

STRONG DEMAND, LEAN INVENTORIES

A one-year standstill on trade action since the Softwood Lumber Agreement expiry in October 2015 has led to surging lumber prices. Having reached a 15-month high, analysts believe the prices are here to stay, creating a short-term supply gap in North America.



INFLUENCING FACTORS



NEW-HOME CONSTRUCTION BOOM ACROSS THE U.S.

The U.S. market has seen a slow and steady growth rate of 10-15% in the new residential housing market.



THE STRENGTH OF THE U.S. DOLLAR

A weak Canadian dollar makes for cheaper and therefore much more attractive products north of the border for U.S. customers.



NO DUTY ON CANADIAN LUMBER EXPORTED INTO THE U.S.

Since the expiration of the Softwood Lumber Agreement, Canadian mills are now allowed to ship to the U.S. duty-free.

STABILITY IN THE FORECAST

After the American housing market crashed in 2009, China stepped in as a new market for low-value lumber. A mountain pine beetle infestation in B.C. led to an abundance of lumber, which was bought out by China. While a 14% decrease in housing starts in China has led to the reduced demand for B.C. lumber, the U.S. market is experiencing growth after nearly a decade of stagnation.

Canadian exports to the U.S. are expected to experience imbalances between supply and demand, and the consequential price volatility throughout 2016-2017. However, into 2018, it is anticipated that Canadian exports to the U.S. will begin to flatten out, according to a Wood Markets report.

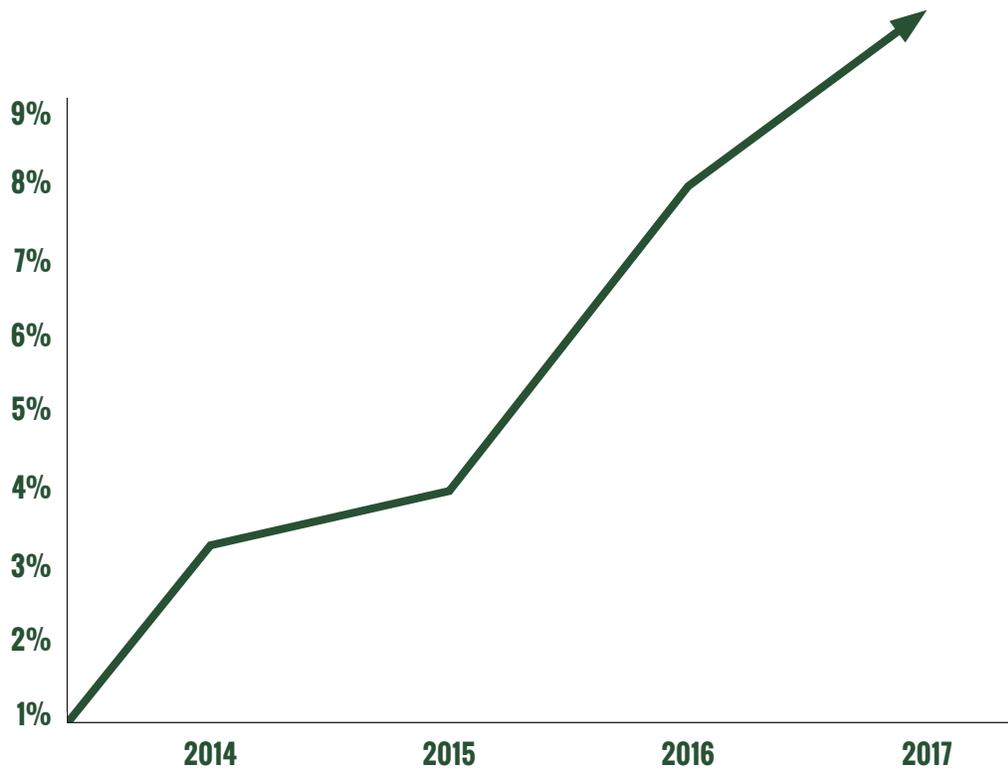
Due to the lack of low-value wood, many experts are forecasting lower exports to China and more exports into the U.S. will give Canadian mills an advantage. Canadian producers no longer have the supply to flood the U.S. market with cheap wood, increasing the demand for high-grade lumber. This, however, raises the issue of a supply shortage.

Wood Markets also reports that lumber prices are set to reach near-record levels by 2019.

THE RISE AND FALL OF GLOBAL DEMAND

In 2014, the total global softwood lumber consumption recorded a gain of 3.1% from 2013.

Recent years have seen modest increase in demands from the U.S.



The total U.S. lumber consumption is projected to rise from 44.1 billion bf in 2015 to 47.1 billion bf in 2017 all the way up to 50 billion bf in 2017.