Sawn Softwood (& Hardwood) Market Review

Foresta2021
Rome
November 23, 2021

Russ Taylor
RUSS TAYLOR GLOBAL
Vancouver, B.C., Canada
Market Overview: Presentation Outline

1. Introduction
2. Prices!
3. USA & Canada
4. Europe
5. Russia
6. China
7. Outlook
2021'S BRINKS TRUCK

I recommend getting out of gold and silver...

AND GETTING INTO LUMBER.
Key Global Themes: 2020 and 2021-H1

- From the pandemic, global wood consumption soars, starting with the US:
  - US housing starts soar.
  - US repair and remodelling soars.
  - Europe, Japan, Australia, etc. all see soaring demand for sawnwood.

- Global supply curtails, then restarts, and cannot keep up with demand.
- US lumber prices soar due to US & Canada (COVID) supply constraints:
  - High prices attract European imports.

- Logistics challenges – ports, containers, rail, trucks = disrupted supply chains and high logistics costs – adds to dynamics everywhere!

- Climate change – more beetles, wind, fires, floods…
Regional trends for Europe, North America and the EECCA regions do not show what really happened in 2020 (and into 2021).
2. PRICES: SPF Lumber Prices in USA, Japan & China

- Delivered prices to Chicago peaked at $1,100/m3; Japan peaked at $1,200.
- Both now at very good levels.
- China = chronically low prices
Softwood Sawnwood Prices: Germany, Austria, Sweden
= Soaring in 2021-Q2 and Q3 but correcting to Q4

**GERMANY**

**Softwood sawn timber prices October 2021**

*Source: Timber-Online © Timber-Online*

1 Year Change: +125% to 200%

**AUSTRIA**

**Log and lumber price indices in Austria September 2021**

*Source: Timber Industry Association of Austria © Timber-Online*

1 Year Change: +150% to 250%

**SWEDEN**

**Swedish lumber price index September 2021**

*Source: Statistic Sweden*

1 Year Change: +200%

www.russtaylorglobal.com
In contrast to sawn softwood, Hardwood prices plummeted at the start of the pandemic in 2020-Q2 and then recovered to their pre-pandemic levels in the first half of 2021.
US & Canada sawn softwood production was not enough to meet the US consumption growth.

Many new sawmills have been built and will be built in US South.

2018 to 2021:
Production = -2.4%; Consumption = +4.0%
Europe’s share of US Lumber Imports Increases

- Canada dominates US imports but market share has dropped from 97% to 86%
- Europe = 10% and rising

<table>
<thead>
<tr>
<th>Region</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>86.0%</td>
</tr>
<tr>
<td>Europe</td>
<td>10.0%</td>
</tr>
<tr>
<td>Germany</td>
<td>5.0%</td>
</tr>
<tr>
<td>Sweden</td>
<td>1.8%</td>
</tr>
<tr>
<td>S. America/Oceania</td>
<td>3.0%</td>
</tr>
<tr>
<td>Asia</td>
<td>0.3%</td>
</tr>
<tr>
<td>Russia</td>
<td>0.3%</td>
</tr>
</tbody>
</table>
Canada & US export declining due to low prices.

The bulk of BC SPF exports have been lower grade lumber (from beetle attack), but there are little volumes now.
4. Europe: Production & Consumption Outlook

- Europe softwood lumber production led by: DE, SW, FI, AT
- Production forecast in 2022: +0.6% (11 EOS countries); 1.0% (EU-26 countries).
- Demand forecast in 2022: +1.5% (11 EOS countries); 1.0% (EU-26 countries).

Source: ISC 2021
5. Russia: Sawn Softwood Production & Exports have Increased Steadily

- **China exports** = most of growth.

- The log export ban should increase sawmill capacity.

- Ruble devaluation has benefited Russian exporters.
6. China: Total Construction Projects: Starts and Completed

- Total floor area completed in China from 2016Q4 to 2020Q4: -1.4% per year.

- 2021 trends mixed over 2020.

- Evergrande default a huge worry in China (and for exporters).
China Softwood Lumber Imports: Dropping Due to High Prices & Tight Availability in 2021H1

Softwood lumber imports declined in 2021 YTD June by -31%:

- Largest exporters (Russia & Canada) are lower YTD: -36%
- Small gains only in Ukraine, New Zealand & Brazil.
- All others lower.

Lumber prices soared between June ’20 & ‘21

Source: Timber-On line; CC
CONSUMPTION:
Global lumber demand had been slowing:

2017: +4.0%
2018: +1.0%
2019: +0.0%
2020: ~ -0.4%
2021: ~ +4.5%
2022: ~ +3.0%

Annual Growth: ~1.5%
Global: Softwood Lumber Production Outlook to 2025

PRODUCTION:
Top Producers:
- Europe
- USA,
- Canada,
- Russia,
- China,
- Japan

2020: ~ -1.7%
2021: ~ +4.0%
2022: ~ +3.0%
Global Softwood Lumber Outlook

- Global demand is still strong, so import/exports moving to high-priced markets.
- Strong demand for home buyers and in repair/remodelling.
- Global transportation & supply chain issues are disrupting shipments everywhere.
- Mill production is still getting impacted in some regions from the impact of COVID-19.
- Vaccine role out should allow for less disruptions in 2022.
- European imports required as North America is struggling to produce enough for demand
- CLT a bright spot: continued growth in Europe and in North America (& other regions).

- Net answer: expect favourable demand and prices in 2022.
- Later in 2022, production could start catching up with demand, but still possibility for favourable prices well above historical averages!
- China and Logistics are two of the big ‘wild cards’.
- We don’t know what we don’t know, and things can happen that we cannot predict!
Russ Taylor
RUSS TAYLOR GLOBAL
Wood Business & Market Consulting
Vancouver, B.C., Canada

Tel: +1 604 897 5666
Email: russtaylor@russtaylorglobal.com
www.russtaylorglobal.com

Join my mailing list for e-news by visiting my website!

www.russtaylorglobal.com
In the wood-based consulting business in Vancouver since 1988:

- **2017-2020** – WOOD MARKETS/FEA Canada
- **2020-** – RUSS TAYLOR GLOBAL

- 45+ years experience in the wood products industry:
  - 4 years with Northwood Timber – now Canfor (forester in Houston BC in 1970s).
  - 7+ years with Interfor (lumber sales mngr, custom log cutting, Vancouver – 1980s).
  - 28 Years operating International WOOD MARKETS Group, including China office.
  - Regular travel to international markets: Europe, Russia, Asia (China), So Hemisphere.

Join my mailing list for e-news by visiting my website!

www.russtaylorglobal.com