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Global Lumber Market In A Time Of Uncertainty

After Two Strong Years, Where Do We Go From Here?

Paul Jannke

Montreal Wood Convention

April 19th, 2023

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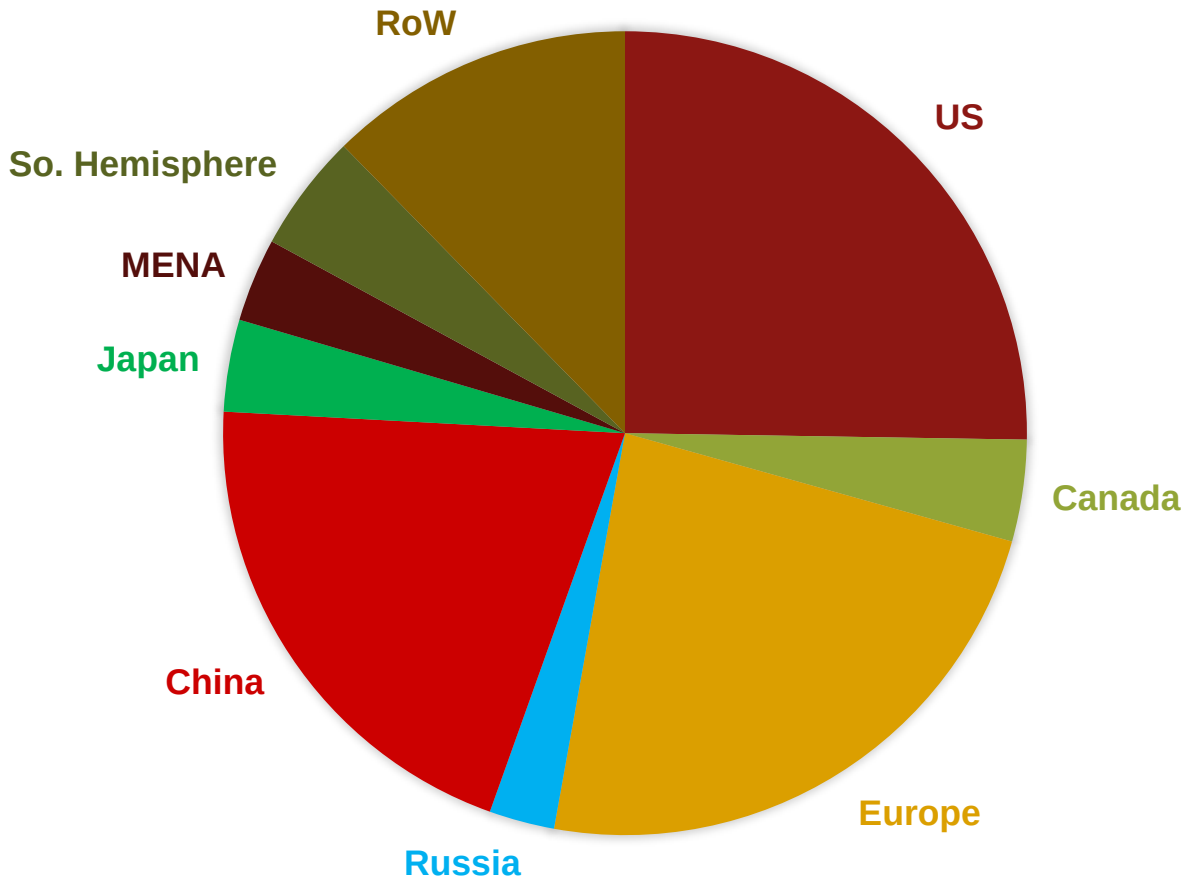
There are Three Main Consuming Regions: The US, Europe and China



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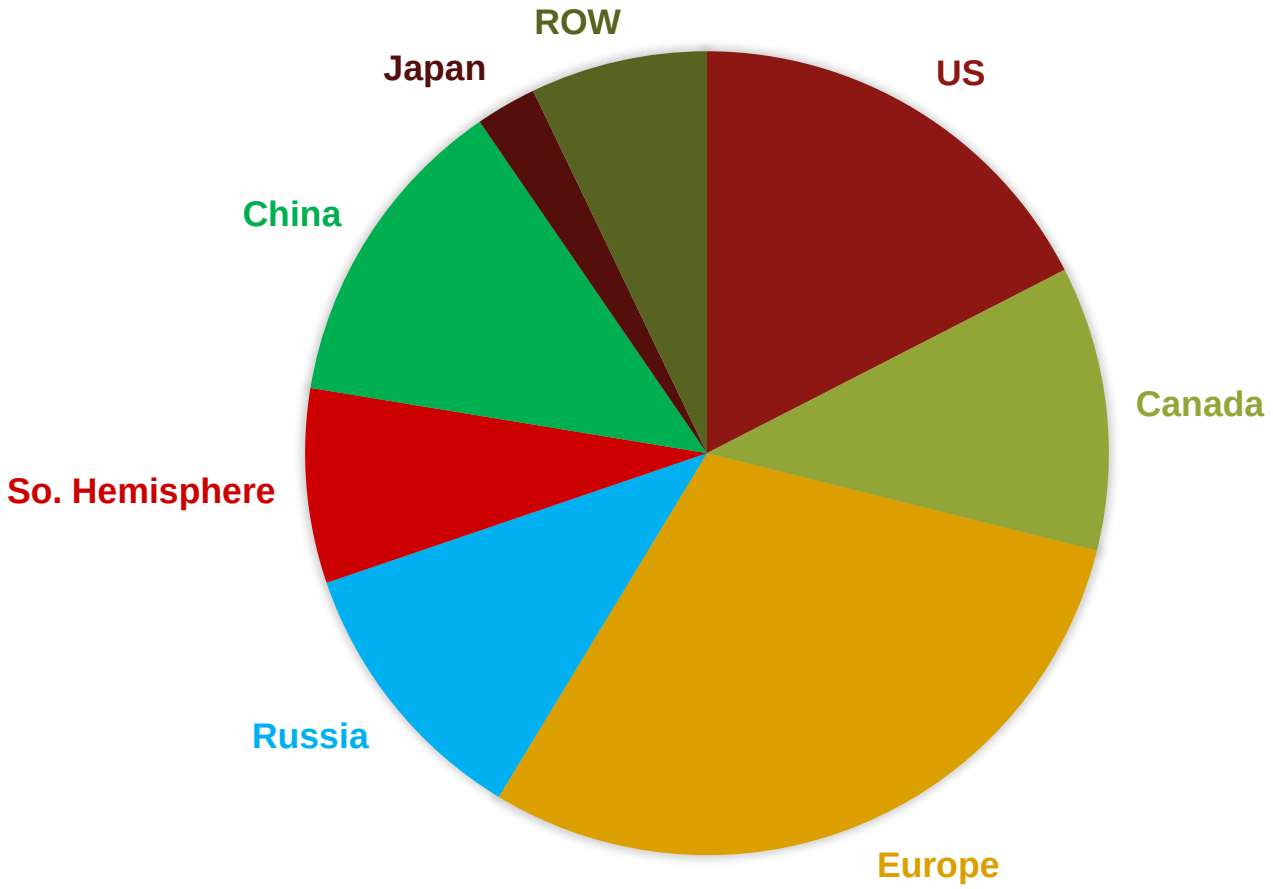
Those Countries Plus Russia And Canada Make Up The Major Producing Regions



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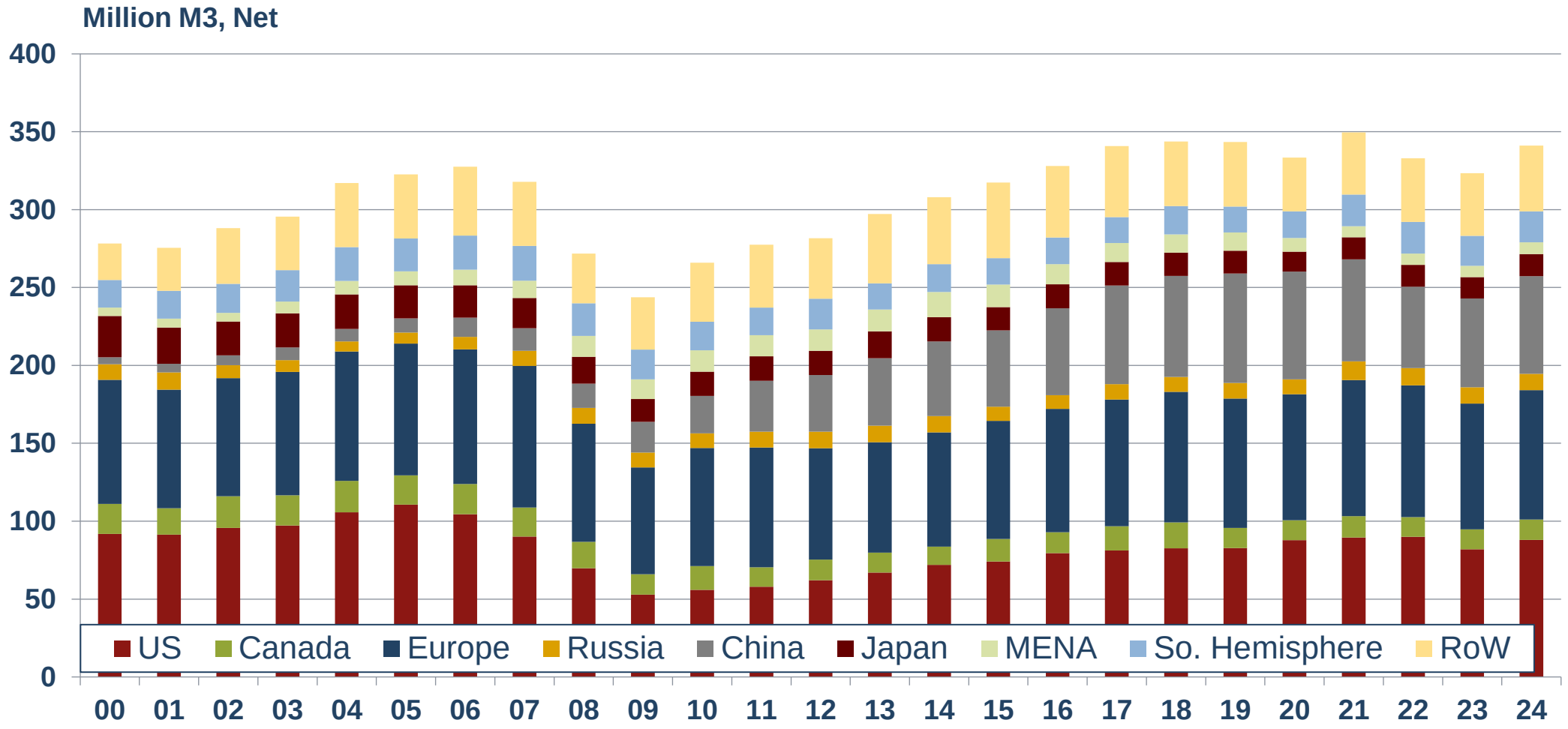
Global Lumber Consumption Will Fall In 2023 Before Rebounding Modestly Next Year



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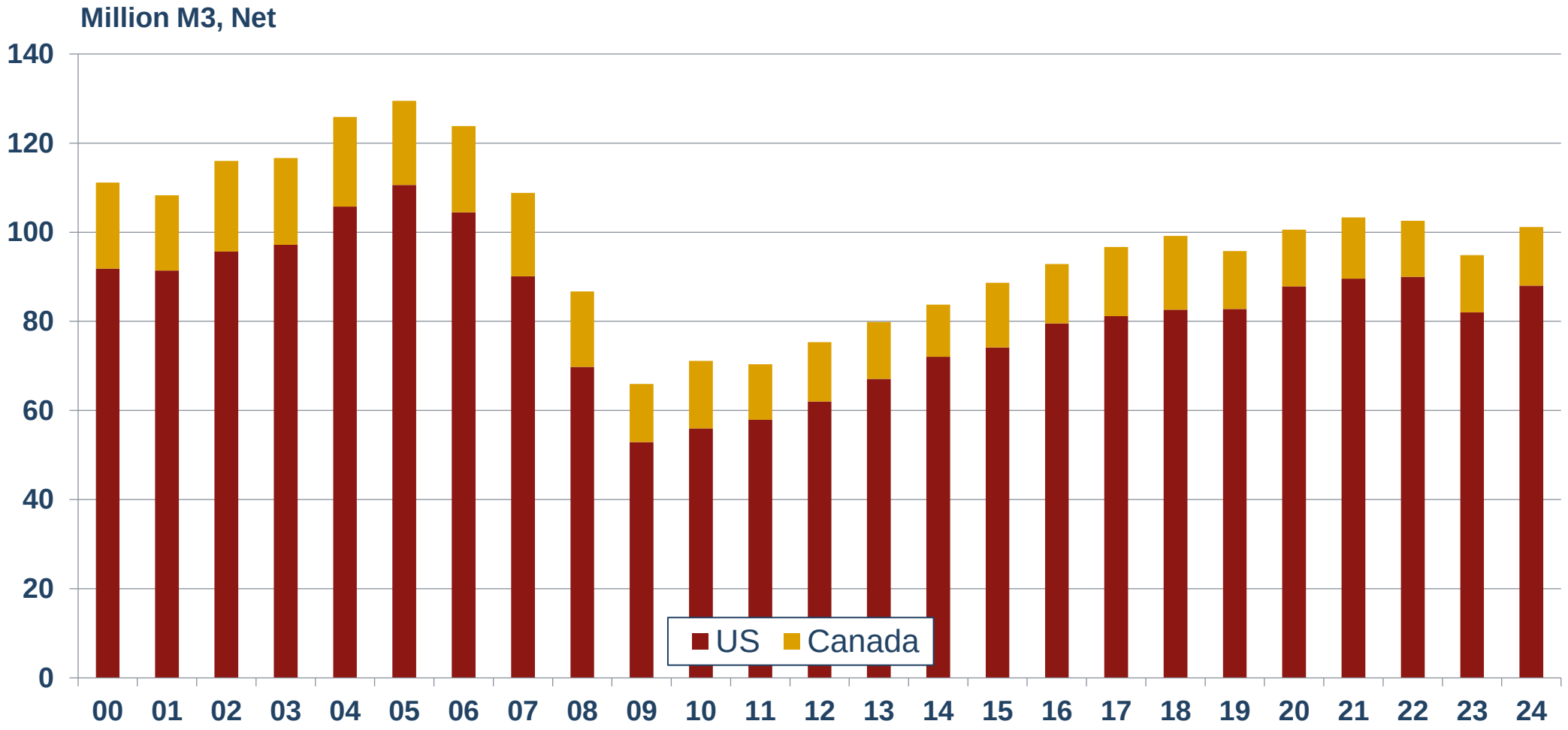
Global Declines Will Be Driven By Falling North American Consumption



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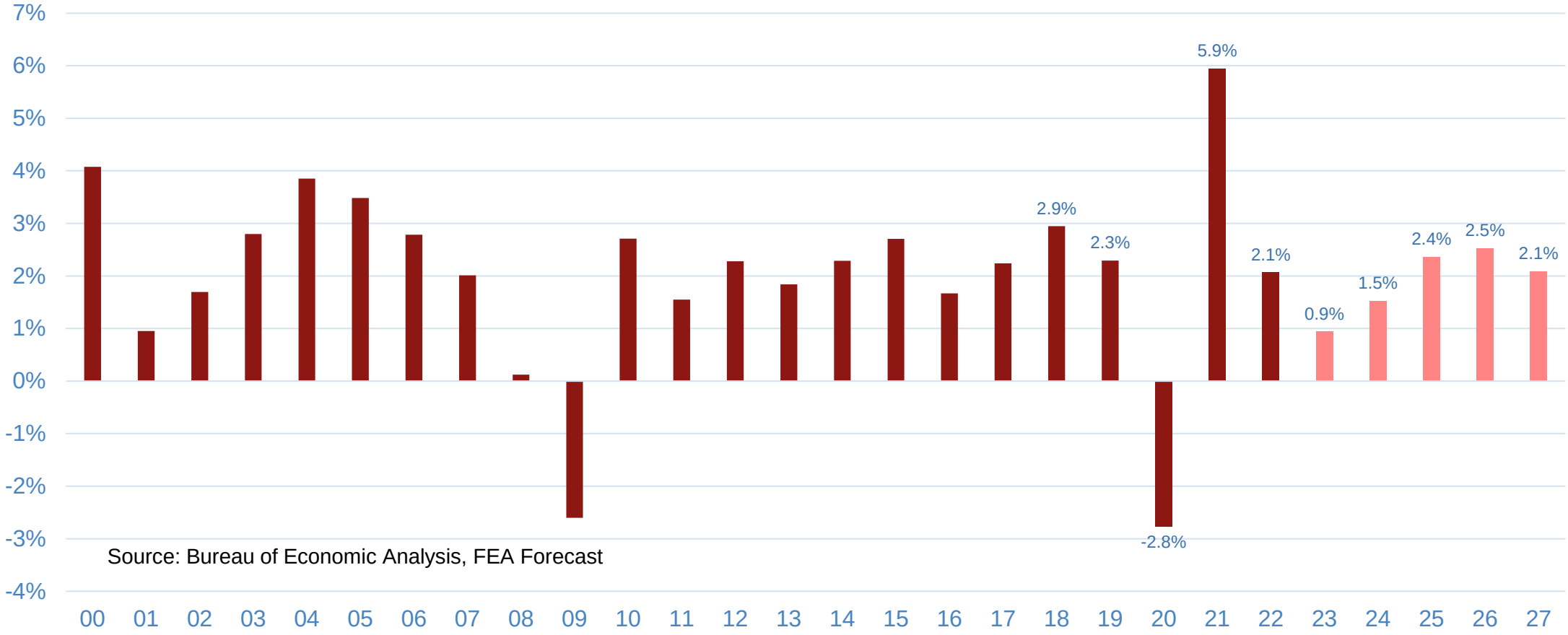
The Recession Is Likely To Be Mild

Real GDP Growth



Source: Bureau of Economic Analysis, FEA Forecast

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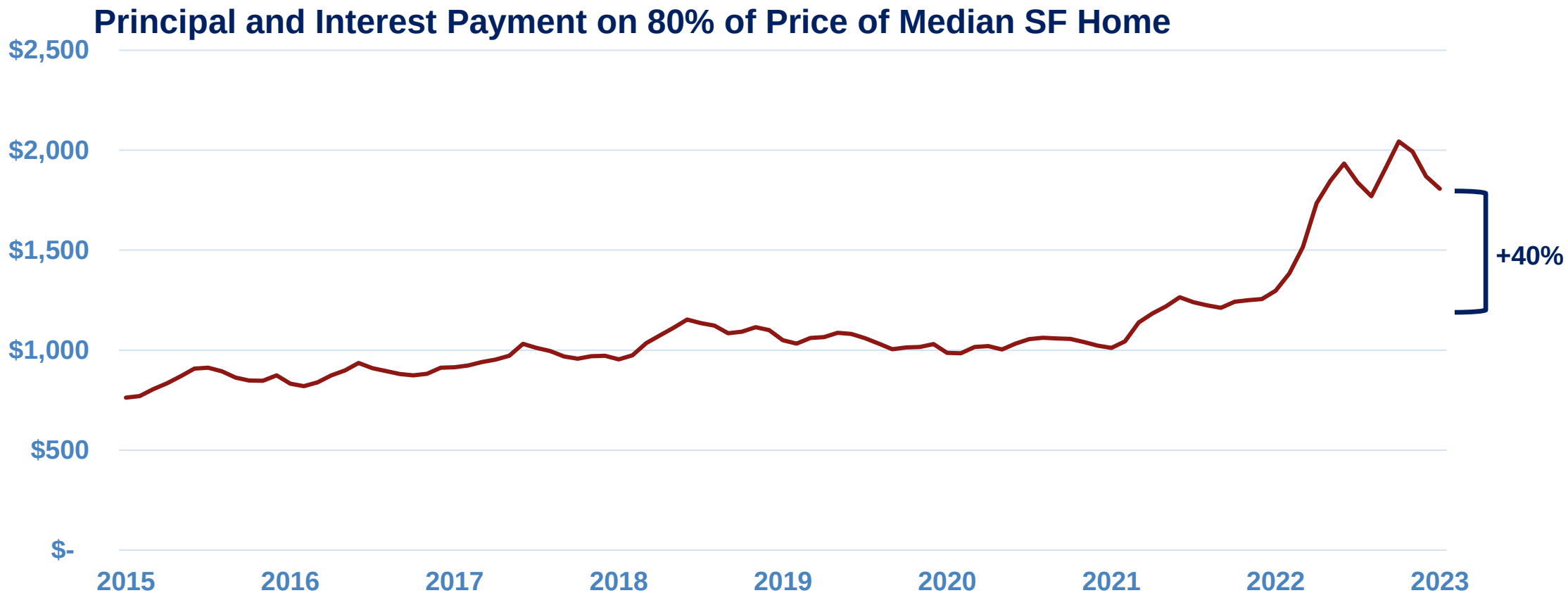
Home Affordability Deteriorated Rapidly



Source: National Association of Realtors, FEA estimates and calculations

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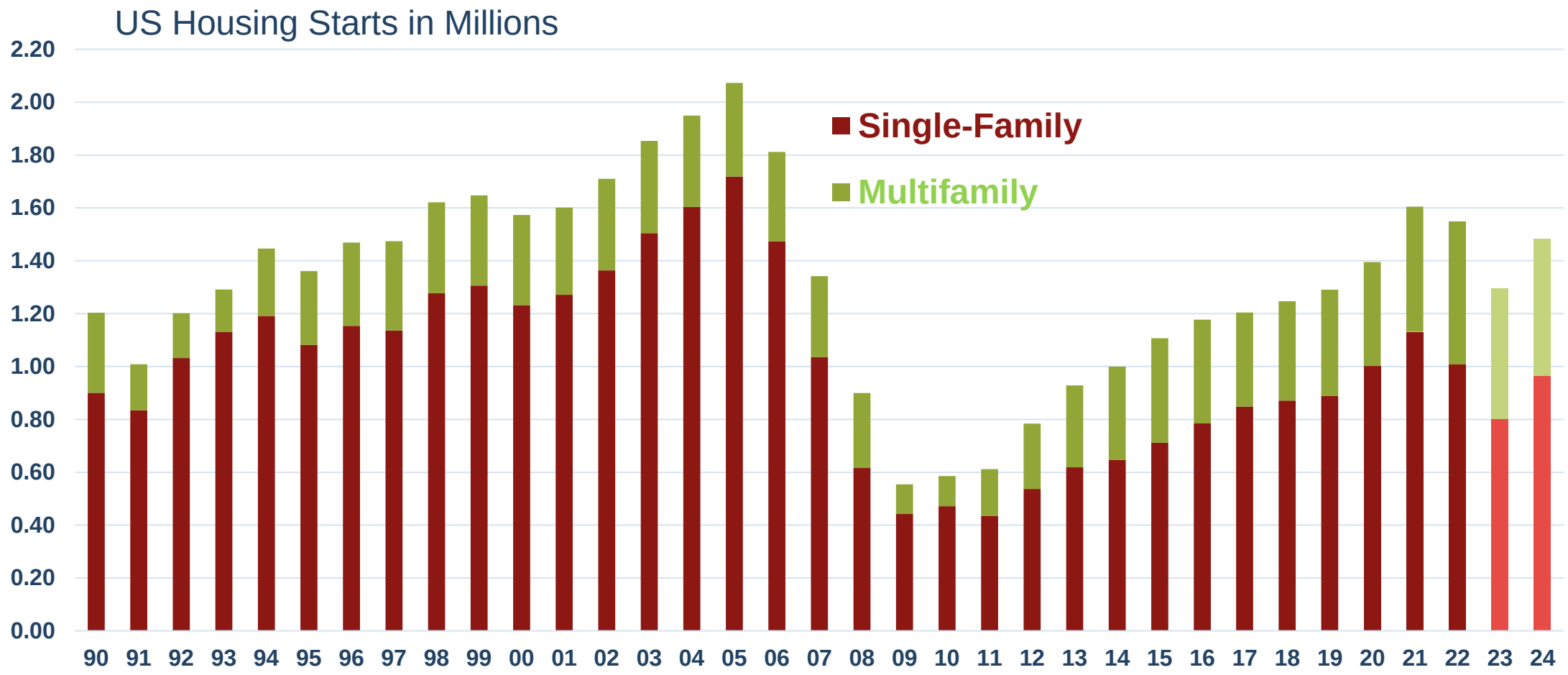
Housing Starts to Decline by 16% in 2023 Before Bouncing Back 14% in 2024



Source: Census Bureau, FEA Forecasts

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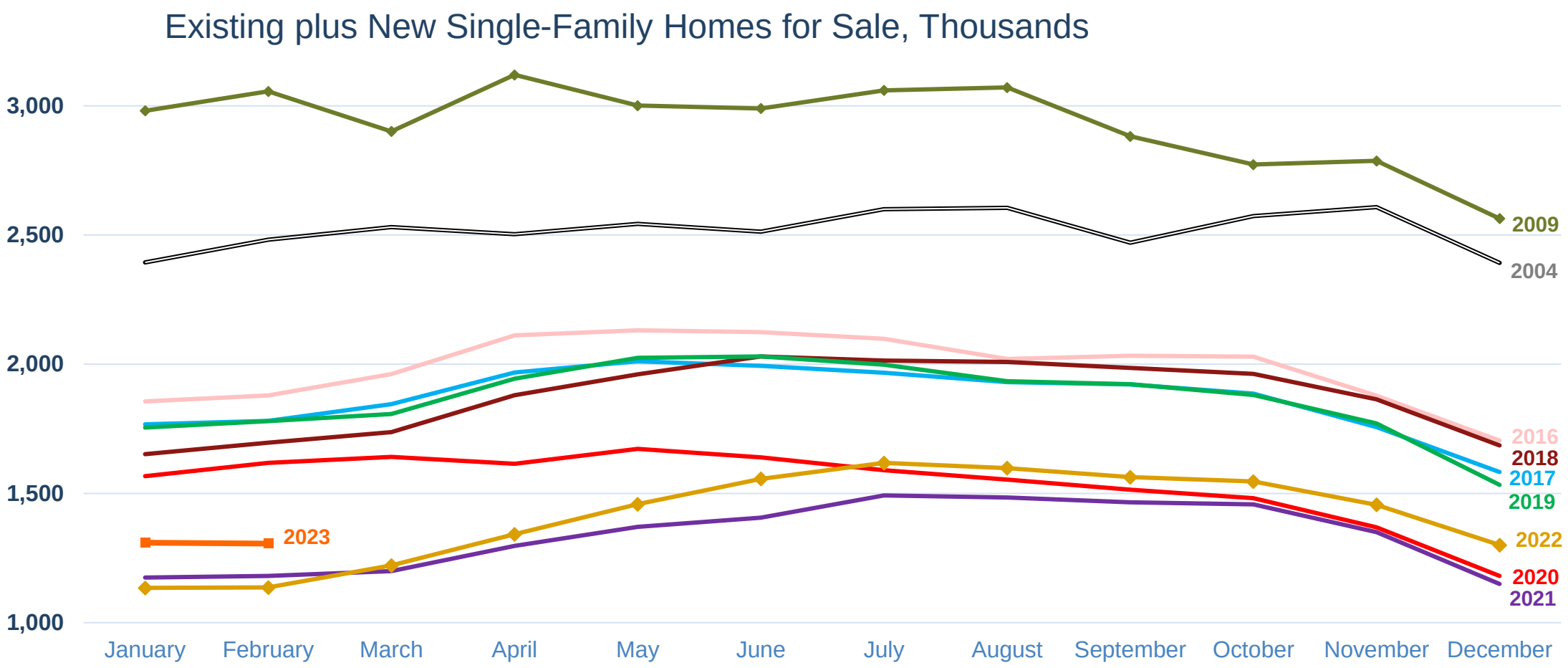
Home Inventories Are Slightly Above 2022 Levels



Source: Census Bureau and National Association of Realtors

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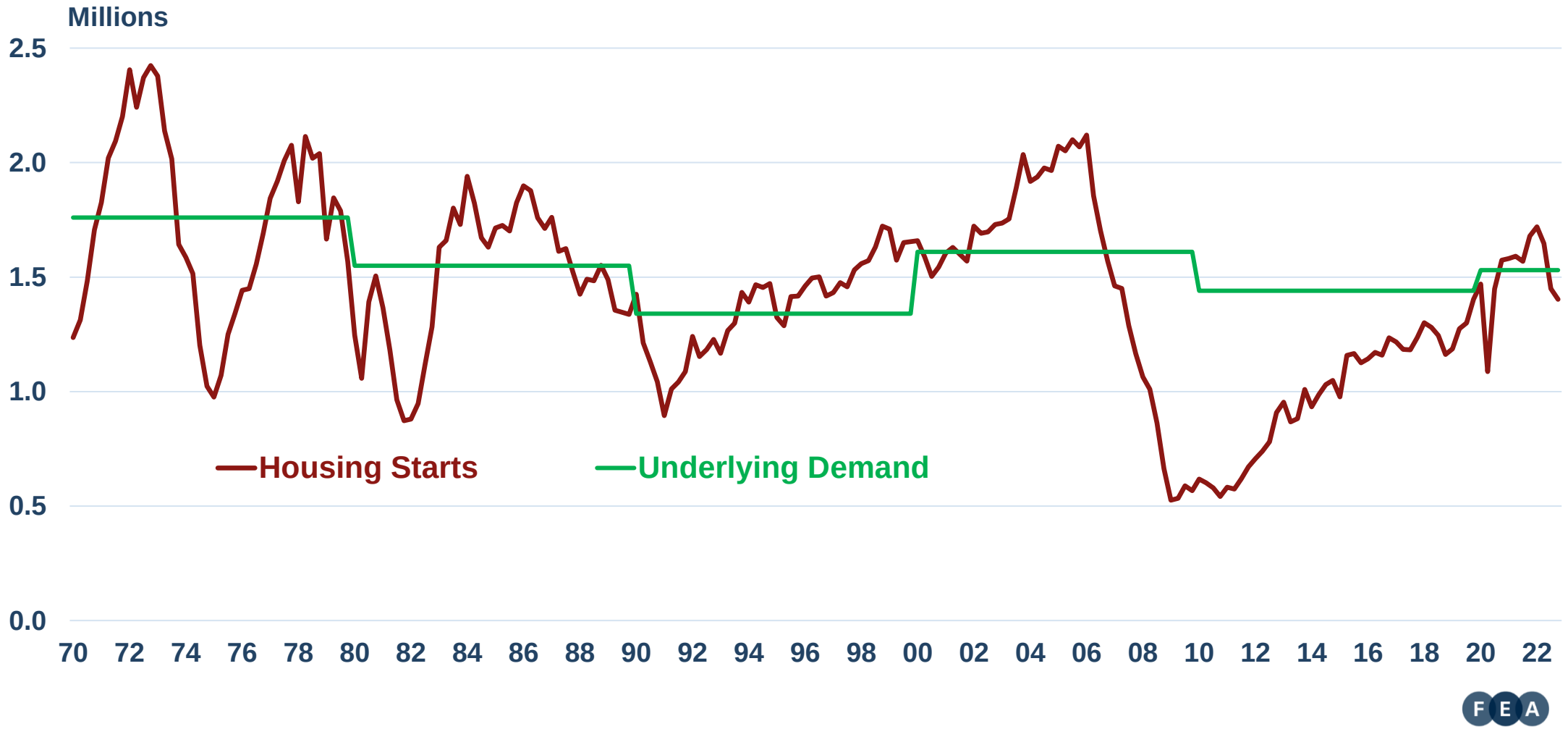
This Recession Will Be Mild: US Housing Starts Exceeded Underlying Demand for Fleeting Moment



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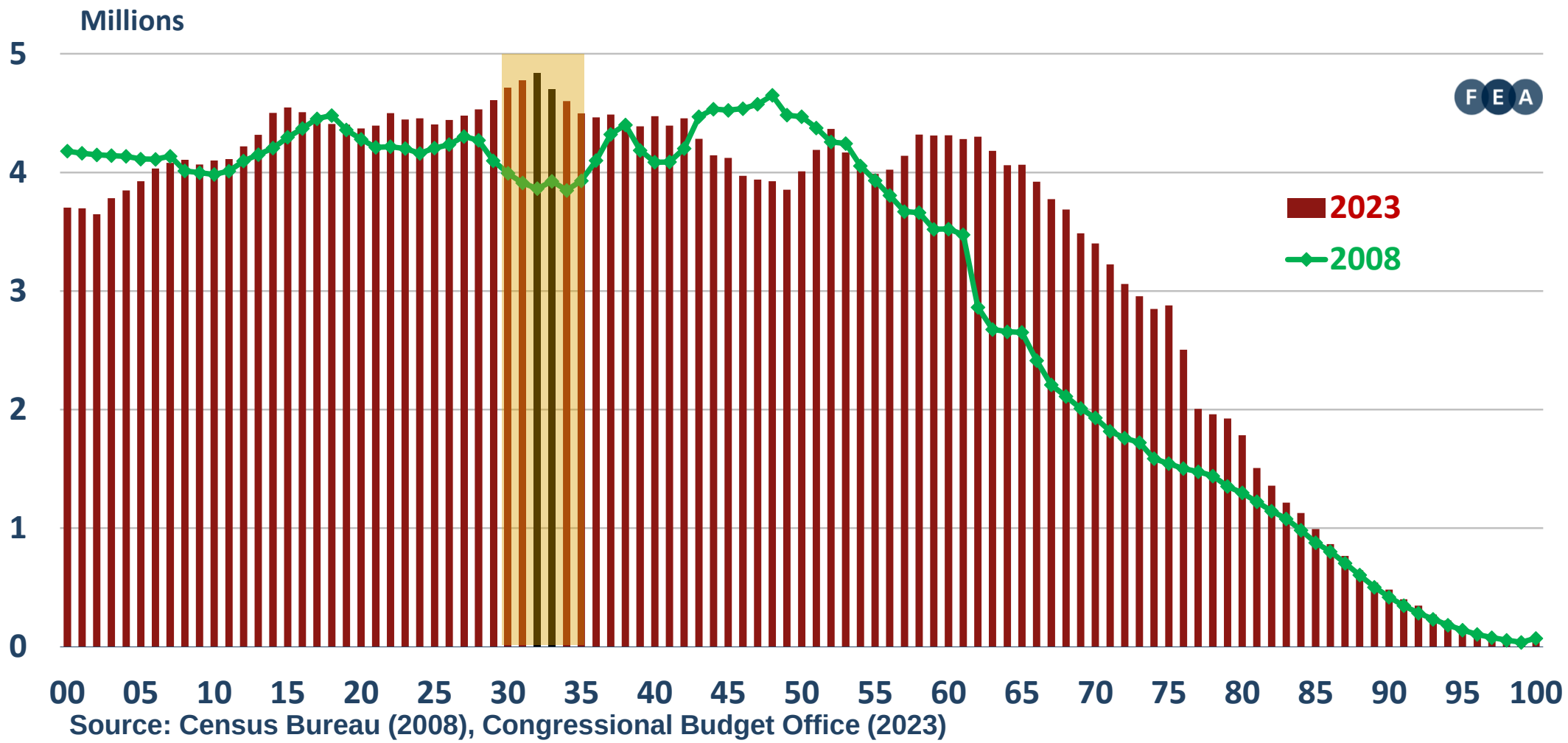
2008 – Strong Demographic HEADWIND
2023 – Strong Demographic TAILWIND



Source: Census Bureau (2008), Congressional Budget Office (2023)

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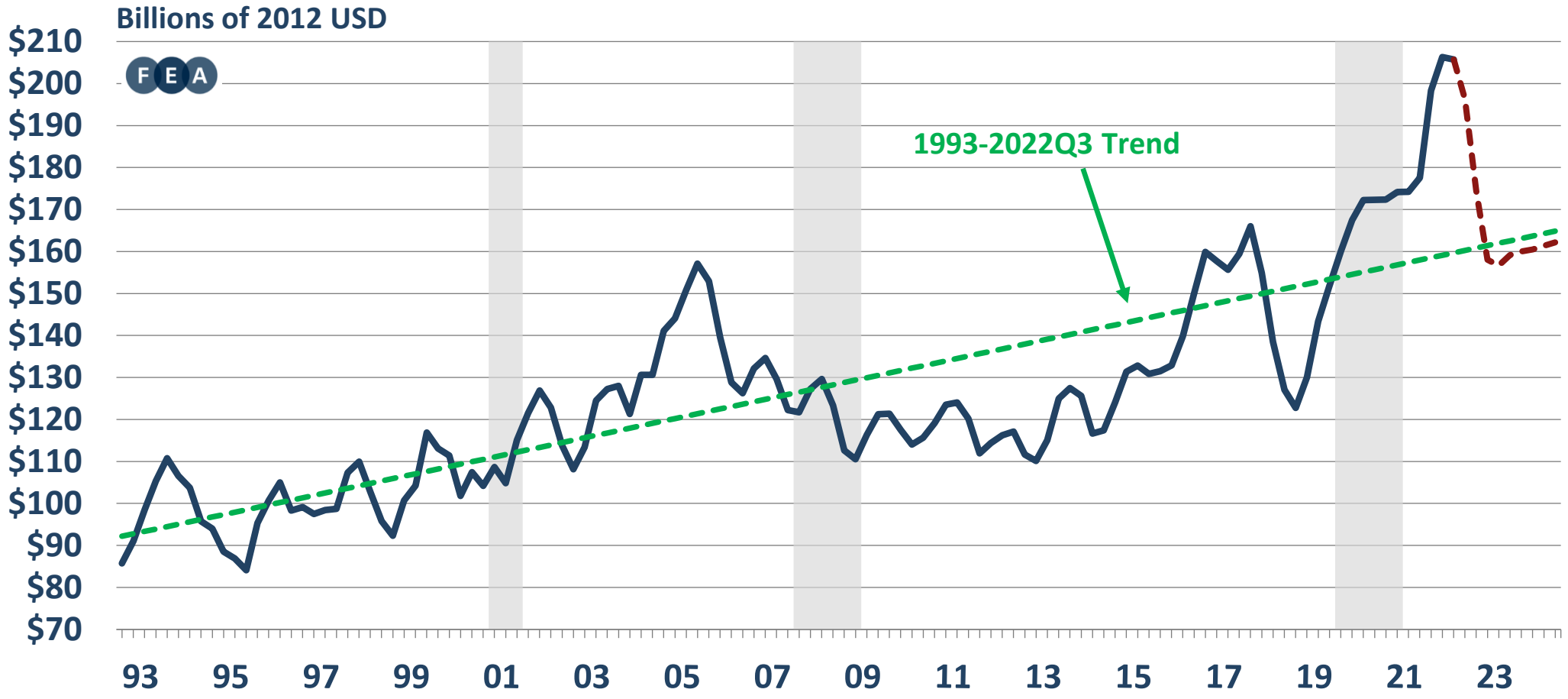
Improvement Expenditures Will Decline from High Level



Source: Census Bureau, Bureau of Economic Analysis, FEA calculations

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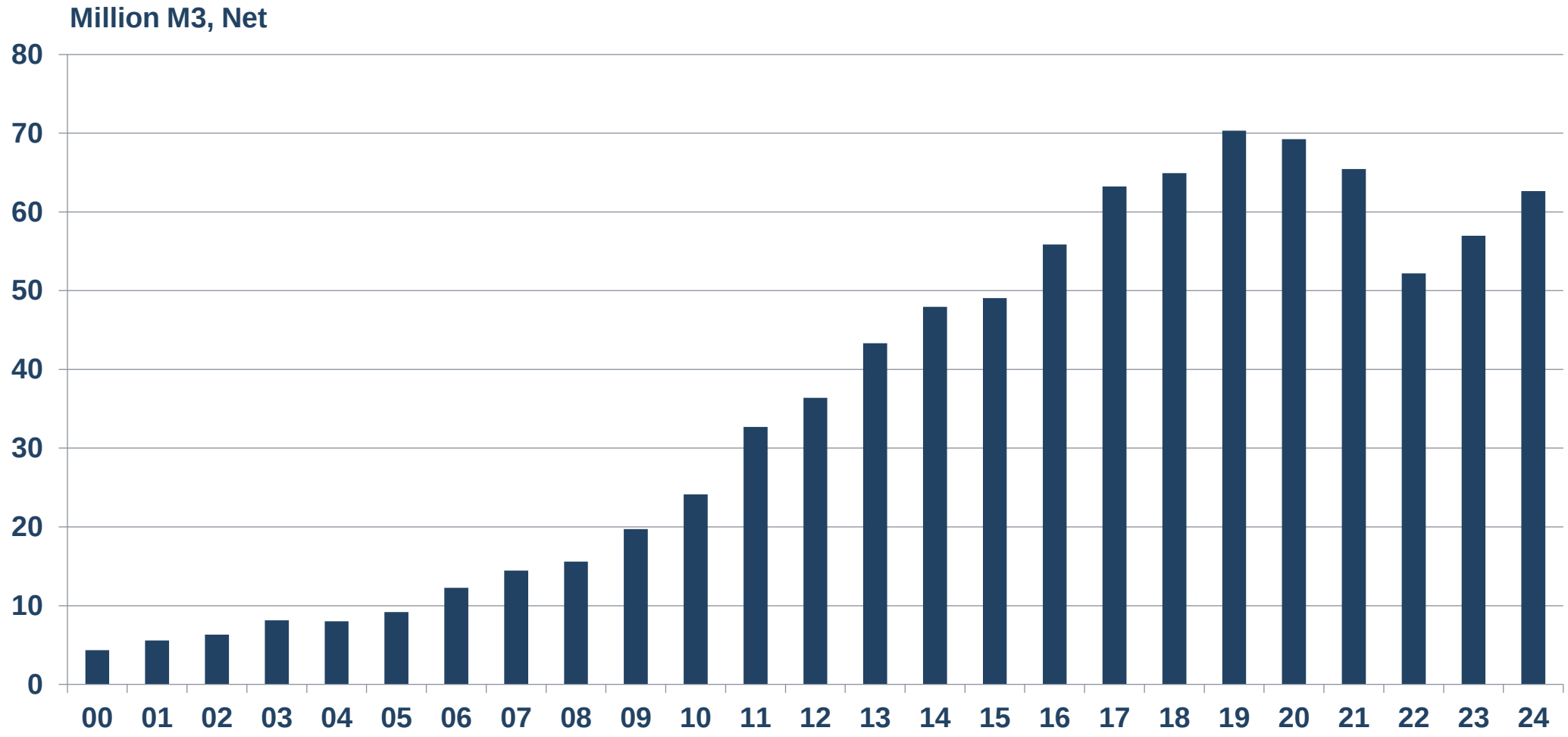
China Will See Growth, But It Will Be Tepid And From A Low Base



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Weak Consumption Demand

Source: NBS

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China's GDP growth:

- 0.4% in 2022Q2
- 2.9% in 2022Q4
- Annual growth rate: 3%

Some indicators in 2022:

- New Housing Starts: -39%
- Land Acquisition Area: -53%
- Furniture Retail Sales value: -7.5%
- New-home Sales: -24%

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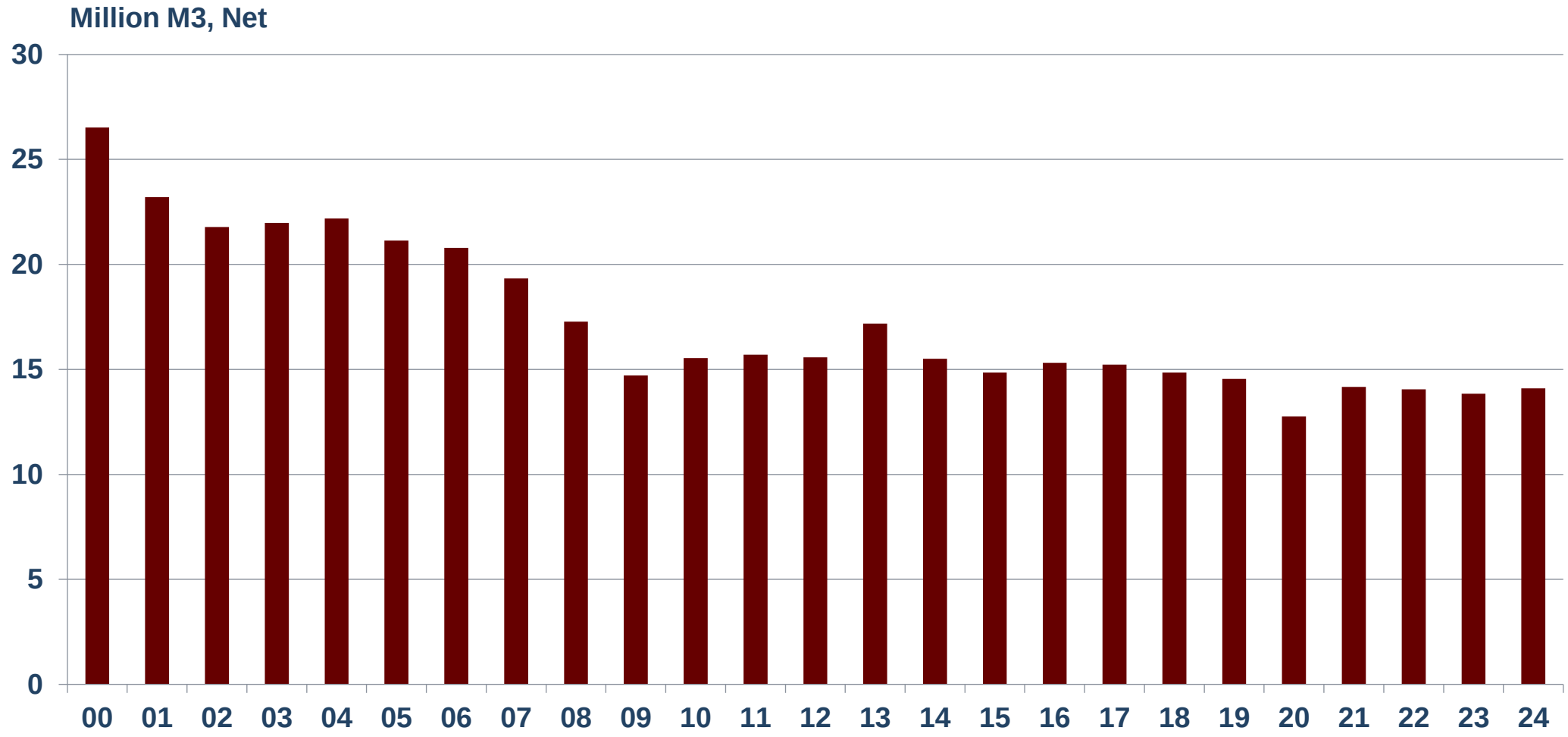
Japanese Consumption Will Be Flat



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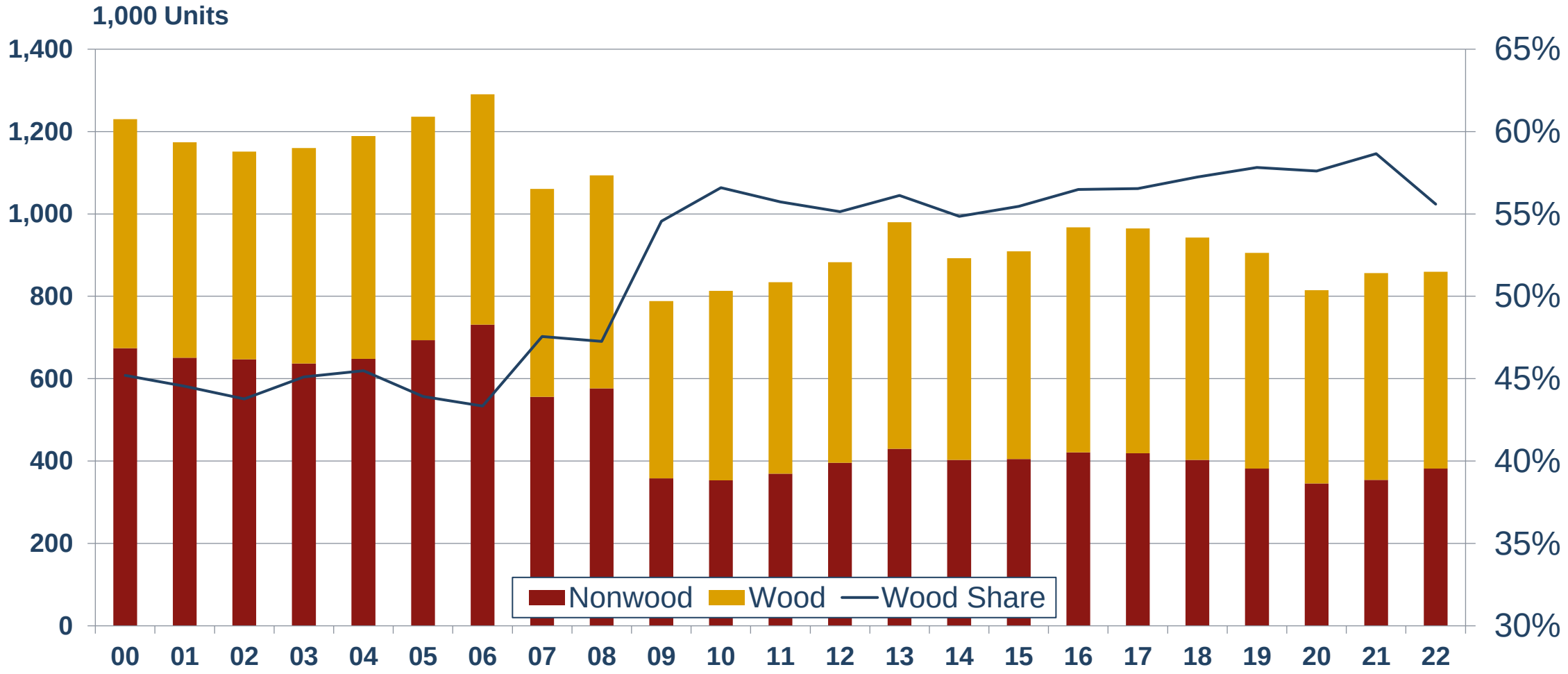
Japanese Housing Starts Have Edged Up But The Wooden Share Slipped In 2022



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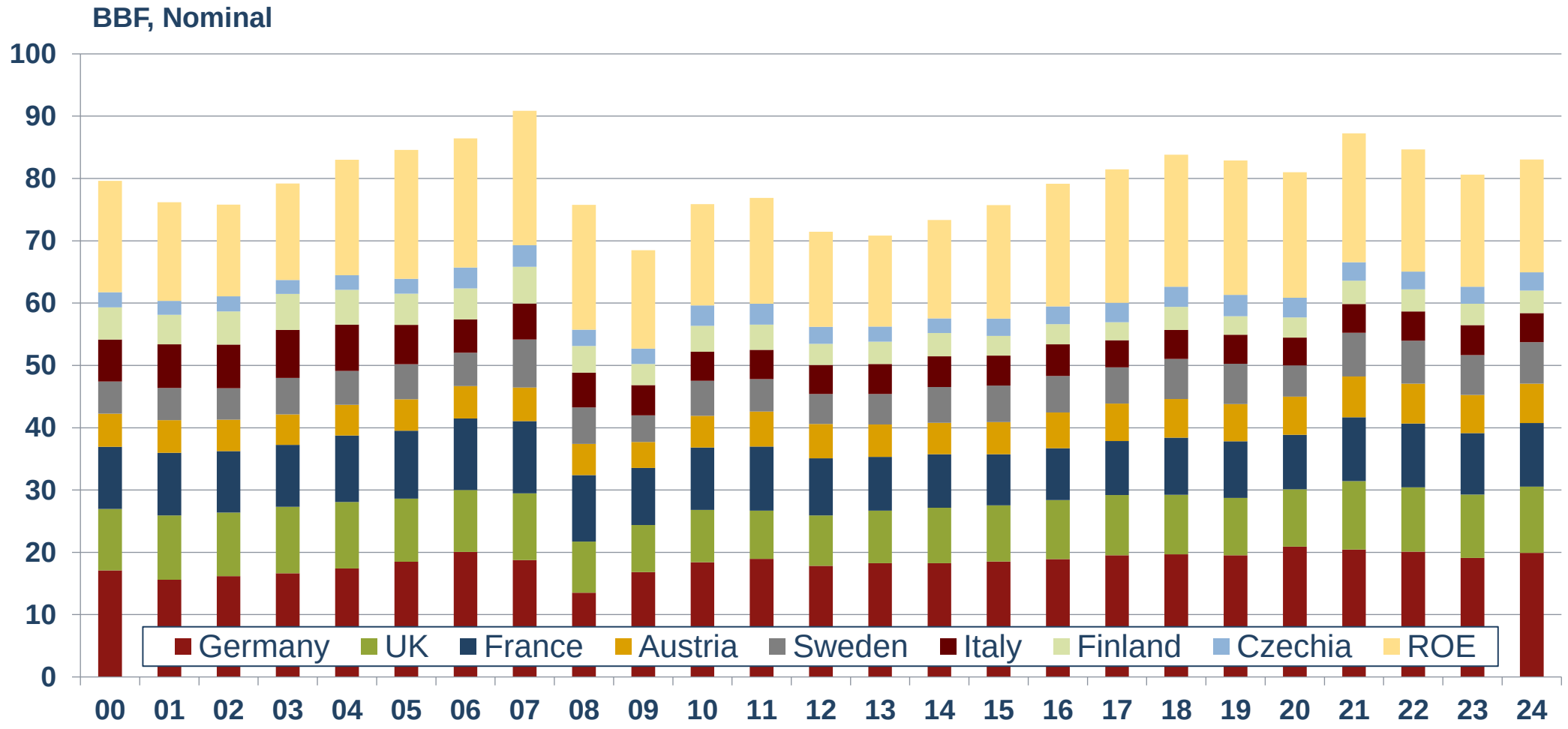
European Consumption Has Fallen



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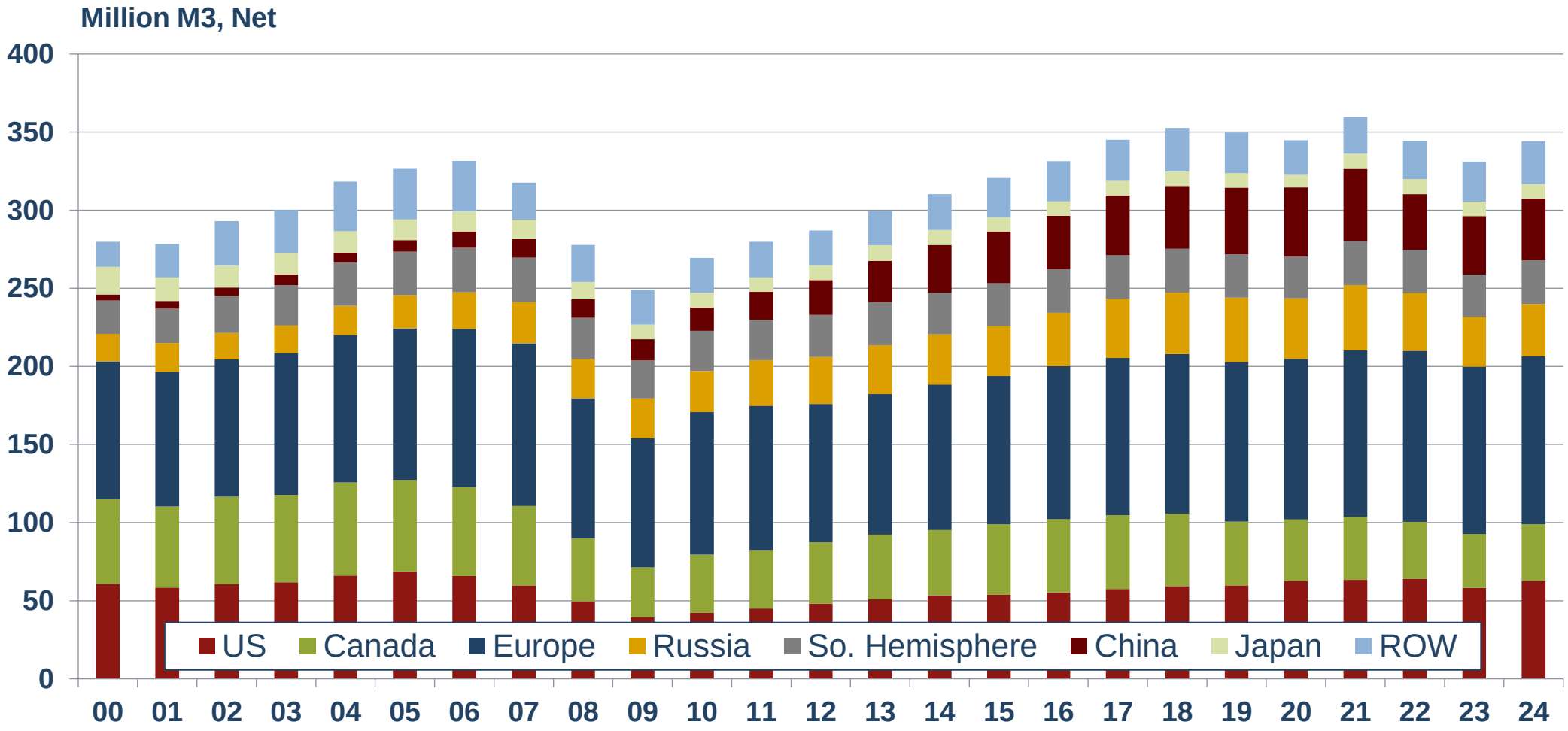
Production Will Fall With Declining Global Demand



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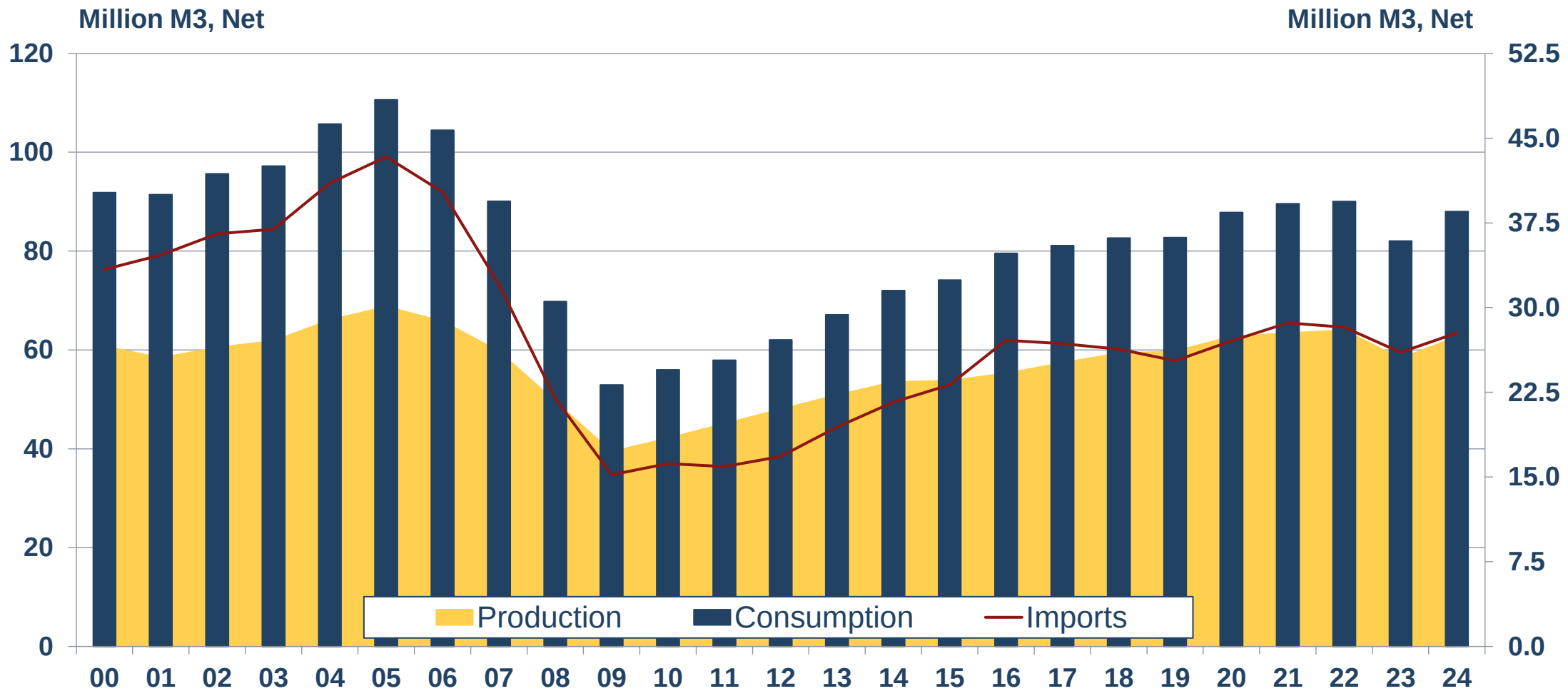
US Production Will Slip With Falling Consumption



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This May Be Surprising Given All The New Capacity

Company	Location	Region	Date	Capacity (MMBF)
JV: Sierra Institute/J&C Enterprises	Crescent Mills, CA	US West	2022	5
Mission Forest Products	Corinth, MS	US South	2022	250
Idaho Forest Group	Lumberton, MS	US South	Mid 2022	300
Canfor	DeRidder, LA	US South	22Q4	250
Georgia-Pacific	Pineland, TX	US South	Late 2022	215
Tahoe Forest Products	Carson City, NV	Other	2023Q1	50
JV: Hunt/Tolko	Taylor, LA	US South	2023H1	320
Roseburg Forest Products	Weldon, NC	US South	2023	400
Canfor	Axis, AL	US South	24Q3	250
Teal Jones	Bossier Parish, LA	US South	2024	300
CLAW Forestry Services, LLC	Gloster, MS	US South	2024	250

Source: FEA

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And Investment In Existing Facilities

Company	Location	Region	Date	Capacity (MMBF)
Canfor	Estill, SC	US South	2022	20
Interfor	Summerville, SC	US South	2022	75
Charles Ingram Lumber	Effingham SC	US South	2022	120
Jasper Forest Products	W Jasper, AL	US South	2022	130
Resolute	Senneterre, QC	Canada, East of Rockies	22Q3	15
Resolute	Thunder Bay, ON	Canada, East of Rockies	22Q3	40
Resolute	Glenwood, AR	US South	22Q3	10
Resolute	Cross City, FL	US South	22Q3	20
San Group	Port Alberni, BC	BC	2021-2022	30
Interfor	Castlegar, BC	BC	22Q3	25
Interfor	Perry, GA	US South	22Q3	
Sexton Lumber	Bloomfield, NFL	Canada, East of Rockies	2022	25
Interfor	DeQuincy, LA	US South	2022H1	

Source: FEA

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Investment In Existing Facilities (Cont)

Company	Location	Region	Date	Capacity (MMBF)
West Fraser	Lufkin, TX	US South	2024/2025	85
PotlatchDeltic	Waldo, AR	US South	End 2024	85
Canfor	Urbana, AR	US South	2024	115
JV: Tolko/Southeastern Timber Products	Ackerman, MS	US South	24Q1	130
Weyerhaeuser	Holden, LA	US South	2023	100
Pleasant River Lumber	Moose River/Jackman, ME	Other	2023	20
Pleasant River Lumber	Sanford, ME	Other	2023	3
Pleasant River Lumber	Hancock, ME	Other	2023	2
Western Forest Products	Ladysmith, BC	BC	2023	
Western Forest Products	Nanaimo, BC	BC	2023	
Western Forest Products	Chemainus, BC	BC	2023	
Pleasant River Lumber	West Enfield, ME	Other	Early 2023	70
Dunkley Lumber	Carrot River, SK	Canada, East of Rockies	Early 2023	100
West Fraser	Not Specified	US South	2021-2023	
Interfor	Thomaston, GA	US South	2021-2023	100

Source: FEA

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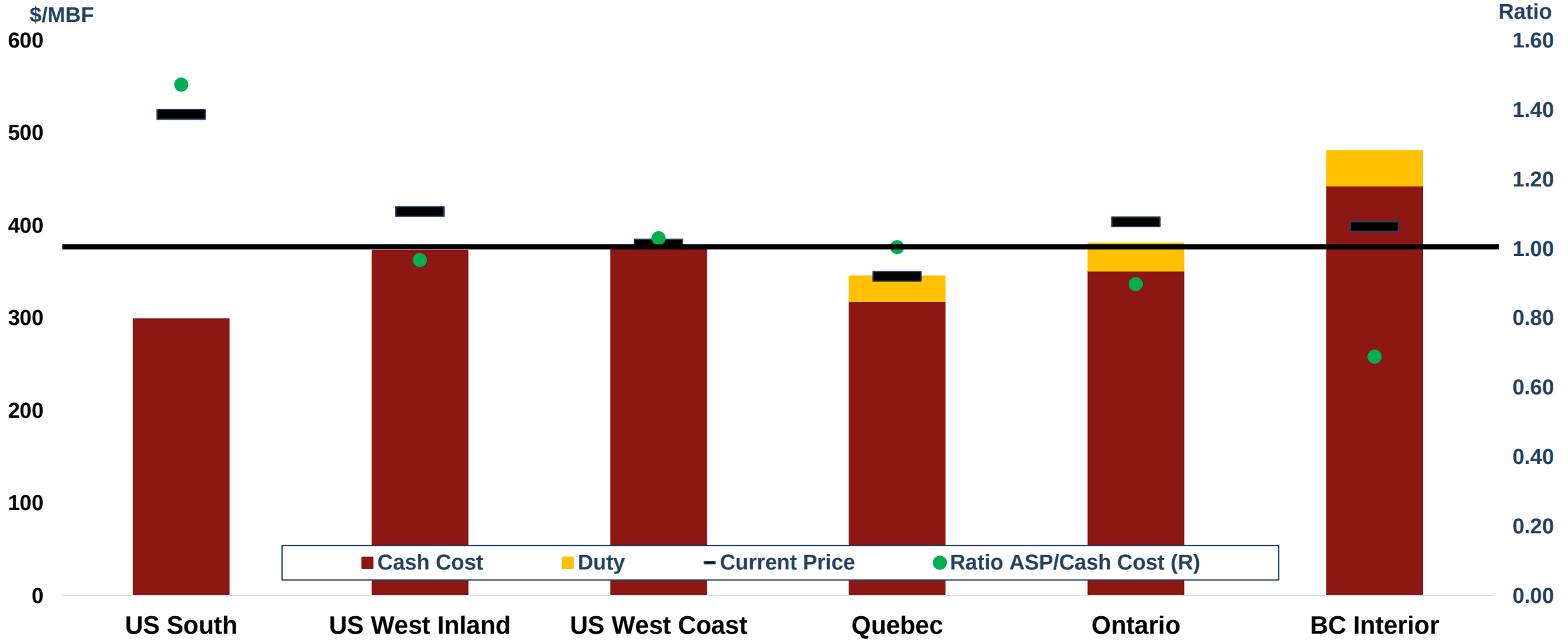
Part Of This Is Market Conditions



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Capacity Closures/Shift Reductions

Company	Location	Region	Closure Date	Reduction (MMBF)
West Fraser	Perry, FL	US South	Jan-23	100
Vaagan Brothers	Usk, WA	US West	Jan-23	25
Vaagan Brothers	Midway, BC	BC	Jan-23	75
Western Forest Products	Port Alberni, BC	BC	Jan-23	175
West Fraser	Fraser Lake, BC	BC	22Q4	70
West Fraser	Williams Lake, BC	BC	22Q4	100
Canfor	Houston	BC	23Q2	500
Canfor	Chetwynd, BC	BC	23Q2	250
Skeena	Terrace, BC	BC	23Q1	200

Source: FEA

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Capacity Temporary Curtailments

Company	Location	Region	Date	Reduction (MMBF)
Conifex	Mackenzie, BC	BC	10/2022	7
Interfor	All		Q4	200
Canfor		BC and Alberta	12/22-1/23	171
Aspen Planners	Merritt, BC	BC	12/2022	8
Shuqualak Lumber	Shuqualak, MS	US South	12/26/2022	
Tolko		BC	1/2023	35
Anthony Timberlands	Malvern, Arkansas	US South	1/2023	10
Skeena	Terrace, BC	BC	1/2023	12
Interfor		All except US South	23Q1	100
Stimson	Clatskanie, OR	US West	2/2/2023	15.6
Stimson	Forest Grove, OR	US West	2//2/2023	28.8
Sinclar Group	3 Mills	BC	1/30/3023	25

Source: FEA

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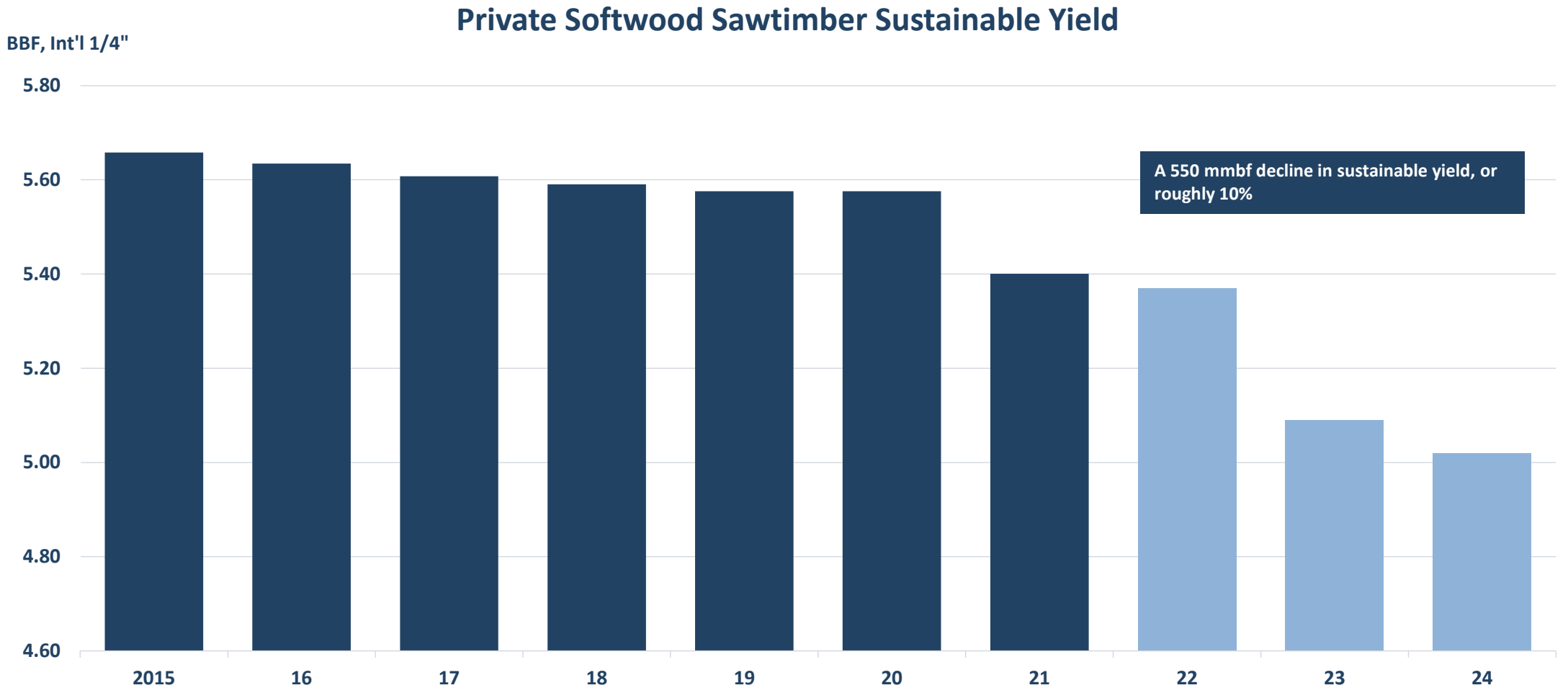
The Outlook for Available Log Supply in the West Coast Continues to Erode



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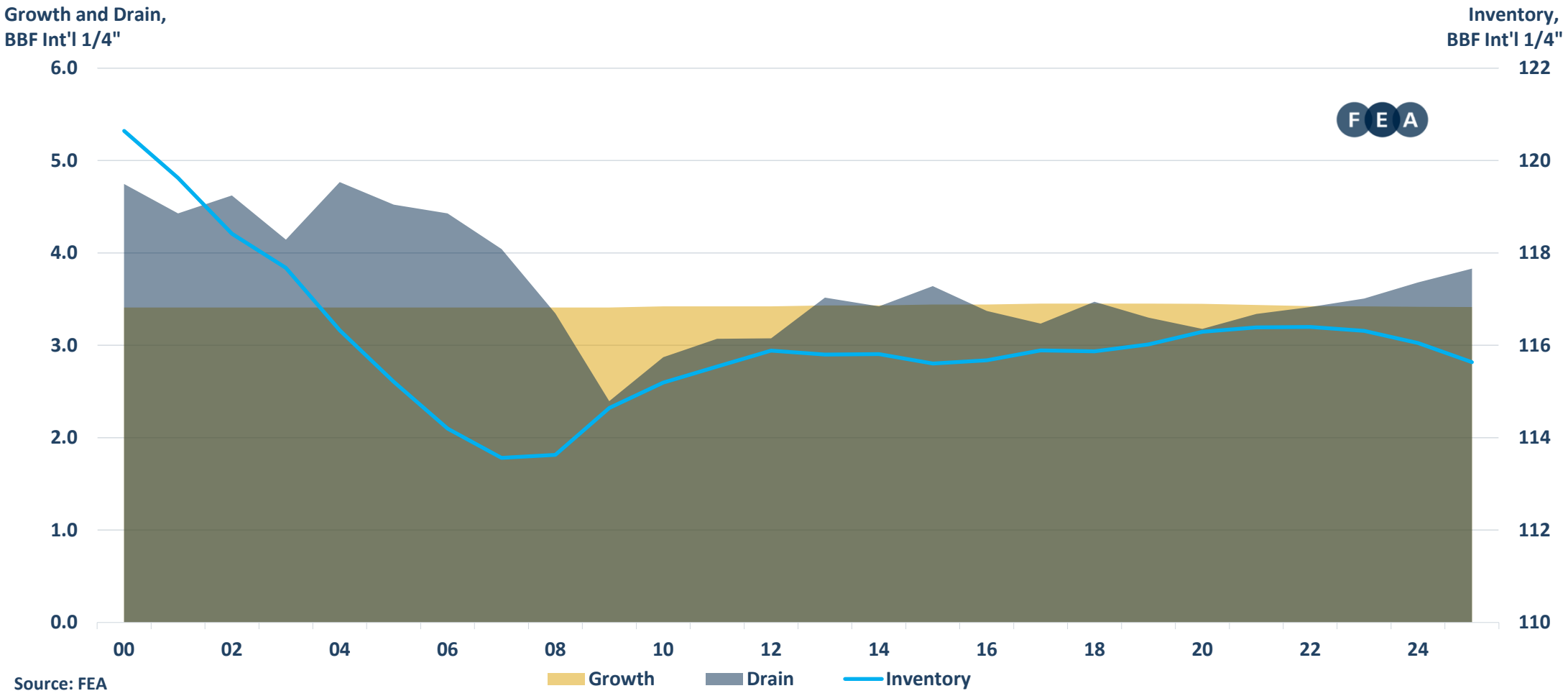
Ability to Increase Harvest in Inland West Also Limited



Source: FEA

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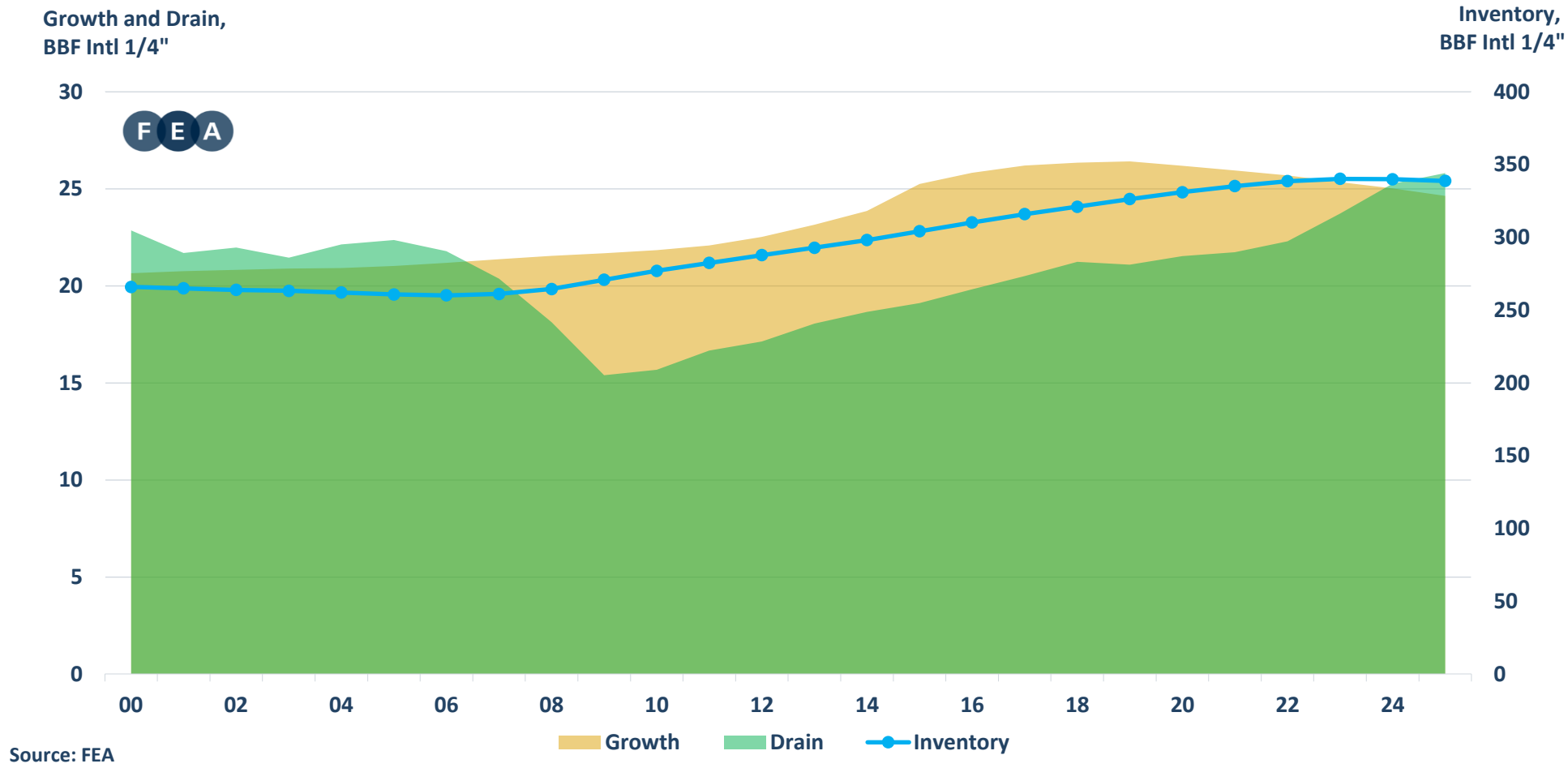
Softwood Sawtimber Inventory Continues to Expand in the US South



Source: FEA

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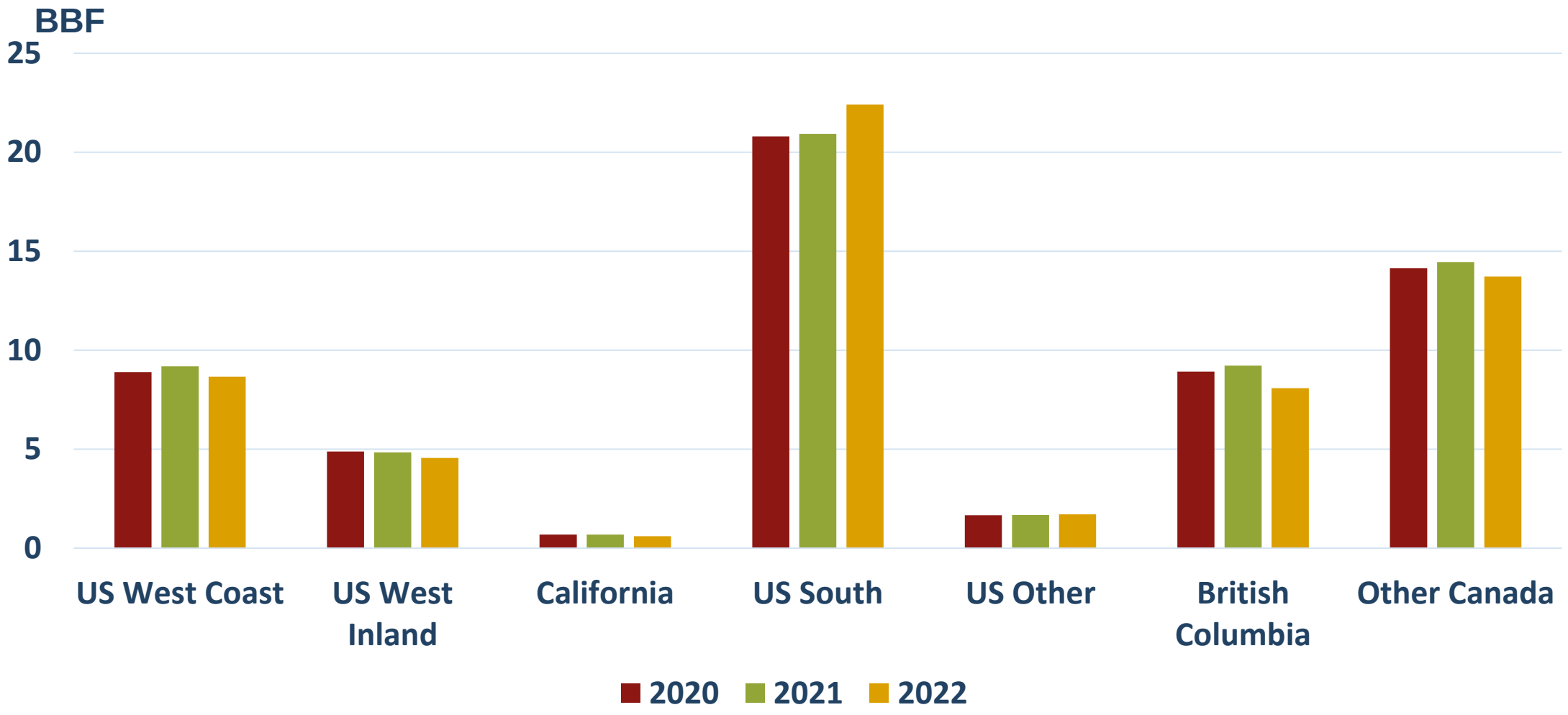
Despite Record High Prices And Heavy Investment In New Capacity, Production In Most Regions Fell In 2022



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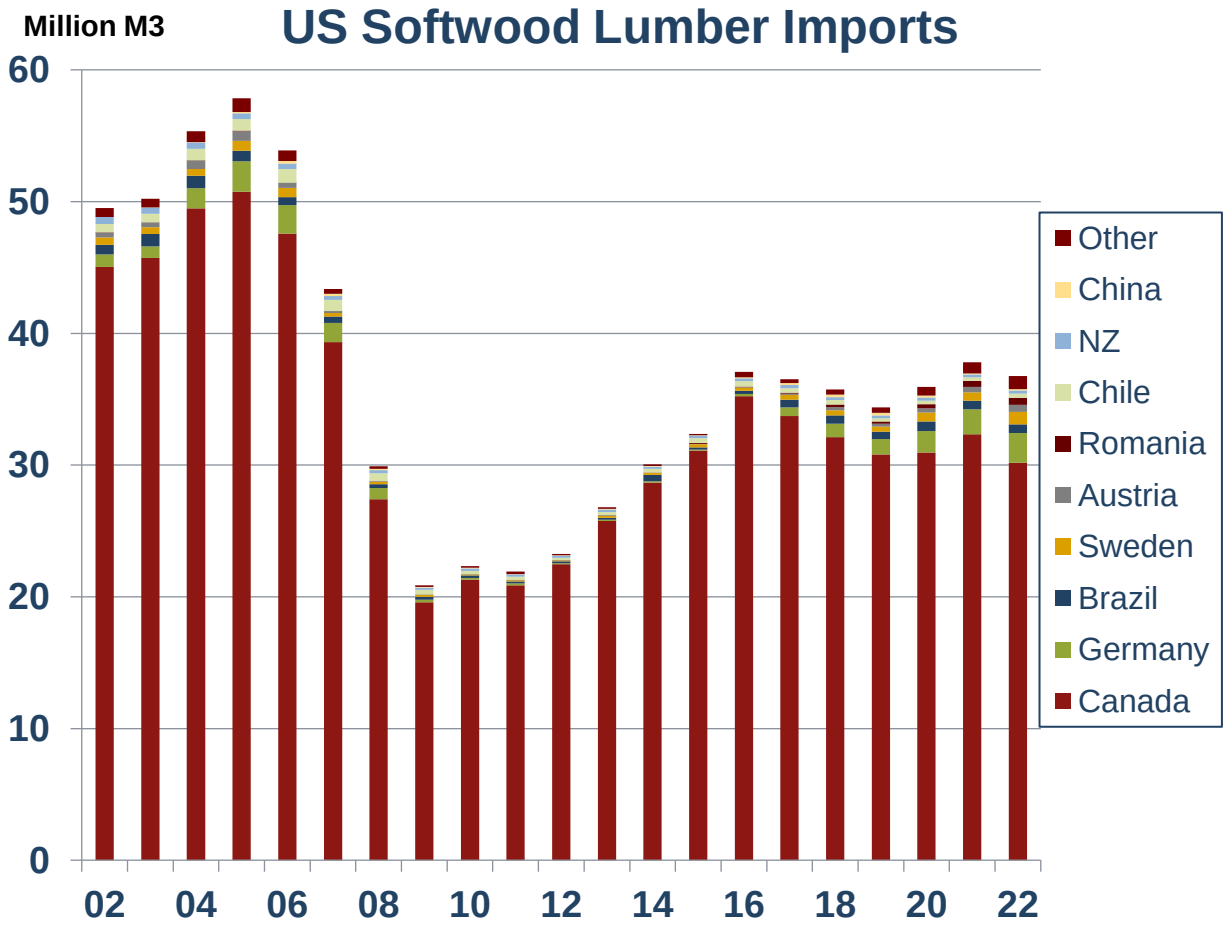
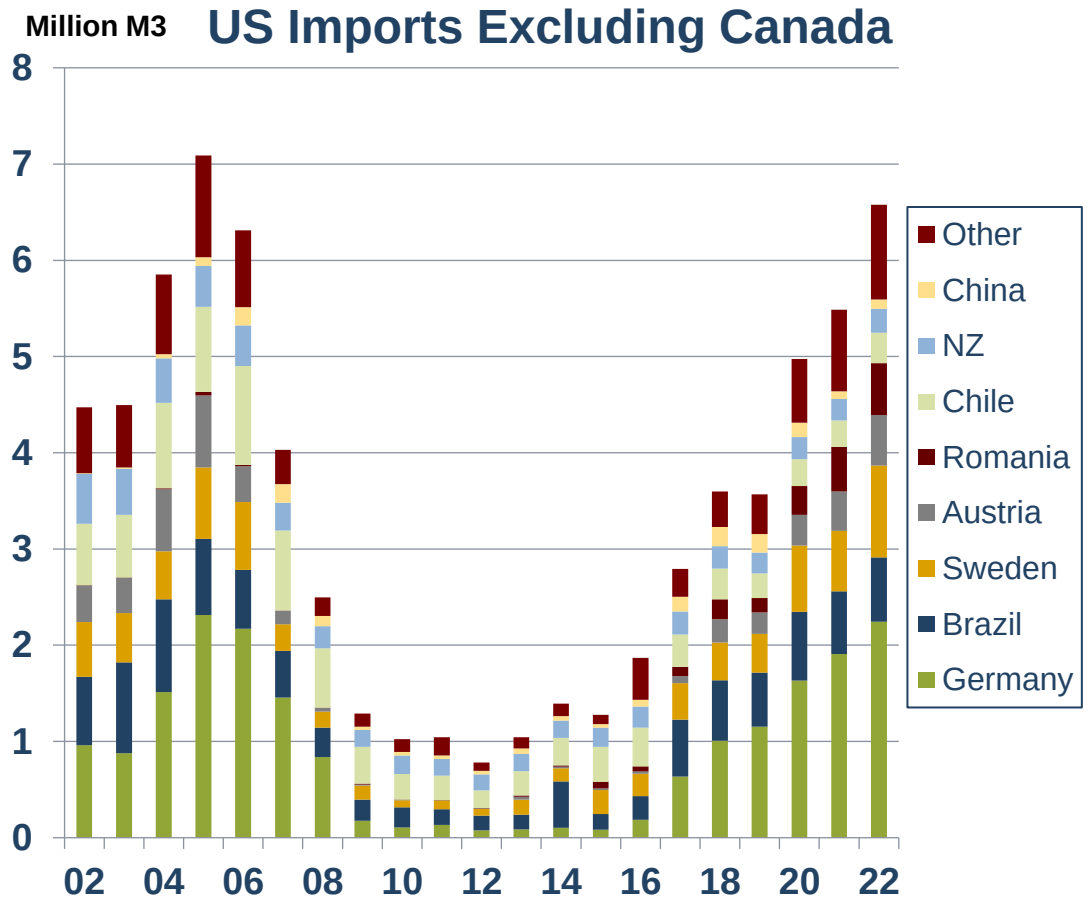
US Softwood Lumber Imports by Country





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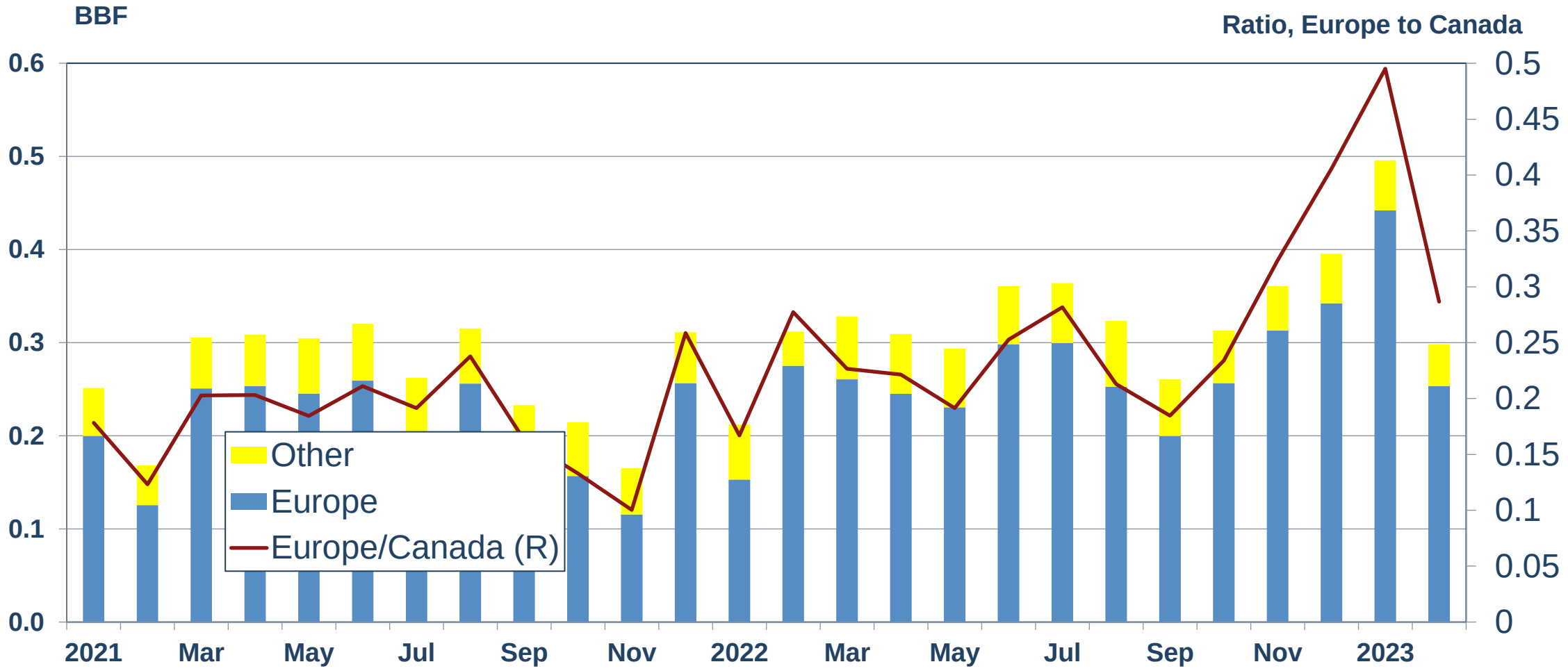
European Imports Are Surging



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Freight Constraints Continue To Ease

Source: TradingEconomics.Com

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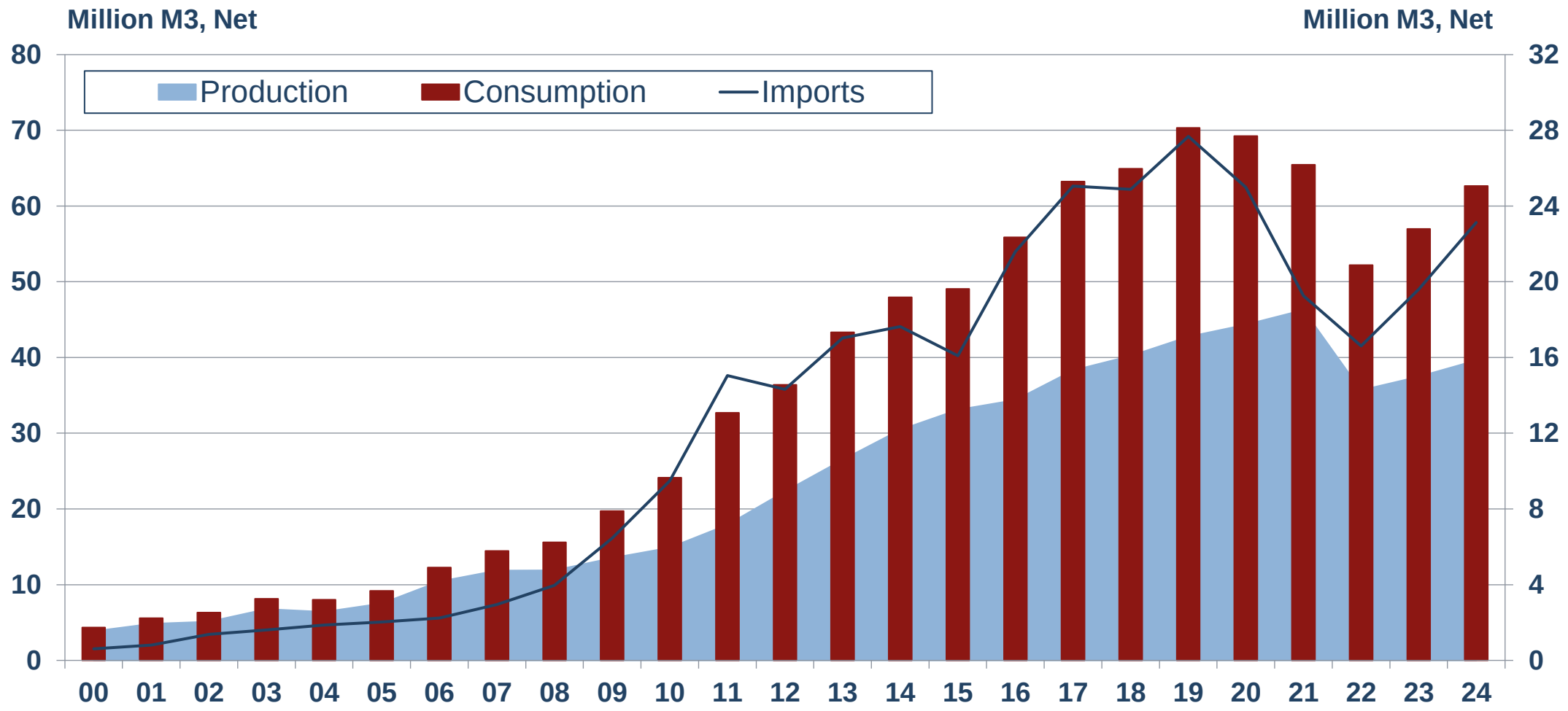
Chinese Consumption Will Also Exceed Growth in Domestic Production



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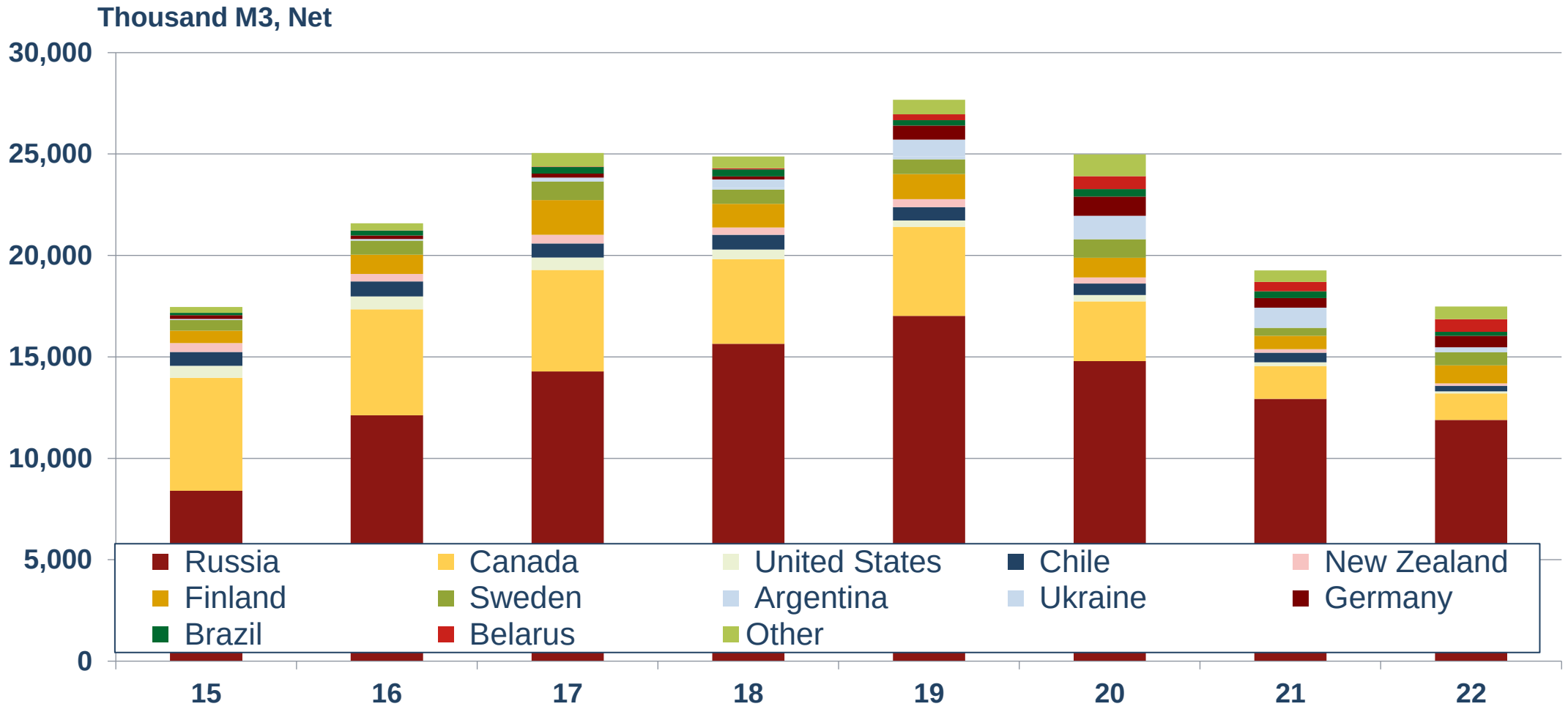
Chinese Softwood Lumber Imports By Country



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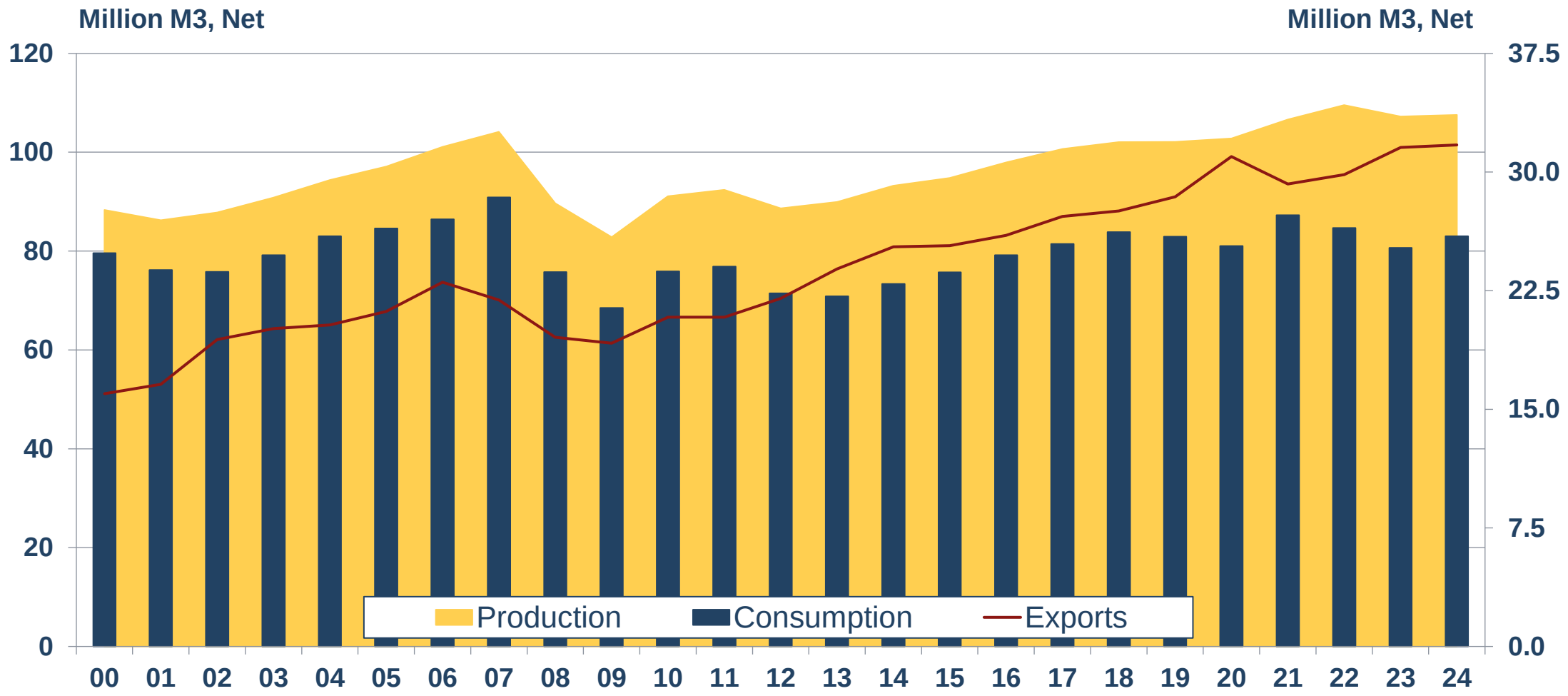
European Production Growth Will Exceed Consumption



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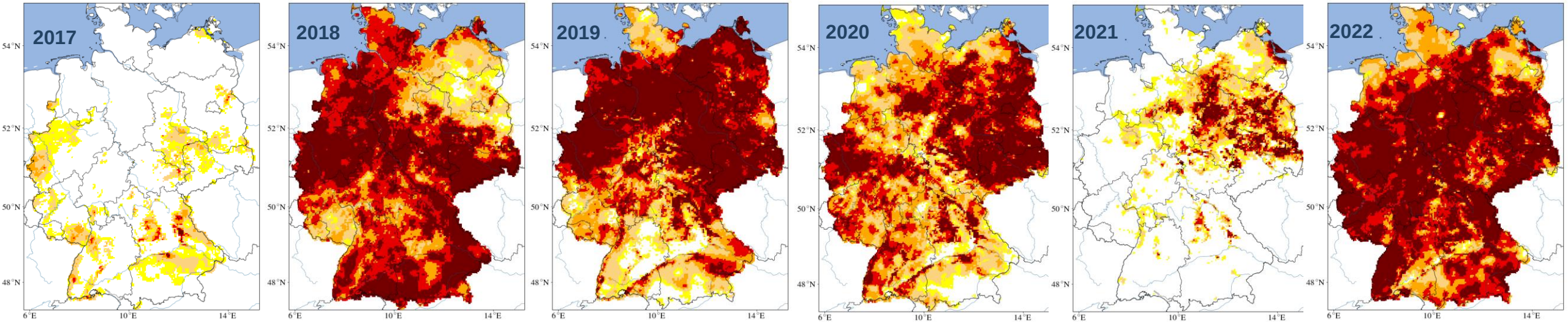
Drought Conditions Have Returned to Europe

Drought Conditions (Total Soil Column) in September 2017-22
Yellow represents abnormally dry conditions, darkest red indicates exceptional drought conditions.



- Although endemic, the spread of Spruce Bark Beetle has been exacerbated by the trend of hotter, drier summer weather.
- Relative to 2021, drought conditions are more widely reported across in Germany.
- Forecast from German Ministry (BMEL) is for the volume of damaged softwood timber to decline by 50% relative to 2021.

Source: UFZ Drought Monitor / Helmholtz Centre for Environmental Research.

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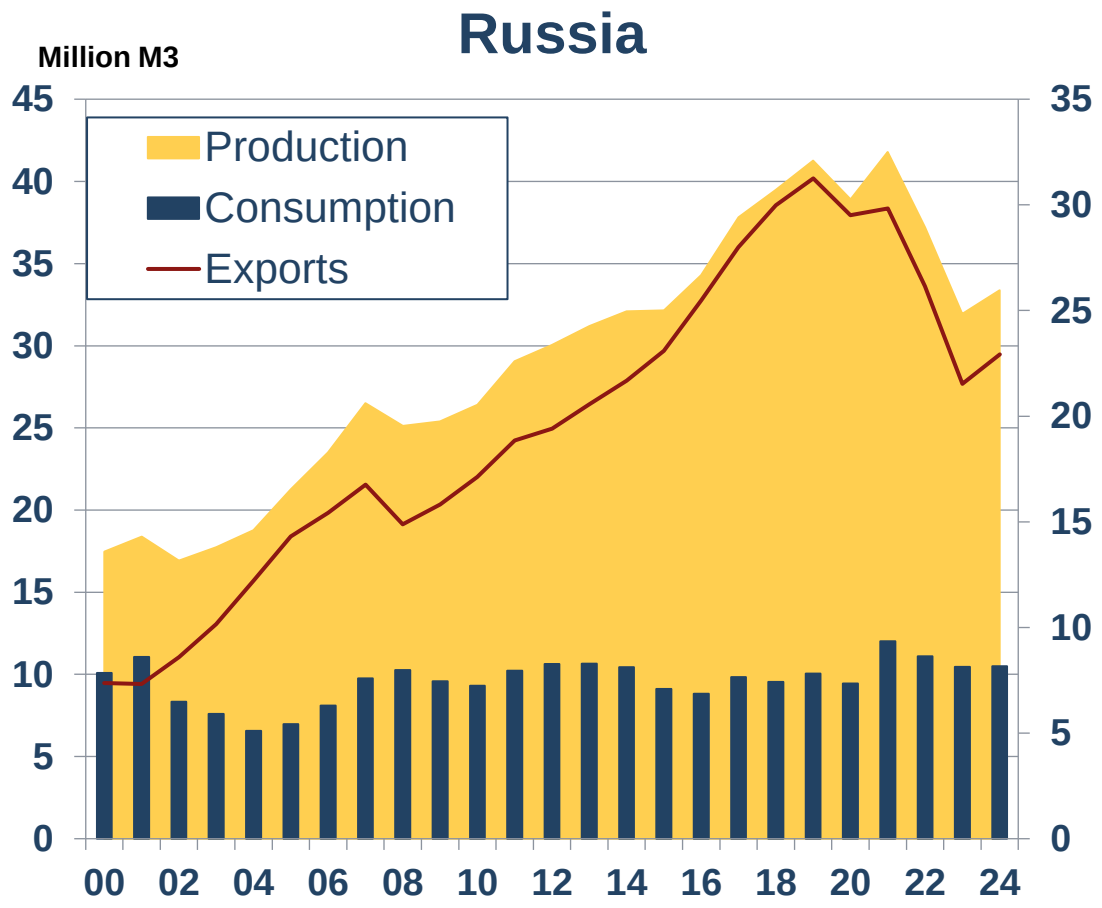
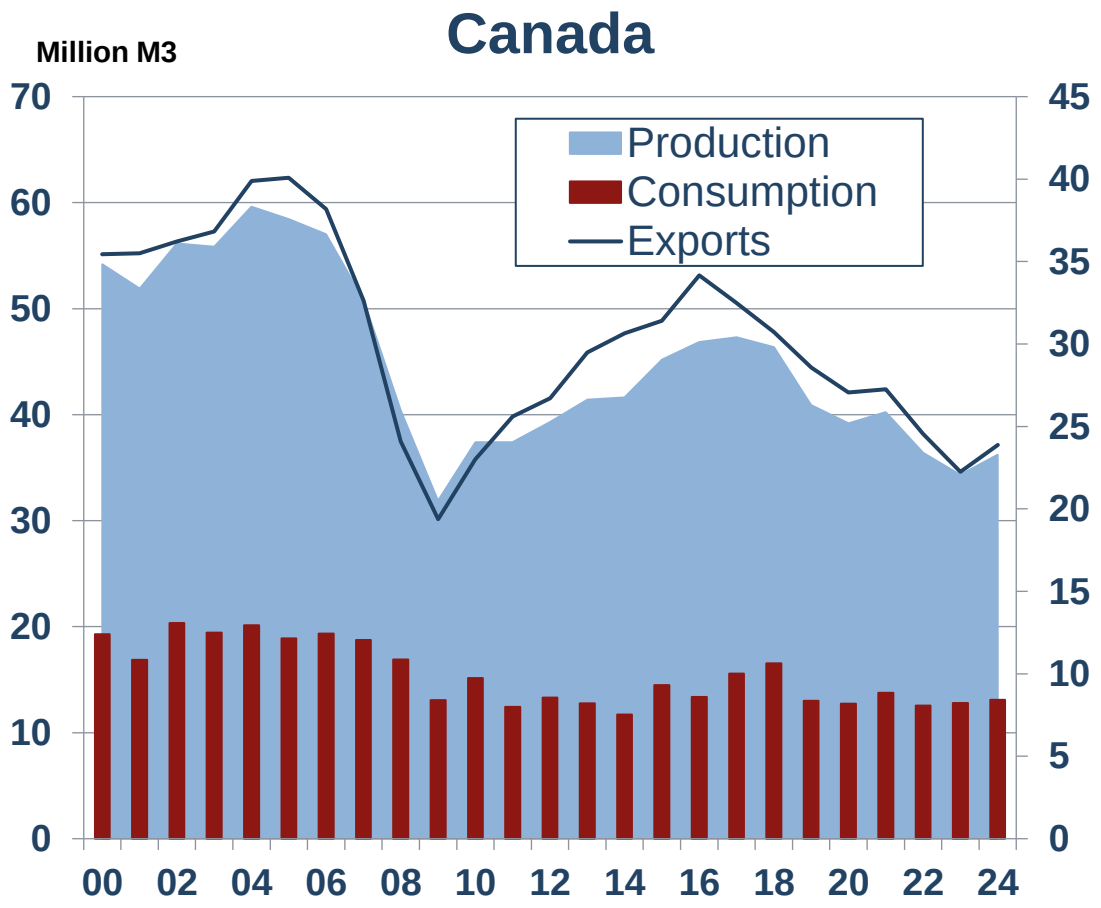
Russian Exports Will Plunge While Fiber Supply Limits Growth In Canadian Production and Exports





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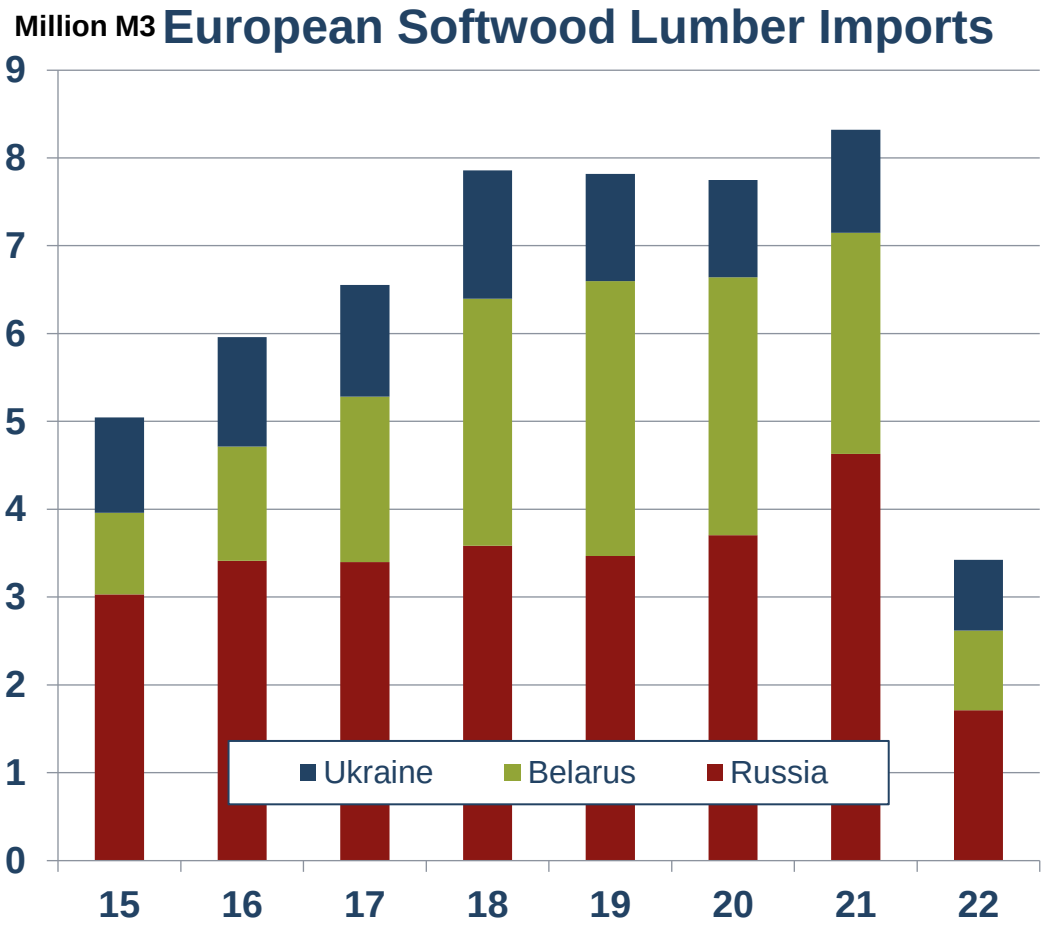
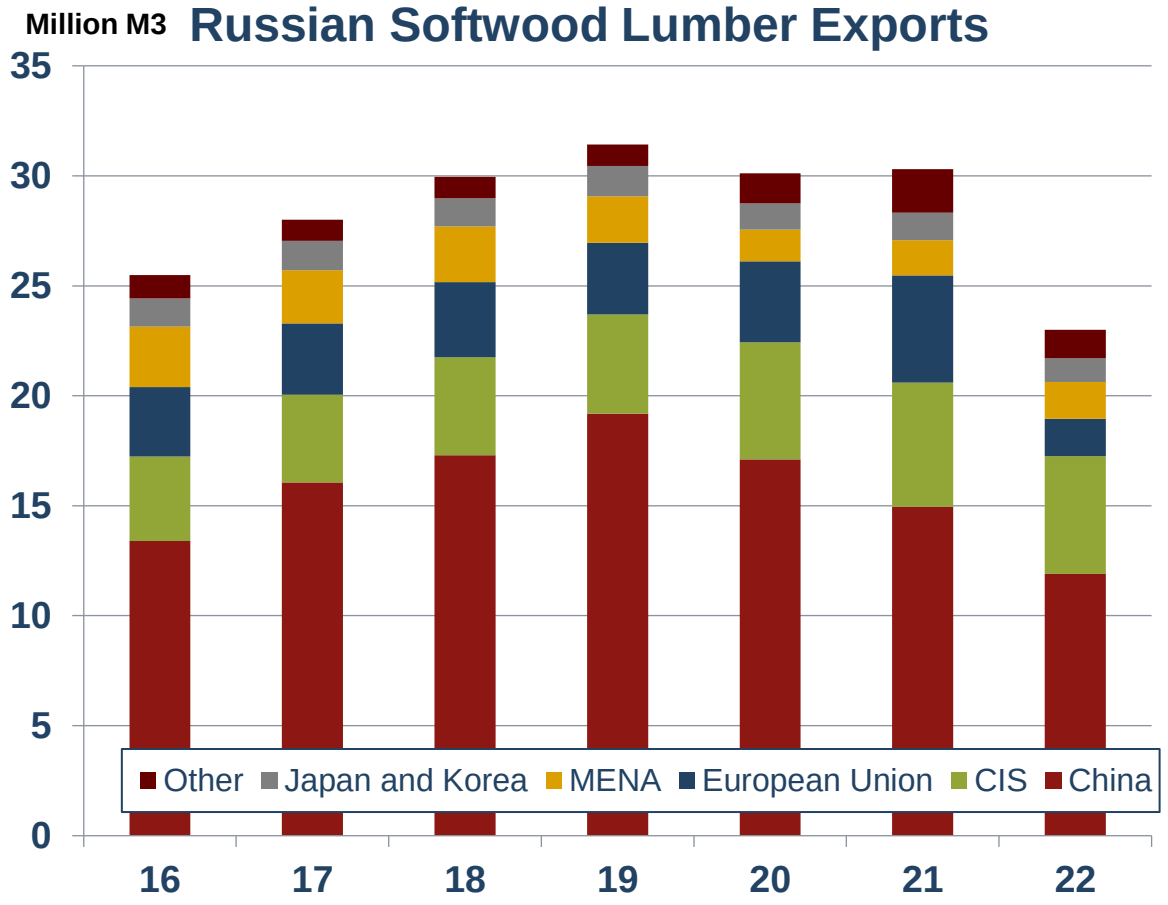
Softwood Lumber Imports by Country





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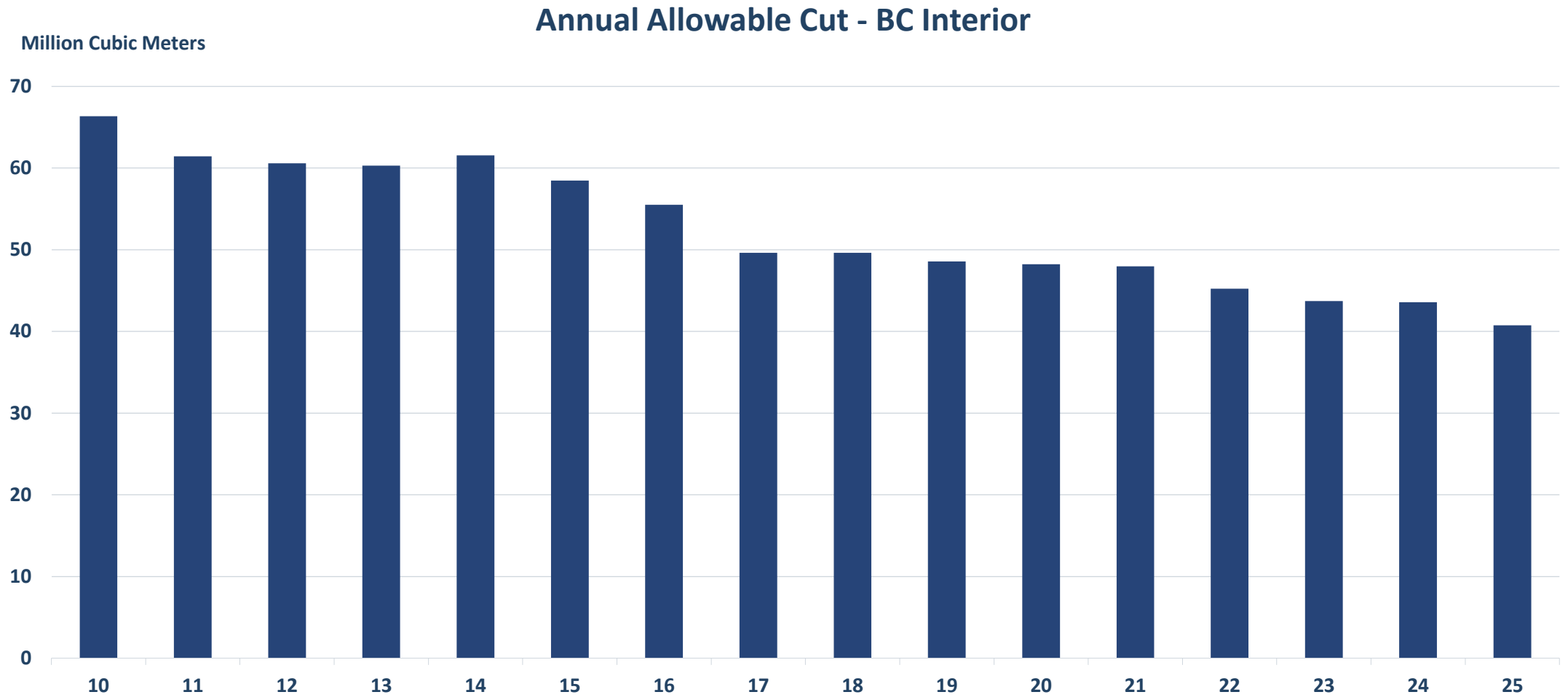
Timber Supply in British Columbia : Good News For People Who Love Bad News



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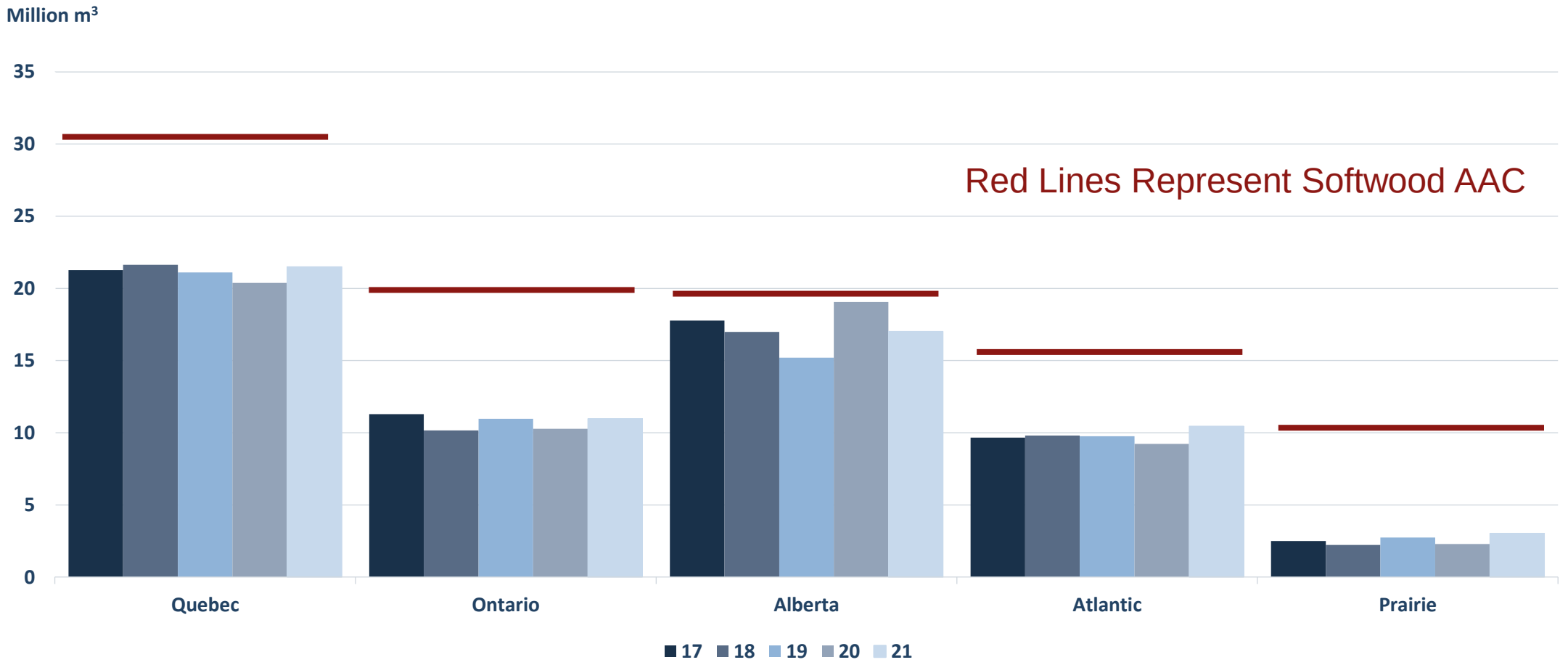
Some Limited Opportunities to Increase Harvest Levels in Other Canadian Provinces



Note: 2021 harvest levels are estimates.

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Take Home Points

- Global demand has fallen in 2023 and will remain weak.
- Changing fiber supply patterns will affect production both in the short and long-term
- War in Ukraine and fiber supply will change global supply chains
- The world had excess fiber in the US South and Russia. One of those regions will be taken out of the western supply chain for years while the other faces labor supply shortages
- Near-term market weakness is likely to fade once demand rebounds because of global supply limitations

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I Couldn’t Help It

- Bruins Win
- Leafs lose
- Canadiens, just good enough to lose Bedard=>8.5% chance in the lottery

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Questions?

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