

Wood Raw-Material Markets – Globally and Locally

Mapping the Course - The 7th Annual
Forest Industry Conference
January 23, 2020
Vancouver, Washington

Hakan Ekstrom

Wood Resources International LLC



Wood Resources
International

Key Market Factors

Mountain Pine Beetle

President Trump

Spruce Bark Beetle

Climate Change

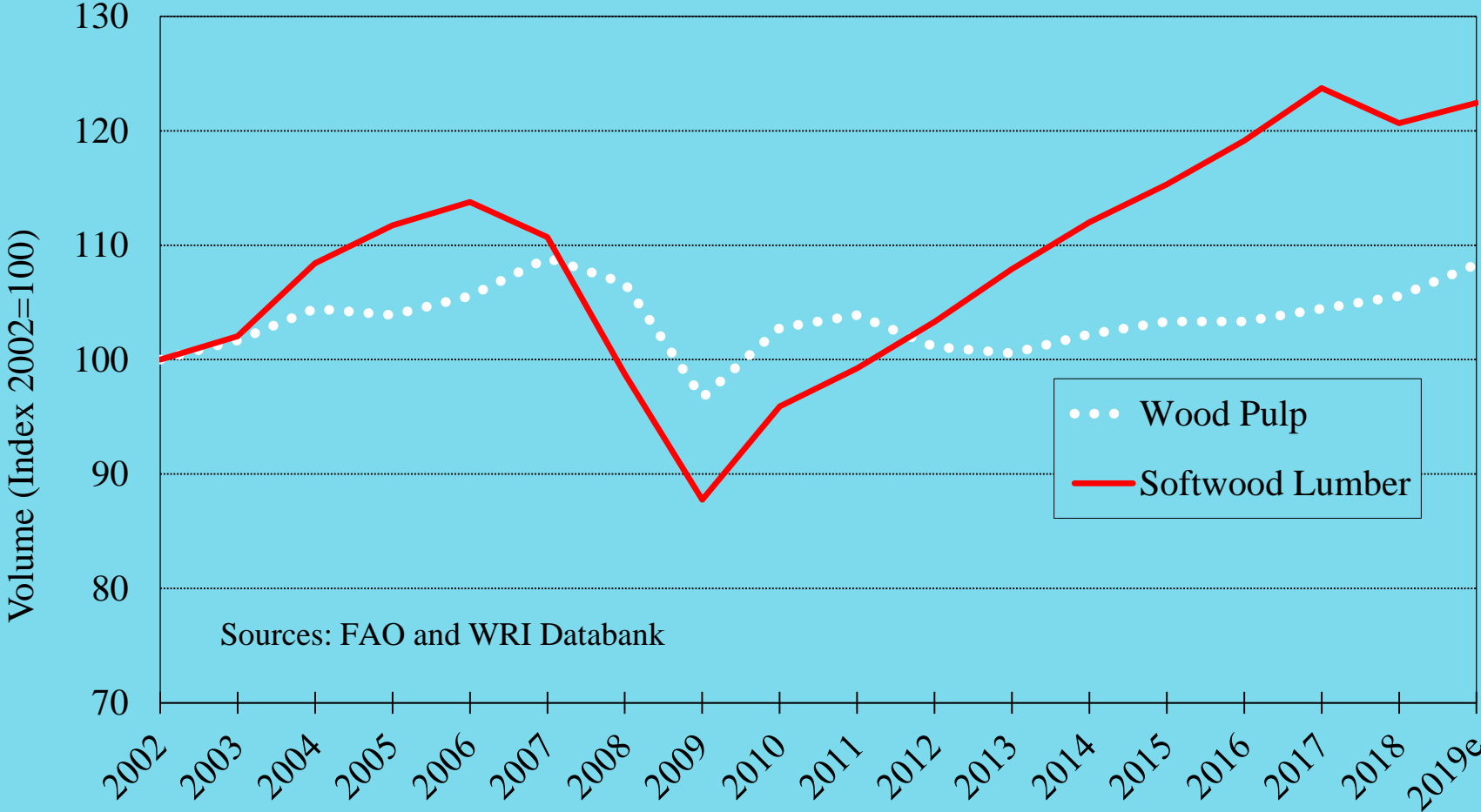


A Few Numbers of Interest

| | |
|---------------------------------|----------------|
| BC Lumber Production | - 21% |
| US Log Exports to China | - 52% |
| Russian Lumber Exports to China | +12% |
| German Log and Lumber Exports | +150% and +16% |



Global Production of Pulp and Lumber

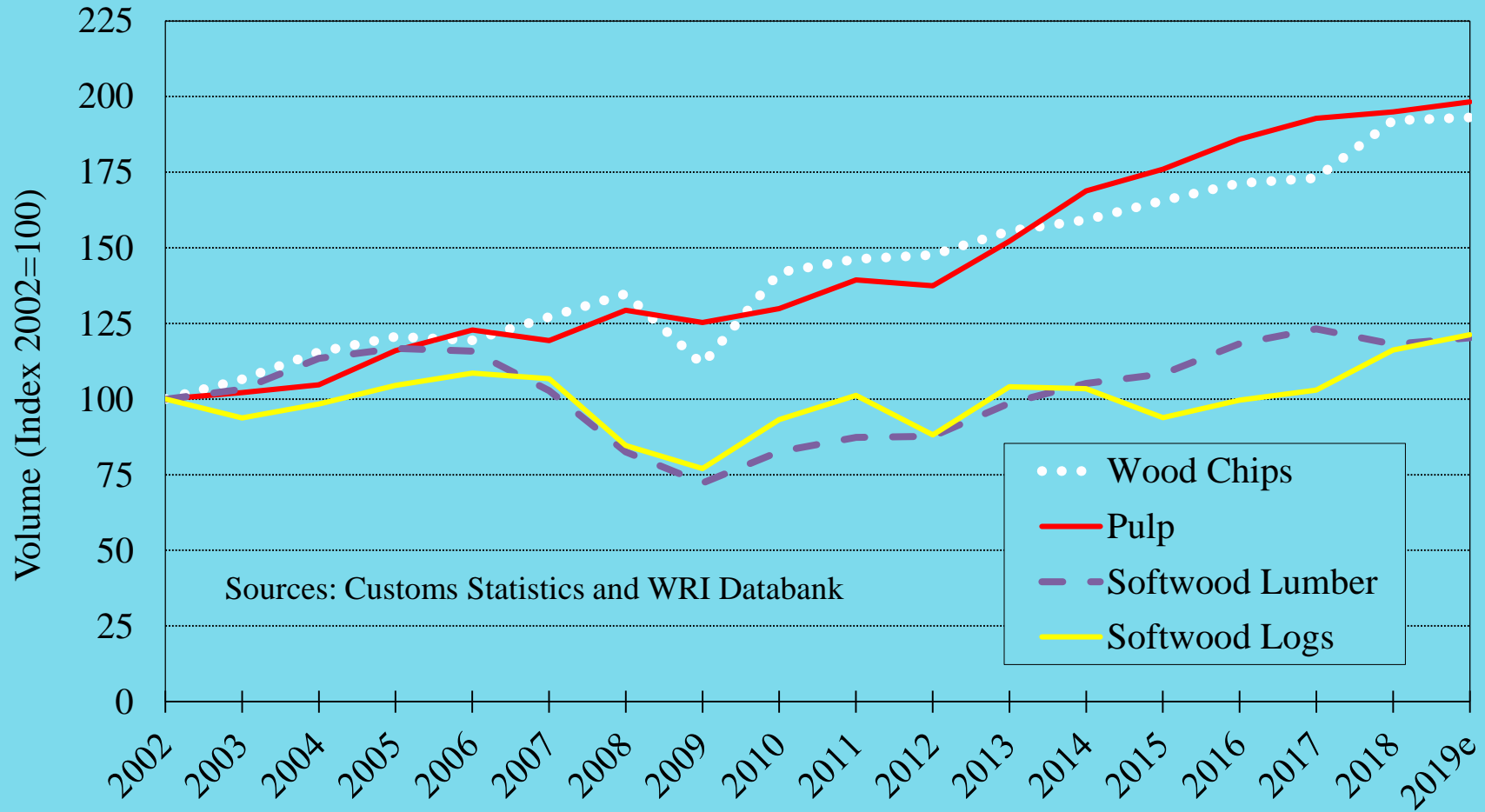


Sources: FAO and WRI Databank

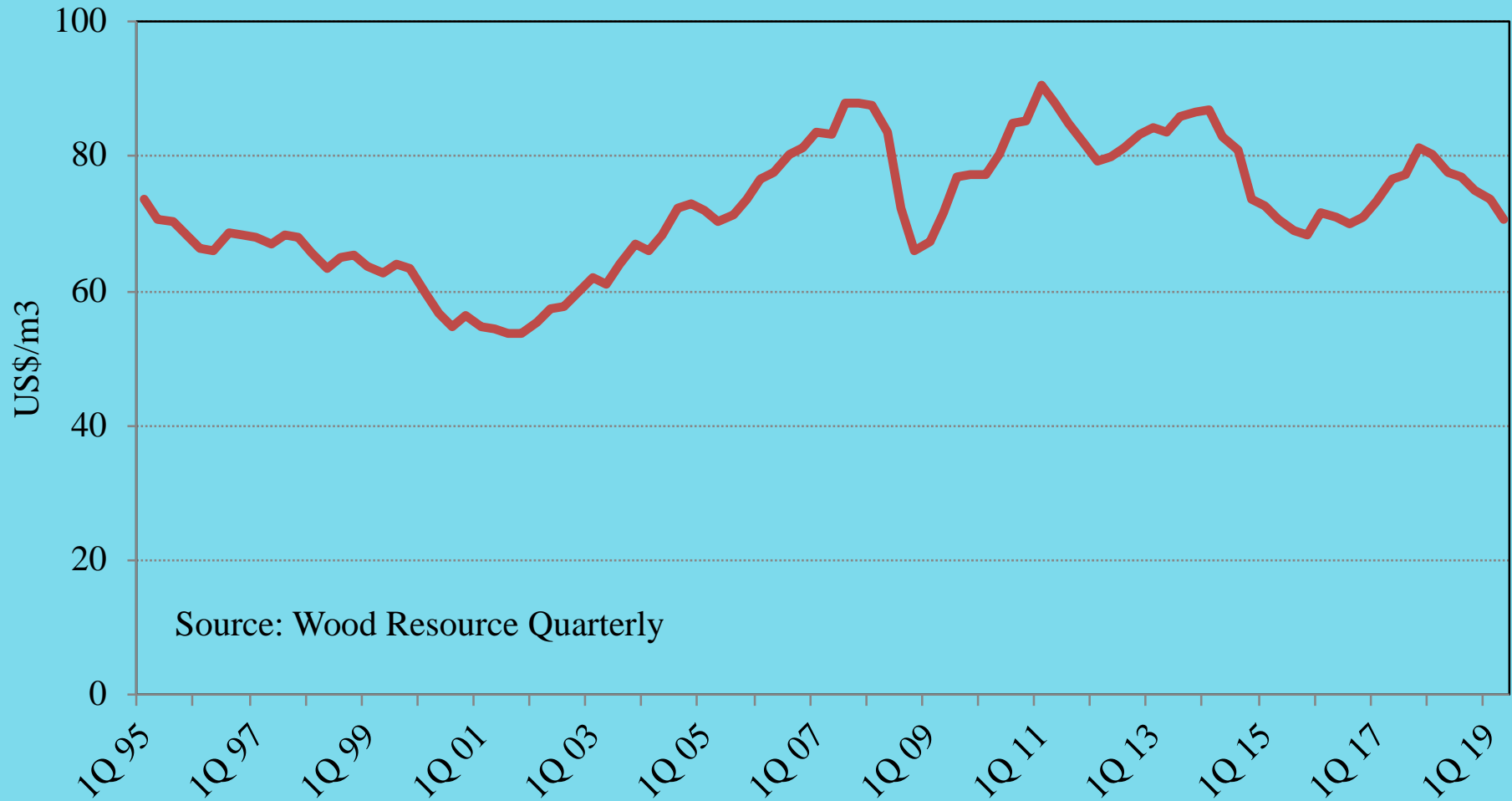


Wood Resources
International

Global Trade of Forest Products



Global Sawlog Price Index (GSPI) 1Q/95-3Q/19



Source: Wood Resource Quarterly

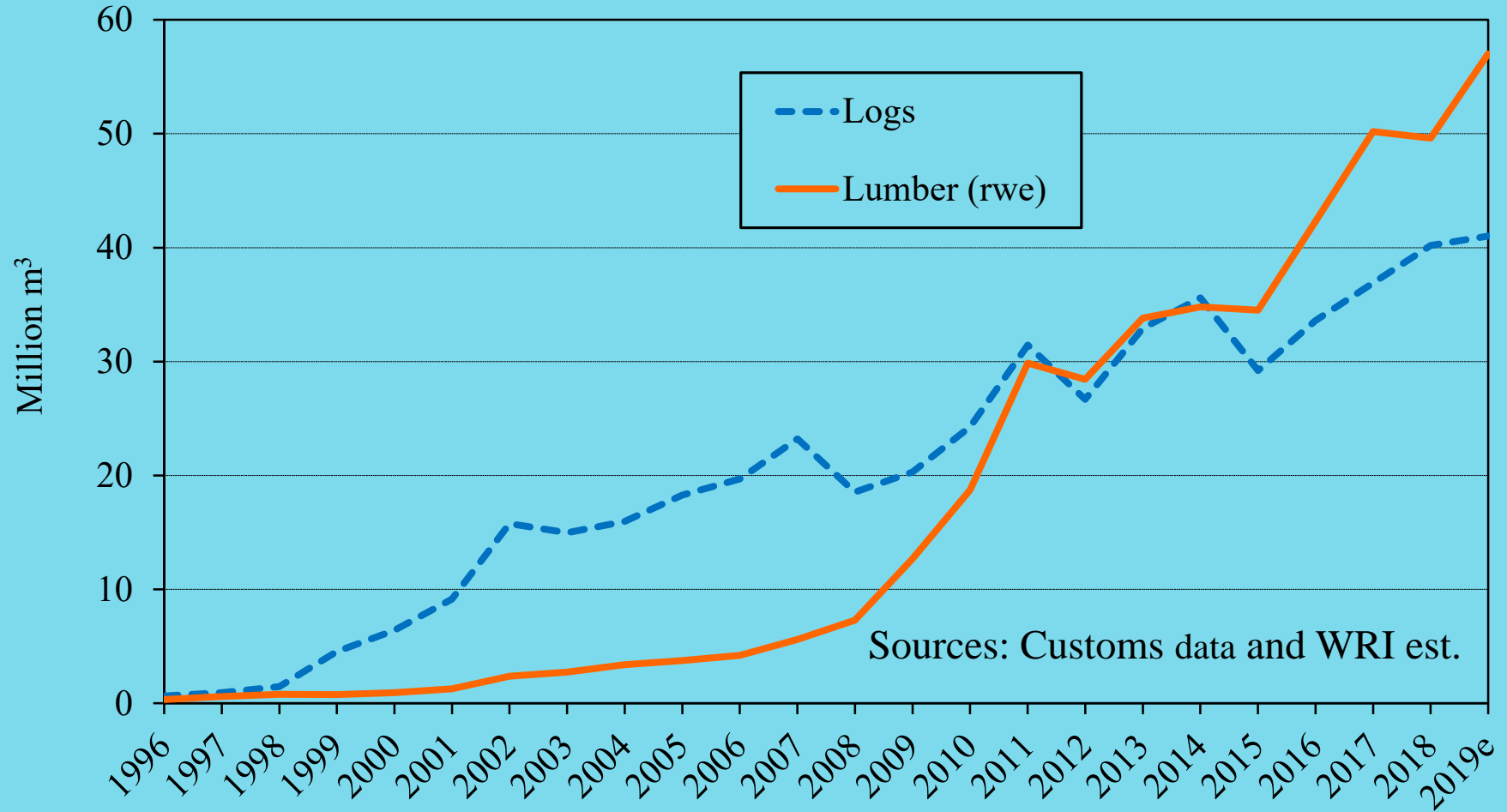


Wood Markets - China

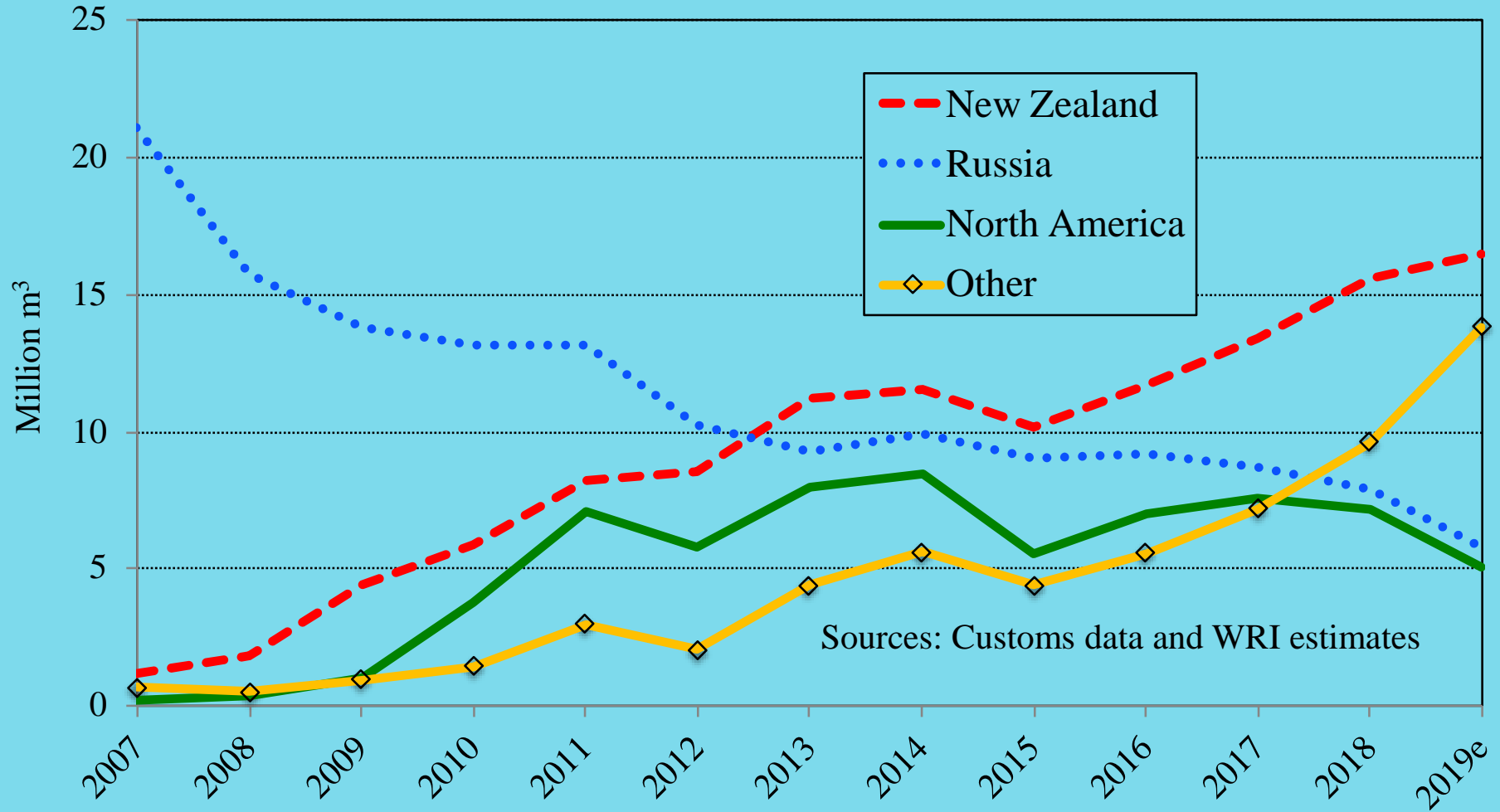
- Continued Strong Lumber Imports
- Expansion of Pulp Capacity has Slowed
- Domestic Forest Resources Insufficient
- Largest Hardwood Chip Importer in the World
- High Log and Wood Fiber Costs



Imports of Softwood Logs and Lumber to China



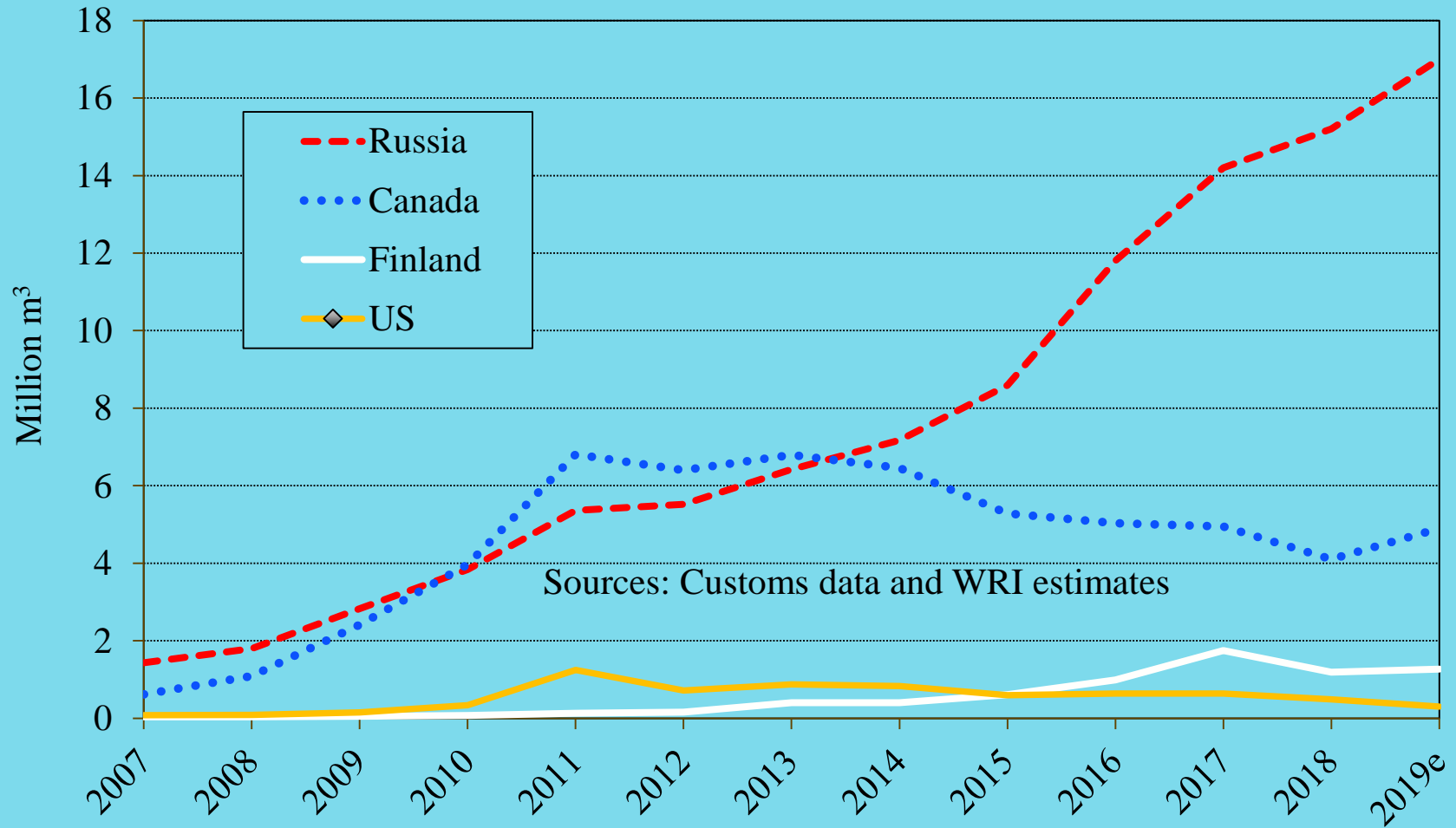
Softwood Log Imports to China



Sources: Customs data and WRI estimates



Softwood Lumber Imports to China



Note. 1 mbf ~ 1.7 m³

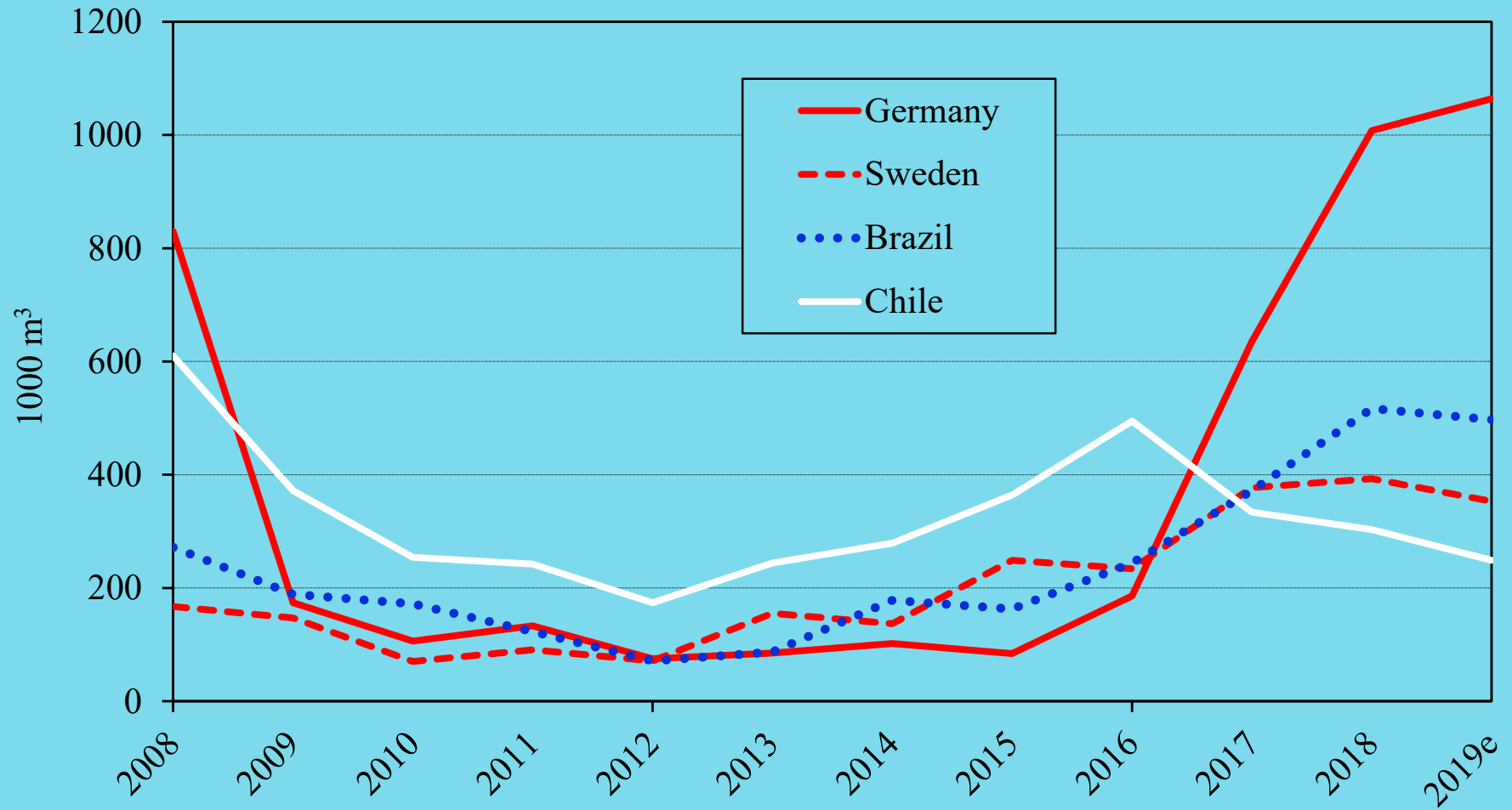


Wood Markets – North America

- Mixed Wood Raw-Material Cost Trends the Past Few Years
- Expanding Forest Industry in the US South
- Reduced Timber Harvests in British Columbia
- Outlook for Increased Demand for Lumber in the US
- Reduction in Log Exports from North America to Asia
- Canada no Longer the Largest Lumber Exporter in the World



Overseas Lumber Imports to the US

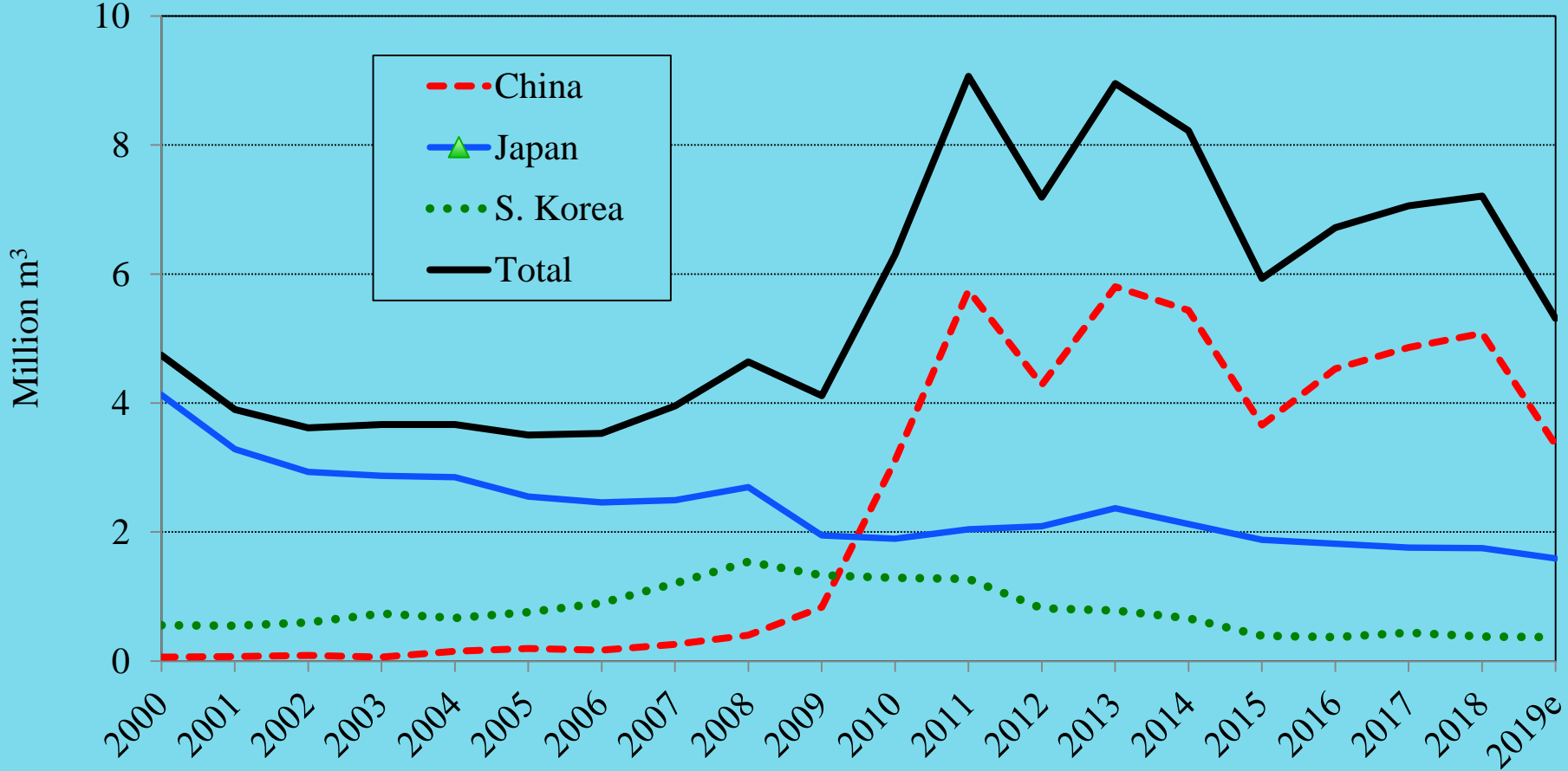


Sources: Customs data and WRI Databank

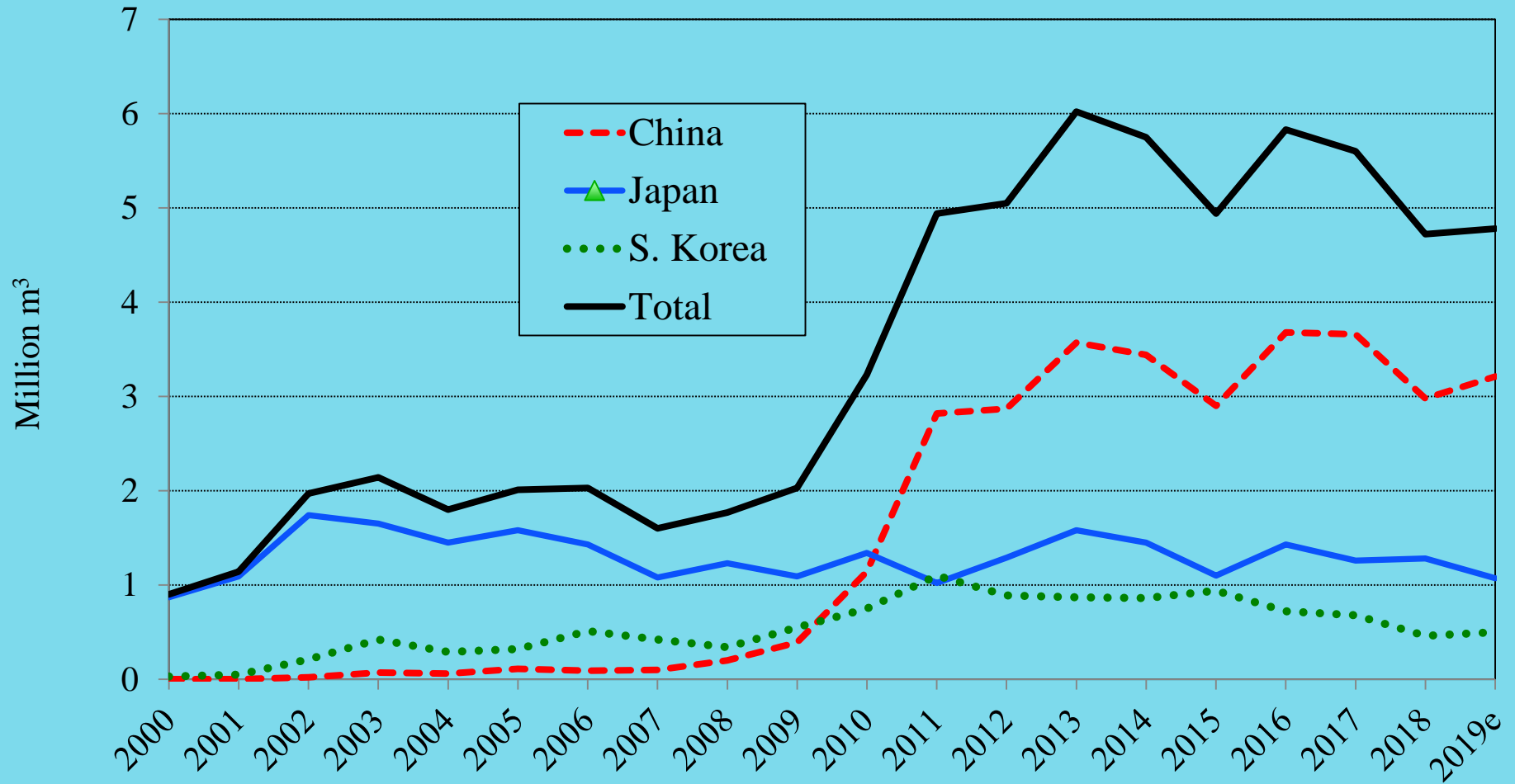


Wood Resources
International

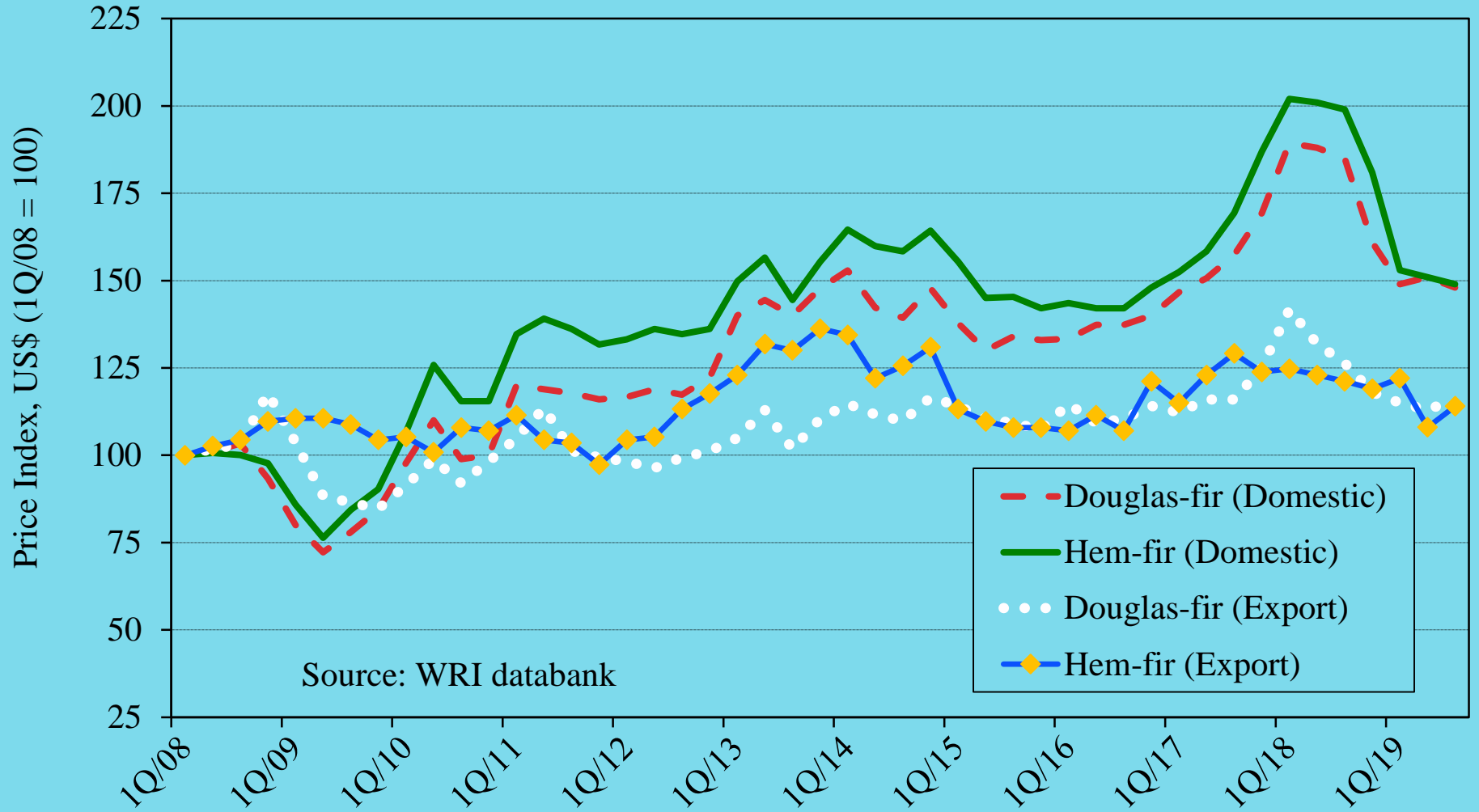
Log Exports From Western US to Asia



Log Exports From British Columbia to Asia



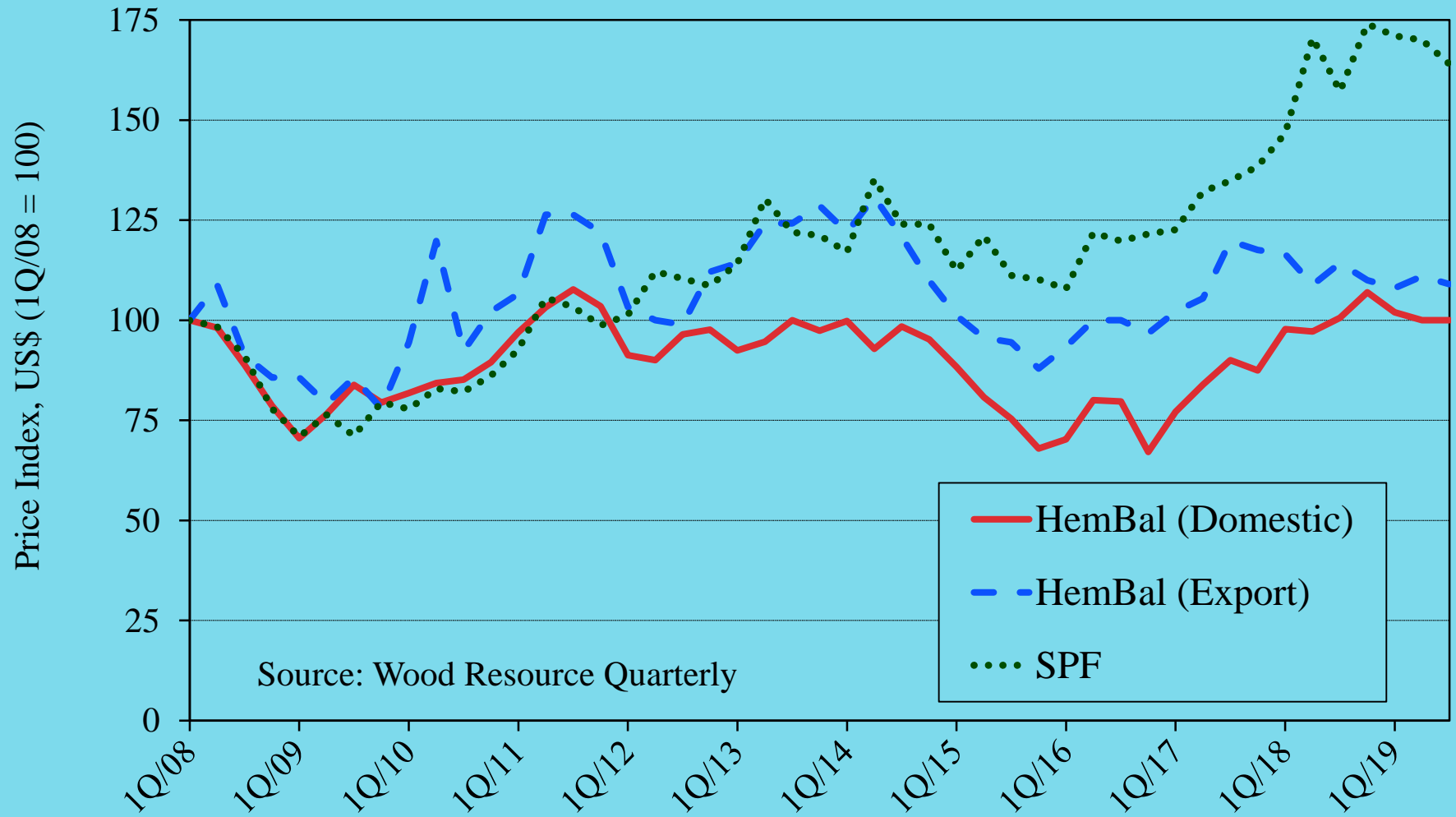
Sawlog Prices – US Northwest



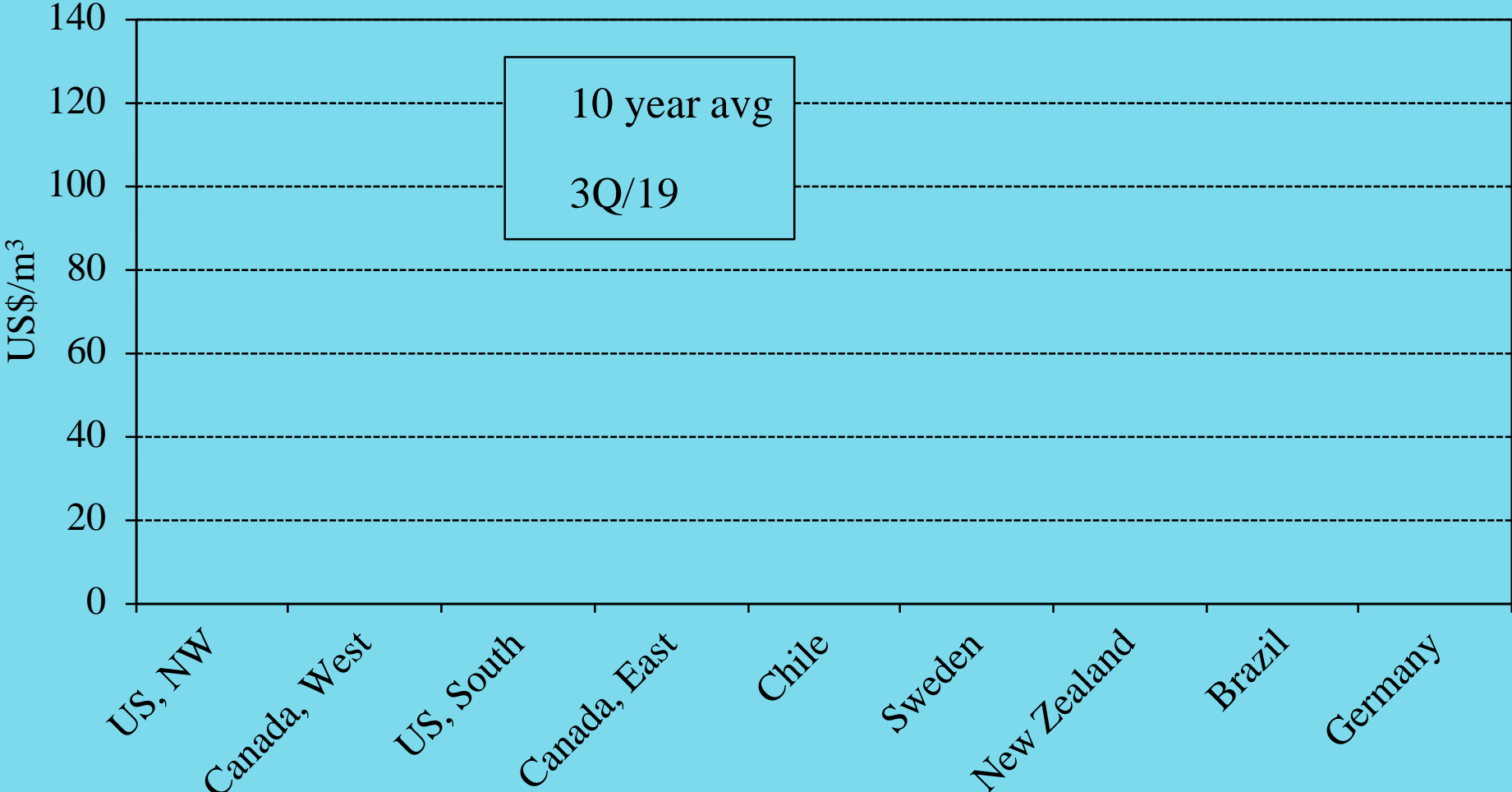
Source: WRI databank



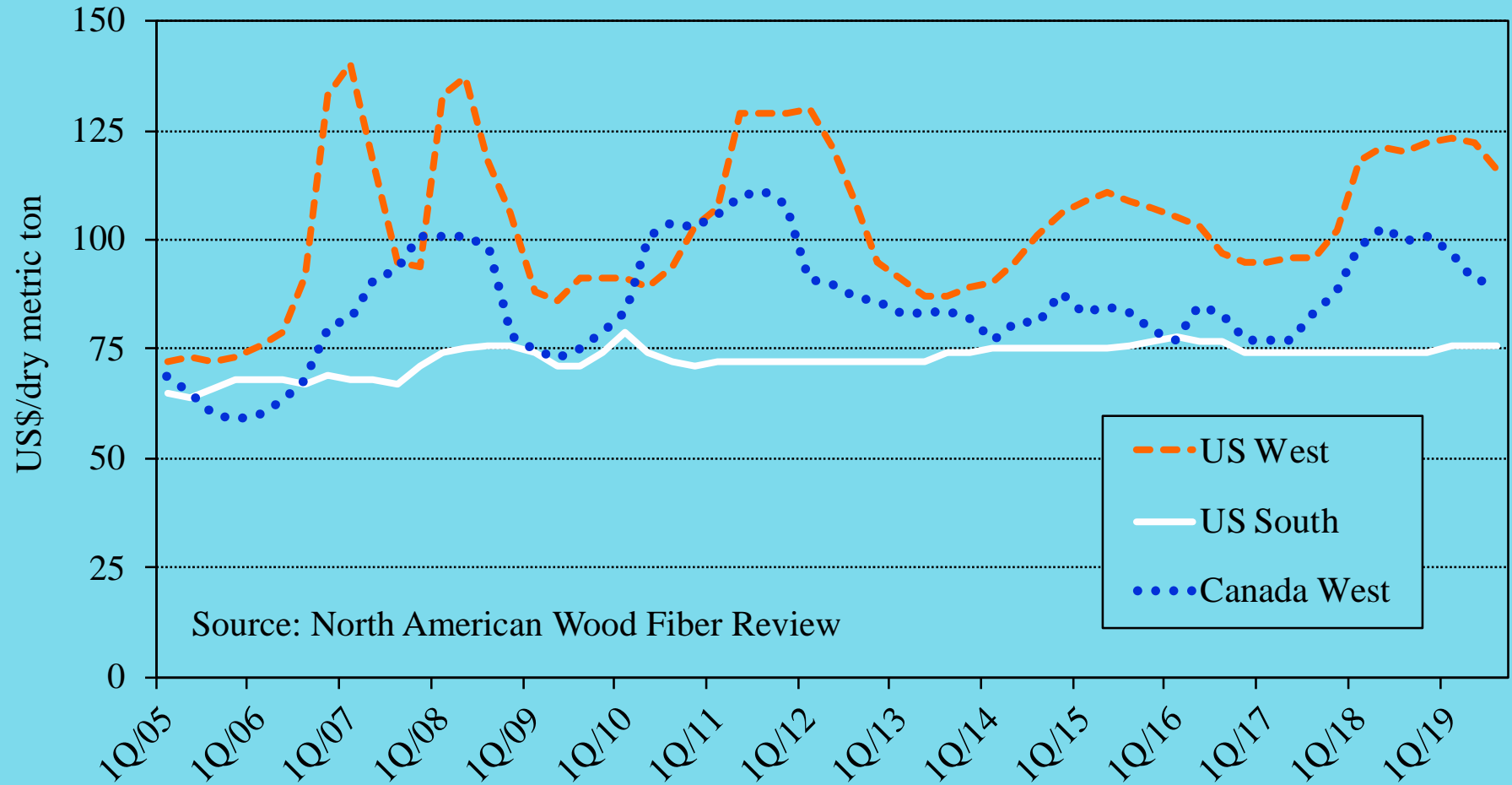
Sawlog Prices – British Columbia



Sawlog Prices for Key Lumber Producers 3Q/19

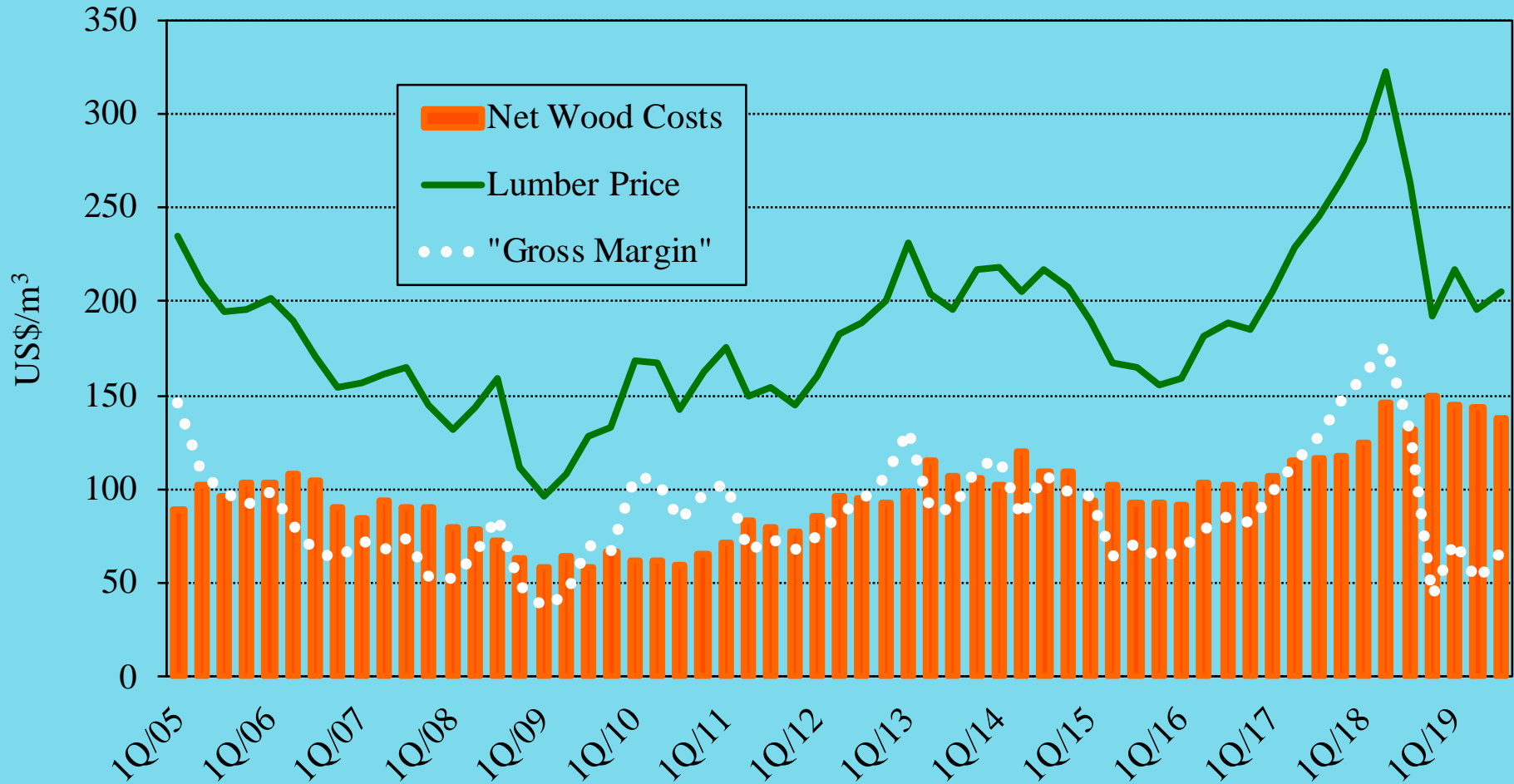


Residual Chip Prices in North America

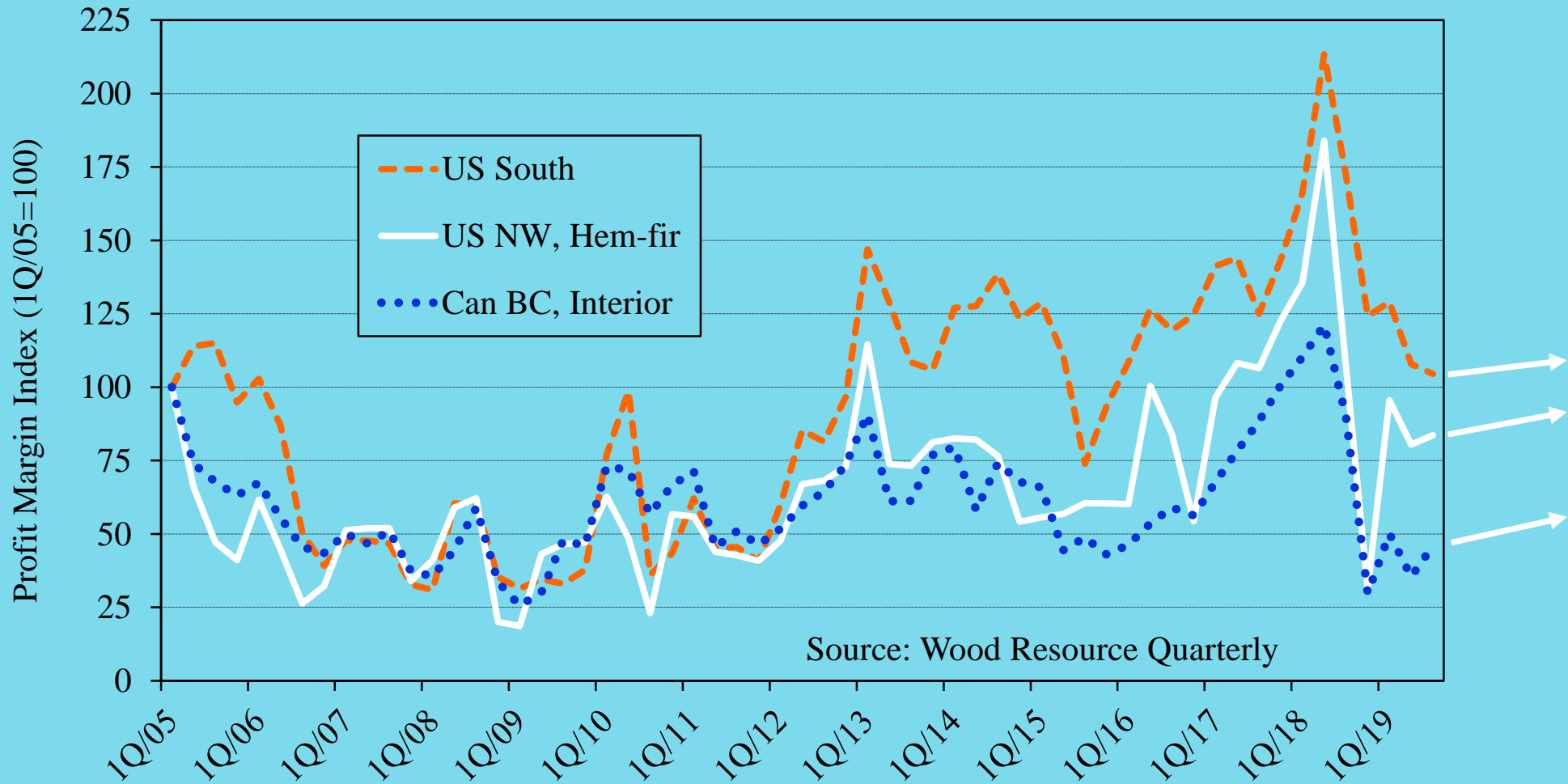


Gross Margins in the Sawmilling Industry

BC Interior



Gross Margins in the Sawmilling Industry



Key Takeaways

- Global forest product production, which had been in a steady expansion mode for almost ten years, levelled off in 2018 and 2019.
- China continued to increase importation of softwood lumber in 2019 and surpassed the US to become the world's largest importer in late 2019.
- Wood raw-material costs were generally lower for both the pulp and sawmilling sectors in 2019, with the biggest declines occurring in Europe and Western North America.
- Lumber and pulp prices are likely to increase in 2020, resulting in moderate upward pressure on prices for pulpwood and sawlogs in the coming year.



Questions?

Wood Resources International LLC
Seattle, USA

Publisher of the *Wood Resource Quarterly*

WoodPrices.com



**Wood Resources
International**