

UNECE/FAO Data Brief

Sawn softwood 2023



UNECE



Food and Agriculture
Organization of the
United Nations

2022

Production of sawn softwood in Europe remained strong despite a drop of 2.9% to 115.2 million m³ compared to 2021, which had been an exceptional year in terms of demand both in Europe and overseas. In 2022, the largest producers reduced production, with Germany and Finland accounting for over half of the production decline and volume declines of 1.0 million m³ and 0.7 million m³, respectively.

European consumption reached 96.0 million m³ in 2022, 7.2% lower compared to 2021 and the lowest during the last five years. Two of the largest markets, Germany and the United Kingdom, witnessed major drops in consumption by 2.8 million m³ (-14%) and 2.6 million m³ (-23.4%), respectively. A positive exception among the larger consumers was Italy, where consumption increased by 1.1 million m³ (+25.1%).

In 2022, sawn softwood production in the Russian Federation was impacted by sanctions preventing exports to many countries in Europe. Output declined by about 7% and exports by about 25% to an estimated 22.7 million m³ in 2022 from 27.8 million m³ in 2021.

While market conditions in North America had been extremely favourable during the pandemic, this changed to an over-supplied market starting in the second half of 2022. The United States of America (US) housing starts, which usually represent about 35% of total sawn softwood consumption, dropped to 1.55 million units in 2022 from 1.60 million units in 2021.

Interest and mortgage rates in the US increased in 2022, resulting in an increasing strain on housing affordability. The repair and remodelling (R&R) segment soared during 2020, the first year of the pandemic, but returned to pre-pandemic levels from the second half of 2021 through the third quarter of 2023.

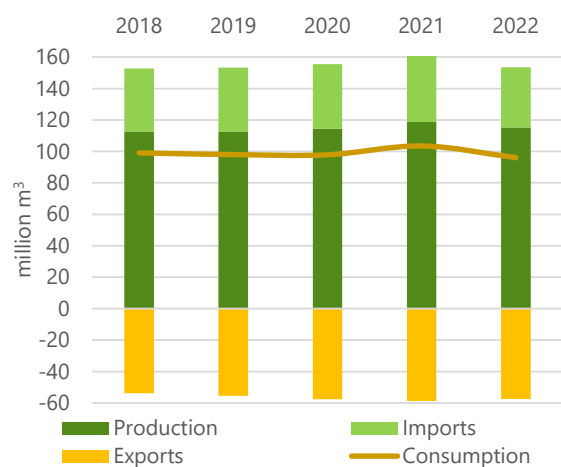
The net apparent consumption of North American sawn softwood decreased by 1.2% (-1.25 million m³) in 2022 as compared to 2021. Sawn softwood consumption in the US grew slightly by an estimated 0.1% in 2022, while in Canada consumption decreased by 1.35 million m³ (-9.5%).

Total sawn softwood production in the US grew slightly by 0.6 million m³ in 2022 mainly because of the expansion of capacities and significant capital investments in the South of the US. Sawn softwood production in Canada in

2022 was 9.5% lower (-3.8 million m³) than in 2021 with British Columbia posting a 14.6% reduction.

GRAPH 1

Europe: Sawn softwood production, trade and consumption, 2018-2022



Source: UNECE, 2023

2023

The decline in European production in 2022 continued in 2023. The largest producing countries reported lower volumes compared to the first six months of 2022. In Germany, the production index in January-June 2023 decreased by 11%. In Finland and Sweden production declined by 5% and 3%, respectively,

The European Organisation of the Sawmill Industry (EOS) estimated in the spring of 2023 that European production (of the main producers) would decline by 2.3% over the year. Most likely the drop will be more severe, as market conditions in Europe are clearly worse compared to 2022.

Euroconstruct (2023) forecasts over a 10% drop in housing starts for 2023 and over 1.1% decline in overall construction output.

The US housing starts outlook for 2023 is for about 1.4 million units. Lower prices for sawn softwood throughout 2023 stimulated the repair and remodelling (R&R) demand, but this was offset in part by rising interest rates. R&R is expected to increase its share to about 40% of sawn softwood consumption in the US.

During the first six months of 2023, sawn softwood consumption was slightly lower in the US (-2.5%) and Canada (-3.9%) as compared to the same period in 2022.

The outlook for the rest of 2023 is for a flat demand, which would result in a small annual decline, followed by a modest rebound in 2024. In the first six months of 2023, the US sawn softwood production was 3% lower as compared to the same period in 2022 owing to a weak demand and low sawnwood prices. The outlook for 2023 is for similar production levels as in 2022 (led by gains in the Southern US region which could offset reductions in the Western US region).

Lower Canadian output trends have continued in 2023, with an 11% production decline in the first six months of 2023 (year-on-year). The 18% lower production in British Columbia was the result of ongoing sawmill curtailments and log shortages related to numerous government forest policies, beetle infestations and wildfires. All of this continues to reduce the available timber supply. Canadian sawn softwood output in 2023 is expected to be about 8-10% lower than in 2022 before possibly rebounding in 2024 if demand will be higher than anticipated.

Russian sawn timber production reached 11.5 million m³ in the first five months of 2023, which is probably similar to the first five months of 2022.

Prices

Since the summer of 2022, sawn softwood prices in Europe lowered and the trend continued through December 2022. Prices have since recovered to some extent, but year-to-date average prices for the first five months of 2023 were still around 30% lower compared to 2022 and were trending lower into October 2023.

Declining prices combined with poor demand and high log prices in many countries in Europe led to poor profitability in its sawmill industry. Some companies have been reporting red figures since the last quarter of 2022.

The US market bellwether price of western spruce-pine-fir (W-SPF; Free on Board (FOB), British Columbia (BC) mill) 2"x4" framing lumber declined in 2023. From a peak of \$890 per m³ (\$1,400 per Mbf) in mid-March 2022, prices have traded in the \$225-290/m³ (\$350-\$450 per Mbf) since the third quarter of 2022 through October 2023.

In Canada, high-cost producing regions such as British Columbia have been forced to curtail operations when prices were too low in 2022 and first half of 2023.

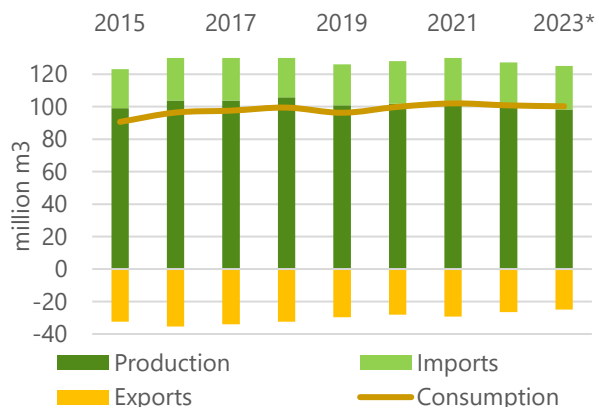
Globally, sawn softwood prices also moved lower and have returned to the pre-pandemic levels.

Highlights

- Sawn softwood consumption in the United States was 88 million m³ (+0.1 million m³) in 2022, while Canadian consumption fell by 9.5% to 13 million m³ because of reduced production.
- Sawn softwood production in the United States increased by 1% (0.6 million m³) in 2022.
- Output in Canada was 9.5% lower (-3.8 million m³) with British Columbia dropping by 14.6%.
- The United States' share of imports from Europe remained high in a historical context (14% share of imports) and further increased by 11% for the first half of 2023 (over second half of 2022).
- Canada recorded a drop in offshore exports of 22.5% (-800,000 m³) to 2.5 million m³ in 2022. United States' total exports of sawn softwood decreased by 6.5% to 1.7 million m³ in 2022.

GRAPH 2

North America: Sawn softwood production, trade and consumption, 2015-2023

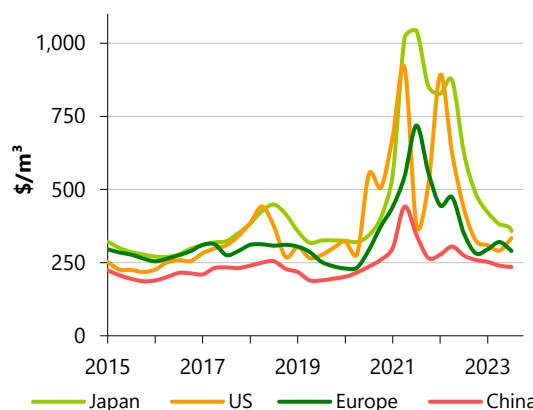


Note: Exports are shown as negative numbers.

Sources: UNECE/FAO database, 2023* estimate Russ Taylor Global data base, 2023.

GRAPH 3

Quarterly prices for sawn softwood in China, Europe, Japan and the United States, 2015-2023



Note: Data to June 2022, delivered-to-market prices. Japan: BC W-SPF 2x4, J-grade, C&F; Europe: Swedish spruce 47x100, C&F; United States: 2x4 W-SPF #2&Better, KD, S4S, Chicago, Random Length (8'-16' and longer); China: W-SPF #2&Btr KD, S4S, C&F.

Sources: Random Lengths, 2023; Russ Taylor Global, 2023.

The ongoing countervailing and antidumping duties imposed on Canadian sawn softwood exports to the US decreased slightly on 1 August 2023, to 8.05% from 8.59% in the previous one-year period (and 7.91% in late 2021). The import duties are recalculated annually by the US Department of Commerce's administrative review (USDA, 2023).

Trade

Global market developments had implications on European sawn softwood trade in 2022 and resulted in increased net exports from Europe. With exports of sawn softwood down by only 1.3 million m³ (-2.1%) and imports dropping by 5.3 million m³ (-12.1%), this meant net exports increased by 4.0 million m³ (+26.5%). Demand for European sawnwood was particularly strong in the US and North Africa compared to 2021.

In 2023, trade in sawn softwood in Europe has been hit hard by declining construction activity. Consequently, sawn softwood imports declined by around 20% during the first four months of 2023 compared to 2022.

Overseas markets for European exporters have stabilized and extra-EU exports declined only by 0.7% during the first four months of 2023.

Exports to China from Europe increased remarkably after some difficult years and were up by over 40% in the first four months of 2023 as compared to 2022. During the same period, Japan's imports from Europe were down by 43% at 0.8 million m³ and European sawnwood imports to the Middle East increased by (+7%) and North Africa (+16%). European exports to the US were strong in the first quarter of 2023, but started to decline since owing to falling prices.

Sawn softwood exports from the Russian Federation decreased by 17% from \$ 5.5 billion in 2021 to \$ 4.5 billion in 2022. This decrease was the expected result of import restrictions by the European Union, its second biggest trading partner after China.

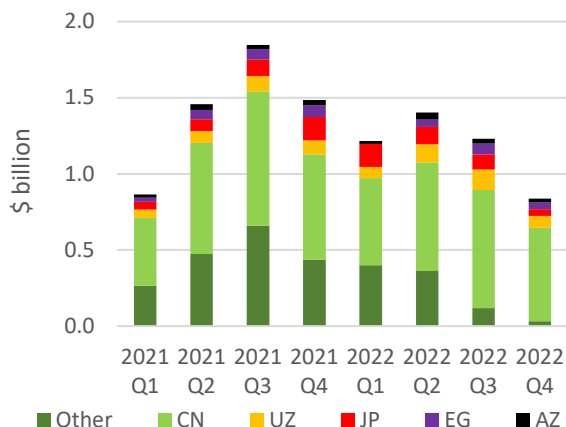
Demand from China remained weaker in 2022 and so far also through 2023. This was due to the uncertainties in the Chinese real estate market and possible COVID lockdown restrictions.

The total sawn softwood export volume from North America decreased by 14% (-0.60 million m³) in 2022 and the total import volume decreased by 2.7% (-0.74 million m³).

- In 2022, European sawn softwood production declined by 2.9% to 115.2 million m³.
- European sawn softwood consumption in 2022 was the lowest in five years with a drop of 7.2% to 96 million m³.
- European net exports of sawn softwood increased by 26.5% to 19.2 million m³.
- European sawn softwood overseas exports remained relatively stable, but intra-European trade declined considerably.
- Effects of European import sanctions on wood exports from the Russian Federation unfolded in the fourth quarter 2022 and imports of sawn softwood decreased by 17%.
- China further increased its market share of sawn softwood exports from the Russian Federation to 60% in the first half of 2023.
- Uzbekistan became the second most important export market for the Russian Federation with 9.5% of exports.

GRAPHIC 4

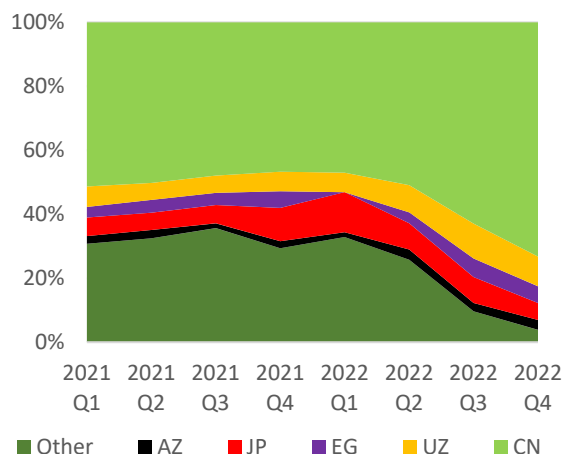
Russian Federation sawn softwood export 2021 - 2022 (billion \$US)



Notes: CN: China, UZ: Uzbekistan, JP: Japan, EG: Egypt, AZ: Azerbaijan.
Source: UN Comtrade, 2023.

GRAPHIC 5

Russian Federation sawn softwood export market shares 2021 - 2022 (percent)



Notes: AZ: Azerbaijan, JP: Japan, EG: Egypt, UZ: Uzbekistan, CN: China.
Source: UN Comtrade, 2023.

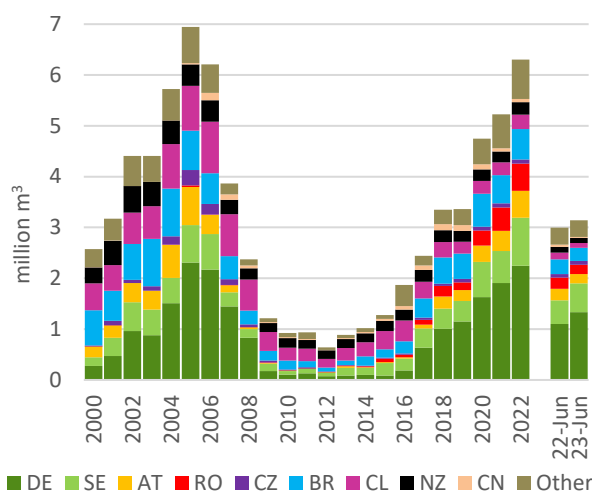
Canadian exports to the US decreased by 6.7% (- 1.55 million m³) owing to reduced production in 2022. In the first six months of 2023, shipments to the US dropped a further 8.4% in volume and over 50% in value, reflecting much lower sawn softwood prices.

US imports from Europe increased for the 10th consecutive year by 0.72 million m³ (+26%) in 2022. For the first six months of 2023, European imports amounted to 2.57 million m³, an increase of 15.4% over the same period in 2022. Germany, Sweden, Austria and Romania represent 88% of the US imports of European sawn softwood.

In addition to reduced US exports, Canada recorded a drop in offshore exports of 22.5% (-800,000 m³) in 2022 to 2.5 million m³, its lowest volume in many decades. China and Japan are its two largest offshore exports. US total exports decreased by 8.2% to 2.25 million m³ in 2022 with the main destinations being Mexico, Canada and the Caribbean. In the first semester 2023, Canadian offshore exports fell by 7.5%. US total exports remained unchanged as compared to the previous period in 2022.

GRAPH 6

US Sawn softwood imports (excluding Canada) 2000-2023 June



Notes: DE: Germany; SE: Sweden; AT: Austria; RO: Romania; CZ: Czech Republic; BR: Brazil; CL: Chile; NZ: New Zealand; CN: China.
Source: Timber online

Outlook 2024

Recovery of the sawn softwood industry in Europe is expected towards late 2024 or 2025 when demand should recover. Euroconstruct forecasts a decline in construction output for 2024 and a small growth in 2025.

Russian sawn softwood production could increase in late 2023 and into 2024 as extremely low container shipping rates from St. Petersburg have allowed for very competitive shipments to key export markets like China.

The US housing starts outlook for 2024 is about the same as the estimated 1.4 million units projected for 2023. Relatively tight log and sawn softwood supplies in the US West should be offset by increased output in the US South, resulting possibly in a 3% increase in US output in 2024.

The various policy initiatives and environmental issues in British Columbia government could affect the timber harvest and sawn softwood production also decrease in 2024 unless sawnwood prices improve significantly.

Canadian sawn softwood output in 2024 is expected to rebound slightly, should demand move higher as anticipated.

Future market trends will be discussed during the market discussion during “FORESTA 2023”, the joint session of the ECE Committee on Forests and the Forest Industry and the FAO European Forestry Commission (<https://unece.org/info/Forests/events/374850>).



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Electronic supplement I:
Graphs & Tables
Data (historic and forecast)
References



Electronic supplement II:
Country market
Statements:

