TODAY’S MARKETS FOR WOOD: A GLOBAL, NATIONAL & LOCAL VIEW

“MANAGING FAMILY FORESTS INTO THE FUTURE”

OREGON SMALL WOODLANDS ASSOCIATION

2018 ANNUAL MEETING

SPRINGFIELD, OREGON
TODAY’S AGENDA

- US housing and lumber demand
- Global wood supply
- Influence of log exports to Asia
- The competitive position of regional North American forest industry
- Our local markets; present and future
- Conclusion
INNOVATION: BUILDING WITH WOOD
The total US lumber demand highest since 2006 (53.5 BBF)

Source: Forest2Market & WWPA
A LOOK AT OVERSEAS WOOD MARKETS:
GLOBAL ROUNDWOOD (LOG) PRODUCTION AND CONSUMPTION BALANCE

US & Russia are roundwood (log) exporters

Source: UN FAO Statistics
China & US are net importers of lumber

Source: UN FAO Statistics
GLOBAL SOFTWOOD DOMESTIC SAWLOG PRICES US $ / M³

Source: Forest2Market International Index
TODAY DOMESTIC PRICES FOR HEM-FIR LOGS GENERALLY EXCEED CHINA EXPORT VALUES

Source: Forest2Market & Jones Stevedoring

*2018 estimates from YTD data
NORTH AMERICA REGIONAL PRODUCTION:
WHERE DOES US SOFTWOOD LUMBER COME FROM?

*SYP steadily rises as Canadian imports decline*

Source: WWPA
BC production and exports to US declining

Source: WWPA
• The Southern US pine region has abundant, low cost timber from productive, well managed private forests
• Canfor, West Fraser, Interfor & Conifex; leading Canadian forest products companies are big players in SYP
• 44 pine sawmills in Texas, Arkansas, Louisiana, Mississippi, Alabama, Georgia, South Carolina, North Carolina and Florida are now owned by these four companies
• 5.8 billion board feet of production capacity
• Nearly 1/3 of Southern pine lumber produced
• No duties on Canadian SYP lumber shipments
First 24 weeks of 2018

- 2018 Douglas Fir Green #2&Btr 2x4
- 2018 WSPF KD #2&Btr 2x4
- 2018 SYP 2x4 KD #2 & btr
- 2009 average

Source: Madison’s & Forest2Market
OREGON’S SUSTAINABLE FOREST RESOURCES:
OREGON TIMBER HARVEST

90% of the 3,842 MMBF total harvested West of Cascades

Source: ODF

*2017 data is not final
Oregon log price history 2008 to current

$ per MBF

Doug fir SW Oregon (long log scale)  Ponderosa pine (short log scale)

Source: Forest2Market
HIGH DEMAND FOR DOUGLAS FIR LOGS

SW Oregon Doug fir prices by diameter

Source: Forest2Market
STAND MANAGEMENT; COMMERCIAL THINNING OF YOUNG STANDS
CHIP-N-SAW VALUES IMPROVE ECONOMICS OF THINNING

$ per ton

Source: Forest2Market
• Healthy employment outlook and confidence in the economy is encouraging first time home buyers – creating housing shortfall
• US housing demand is growing and looking favorable for wood consumption
• Despite renewed concerns of slowing Chinese economy, volume and price for forest products is still strong
• The SYP industry will continue to grow – abundant and inexpensive logs
• The PNW is timber supply constrained – resource scarcity limits investment in new production
• Prices for lumber and panels are near record levels – PNW log prices have peaked for now but remain attractive for sellers
• Douglas fir is desirable for engineered wood and mass timber products – this business segment will grow
• Non-industrial forest owners are well positioned as critical log suppliers
• Shortage of skilled workers is a national crisis – loggers, mill workers, mechanics, electricians, plumbers, truck drivers and carpenters
• Forest owners face a significant risk of creeping state regulation that could further limit forestry operations
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