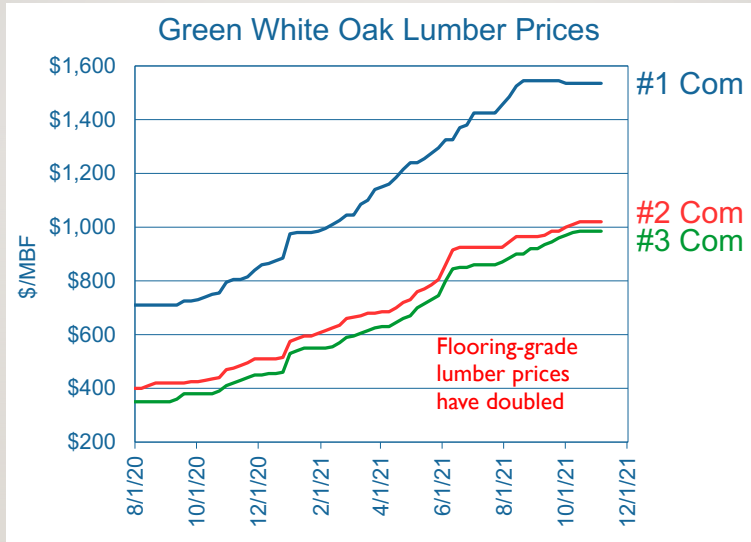
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LUMBER PRICE HISTORIES



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LUMBER PRICE HISTORIES



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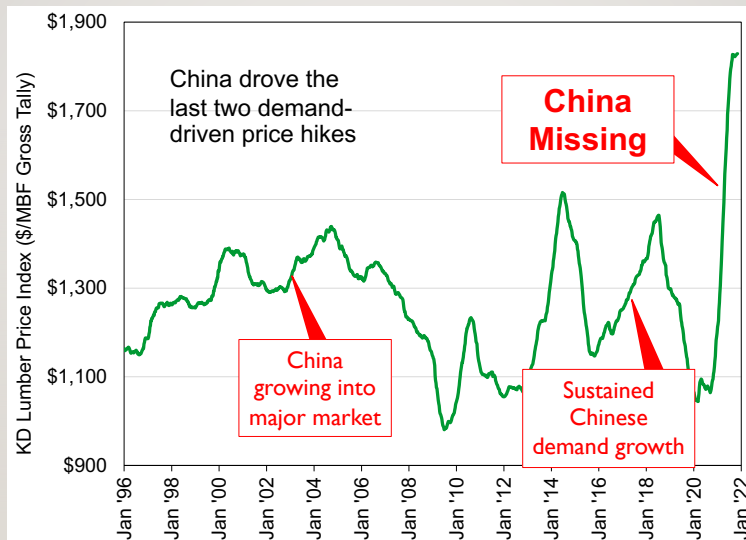
WHAT'S DRIVING PRICE TRENDS?

- Hint:
It's NOT exports!



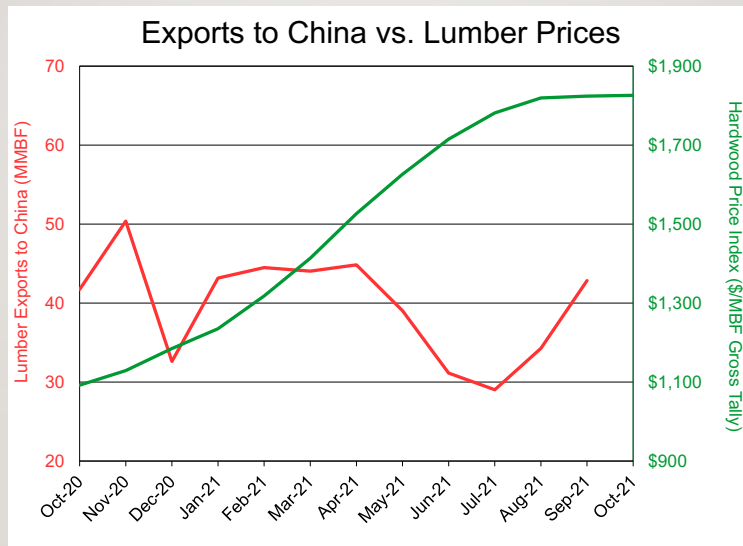
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EXPORTS



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EXPORTS



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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)

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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

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**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

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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

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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

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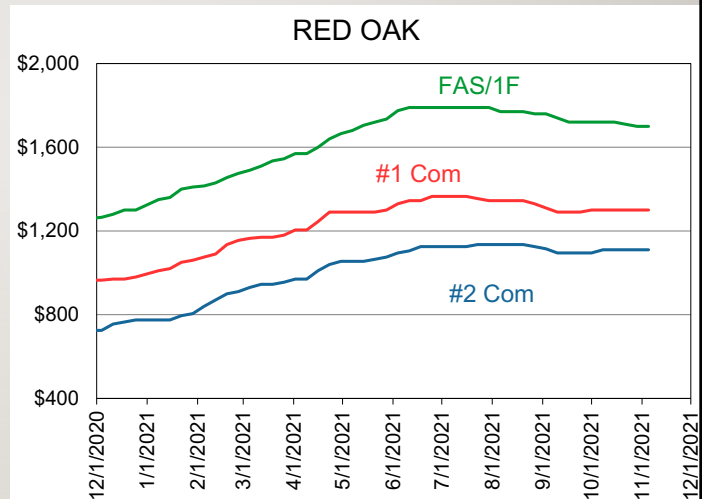
LUMBER SHORTAGES

- 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?

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MARKET OUTLOOK

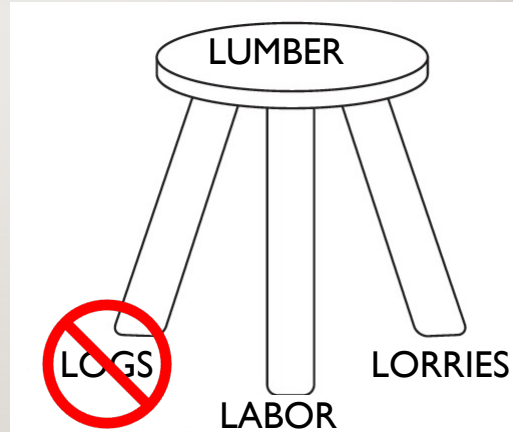
- Market peak is here or near
- Showed up first in Red Oak
- “Canary in the coal mine” (most produced, narrow markets)



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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



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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

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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

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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

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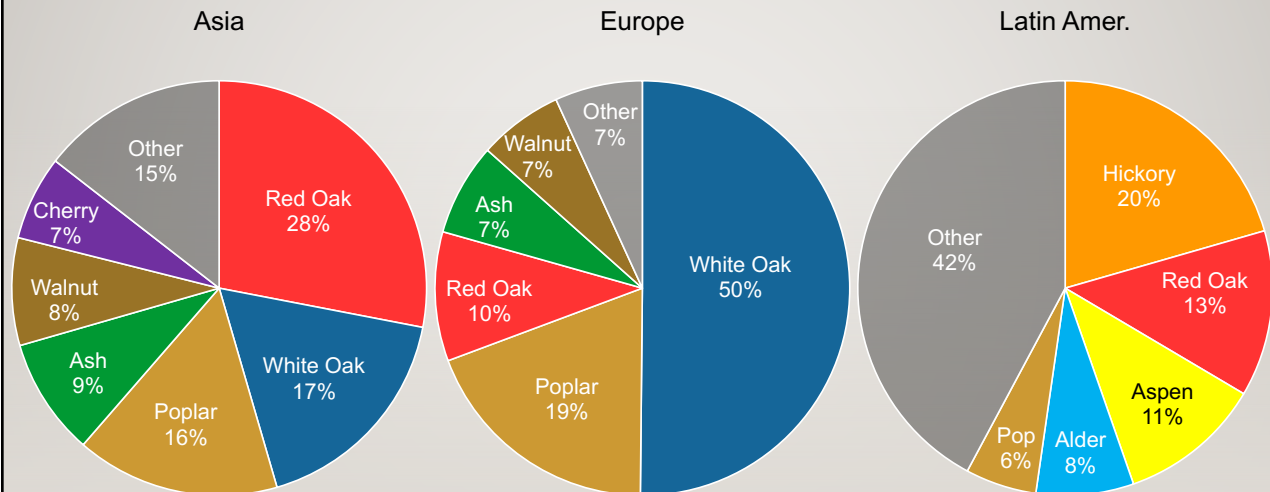
EXPORT MARKETS

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

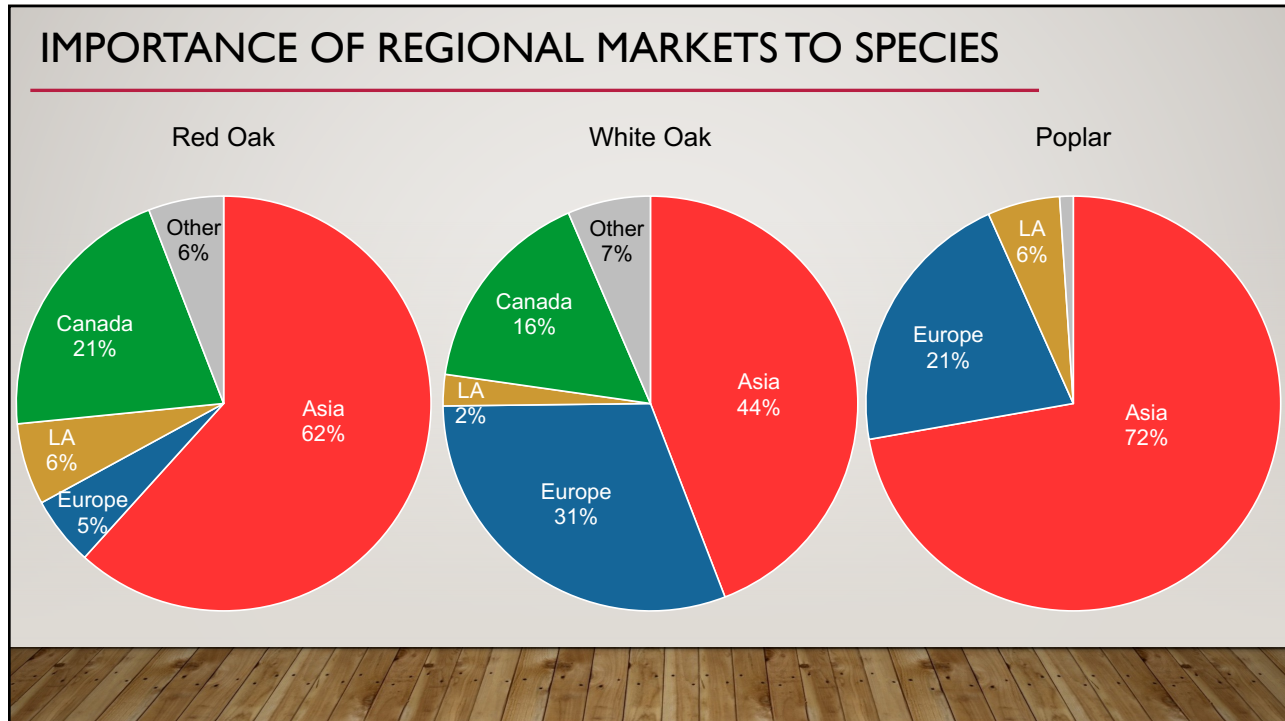


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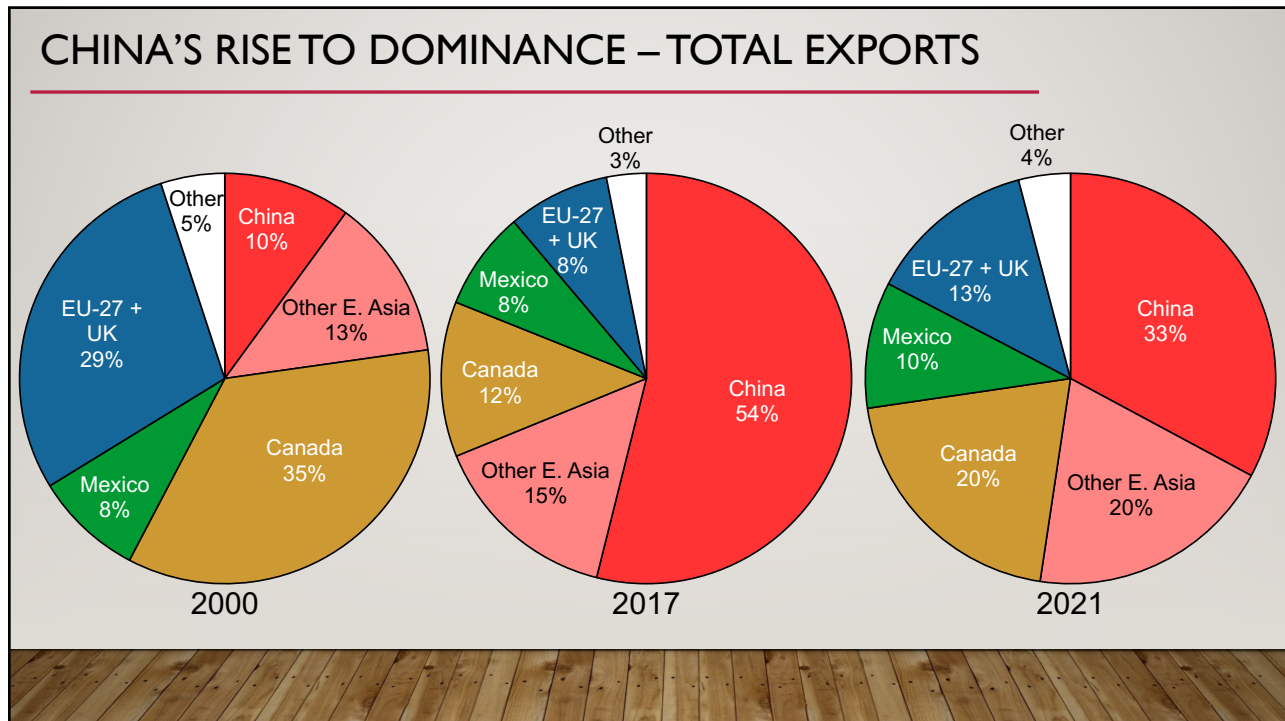
IMPORTANCE OF SPECIES IN REGIONAL MARKETS



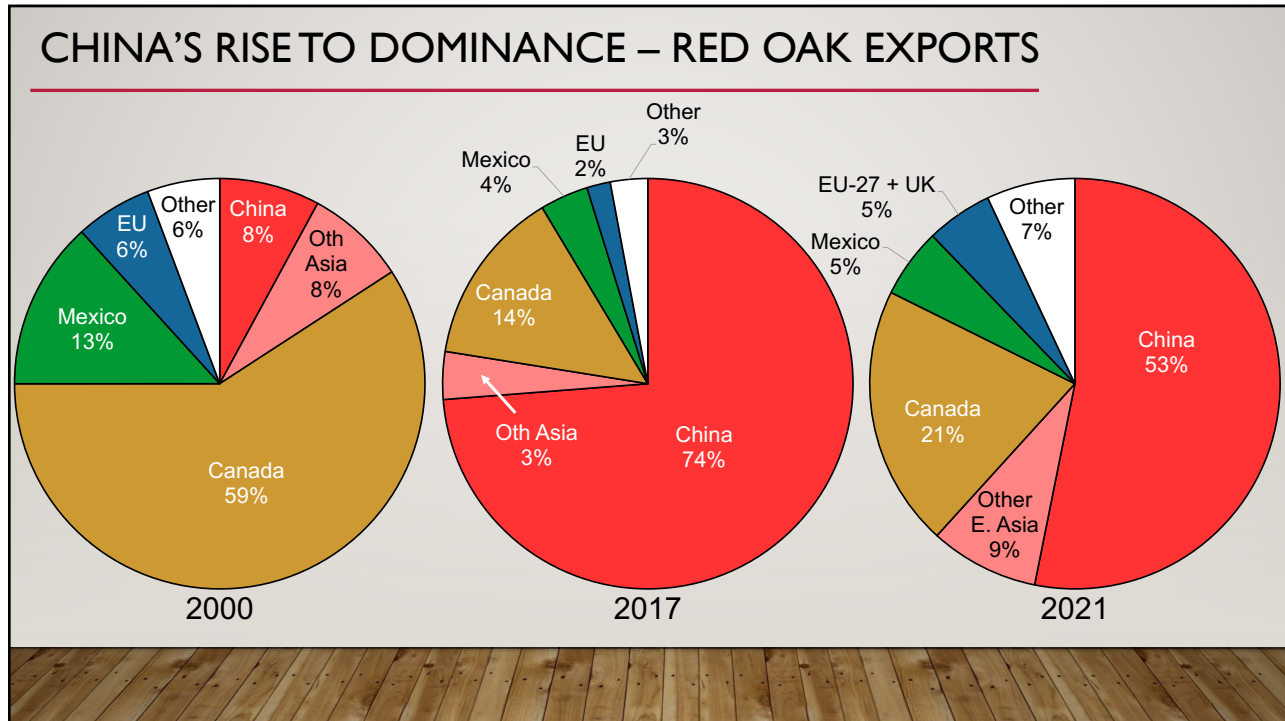
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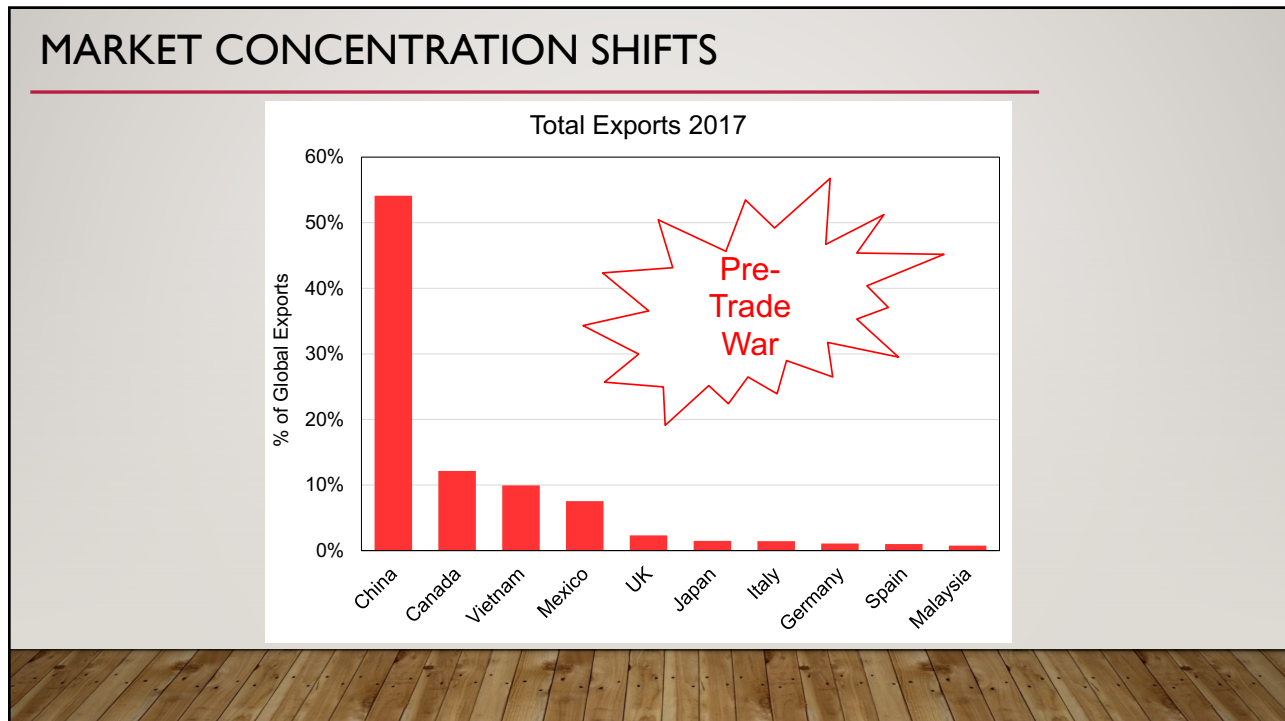
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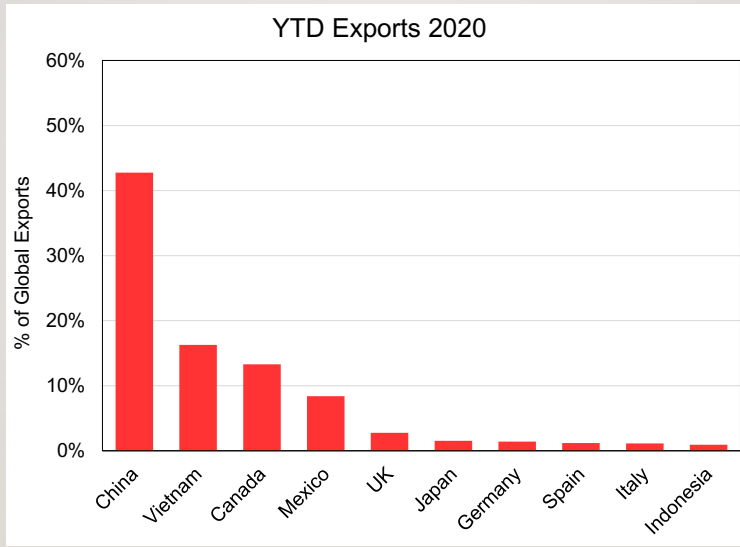


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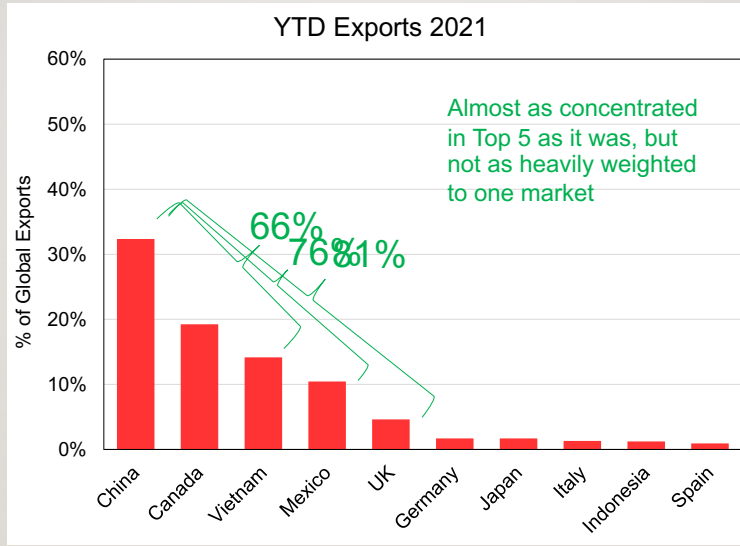
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MARKET CONCENTRATION SHIFTS



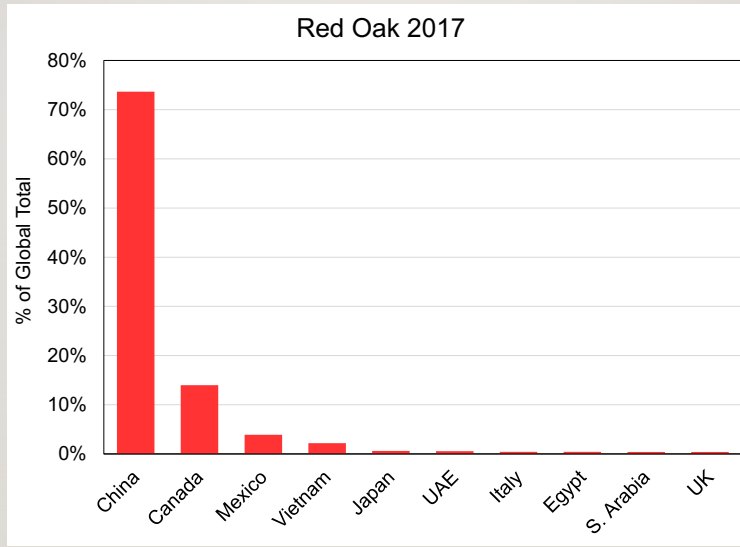
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MARKET CONCENTRATION SHIFTS



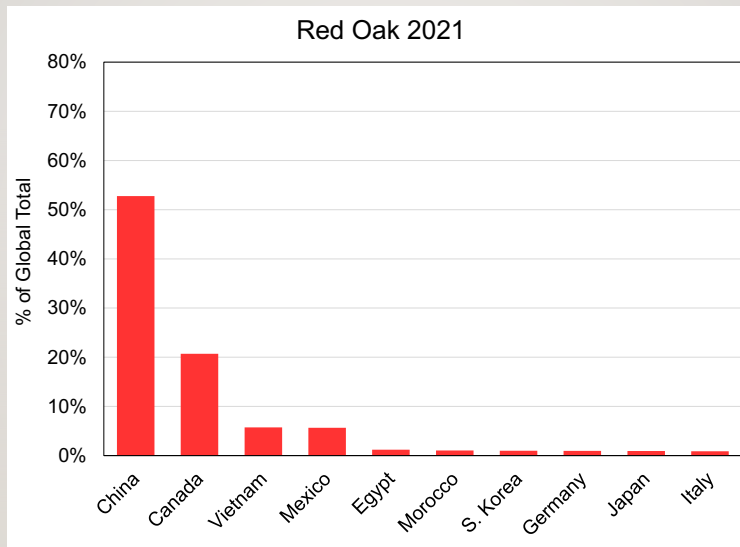
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MARKET CONCENTRATION SHIFTS



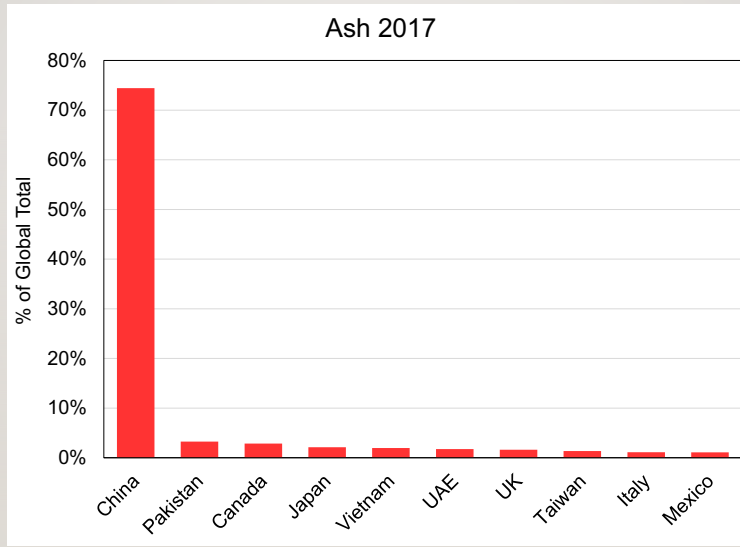
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MARKET CONCENTRATION SHIFTS



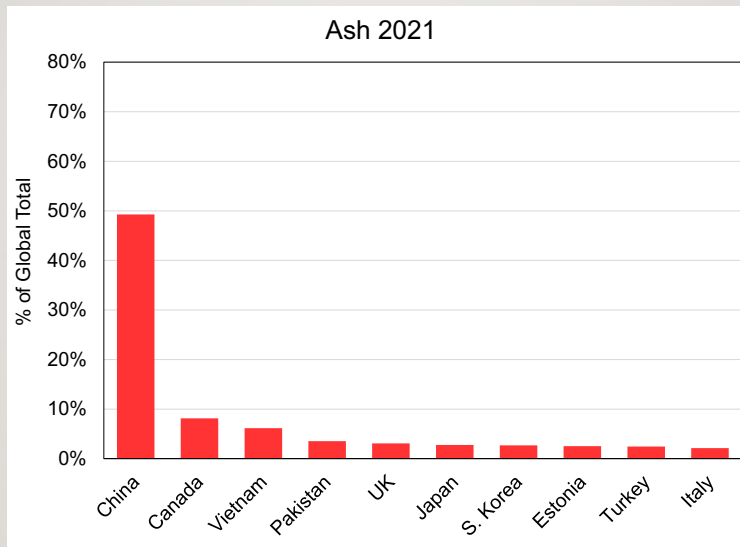
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MARKET CONCENTRATION SHIFTS



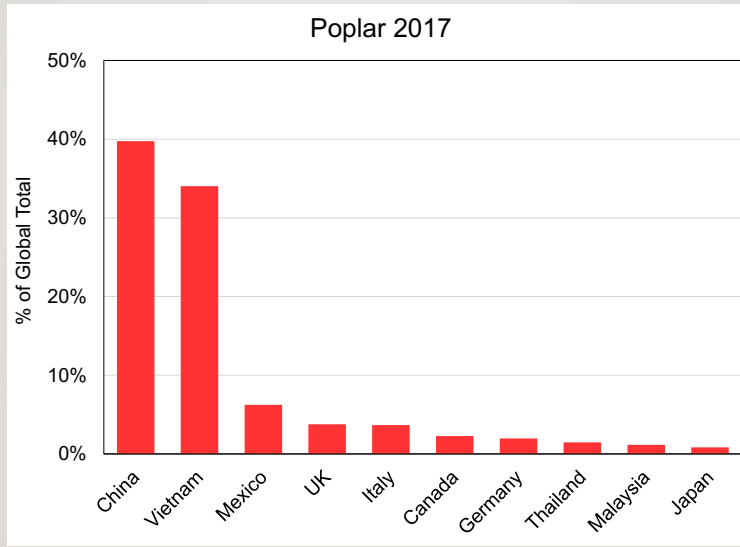
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MARKET CONCENTRATION SHIFTS



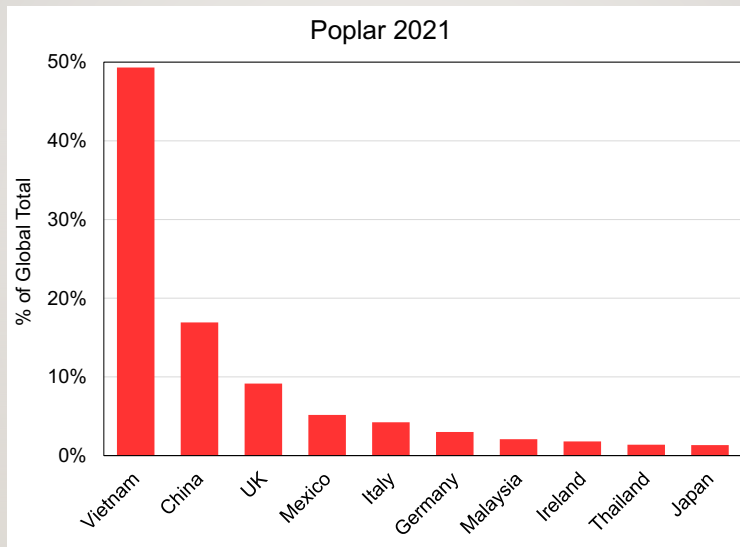
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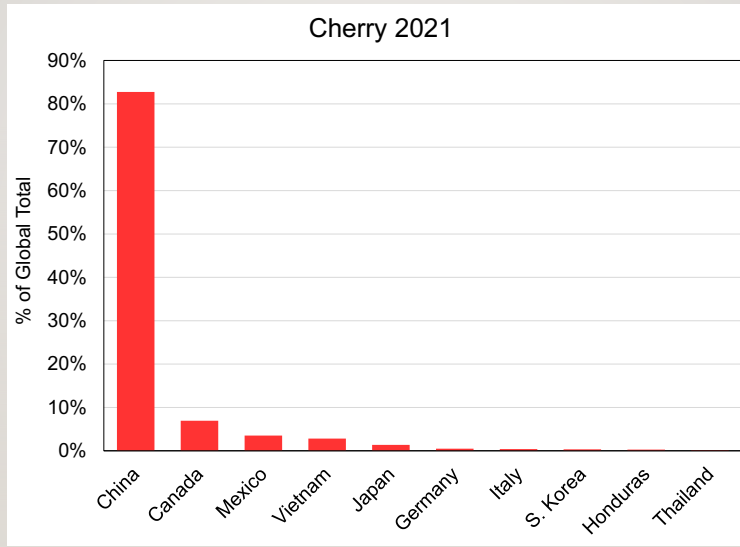
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MARKET CONCENTRATION SHIFTS



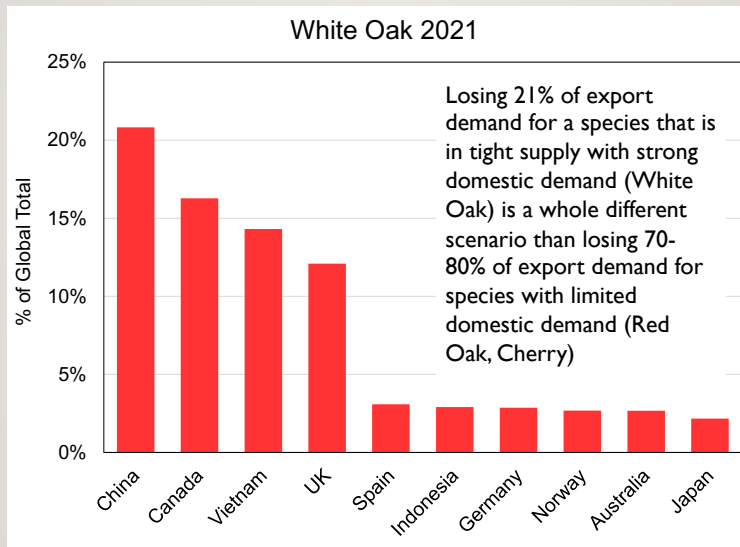
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MARKET CONCENTRATION SHIFTS



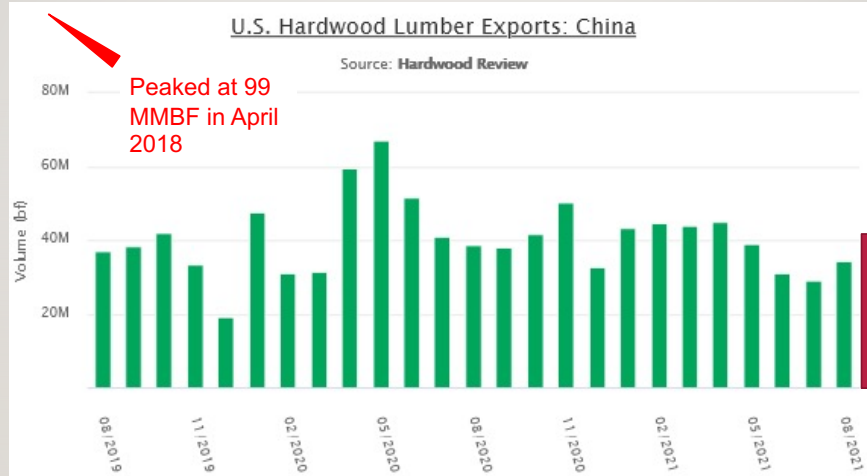
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MARKET CONCENTRATION SHIFTS



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TOP ASIAN MARKET TRENDS



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TOP ASIAN MARKET TRENDS



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TOP ASIAN MARKET TRENDS



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TOP ASIAN MARKET TRENDS



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TOP EUROPEAN MARKET TRENDS



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TOP EUROPEAN MARKET TRENDS



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TOP EUROPEAN MARKET TRENDS



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TOP EUROPEAN MARKET TRENDS



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TOP LATIN AMERICAN MARKET TRENDS



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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

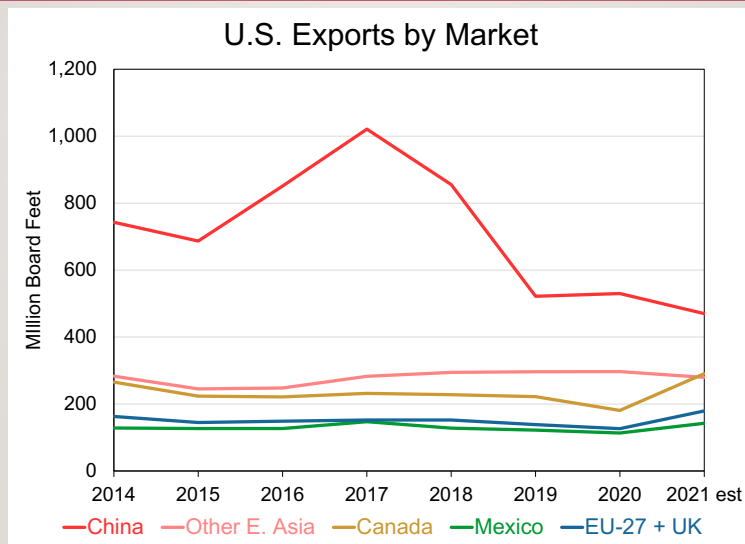
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EXPORT OUTLOOK

- 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

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EXPORT OUTLOOK



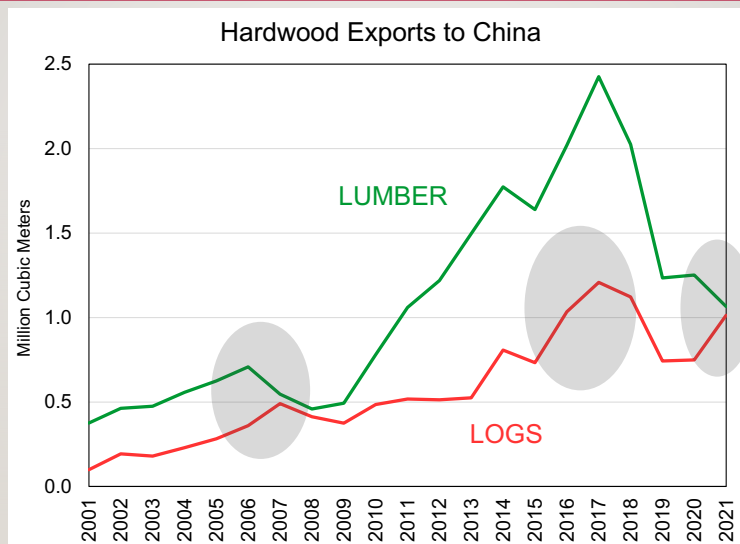
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THINGS TO WATCH

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

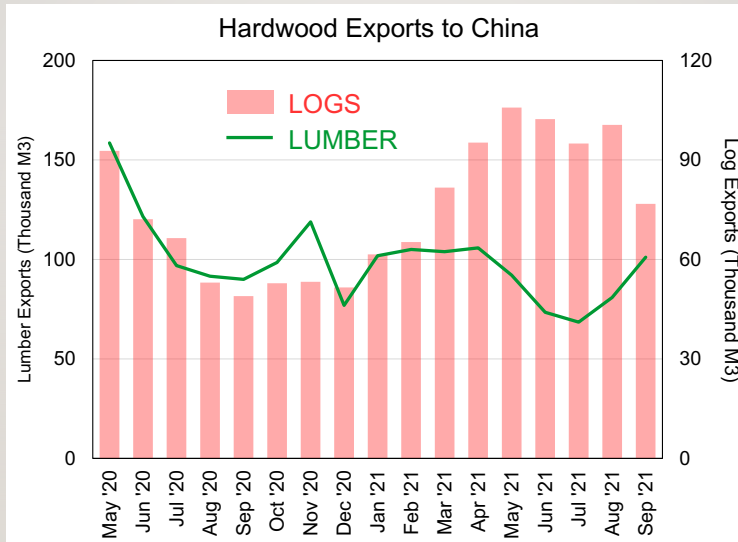
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THINGS TO WATCH



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THINGS TO WATCH



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QUESTIONS AND DISCUSSION

Dan Meyer
 Analyst and Editor
 Hardwood Publishing Co., Inc.

dan@HardwoodReview.com



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