

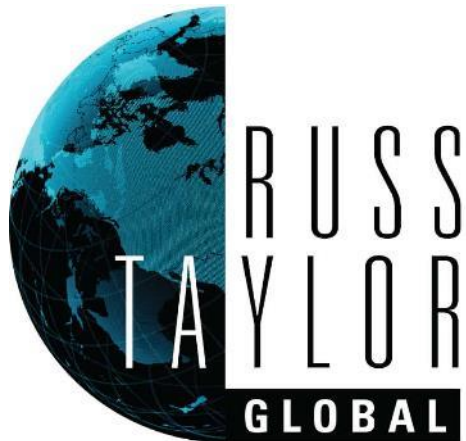


Sawn Softwood (& Hardwood) Market Review

Foresta2021

Rome

November 23, 2021



RUSS TAYLOR GLOBAL

**WOOD BUSINESS &
MARKET CONSULTING**

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MARKETS

INDUSTRY

SUPPLY-SIDE/TRADE

COMPETITIVENESS/POSITIONING

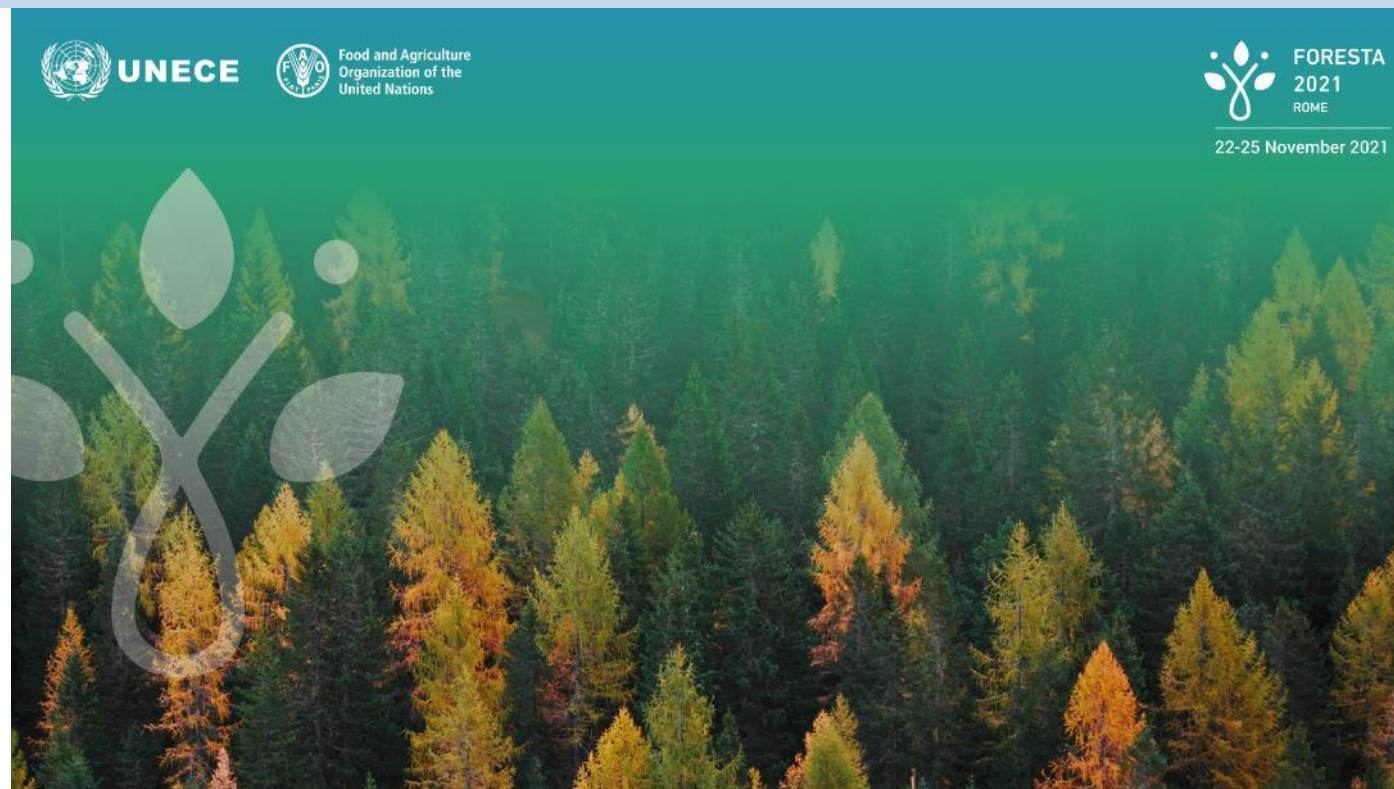
GLOBAL TIMBER/LUMBER ASSESSMENTS & PRICE OUTLOOKS

SPECIALTY PROJECTS

Russ Taylor

**RUSS TAYLOR GLOBAL
Vancouver, B.C., Canada**

1. Introduction
2. Prices!
3. USA & Canada
4. Europe
5. Russia
6. China
7. Outlook



MY
PRECIOUS



" Take me somewhere expensive... "



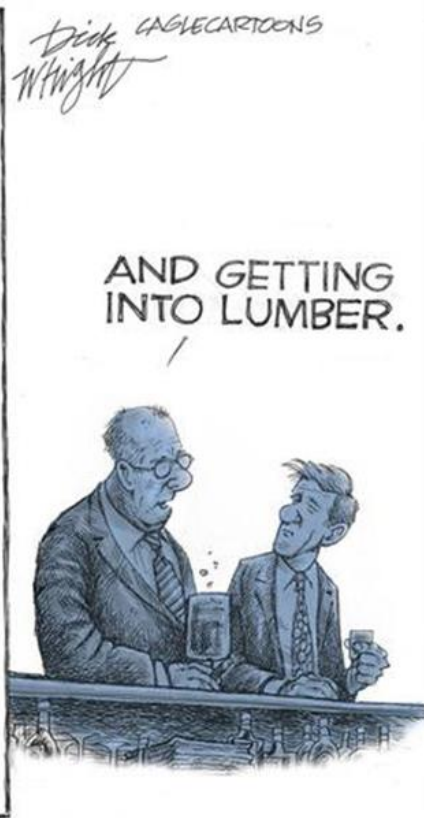
SEIZED
Est. Street Value: \$1.7m



@i_meme



2021'S BRINKS TRUCK



Dick WRIGHT CAGLE CARTOONS



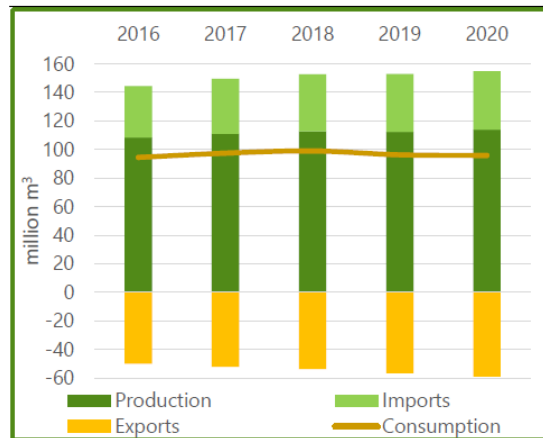
Key Global Themes: 2020 and 2021-H1

- 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...

Sawn Softwood & Hardwood Chapter Graphs: Market Dynamics Do NOT Show Up in the Annual Trends

- Regional trends for Europe, North America and the EECCA regions do not show what really happened in 2020 (and into 2021).

GRAPH 3.1
Europe: Sawn softwood production, trade and consumption, 2016-2020



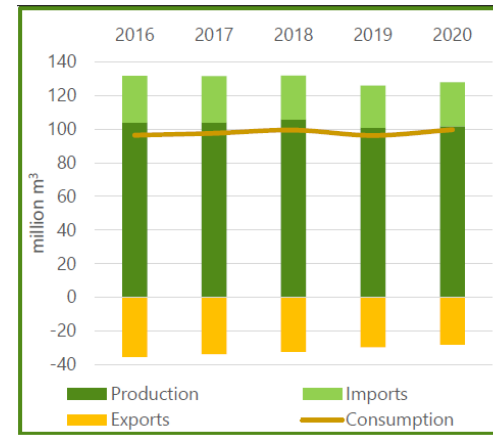
Note: Exports are shown as negative numbers.
Source: UNECE/FAO database, 2021.

GRAPH 3.3
Europe: Sawn hardwood production, trade and consumption, 2016-2020



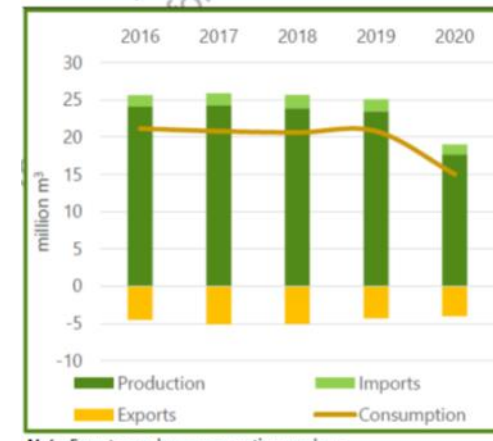
Note: Exports are shown as negative numbers.
Source: UNECE/FAO database, 2021.

GRAPH 3.9
North America: Sawn softwood production, trade and consumption, 2016-2020



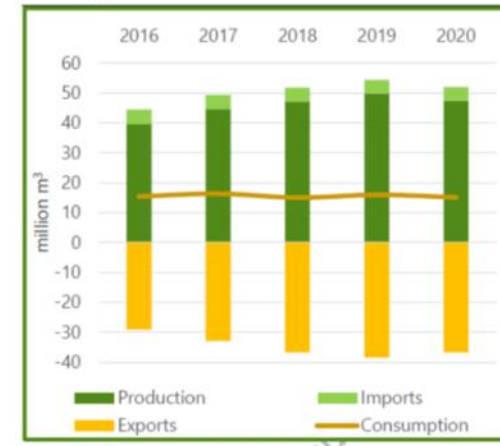
Note: Exports are shown as negative numbers.
Source: UNECE/FAO database, 2021.

GRAPH 3.11
North America: Sawn hardwood production, trade and consumption, 2016-2020



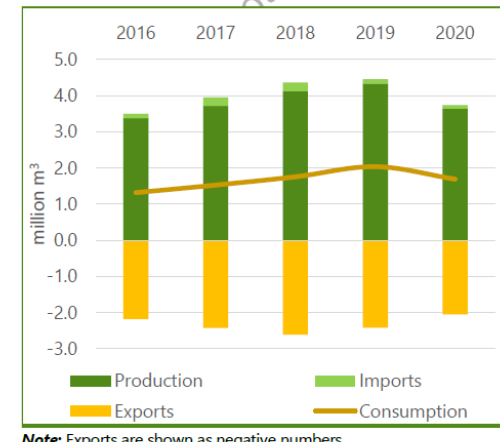
Note: Exports are shown as negative numbers.
Source: UNECE/FAO database, 2021.

GRAPH 3.5
EECCA: Sawn softwood production, trade and consumption, 2016-2020



Note: Exports are shown as negative numbers.
Source: FAOSTAT, 2021.

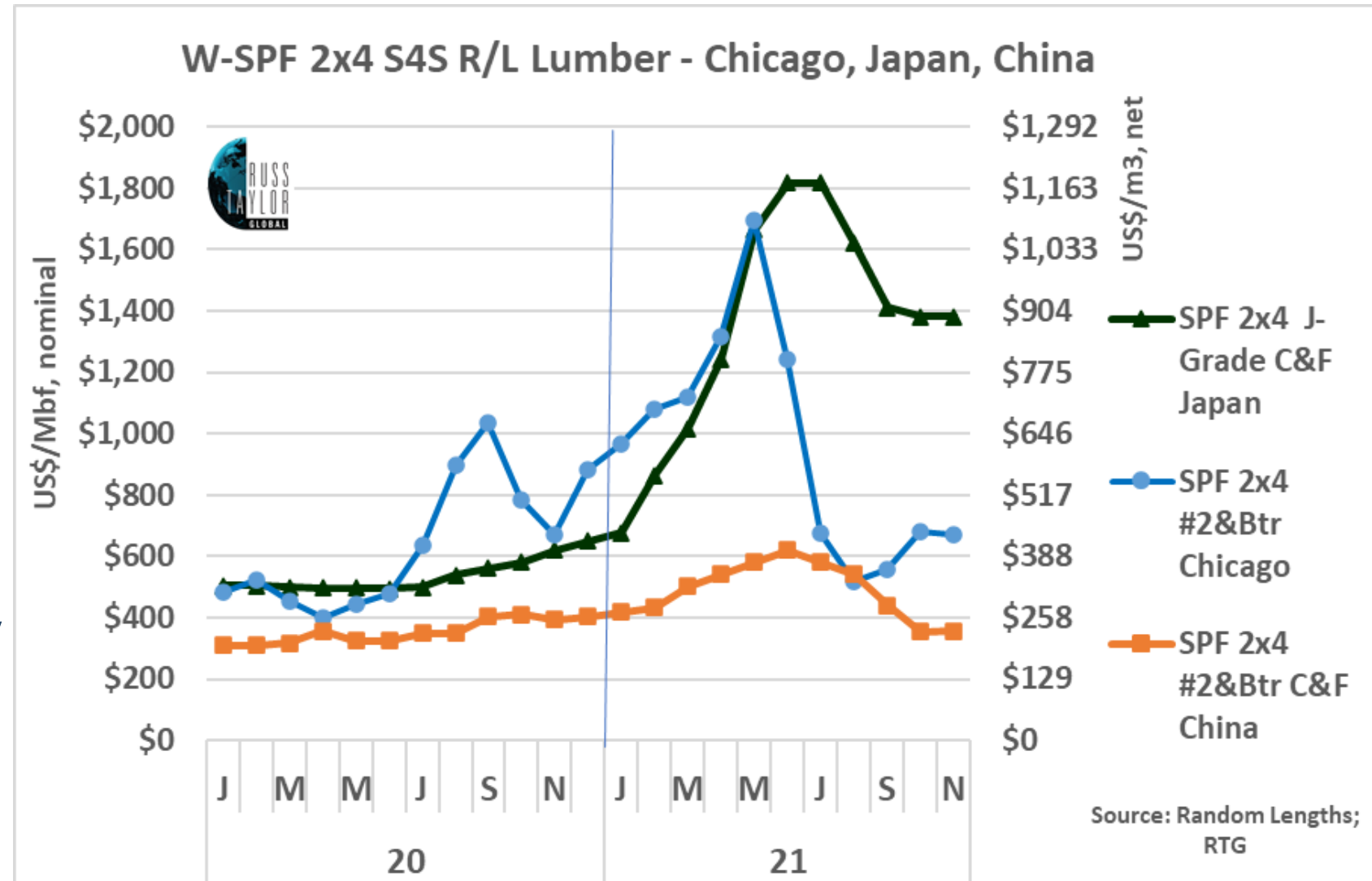
GRAPH 3.6
EECCA: Sawn hardwood production, trade and consumption, 2016-2020



Note: Exports are shown as negative numbers.
Source: FAOSTAT, 2021.

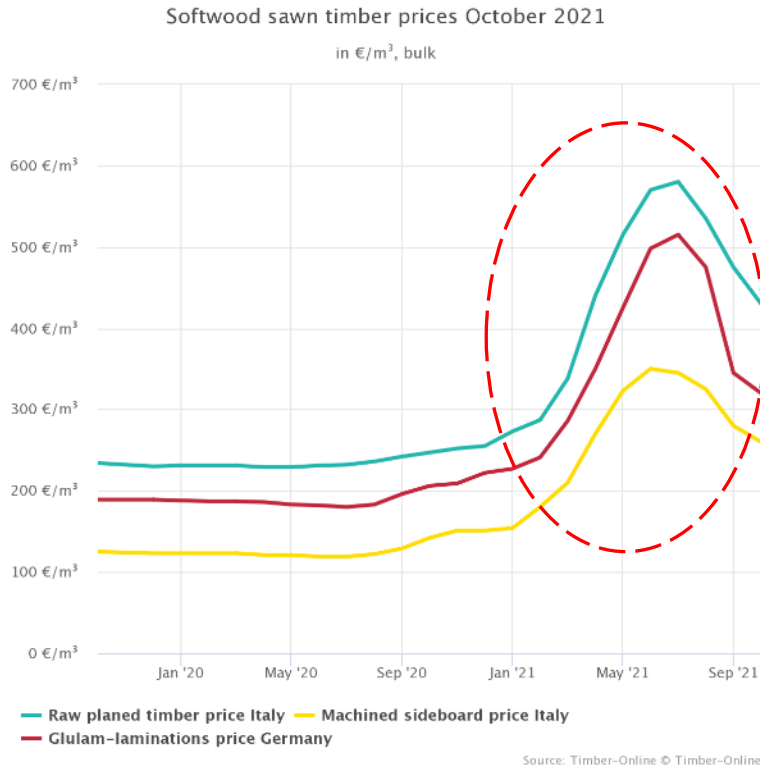
2. PRICES: SPF Lumber Prices in USA, Japan & China

- Delivered prices to Chicago peaked at \$1,100/m³; Japan peaked at \$1,200.
- Both now at very good levels.
- China = chronically low prices

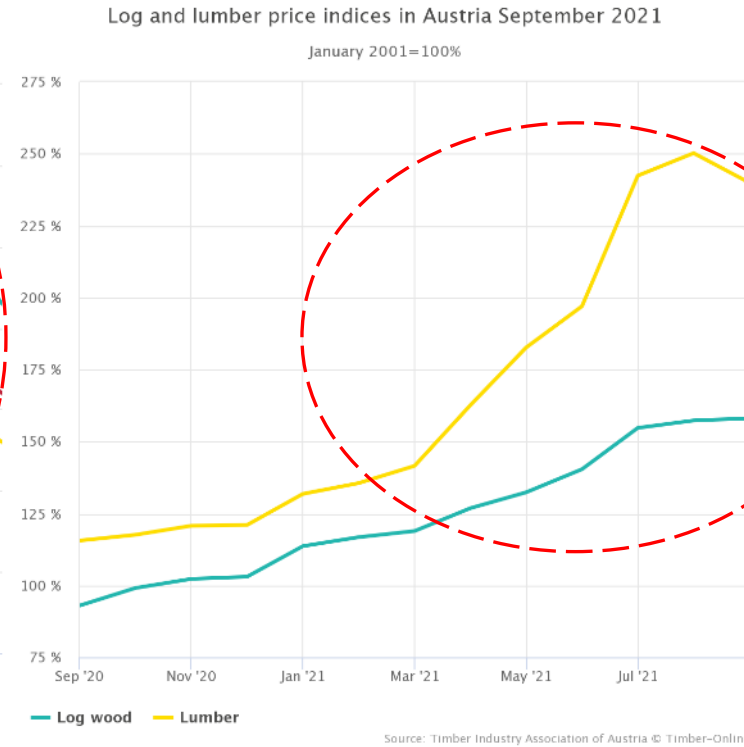


Softwood Sawnwood Prices: Germany, Austria, Sweden = Soaring in 2021-Q2 and Q3 but correcting to Q4

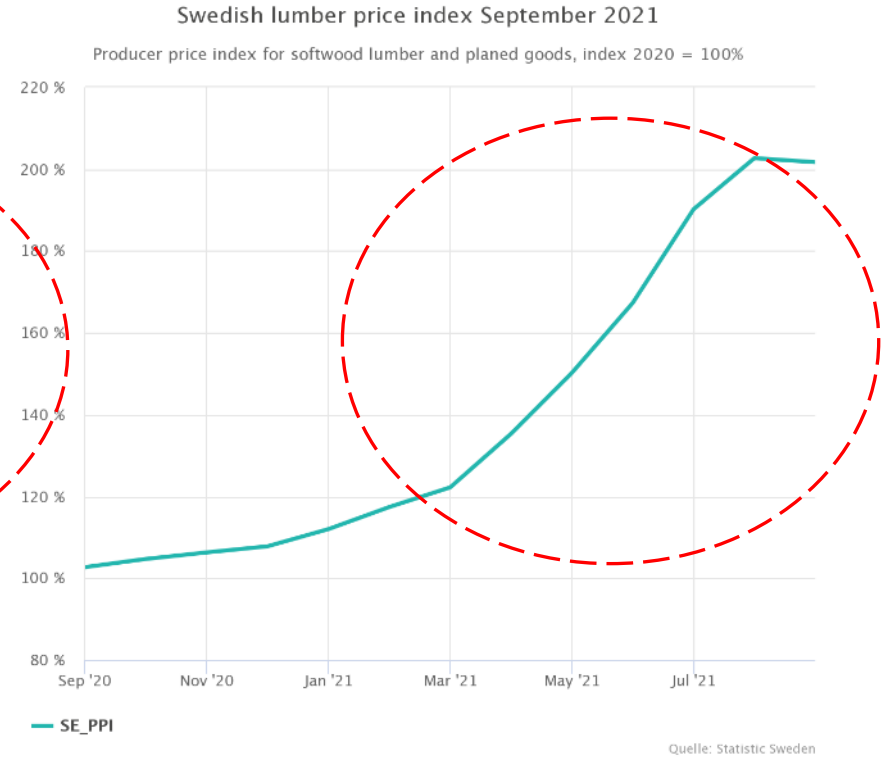
GERMANY



AUSTRIA



SWEDEN



1 Year Change: +125% to 200%

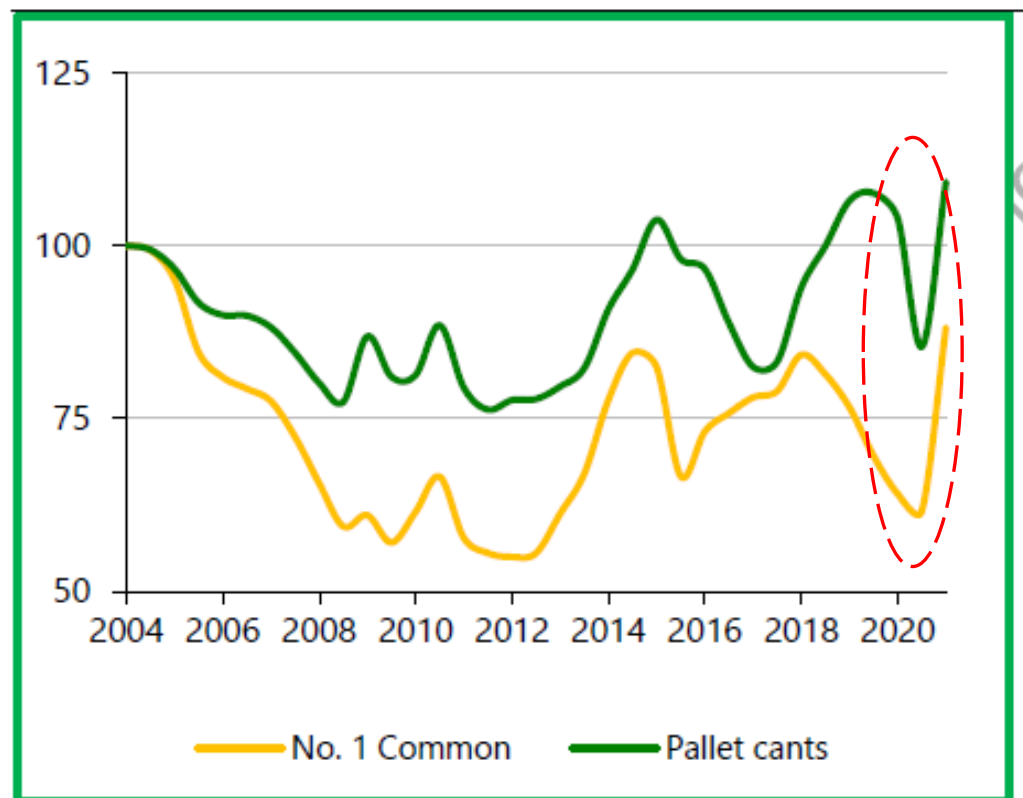
+150% to 250%

+200%

- 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.

GRAPH 3.12

Price indices for sawn hardwood products in the United States, first-half 2004 to first-half 2021

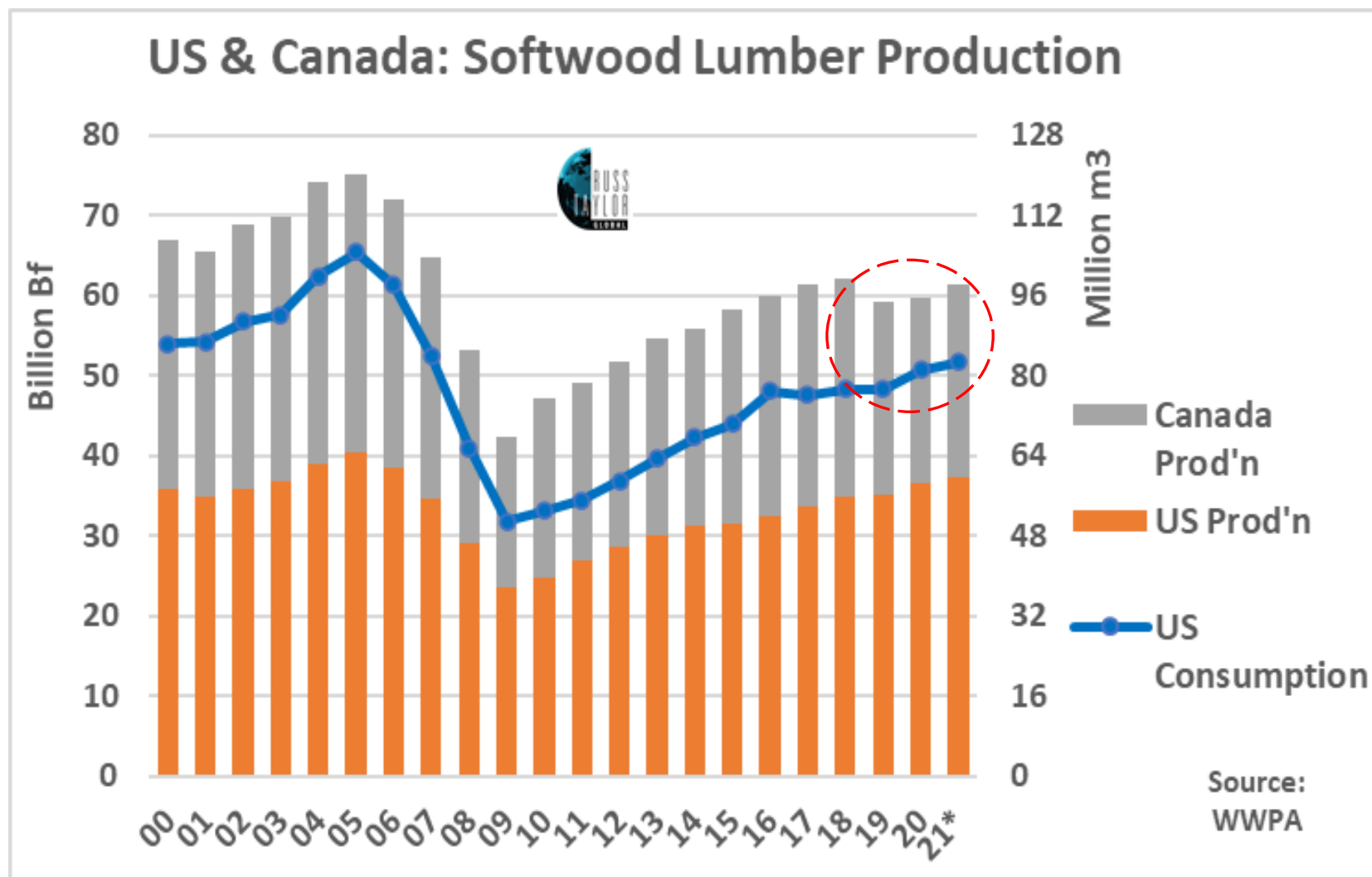


Note: Semi-annual inflation-adjusted Index, January 2004=100.

Sources: Luppold and Bumgardner, 2016; Hardwood Market Report, 2021.

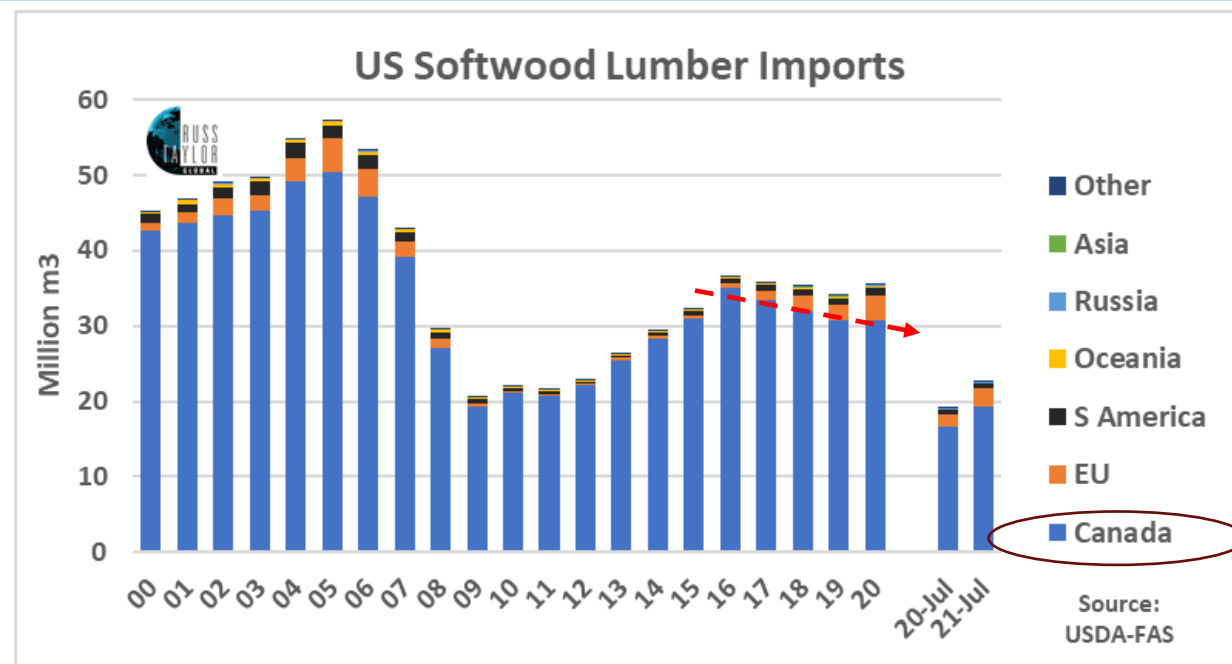
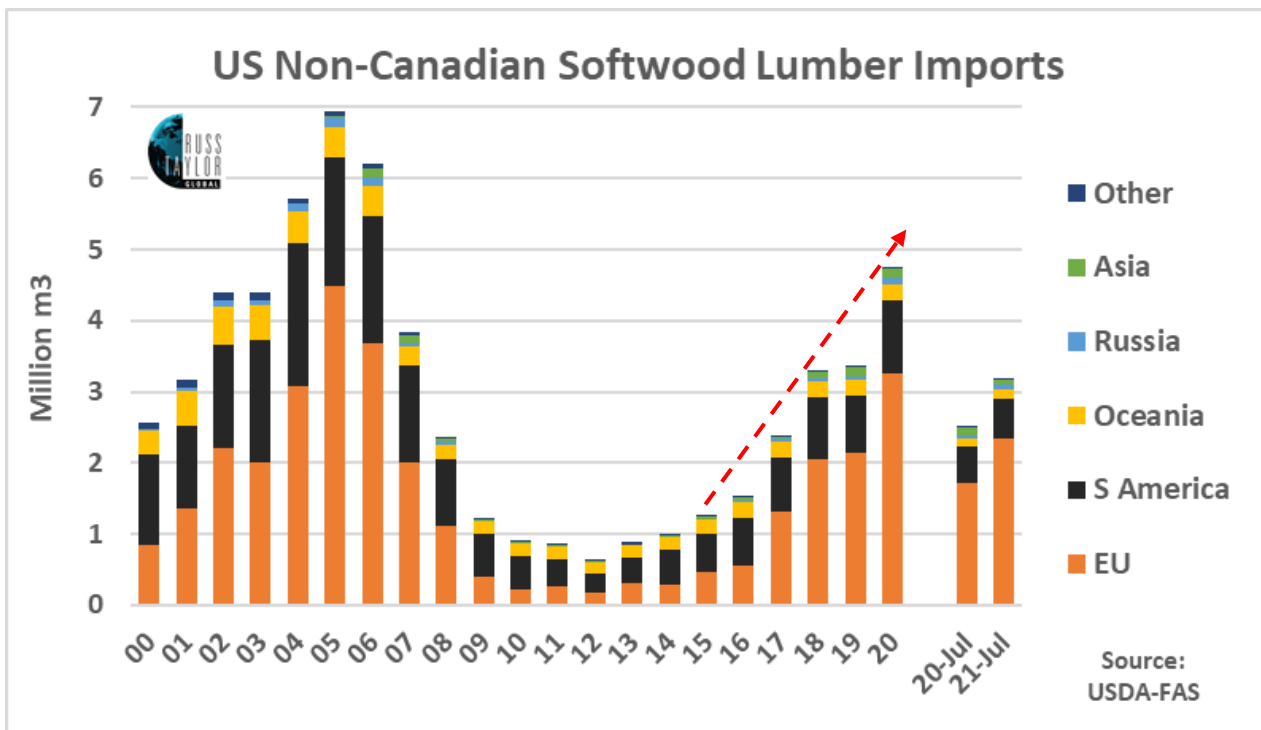
US & Canada Sawn Softwood Production Trends

- **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

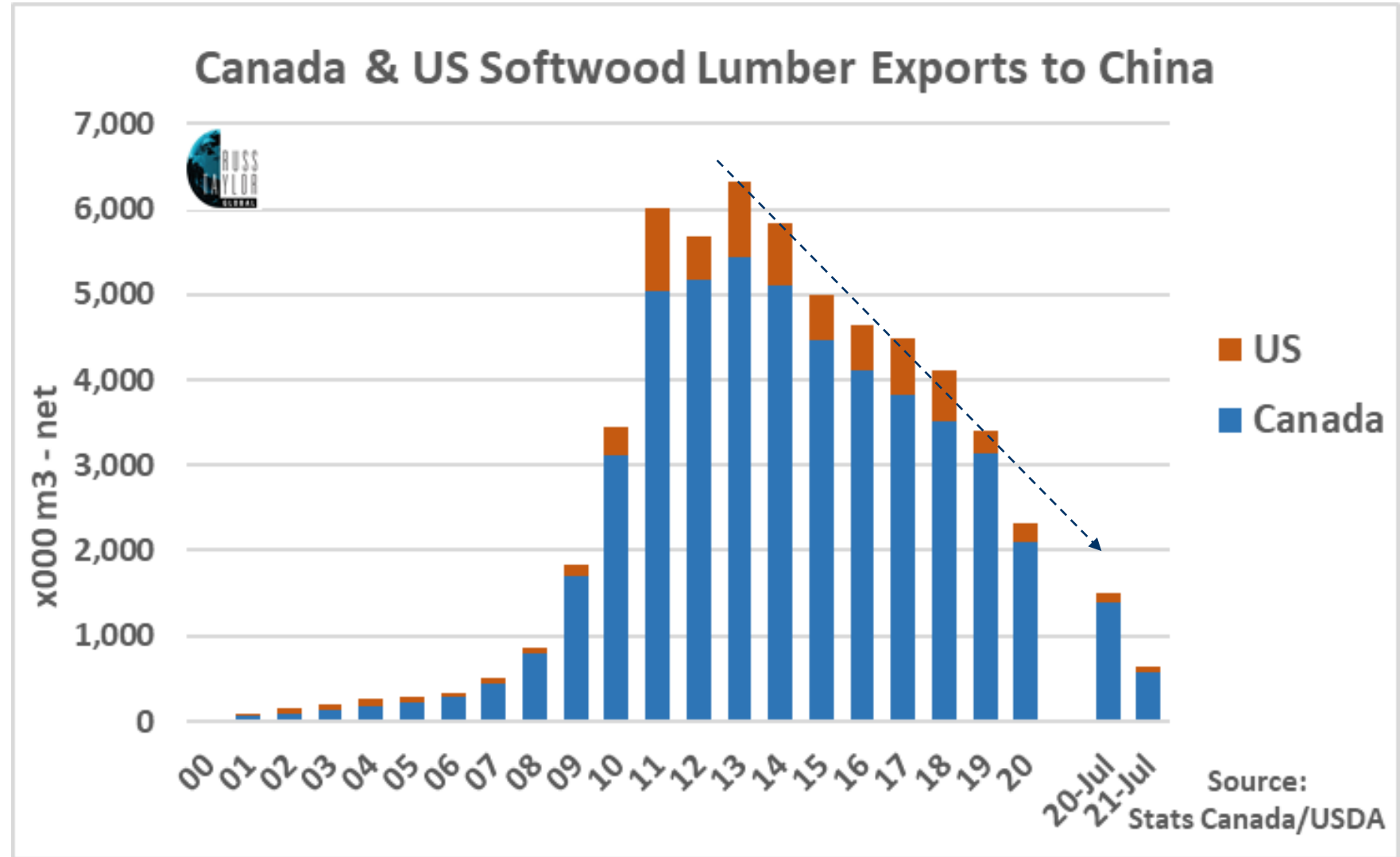


- Canada = 86.0%
- Europe = 10.0%
 - Germany = 5.0%
 - Sweden = 1.8%
- S. America/Oceania = 3.0%
- Asia = 0.3%
- Russia = 0.3%

Canada & US: Softwood Lumber Exports to China Slowing

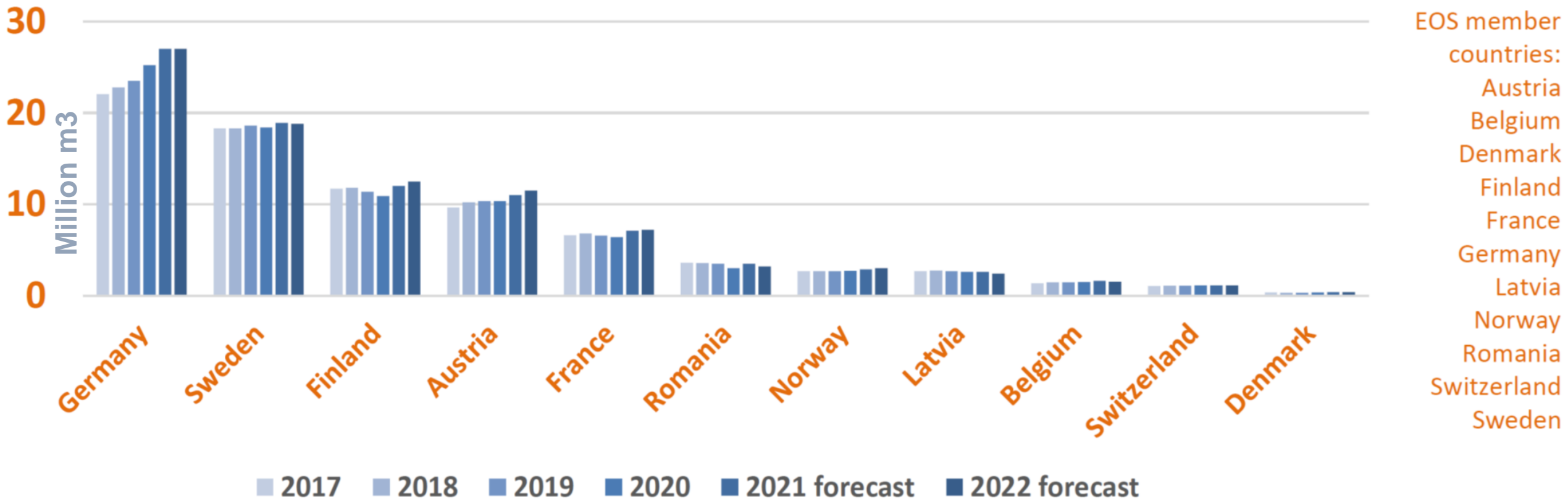
Canada & US export declining due to low prices.

The bulk of BC SPF exports have been lower grade lumber (from beetle attack), but there are little volumes now.



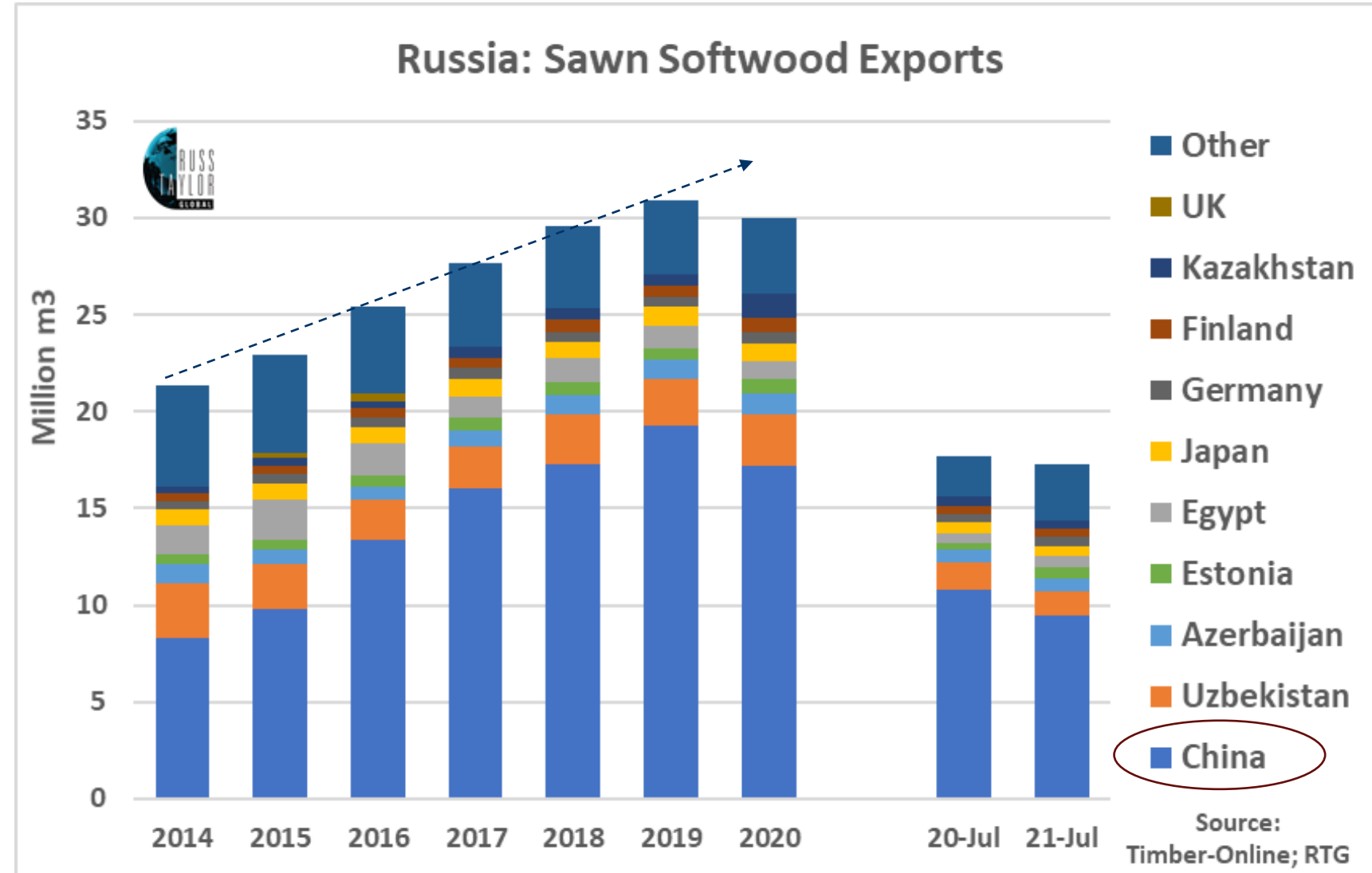
4. Europe: Production & Consumption Outlook

- 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).



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).

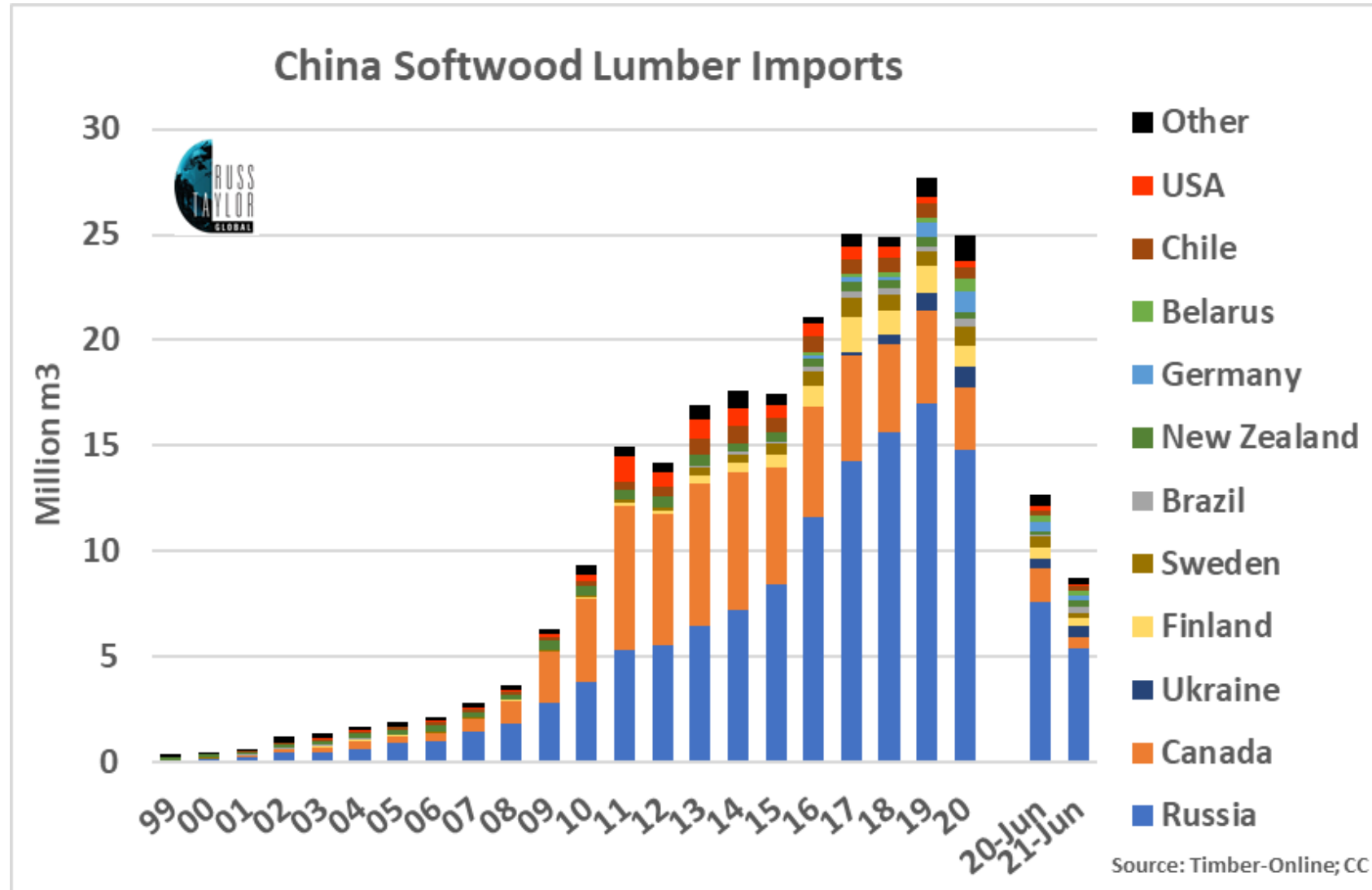


China Softwood Lumber Imports: Dropping Due to High Prices & Tight Availability in 2021H1

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



CONSUMPTION:

Global lumber demand had been slowing:

2017: +4.0%

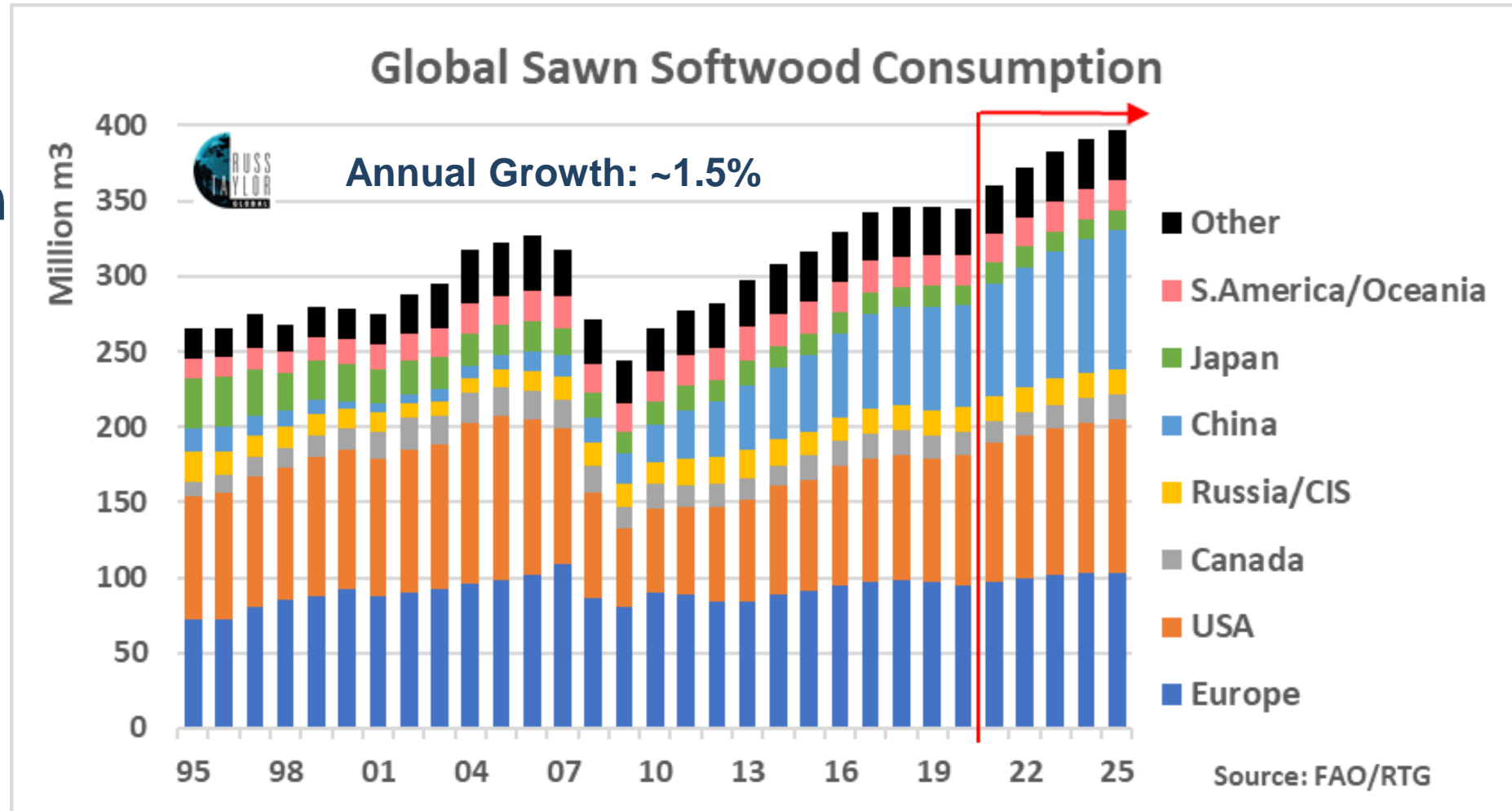
2018: +1.0%

2019: +0.0%

2020: ~ -0.4%

2021: ~ +4.5%

2022: ~ +3.0%



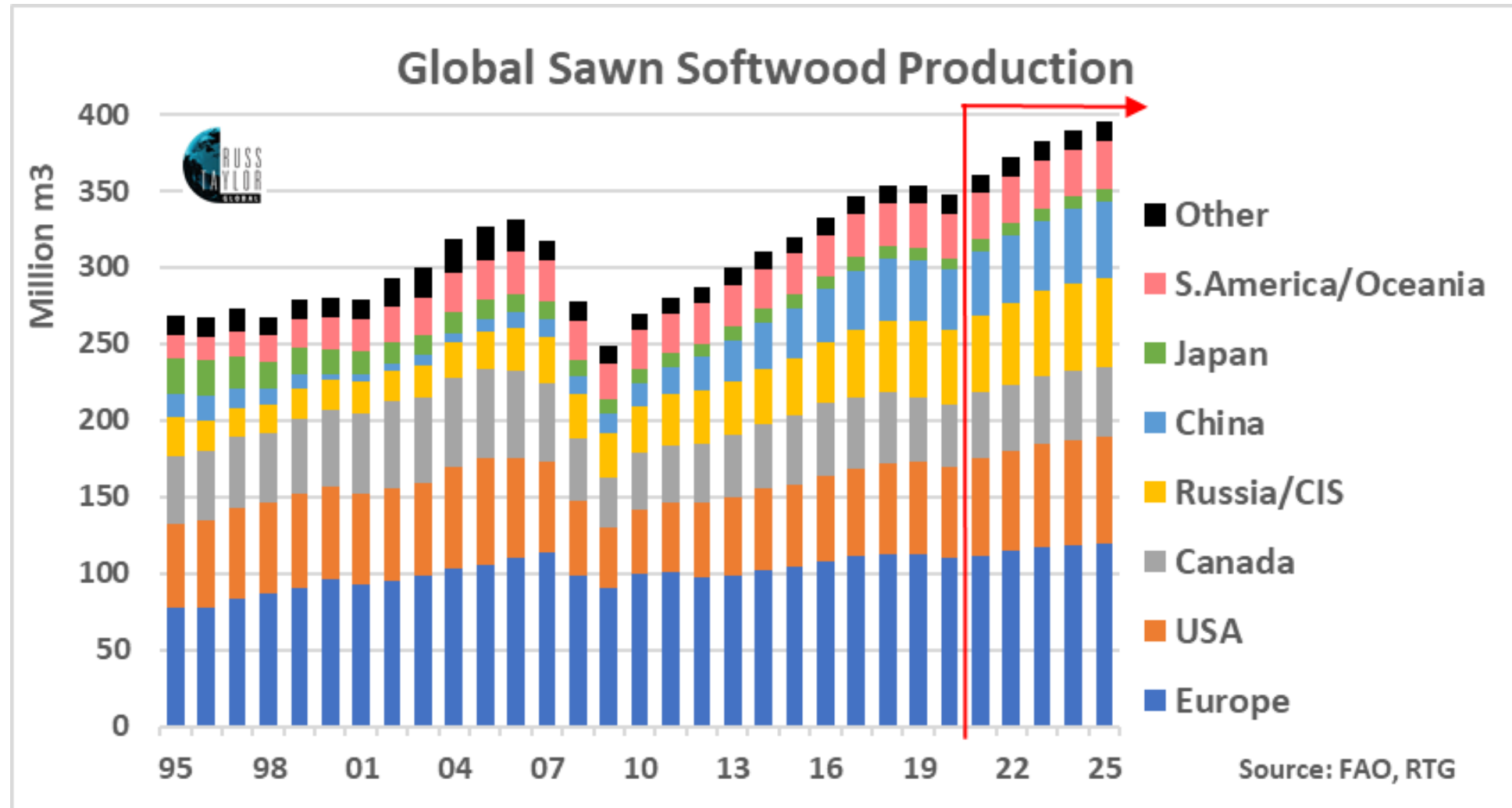
PRODUCTION: Top Producers:

- 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 roll 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!**



Thank You!

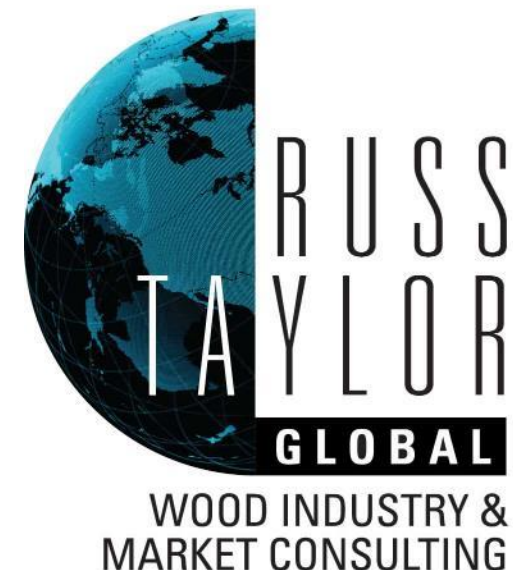
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RUSS TAYLOR GLOBAL: Wood Business & Market Consulting

In the wood-based consulting business in Vancouver since 1988:

- **1988-1992** – Widman Management Consulting
- **1992-2017** – **R.E. Taylor & Associates Ltd. & International WOOD MARKETS Group Inc.**
- **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.

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