

## LUMBER PRICES FLATLINE AS SUPPLY-AND-DEMAND BALANCES

### Overview

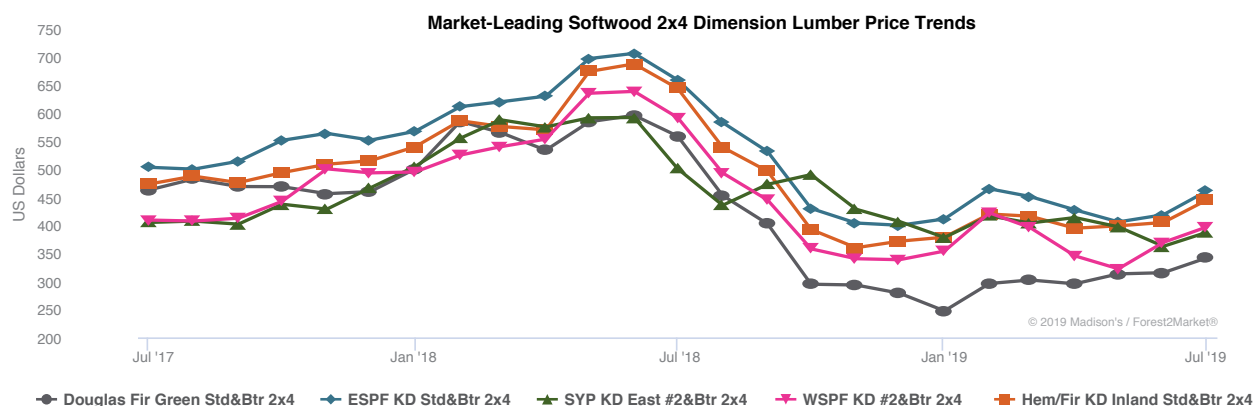
July 12th, 2019

Robust US home building activity and North America timber harvest belie weak construction framing softwood lumber prices in the first half of this year. There were serious supply chain issues, mostly due to weather, in the winter. As well, the US government shutdown put a particularly bad crimp in the movement of goods, and at the border completely. Indeed, for products subject to duty, there was a total delay of transportation until the full-time people came back to the job.

Some say the supply-demand balance was well-stocked in June 2019, as inventories were replete and delivery times were down to same-week or closer. Most decry tragically low lumber prices as incomprehensible.

Minuscule, especially for the season, order files at sawmills across all regions brought lumber prices crashing down from the soaring highs of this time last year. Indeed, after languishing for most of 4Q 2018, wholesaler prices of solid wood commodities started falling immediately as 2019 started.

By Keta Kosman Publisher and Editor **Madison's Lumber Reporter**



Prices US\$ per thousand board feet, net FOB mill

	This week	Last week	Change	Change %	Trend
<b>Western Spruce-Pine-Fir R/L KD 2x4 #2&amp;Btr</b>	USD 392	USD 402	-10	-2.6%	▼
<b>Hem-Fir Inland R/L KD 2x4 #2B&amp;Btr</b>	USD 445	USD 445	0	0%	-
<b>Eastern Spruce-Pine-Fir R/L KD 2x4 #2&amp;Btr</b>	USD 462	USD 460	+2	+0.4%	▲
<b>Southern Yellow Pine East Side R/L KD 2x4</b>	USD 400	USD 375	+25	+6.3%	▲
<b>Douglas Fir Green R/L 2x4 #2&amp;Btr</b>	USD 342	USD 342	0	0%	-

## ONE YEAR KEY DIMENSION LUMBER PRICE TRENDS

	May	April	Change %	Trend	Last May	Change %	Trend
<b>Five Key 2x4 Lumber Prices: Aggregate US\$/mfbm</b>	367.60	375.45	-2.1%	▼	636.40	-73%	▼
<b>Benchmark Panel Prices: Aggregate C\$/msf</b>	343.00	372.75	-8.7%	▼	567.40	-65%	▼

### VOLUMES

	To date 2019	To date 2018	Change %	Trend
<b>Canada Lumber Production: softwood, million m3</b> (Jan-Apr)	20.27	22.23	-10%	▼

### VALUES

	(Jan-Apr)	(Jan-May)	Change %	Trend
<b>Canada Sawmill Manufacturing Sales: million C\$</b>	3,425.00	2,555.00	+25%	▲
<b>US Total Sawmill Products Imports: million US\$</b>	2,270.00	2,837.00	-25%	▼
<b>US Total Sawmill Products Exports: million US\$</b>	391.00	515.00	-32%	▼
<b>Canada Total Sawmill Exports: million C\$</b>	3,541.00	5,299.00	-50%	▼

# SOFTWOOD LUMBER PRODUCTION - 2Q 2019

## 2018 Total

64.38 MM m3

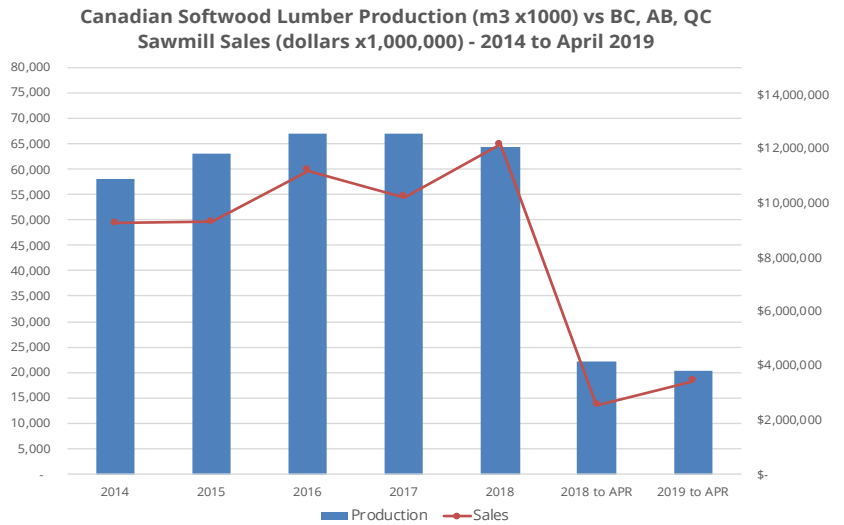
## 2018 to APR

22.23 MM m3

## 2019 to APR

20.27 MM m3

Date	BC, AB, QC Sawmill Sales Unadjusted (dollars x1000)	Canadian Total Softwood Lumber Production (cubic metres x1000)
2014	\$9,256,465	58,158
2015	\$9,309,756	62,974
2016	\$11,187,045	66,862
2017	\$10,198,386	66,860
2018	\$12,153,794	64,378
2018 to APR	\$2,555,111	22,231
2019 to APR	\$3,424,661	20,266
<b>% chg 2018/2019 to APR</b>	<b>Sales</b>	<b>25.4%</b>
	<b>Prod</b>	<b>-9.7%</b>



SOURCES: Statistics Canada, Industry Canada

**SIGNIFICANT** manufacturing curtailments at so many of the major sawmills in British Columbia over March and April, then again in June, as well as several announcements of permanent closures, took enough capacity offline for lumber prices in early June to jump

up 20%, then moderate down slightly in following weeks. These levels, however, are only a partial from this time last year.

## CANADA AND US SOFTWOOD LUMBER PRODUCTION AND SAWMILL CAPACITY UTILIZATION

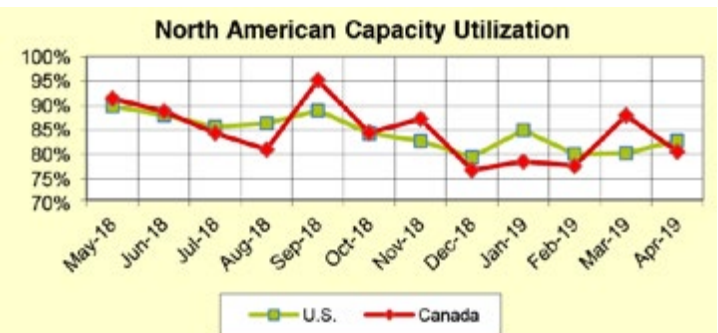
US housing starts for May are fairly stable at approximately 1.2 million units annualized, with permits up +6% from April. Housing supply is tight at a few months for-sale, and prices of both new and existing homes have been rising for almost a year. Lending, while still tight, is becoming more flexible as rates maintain also relatively stable.

As we head into the usual slower summer time for lumber manufacturing, it seems buyer and sellers have

found a new price floor. Barring serious or unusual events, **Madison's** expects these current price levels to remain until Labour Day. The normal trend in the past has been for prices to soften in autumn, usually ending the year at new lows. However the past few years have not been "normal". **Madison's** will be there right on-time to inform about any changes that occur in the North American softwood lumber market.



SOURCES: Southern Forest Products Association, U.S. Census Bureau, Council of Forest Industries-CAN, WWPA



SOURCES: FEA, LLC: Softwood Sawmills in the United States and Canada, WWPA

# US LUMBER IMPORTS, EXPORTS - CANADA LUMBER EXPORTS

## 2Q 2019

### Canada Lumber Production, Sales, Exports

### US Lumber Imports, Exports

VOLUMES		
Canada Lumber Production	2019 to APR:	'19 / '18
Production	20.27 million m <sup>3</sup>	- 9.7%
VALUES		
Manufacturing Sales at Sawmills	2019 to APR:	'19 / '18
Total BC, AB, QC	\$3,425 million	+ 25.4%
Canada Coniferous Lumber Exports	2019 to MAY:	'19 / '18
To World	\$3,541 million	- 49.6%

VALUES		
US Coniferous Sawn Wood Imports	2019 to MAY:	'19 / '18
from Canada	US\$1,833million	-30.0%
from China	US\$ 25 million	-8.0%
TOTAL WORLD	US\$2,270 million	-6.5%

#### US EXPORTS TO WORLD

US\$ MM	
2018 Total	2018 to Date
1,137	515
2019 to Date	391

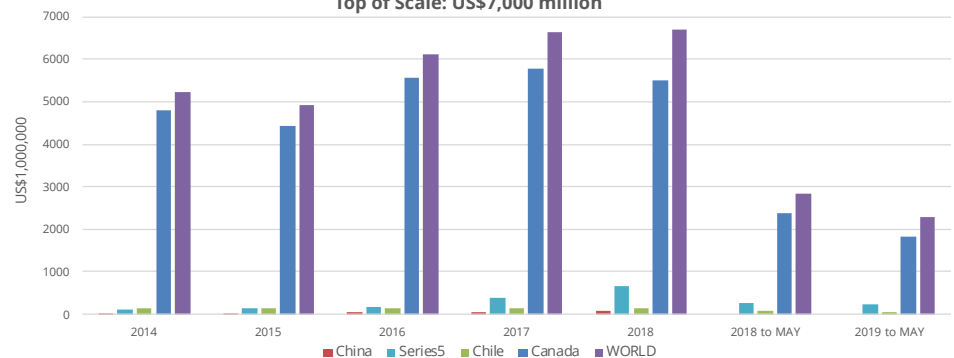
#### US IMPORTS FROM CANADA

US\$ MM	
2018 Total	2018 to Date
5,513	2,382
2019 to Date	1,833

#### USA Exports of HS 440710 Coniferous Wood Sawn Over 6mm

Date	WORLD
2014	1,174
2015	1,020
2016	1,021
2017	1,130
2018	1,137
2018 to MAY	515
2019 to MAY	391
% change 2017/2018 to date	
China	-179.49%
Canada	-17.28%
Japan	11.63%
World	-31.71%

US Coniferous Wood - Sawn : Imports Values 2014 to May 2019  
Top of Scale: US\$7,000 million

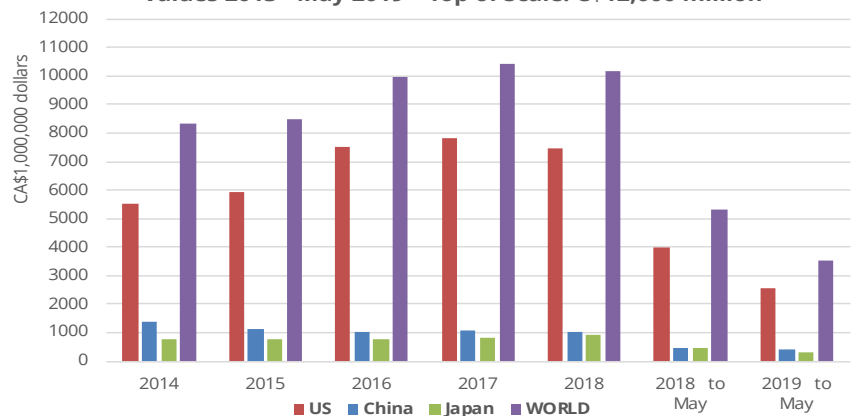


SOURCE: US Census HS 440710 - Coniferous Wood Sawn

#### Canada Exports of HS 440710 Lumber, coniferous over 6 mm

Date	WORLD
2015	8,494
2016	9,969
2017	10,442
2018	10,176
2018 to May	5,299
2019 to May	3,541
% change 2017/2018 to date	
US	-55.7%
China	-6.6%
Japan	-63.4%
World	-49.6%

Canada Lumber, coniferous (softwood) EXPORTS:  
Values 2013 - May 2019 - Top of Scale: C\$12,000 million



SOURCE: Statistics Canada HS 440710 - Lumber, coniferous (softwood)

A very useful indicator to understanding the supply-demand balance is sawmill capacity utilization rates, which are published by the **Western Wood Products Association** each month. The latest issue of *Lumber Track*, for January-April 2019, shows that US sawmill production as per cent of practical capacity for the first four months of 2019 is lower than the same time in 2018; at 82%, from 85% in 2018.

Canadian sawmill production as per cent of practical capacity dropped sharply in January - April 2019, to 82% from 90% the previous year.

After crashing magnificently in early June, benchmark lumber commodity Western Spruce-Pine-Fir 2x4 wholesaler price landed at US\$402 mfbm (net FOB sawmill) during the combined US and Canada national holiday week. This North America-wide summer break is usually acknowledged as the

beginning of the slowdown for lumber sales.

During the double long-weekend holiday break, WSPF KD 2x4 #2&Btr (RL) was trading at +\$104, or +35%, more than it was one month previous. Compared to one year ago, this price is down -\$220, or -35%.

In a big reversal to having been lower than last year for all of 2019 so far, that week's WSPF 2x4 price was UP +\$3, relative to the 1-year rolling average price of US\$399 mfbm. The 2-year rolling average price is US\$372 mfbm.

It will become clear after Labour Day if prices are going to soften further, as they usually do in autumn, or if buyers and sellers have indeed found a new floor.

# FIVE-YEAR US LUMBER & CONSTRUCTION MATERIAL Wholesale Trade, Values

## US LUMBER AND CONSTRUCTION MATERIAL: WHOLESALE

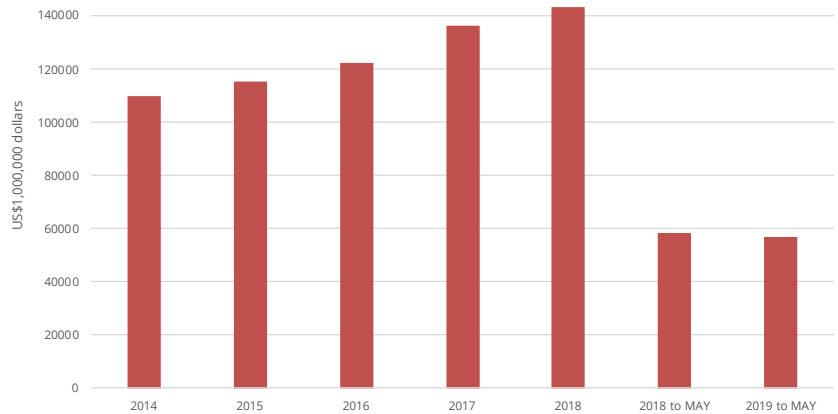
First-Half 2018

US\$58,267 million

First-Half 2019

US\$56,713 million

US Lumber & Construction Material Wholesale Trade: Values 2014 - 2019  
Top of Scale: US\$150,000 million



Source: US Census, Monthly Wholesale Trade: Sales and Inventories 4233: Lumber and Other Construction Materials: U.S. Total — Not Seasonally Adjusted Sales - Monthly [Millions of Dollars]

## PANEL PRICE TRENDS Madison's Lumber Reporter

Benchmark Oriented Strand Board 7/16" Ontario prices

May 2019 C\$254

May 2018 C\$512

-102%

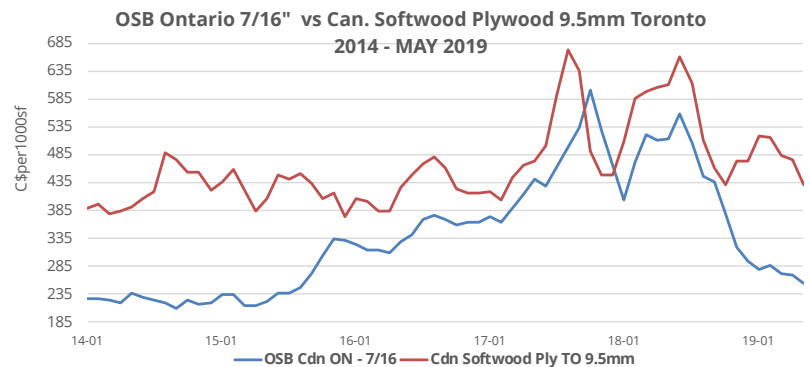
Canadian Softwood Plywood 9.5mm Toronto prices

May 2019 C\$432

May 2018 C\$611

-41%

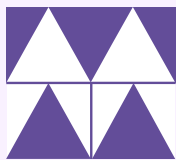
All prices C\$ dollars per thousand square feet net FOB mill



SOURCE: Madison's Lumber Reporter  
Prices C\$ per thousand square feet, net FOB mill

## CURRENT SOFTWOOD LUMBER PRICES COMPARED TO RECENT AND HISTORICAL HIGHS May 2019

US\$ per thousand board feet	May 2019	May 2018	% Change	All Time High (Previous or Current)	% Change Current vs. All Time High
SYP East Side KD #2&Btr	\$397	\$591	-32.8%	3Q2005	\$460 -13.0%
WSPF KD #2&Btr	\$322	\$635	-49.3%	2Q2004	\$443 -11.5%
ESPF KD #2&Btr	\$406	\$697	-41.8%	2Q 2004	\$529 -12.7%
Douglas fir Green	\$313	\$584	-46.4%	2Q 2004	\$500 -31.6%
STUDS (PET)	\$261	\$434	-39.9%	2Q 2005	\$445 -38.2%



# MADISON'S



# Order Forms

PO Box 2486, Vancouver, BC V6B 3W7 ❖ Tel: 604-319-2266 ❖ Email: madrep@shawcable.com ❖ Web: www.madisonsreport.com

**YES, I want to be regularly informed on British Columbia coastal log prices.  
Please sign me up for pre-publication sale at more than 15% discount:**

**Madison's Monthly BC COASTAL LOG PRICE REPORT** (15% off) US\$989/yr  **BC COAST LOG PRICE TEN YEAR DATA HISTORY** US\$1,995

*GST applies to Canadian subscribers*

Company Name: ..... Email: .....

Attention: ..... Please charge my VISA/MC: Card No.....

Address: ..... Expiry date:..... / .....

Phone: ..... Please bill me: (signature).....

**Madison's Lumber Reporter**, PO Box 2486, Vancouver, BC, V6B 3W7 or call 1-604-319-2266

**YES, I want to be regularly informed on the North American lumber and forest industry.  
Please sign me up for INTRODUCTORY SALE and big discounts:**

**Madison's FOREST PULSE** US\$989/yr  **Easy Pay Option** US\$250/quarter

*GST applies to Canadian subscribers*

Company Name: ..... Email: .....

Attention: ..... Please charge my VISA/MC: Card No.....

Address: ..... Expiry date:..... / .....

Phone: ..... Please bill me: (signature).....

**Madison's Lumber Reporter**, PO Box 2486, Vancouver, BC, V6B 3W7 or call 1-604-319-2266

**YES, I want to be regularly informed on the North American heating wood pellet industry.  
Please sign me up for INTRODUCTORY SALE and big discounts:**

**Madison's Monthly PELLETT MARKET GUIDE** US\$989/yr  **Canada / US 2016 Pellet Mill listings** US\$100

*GST applies to Canadian subscribers*

Company Name: ..... Email: .....

Attention: ..... Please charge my VISA/MC: Card No.....

Address: ..... Expiry date:..... / .....

Phone: ..... Please bill me: (signature).....

**Madison's Lumber Reporter**, PO Box 2486, Vancouver, BC, V6B 3W7 or call 1-604-319-2266