



WRI Market Insights 2021

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Global Lumber Markets

The US lumber market was unusually strong during the winter and spring, with prices reaching all-time highs in May

Lumber prices in the US have taken off to never-before reached levels. In May 2021, average prices were more than three times as high as 12 months earlier. For example, a standard stud dimension (2 x 4 inches of pine) in the US South was priced at \$270/m³ (actual volume, FOB sawmill) in May last year. This year, the same dimension sold for \$800/m³.

The unprecedented market condition was triggered by several factors, including increased housing starts in the US (up almost 40% in a year), continued high wood demand in the repair and remodeling sector, low lumber inventories throughout the supply chain, labor shortages in the transportation and processing sector, and limited expansion of lumber production the first few months of 2021, according to the Wood Resource Quarterly. The buying frenzy was also increased by the uncertainty around how the US lumber market will develop in the second half of the year, further inflaming wood buyers to secure building materials early to ensure they would have sufficient wood products for the fall.

During the first three months of 2021, lumber production increased by 3.0% y-o-y in Canada (predominantly in British Columbia) and 1.3% in the US, according to the WWPA. Demand for lumber in the US was high, but sawmill production was constrained by the wet weather that interrupted log flows from the forest to the mills and the lack of labor throughout the entire supply chain.

Lumber imports to the US were up by 15% y-o-y during the four first months of 2021. Canada continued to be the dominant supplier but lost market shares. Overseas lumber supply to the US reached a record 15% of the total import volume in early 2021, predominantly driven by higher shipments from Germany, Austria, and Romania. Just over a year ago, overseas lumber from Europe and Latin America accounted for only 8% of total imports.

Although lumber exports from Canada picked up in the second half of 2020, it was the fourth consecutive year with y-o-y declines. The total export volume fell to 26 million m³, down from over 33 million m³ just five years ago, mainly due to limited log supply in the province of British Columbia. Canadian shipments to the strong US market were up slightly from 2019, while the sales to all other markets fell. In particular, lumber volumes to China shrunk in 2020,

down 33% from the previous year. The good news for Canadian lumber exporters has been the dramatic increase in the values of the shipped goods over the past year, outlines the WRQ in its latest report. Average export prices for lumber destined for the US market were more than three times as high in April 2021 as in the same month in 2020.

*Are you interested in the worldwide wood products market? The Wood Resource Quarterly (WRQ) is a 70-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*

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