GLOBAL WOOD SUMMIT

Vancouver BC Canada Oct 29-30, 2024

GLOBAL WOOD SUMMIT HIGHLIGHTS:

Conference Predicts Strong US Lumber Prices for 2025!

By Russ Taylor, Russ Taylor Global & Kevin Mason, ERA Forest Products Research
November 4, 2024

The Global Wood Summit – held last week in Vancouver, BC - provided an excellent platform for discussions and perspectives on what can be expected in 2025 for the North American and global forest products markets. Amongst all the topics, the outlook for the three key market regions in Asia (China and Japan), Europe, and the US were discussed at length, where the consensus was weakest in Asia, moderate in Europe, with potential upside expected for in the US market. For example, four China panelists had differing views on the timing of the China property market trough: this ranged from 2025 to 2028. Similarly, the 2025 outlook for US lumber prices from the three lumber traders featured in The Lumber Word podcast, using W-SPF 2x4 #2& Better, FOB BC mill, ranged wildly: from an average peak price of US$650/Mbf to an average bottom price of US$500. This compares to an average annual price of about US$400 for 2024 and $390 for 2023. Whatever the outcome, it will be the US leading all markets in 2025 and prices should be higher – maybe very high!

Some excellent coverage on many of the presentations at the Global Wood Summit were provided by Tree Frog News, a Gold Sponsor at the conference. For those not aware of Tree Frog News, they provide a daily summary of key articles, press releases and other useful information on the global forest products. They provide a great summary of what is going on in North America and around the world. And best of all – it is a FREE service!

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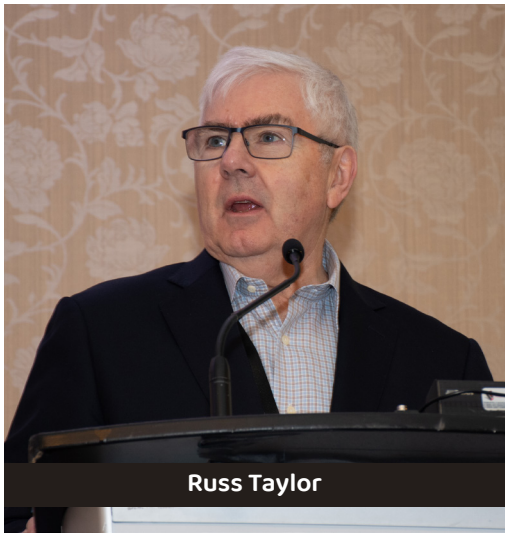
To follow is the Tree Frog News summary of the Summit panels including stories by Nelson Bennett in Business in Vancouver:

Global Wood Summit kicks off with dire near-term forecast

By Kelly McCloskey
Tree Frog Forestry News
October 29, 2024

The long awaited Global Wood Summit kicked-off in Vancouver yesterday with a detailed overview of global log and lumber trends by forest market analyst and conference co-host Russ Taylor of Russ Taylor Global. With due notice that "forecasters are almost always wrong", Taylor described the long list of current and expected "fibre supply disruptors", (including the war in Ukraine and in the Middle East), and the many negative policy initiatives, (such as the EU Deforestation Regulation and new logging restrictions in BC and Oregon), that are exacerbating the availability and supply of low-cost softwood logs world wide. Within North America, potential growth in log and lumber supply is limited to the US South, and other than beetle and wildfire killed logs in select regions, there are few other new sources of wood, said Taylor. "As such, you can expect log and lumber prices to be very volatile until about 2030".


Russ Taylor

Taylor was then joined by Western Forest Product's VP Don McGregor, who spoke to the evolving lumber market in Japan. McGregor emphasized Japan's ageing population and thus fewer housing starts, the government's support for the domestic timber and lumber sectors, and Japan's rising timber harvest levels (of Sugi) and expected lumber exports.

Don McGregor

Asian market for Canadian wood products in decline

By Nelson Bennett
Business in Vancouver
October 29, 2024

While the US remains the biggest market for Canadian lumber, Japan and China have been the next two most important markets. But both of those markets are shrinking, in no small part because their populations are shrinking. The decline in log and lumber imports is most stark in China, and reflects China's economic decline over the last four years. China never really recovered from the COVID-19 pandemic, Russ Taylor said. "Consumer confidence never came back and that has collapsed the housing market." ...China's demographics suggest it could be now headed for the kind of demographic decline that started in Japan 15 years ago. ...Surprisingly, should demand for logs and lumber improve in the coming years in China, Japan may end up grabbing some of that market share. Japan has become more self sufficient, thanks to a reforestation effort that started after World War II, said Don McGregor, VP for Western Forest Products.

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The summit's second market panel focused on the decline in log and lumber imports into China, reflecting the country's economic decline over the last four years. The value of lumber exports from BC to China dropped from $1.8 billion in 2013 to $268 million in 2023, and softwood lumber imports in China from all countries are down 35% since 2019. The value of exports to Japan have also declined, though less drastically, from $825 million in 2013 to $382 million in 2023. The one silver lining on the horizon is China's eventual economic recovery, given that it will require significantly higher volumes of softwood lumber, although it isn't expect for several years at best.

The world is running low on cheap wood, Global Wood Summit hears

By Nelson Bennett
Business in Vancouver
October 29, 2024

As a global wood market expert, Russ Taylor is often asked: "Are we running out of wood?" The answer is "no, but..." "Absolutely we're running out of cheap wood," he added. ...Beetle kill in Europe produced a surplus of 675 million cubic meters of cheap timber, he said — similar to the volumes produced in B.C. due to the Mountain pine beetle infestation. But that bonanza is now coming to end, the same way it did in BC. ...He noted that Finland and Sweden are planning to reduce their harvest levels by 25 per cent. Russia implemented a ban on log exports few years ago. The upside of a shrinking global log supply is that it means importing countries will not have the raw supply for their own sawmills, which is good for lumber exporters, like BC. Taylor said he sees improvements on the horizon for the forestry sector, but it's about five years away.

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Taylor then joined panelists Peter Buchleitner (Claus Rodenberg Waldkontor, Germany), Jerry Mi (Western Coast Enterprise, Canada), Mike Chien (Lignum Forest Products, Canada) and Steve Downie (Interfor, Canada) for a lively Q&A on the above topics. Most confirmed their confidence that China would recover ("it's too big to fail") and polled on their expected timing the range of two years to five years-plus was mentioned.

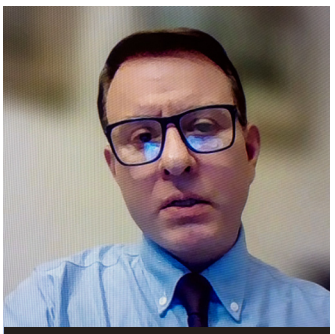
The third and fourth panels focused on forestry and wood product production in Chile (Ryan Walters, CMPC, Maderas), New Zealand/Australia (Mary Ellen Aronow, Manulife, USA), Russia (Slava Bychkov), Sweden/Finland (Erik Eliasson, Norra Timber) and Central Europe (Severin Rumplmayr, Donausage Rumplmayr).

Russ Taylor, Peter Buchleitner, Jerry Mi, Mike Chien, and Steve Downie

Russ Taylor, Erik Eliasson & Severin Rumplmayr

Kevin Mason and Mary Ellen Aronow

Moderated by Kevin Mason of ERA Forest Products Research (and Global Wood Summit co-host), select country highlights include:



Slava Bychkov

Chile – export markets are showing signs of renewed activity with shipments abroad steadily increasing.

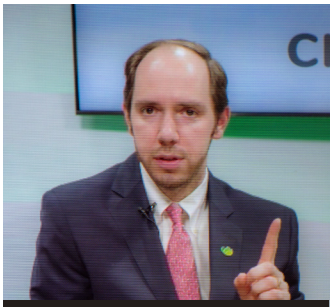
New Zealand – plantations are fast growing, products are versatile, markets are close and its a low cost producer.

Australia – plantations are fast growing, operable terrain, domestic-led demand and a supportive government.

Russia – reduced exports due to government policy and war sanctions, China market is down too but will recover.

Sweden/Finland – a battery of EU and local restrictions have raised log costs and reduced harvest levels significantly.

Central Europe – log supply and demand balance is ok but some consolidation and adjustments will be required.



Ryan Walters

The final panel, moderated by ERA's John Cooney, focused on the US and Canadian timberlands and fibre supply situation. Amanda Lang (Forisk) highlighted the US South's positive growth-versus-harvest rate and the Pacific Northwest's expected contraction (~3.5% over the next decade). Rob Schuetz (Industrial Forestry Service), spoke to the impact of Canada's Boreal Caribou strategy and Indigenous reconciliation requirements on sawlog availability across Canada. Combined with other policy shifts, Schuetz noted BC's low harvest-to-ACC rate (~47%) and high number of manufacturing closures since 2020. John Brink (Brink Forest Products) capped the day with an emotive and inspiring commentary on his life-journey from Holland to Prince George—post World War II, where he become one of BC's most successful value-added wood manufacturers. Among other factors, Brink emphasized the importance a strong primary sector is to a successful value-added sector.

Rob Schuetz, John Cooney and John Brink

Strengthening lumber demand in 2025 should boost prices 20%

By Kelly McCloskey
Tree Frog Forestry News
October 30, 2024

ERA Forest Products Research's John Cooney opened day two of the Global Wood Summit in Vancouver by introducing Alejandra Glazebrook of PwC Canada, who provided an overview of global trends in forest sector profitability. Glazebrook presented insights into the forest sector, highlighting its significant contributions to the Canadian economy, employing over 200,000 people and generating approximately $35 billion. She discussed key trends such as environmental and regulatory changes, technological advancements, community engagement, and global trade dynamics. The presentation also covered the financial performance of the top 100 forest product companies, noting the impact of interest rate changes and shared some key metrics of the industry compared to global markets and GDP. Glazebrook emphasized the importance of innovation and investment in technology as well as collaboration with local communities to ensure the sector's future success.

Alejandra Glazebrook

Cooney followed with a detailed report on the North American lumber market and then moderated a Q&A panel with Ken Shields (Conifex Timber), Stefan Lyren (Olympic Industries), John Bal (Interfor) and Dean Garofano (Delta Forest Group). In addition to weak lumber prices—economic fibre shortages, softwood lumber duties, residual offtake challenges and lingering labour constraints—were noted as causing headaches for producers. Over 3 billion board feet of sawmill capacity closures were announced across North America in 2024, after about 2 billion board feet between 2022 and 2023. And sawmill closures are no longer just a BC phenomenon with over 1.2 billion board feet of curtailments in the historically "lower cost" US South to date in 2024.

Looking forward, Cooney and the panel expect an improving lumber market due to stronger demand and softwood duty increases which will hurt cash flows. Key takeaways include:

- How much lumber demand improves in 2025 will depend on the trajectory of US Fed rate cuts
- Following a raft of North American mill closures between '22 and '24, lumber supply constraints will become more evident
- Lumber supply from Canada and the U.S. West is effectively tapped out in the near-term
- The U.S. South is now the lone growth engine in terms of domestic supply
- European imports may also fill a gap, but rising costs make export economics more difficult for Europeans.

Cooney estimates lumber demand in 2025 to increase about 1.5 billion board feet and given supply constraints, that 2×4 prices will rise about 20% to $490 for SPF and $465 for SYP. Interestingly, in an online poll of the room delegates, two-thirds agreed with Cooney's estimates or think prices will be even higher.

John Cooney, Ken Shields, John Bal, Stefan Lyren and Dean Garofano

China's pulp & paper growth triggers mill closures in North America

Kelly McCloskey
The Tree Frog Forestry News
October 30, 2024

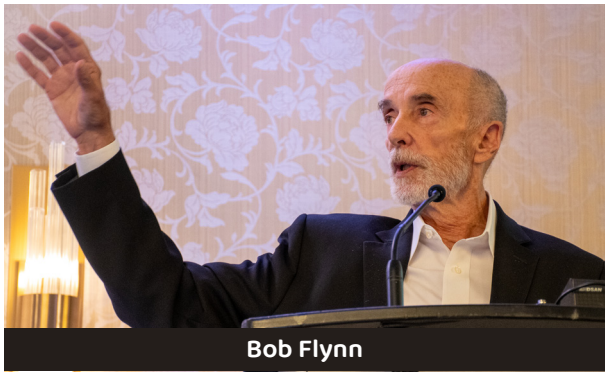
Kevin Mason

Opening the panel on pulp & paper, a detailed overview of trends was presented by Kevin Mason, Managing Director of ERA Forest Products Research. With respect to fibre trends, Mason reported that recycled fibre has become the biggest input for paper and board production—primarily for packaging issues, and end uses have shifted dramatically with paper in steady decline and tissue continuing its relentless growth. In response, there has been a steady stream of paper machines being converted to packaging by companies in North America and Europe—and that trend is expected to continue. Mason added that paper packaging and specialty products should continue to grow, but huge market gains from the 'plastics-to-paper shift' are unlikely in the near term. Further, strong growth in the demand for virgin fibre is not a given and supply is increasingly a challenge.

Fraser Hart

Fraser Hart, Managing Partner at Trade Tree Online, focused his presentation on international markets, and particularly China, given that it has been building a significant amount of new pulp & paper capacity in recent years—51.5M tonnes of paper and board capacity and over 18M tonnes of pulp capacity between 2021-2024. Although wood availability for domestic pulp production will determine the degree to which this growth will continue, Hart said the result has been significant reductions in China's pulp imports and increases in their imports of wood chips. Not surprisingly, this has depressed pulp prices and forced most North America producers to curtail or close their high-cost operations. Global fibre scarcity is also an issue, especially for BSK (bleached softwood kraft pulp), and BHK (bleached hardwood kraft pulp) continues to gain share. Finally, says Hart, as the lack of fibre and inflationary pressure continues to take out pulp capacity, the next up-cycle in pulp prices will begin to emerge.

Wood fibre expert Bob Flynn, at Timber & Wood, provided an overview of the global wood chip market. The key trends noted, according to Flynn, include that while British Columbia is struggling to find sufficient fibre to feed all existing pulp mills, the US Pacific Northwest has a current surplus, and the US South has a long-term surplus. Further, the European import market for chips is small, and unlikely to expand unless phytosanitary regulations are changed. The Asia-Pacific wood chip import market, mostly Japan and China, has expanded rapidly over the past 40 years. Finally, chip demand will continue to expand for a few years, due to the new mills being built in China, but trade will be limited by available supply.


Bob Flynn

Mitchell Preger, Gregg Riley, Charles Delatorre and Ashley Boeckholt

During lunch on the second day of the summit, delegates has a ring side seat at the "Lumber Word Podcast" recording. Mitchell Preger, Gregg Riley, Charles Delatorre and Ashley Boeckholt engaged with conference delegates taking questions via Pigeon Hole while sharing their real-time trading experience in lumber and futures. Hosted by seasoned industry trading veterans this podcast delves deep into the complexities of the lumber supply and demand balance in the physical lumber market. "The Lumber Word" isn't just for professionals in the industry; it's for homebuilders and multi-family builders seeking guidance when making budgeting and project purchase decisions. Investors and venture capitalists with an eye on the lumber industry also benefit from the podcast's grassroots conversations. Listen to the Global Wood Summit edition of the podcast on Spotify, Apple and other streaming services.

Claire Huxtable, Sarah Bingham, Michael Wisnefski, Raffaele Parlato and Patrick Poulin

The afternoon market panels focused on i) mass timber and lumber futures and ii) forest products transportation and logistics. Moderated by Adera Development's Sarah Bingham, the first panel featured Michael Wisnefski (at HighGround Trading, USA), Raffaele Parlato (from Hasslacher Norica Timber, Austria) and Patrick Poulin (at Element 5, Ontario). Presentation highlights included: Wisnefski's explanation of what lumber futures are, how they work and how industry can use them to increase profitability; Parlato's overview of global increases in mass timber supply and consumption, and his explanation of why his firm is diversifying into North America; and Poulin's assessment of what it takes for mass timber to be successful in the growing North American market.

Remi Lalonde, Claire Huxtable and Doug Mills

The final panel was moderated by ERA's Claire Huxtable with panelists Remi Lalonde at CN Rail (and former CEO, Resolute Forest Products) and the Port of Vancouver's Doug Mills. Lalonde reported on the lessons learned from the "perfect storm" in the Winter of 2022—when rail car availability significantly lagged surging forest (and other) product demand. Changes implemented at CN as a result included a substantially increased focus on efficiency (capacity and velocity), redundancy and overall resiliency. Key priorities for CN include positive resolution of the current arbitration process with labour—resulting in a working relationship that avoids future strikes and credibility-harm with forest sector (and other) customers. The Port of Vancouver's Doug Mill's presentation focused on the importance but also the challenges of building port capacity—given that port-cargo demand is increasing an average 3% per year.

US Perspective on Softwood Lumber Duties

Kelly McCloskey, Editor
The Tree Frog Forestry News
October 30, 2024

Zoltan van Heyningen

Zoltan van Heyningen, Executive Director, US Lumber Coalition, provided a US perspective on softwood lumber duties at the Global Wood Summit in Vancouver. Van Heyningen clarified the difference between policy-driven trade action (that can result in tariffs) and legal processes that administer US trade laws (that can result in antidumping and countervailing duties). According to van Heyningen:

"The imposition of duties against Canadian lumber imports is not a policy debate. It is a legal process that is centered around the concept of a rules-based trading system that allows free flow of trade between nations—when one industry operates on different principles and then ships its finished product into the market of another."

"From the US perspective, the softwood lumber trade case has been extremely effective, yielding results that one would expect. Mainly, pushing out unfairly traded imports and allowing the US industry to grow towards its full potential. And the data shows that is precisely what we've seen since 2016, which is when the trade cases were filed."

"Regarding the disposition of the AD/CVD duties that have been paid and collected and being held by the US government. The majority of these collected duties will be liquidated into the US Treasury. Unlike Lumber Four, once the US won the appeal of the ITC Injury Determination—this is before the USMCA panel—these collected duties won't be treated any differently than any custom duties paid or collected by US Customs. It becomes, in essence, US government revenue. Going forward, it is now just a question of the exact amounts at the margins, which will be determined by the appeals process of the various Administrative Reviews."

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