



665 Rodi Road Suite 305
Pittsburgh, PA 15235
Phone: 412.244.0440
Fax: 412.244.9090
www.HMAmembers.org

Have we oversupplied the market again?

HMA's National Conference and Expo included a presentation, "**Hardwood Market Trends and Global Consumption**," by industry analyst and *Hardwood Publishing* editor **Dan Meyer**. When asked to provide a "bottom line" recap of his valuable and timely information, Dan graciously submitted the following.

"The outlook for hardwood lumber markets has changed since mid-2014, when production finally overtook demand for most species. By the second half of 2014, the housing market looked like it was finally beginning to resume its recovery and exports were setting records every month. Though prices for most lumber items had peaked and begun to retreat, mills continued to expand production to meet what they believed would be even stronger demand heading into 2015. Instead, hardwood lumber **demand has flattened**.

China bought heavily in the fall and has yet to show much recovery since its New Year. U.S. housing markets, employment and the general economy lost momentum in Q1, as well. Low-grade markets have become saturated with material, and even railroad ties—whose demand remains unmet—are falling in price, due to excessive supplies in other sectors.

In 2015, we expect export growth to slow, as Europe's economy remains near the brink and Chinese housing and economic growth slows. U.S. demand for lumber will grow more slowly than in 2014, closely tracking the economy. Oversupply will dictate softer lumber prices through the third quarter. Chinese purchasing should pick up in Q3, which will help prices stabilize and begin to rebound by Q4.

- The **bad news** is that oversupply has forced lumber prices to retreat since August of 2014.
- The **good news** is that current, inflation-adjusted prices for all grades of KD 4/4 White Oak, Ash, Poplar, Walnut and Hickory are still at or close to ten-year highs.
- And, despite short-term ups and downs, the **long-term trend in lumber demand and pricing is still very positive.**"