

Lumber Market Update

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Over the past four months lumber prices bottomed in early November, then rose slowly with some ups and downs through mid-January and then took off following the rally in the Futures Market. Plywood continued dropping through late December and increased slowly through January. OSB has been flat since late December after dropping through the fall. Prices are close to where they were two years ago before tariffs were mentioned.

What has happened?

Since September, Douglas Fir is down 2% (it was down 12% at its low), while KDSPF is down 11% (it was down 17%). Douglas Fir plywood is down 16% (it was down 19%) and OSB is down 29%. KDSPF is currently at a larger than normal discount of 15% to Douglas Fir.

Why has this happened?

Supply and demand reached equilibrium in early November in the case of lumber, later in the case of plywood and OSB. There are supply shortages primarily in B.C. which are causing the current run up.

British Columbia

The annual allowable cut and hence production is still dropping in B.C.. This is an ongoing situation and will continue for years. There are also some short term log shortages causing temporary mill curtailments.

Forest Fires

2018's severe forest fire season was not as disruptive to the lumber industry as 2017's. There is finally talk of better managing forests, removing brush and dead or dying trees. This will be very helpful in the long run. We'll have to wait and see what happens in 2019.

Imports

Lumber imports continued to increase, primarily in European Spruce species. While these are generally very nice in appearance, strength varies significantly from species to species and all are weaker than domestic and Canadian KDSPF. Be sure to refer to the appropriate span tables if you use these. Imports of framing lumber are still insignificant compared to the volumes from Canada.

Conclusion

Pay attention! My last conclusion was right on, if I do say so myself. Going into the spring I would expect prices to rise as demand increases seasonally. Lumber supply will increase in the southern U.S. this year as new and expanded mills come on line. OSB prices may be held down as significant new production is coming on line as well. With a bit of luck, we may not repeat the cycle of the last two years. n

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