

US Hardwood Market Trends

Prepared for HMA

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2020

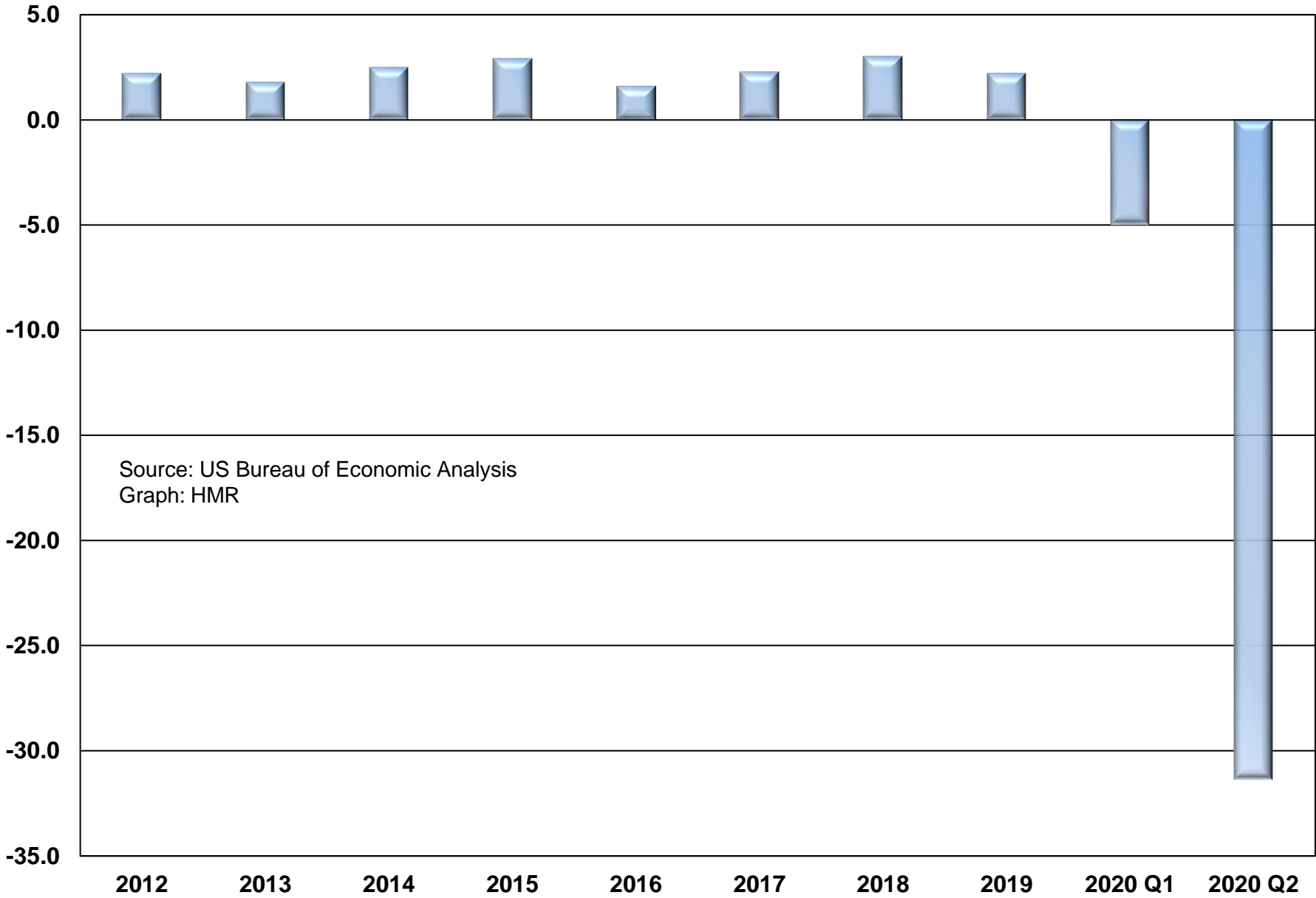


Covid-19



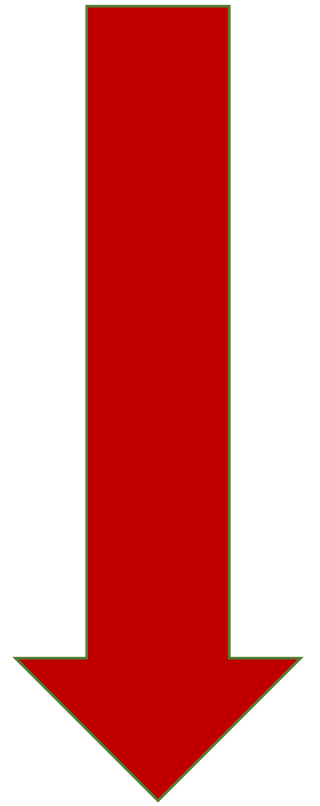


GDP Percent Change Based on 2012 Dollars

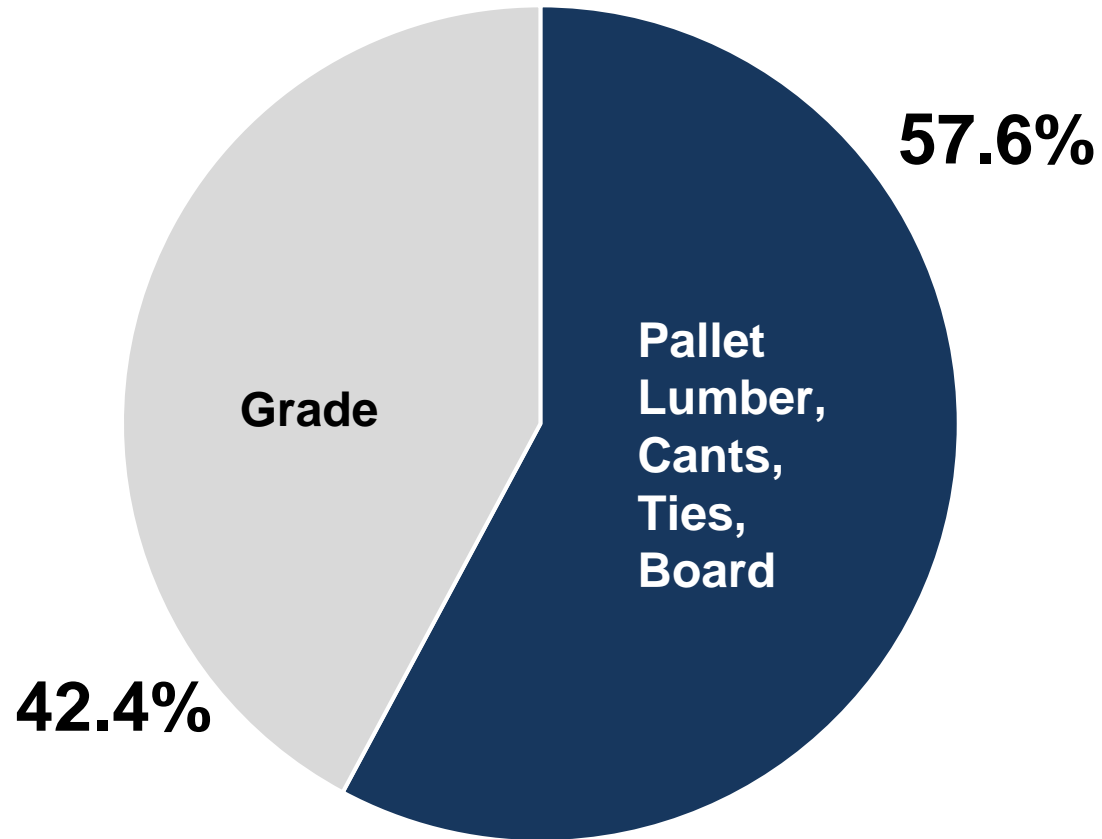


Consumption Recap 2019 to 2020

Hardwood Lumber Exports	-159MMBF
Domestic Grade Lumber	-723MMBF
Total Grade Lumber	-882MMBF
Industrial Products	-1,100MMBF
Total Consumption	-1,982MMBF

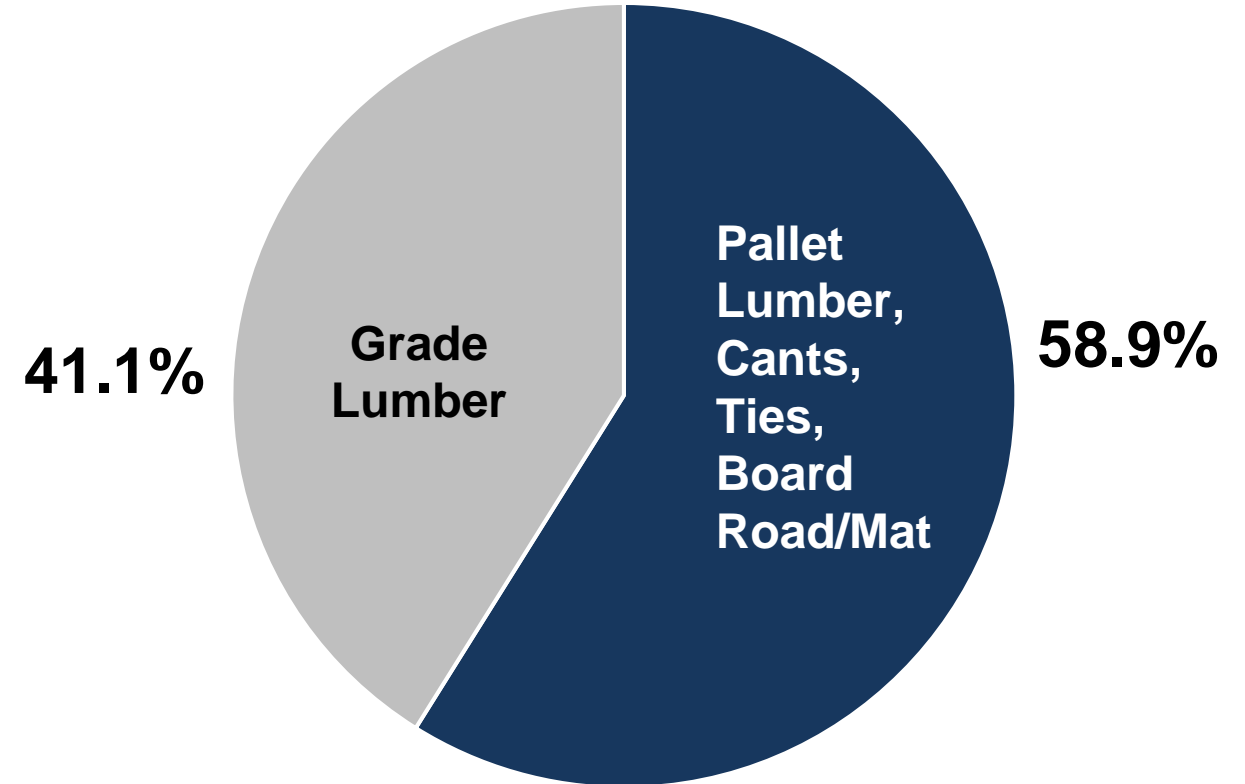


2019 Hardwood Consumption



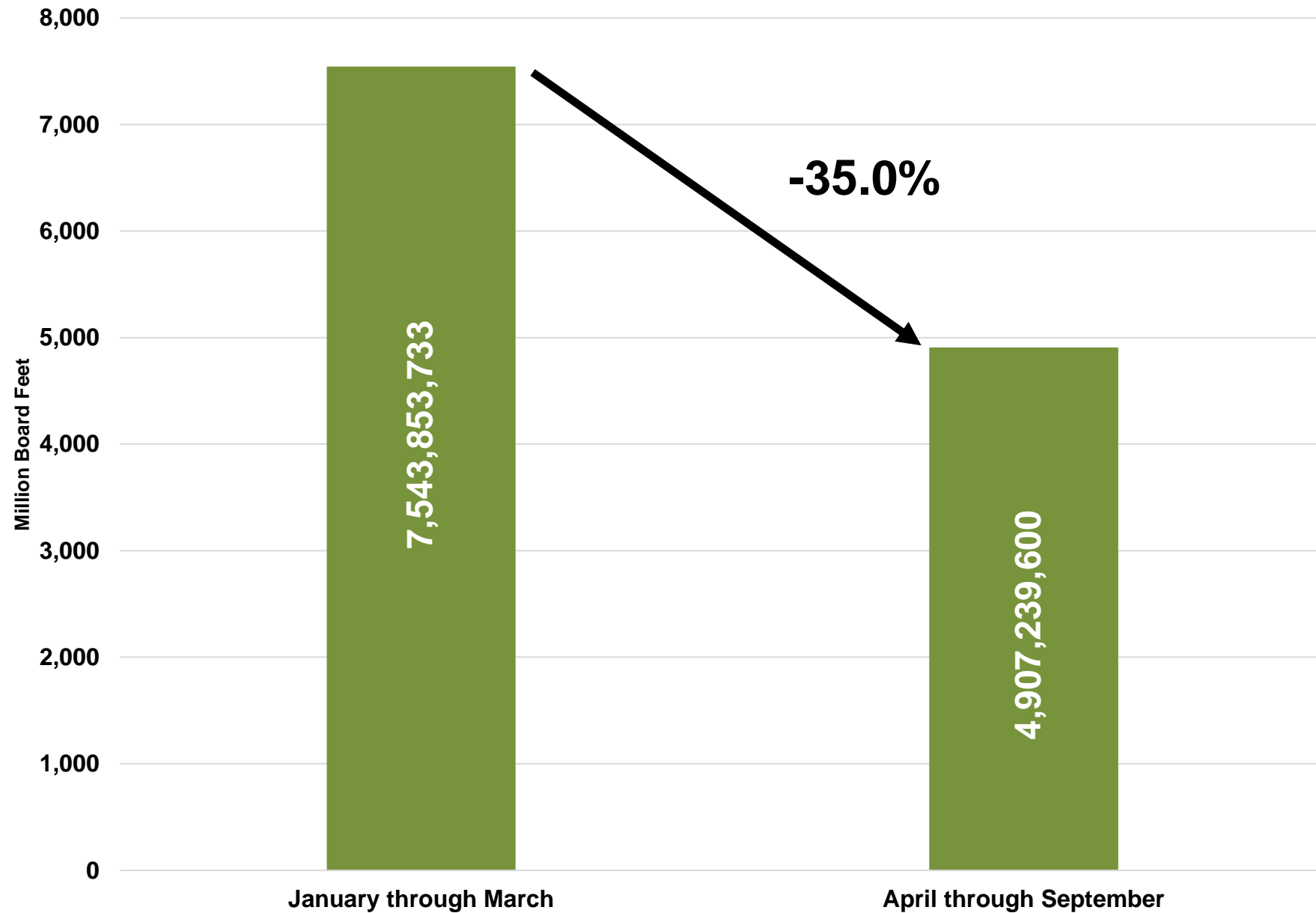
Industrial Products: 4.786BBF
Grade Lumber: 3.518BBF
Total: 8.304BBF

2020 Hardwood Consumption



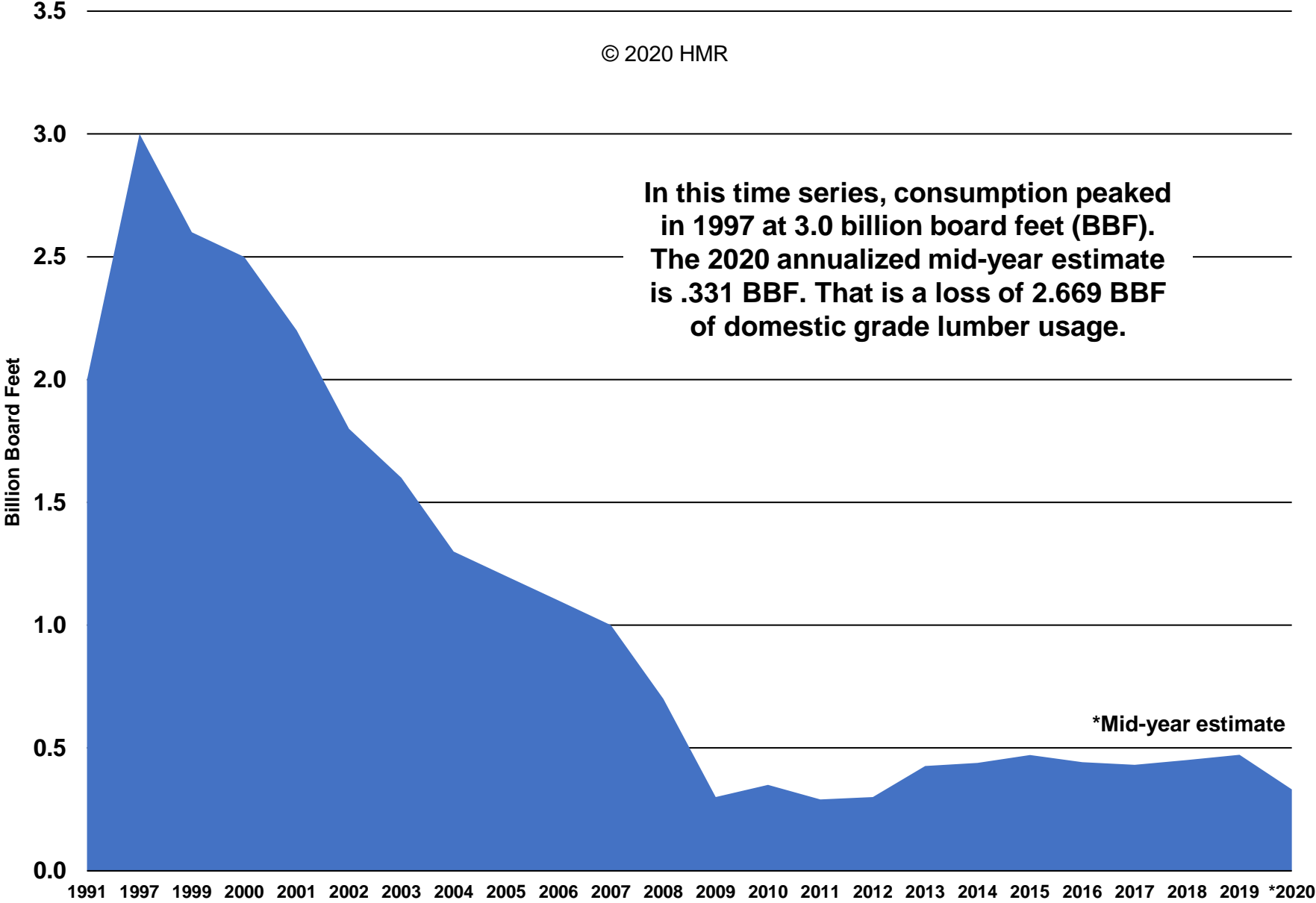
Industrial Products: 3.709BBF
Grade Lumber: 2.588BBF
Total: 6.297BBF

2020 Eastern US Sawmill Production

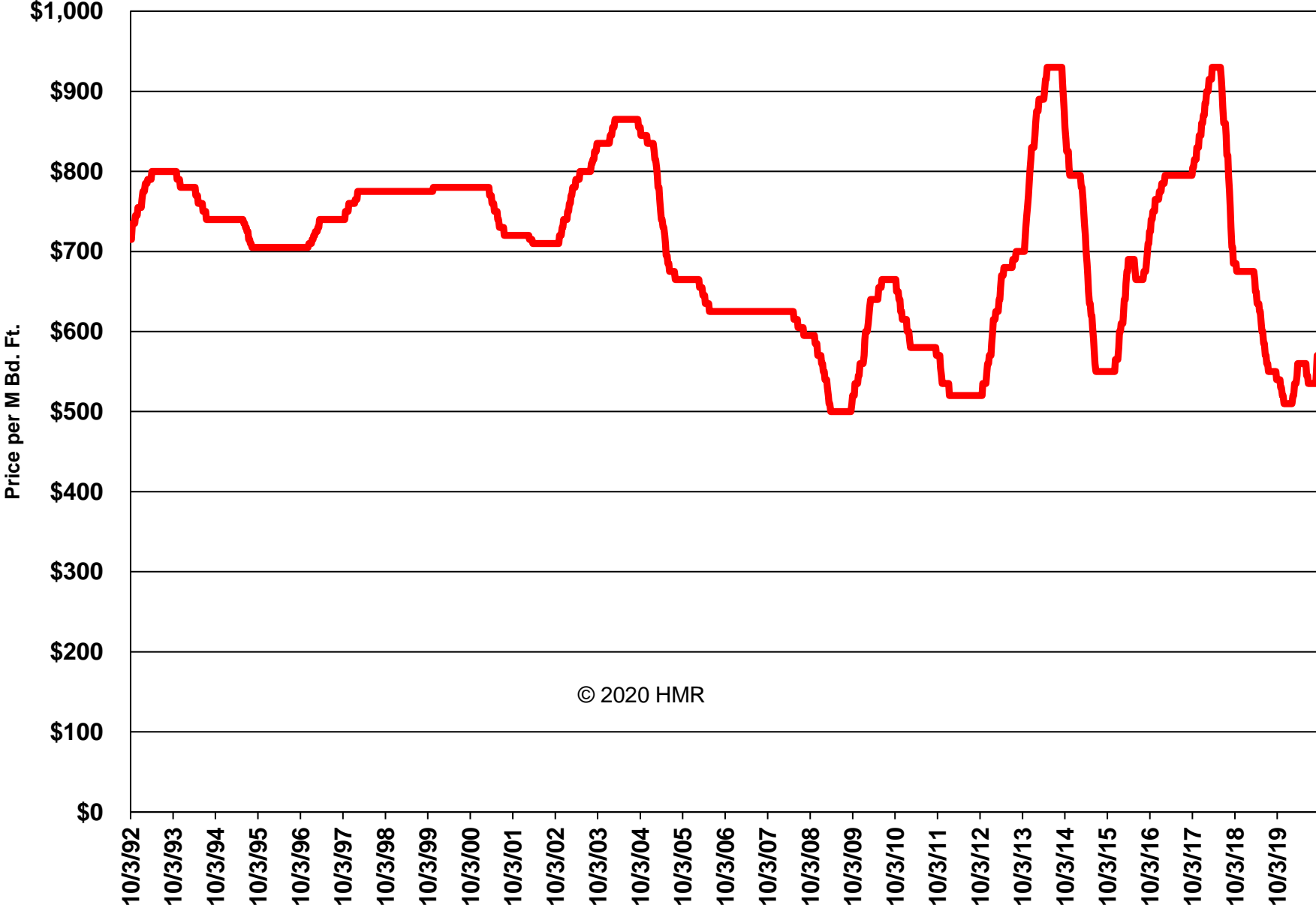


Hardwood Lumber Consumption by the US Furniture Industry

© 2020 HMR

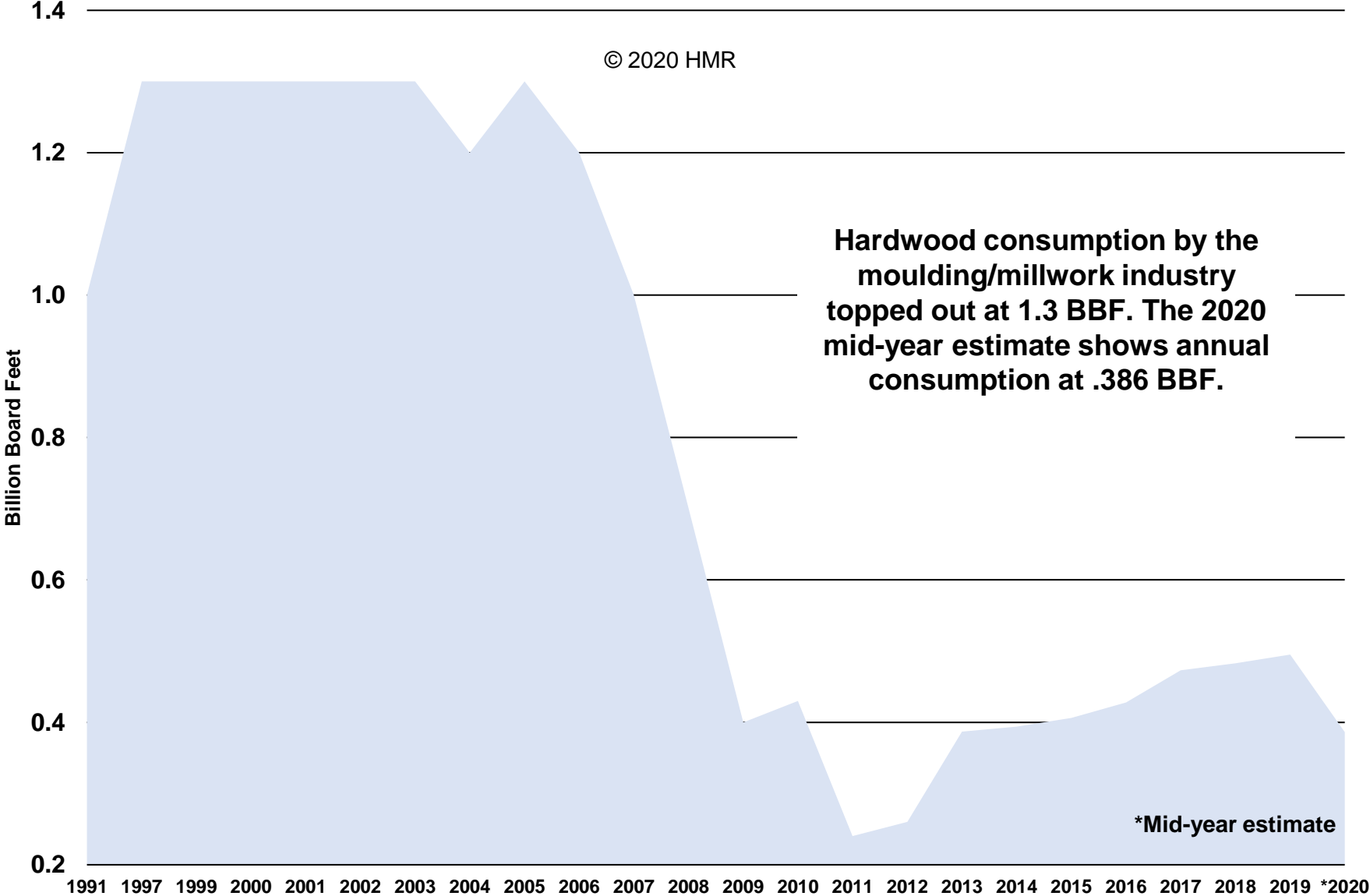


Appalachian Green 4/4 #1C Red Oak



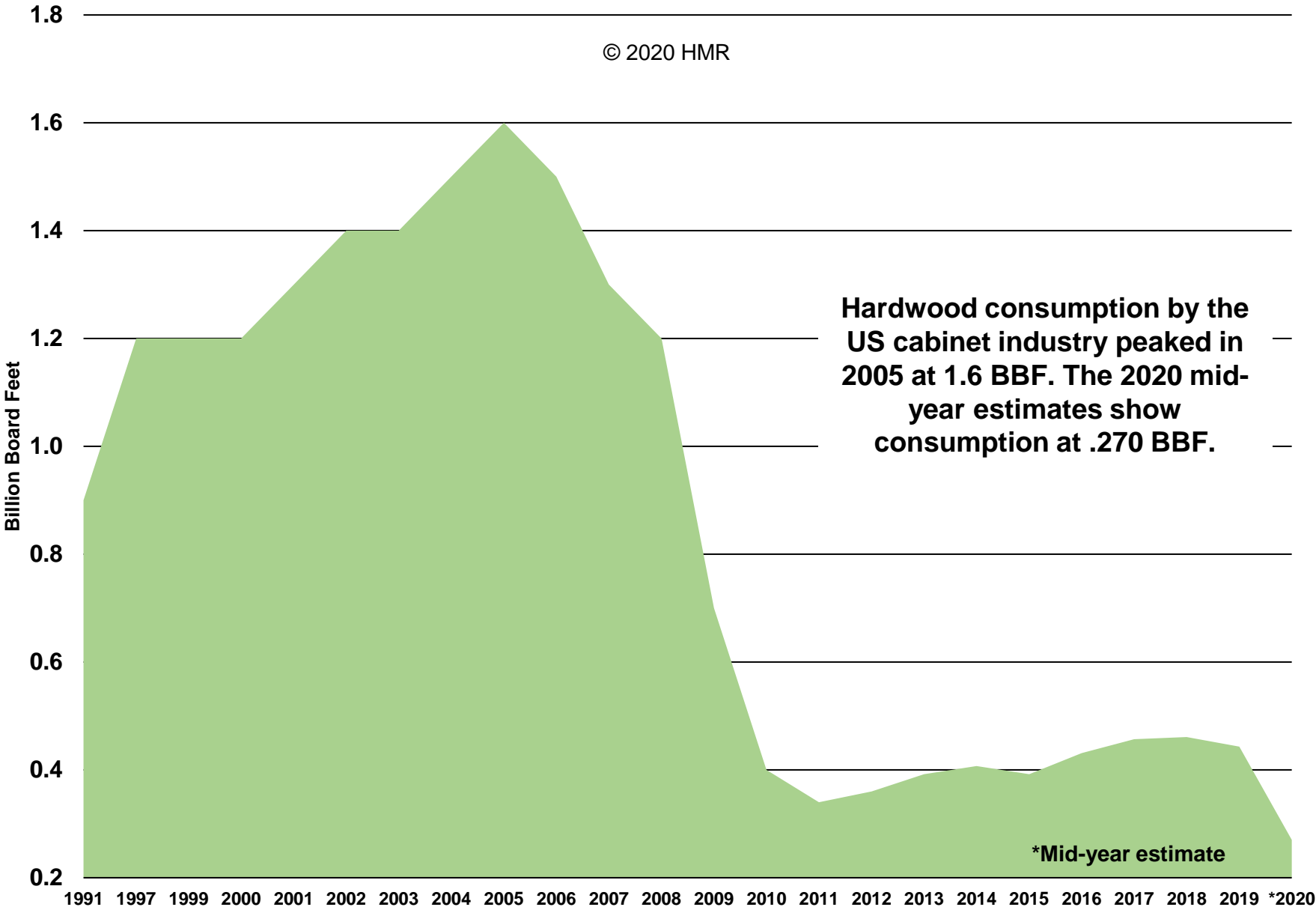
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Hardwood Lumber Consumption by the US Moulding and Millwork Industry



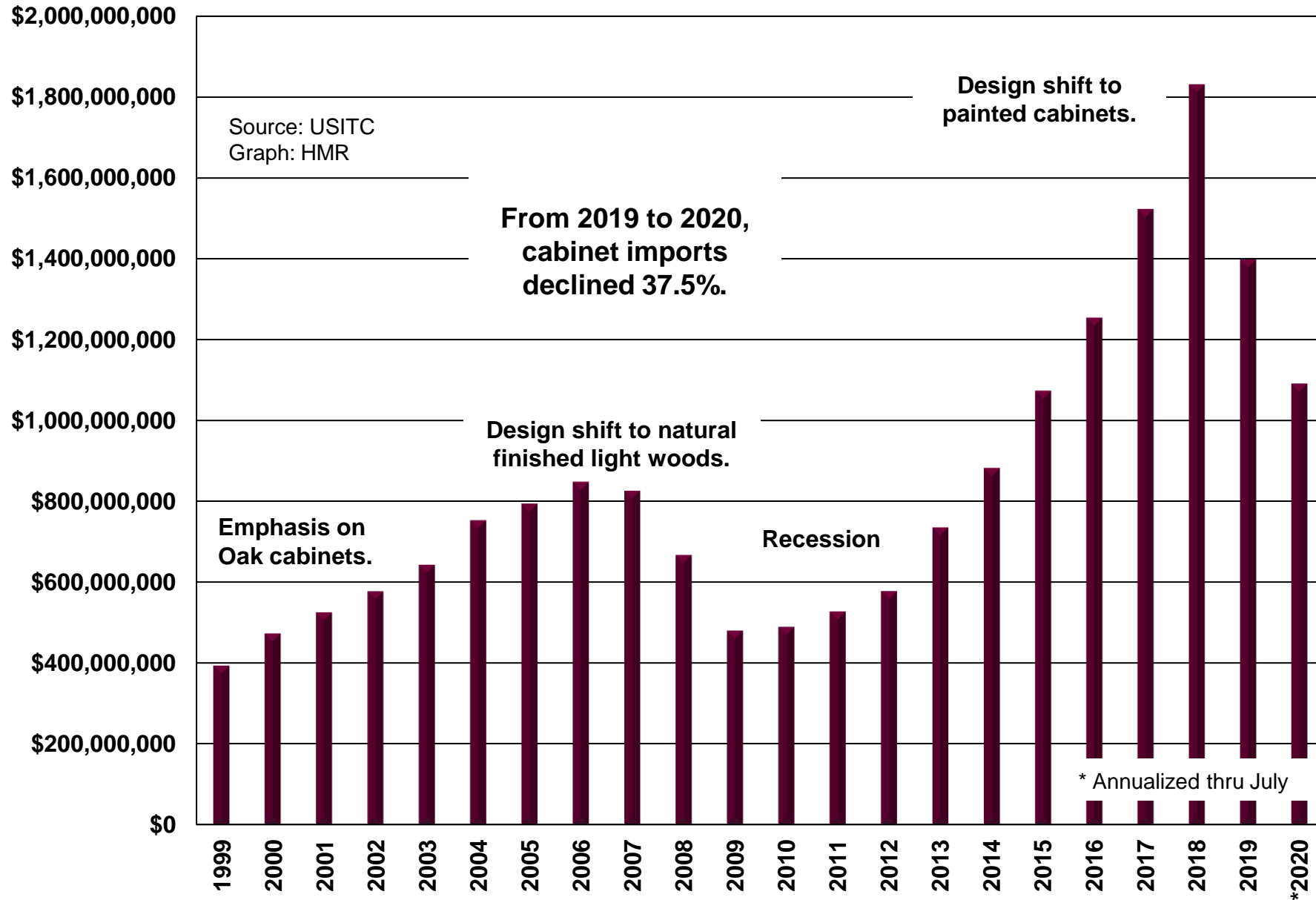
Hardwood Lumber Consumption by the US Cabinet Industry

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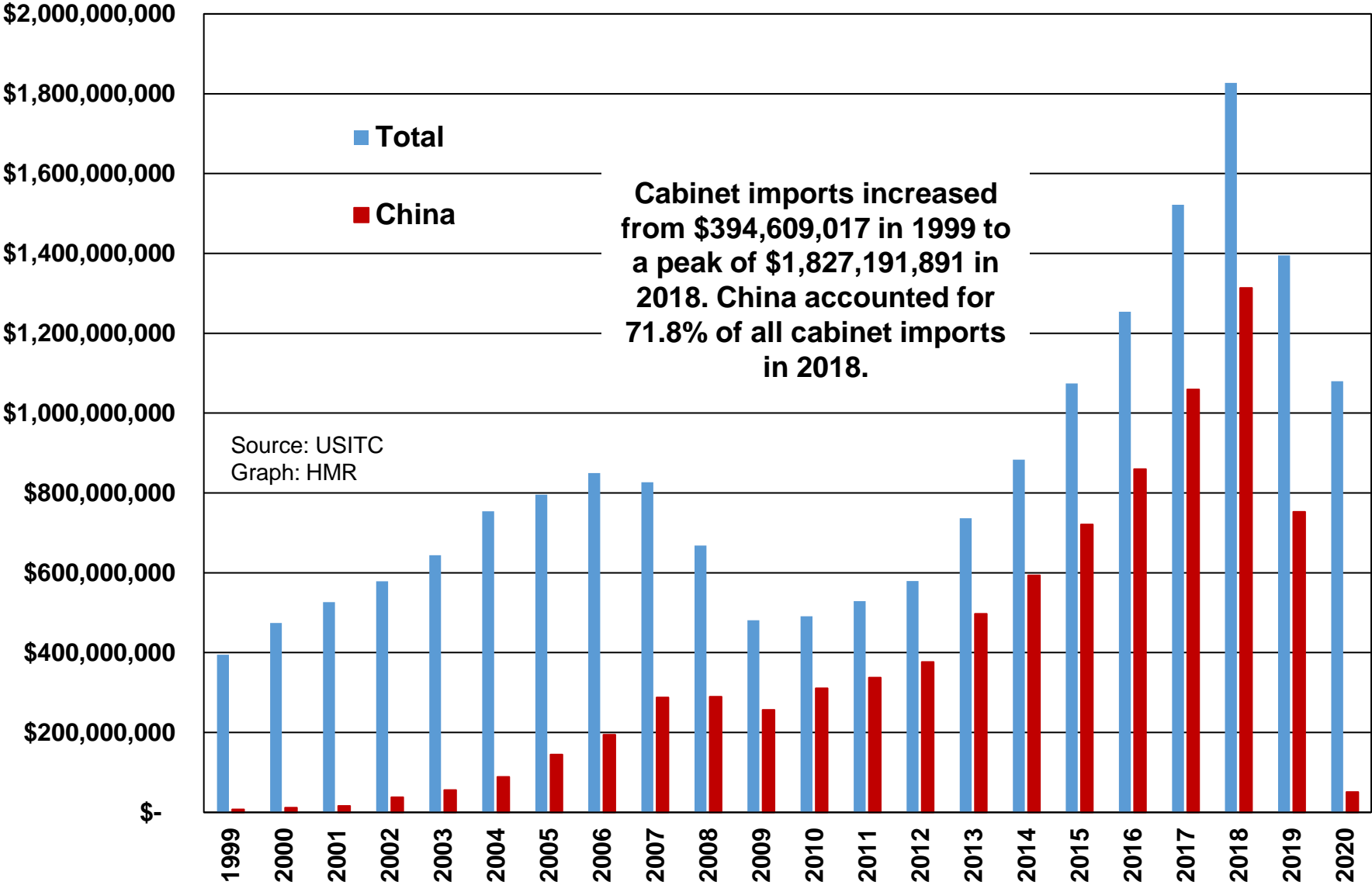




Wood Kitchen Cabinet and Countertop Imports to the US

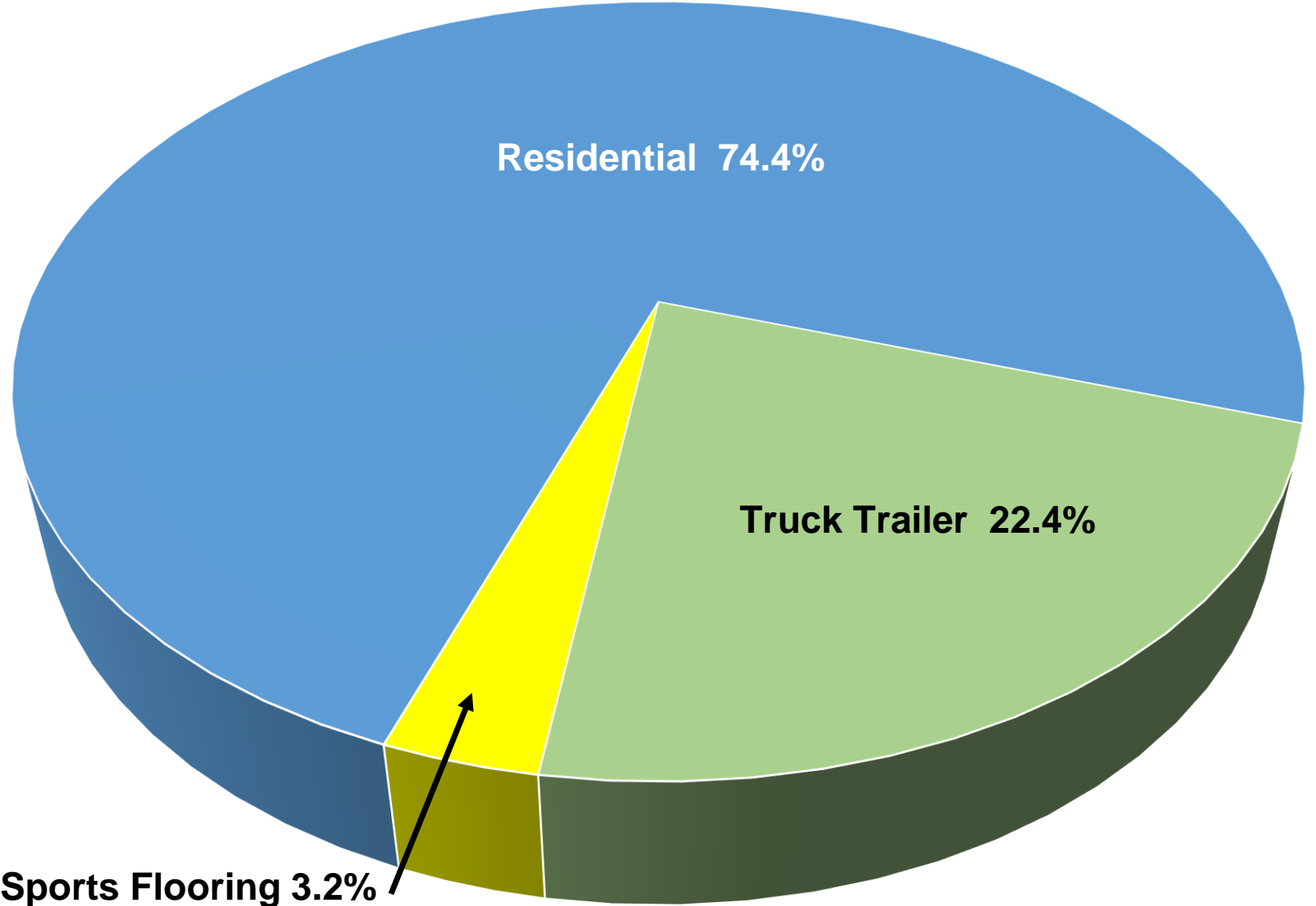


Cabinet Imports to the US

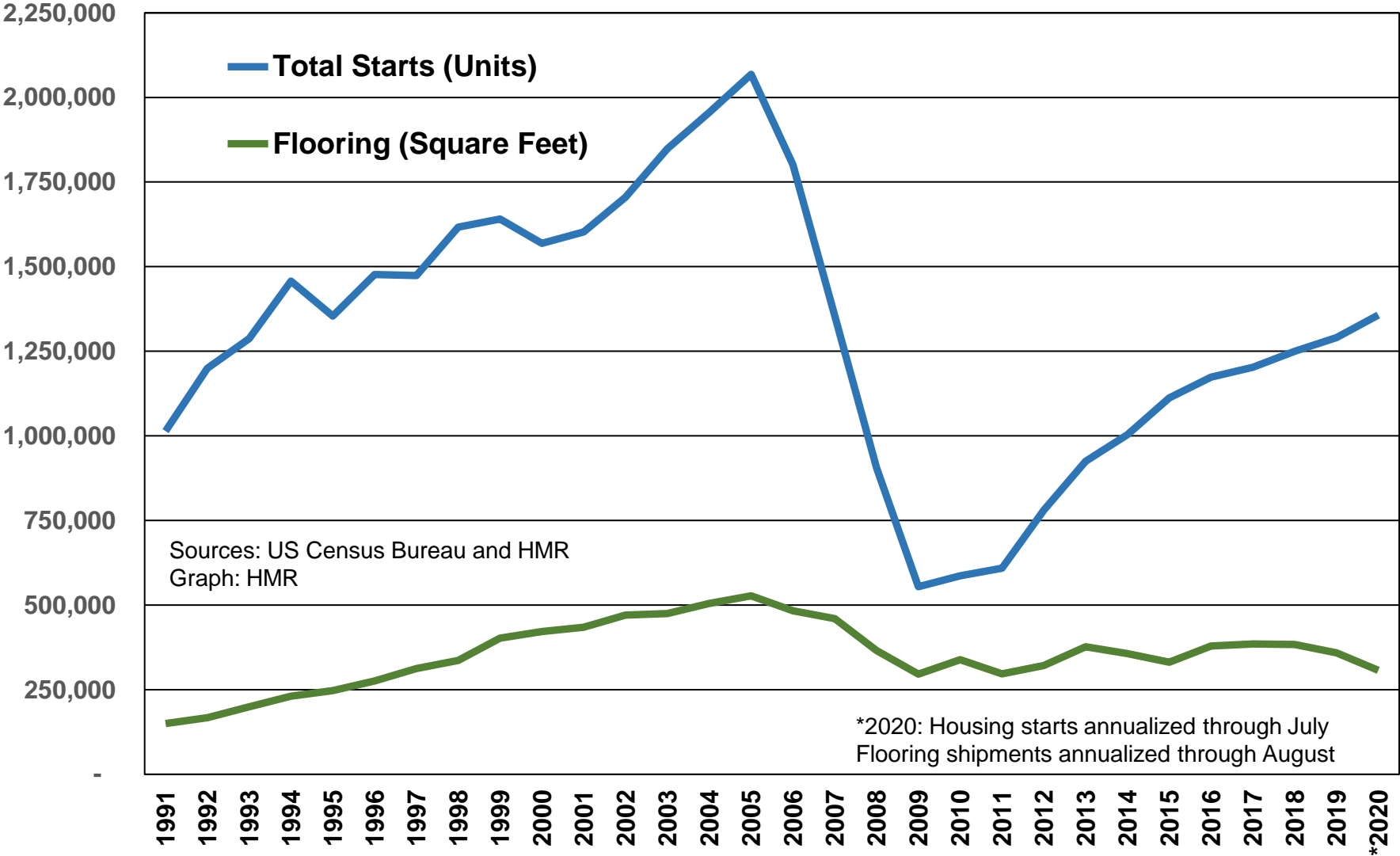


Opportunity?

Solid Hardwood Flooring Sectors



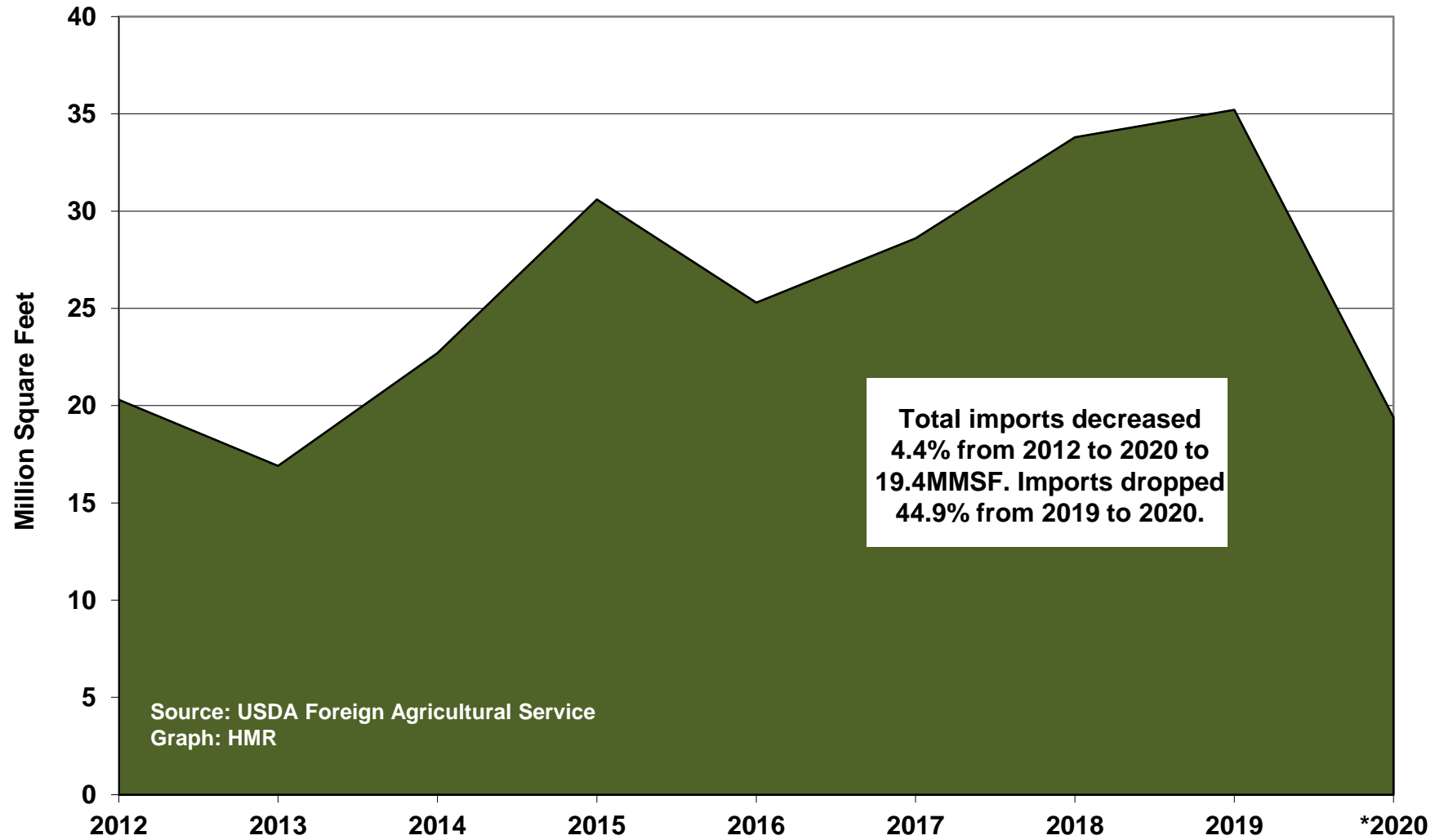
US Manufacturers' Shipments of Residential Solid Wood Flooring and Total US New Home Starts



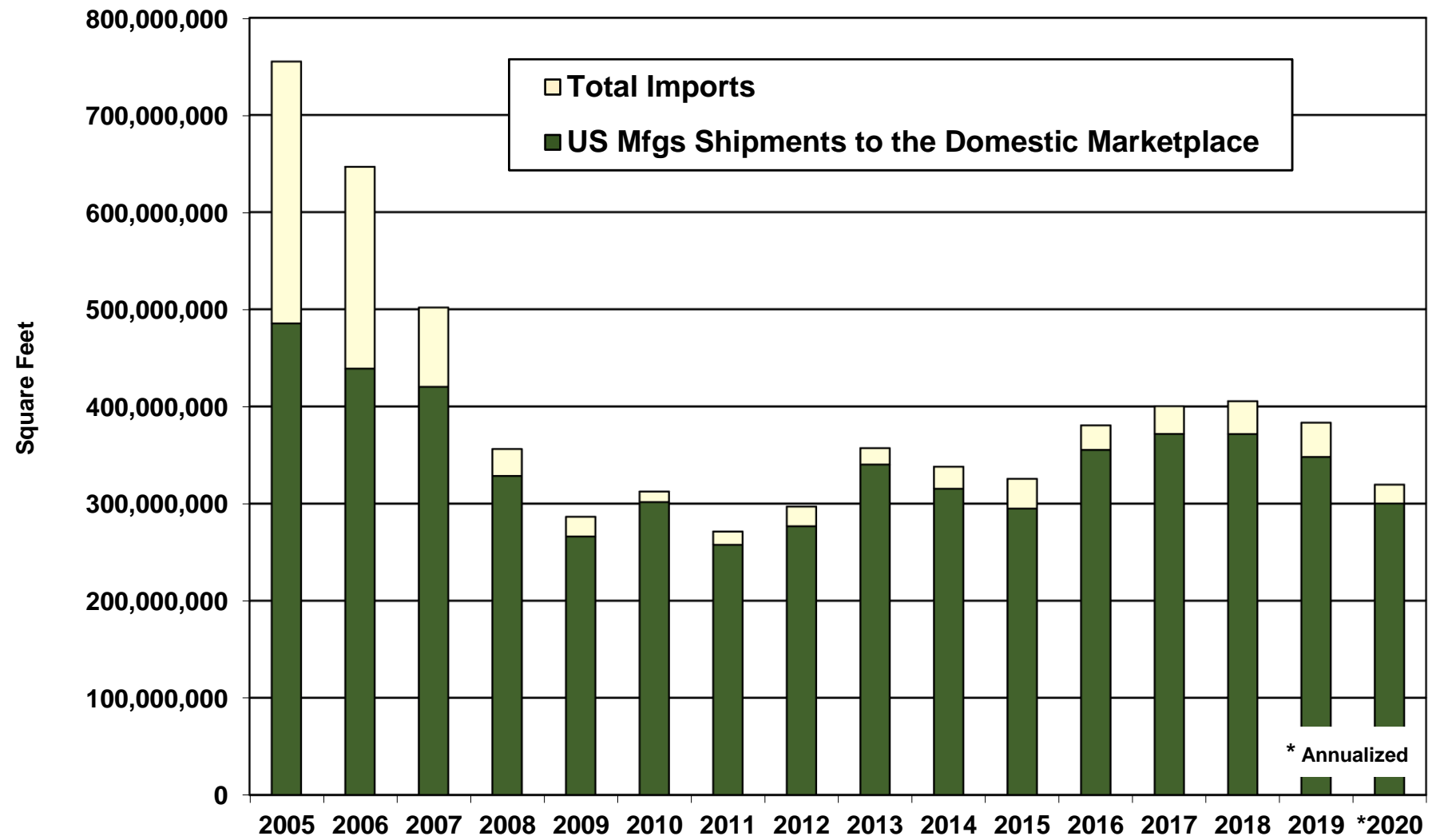
Luxury Vinyl Tile



World Imports of Hardwood Flooring to the US



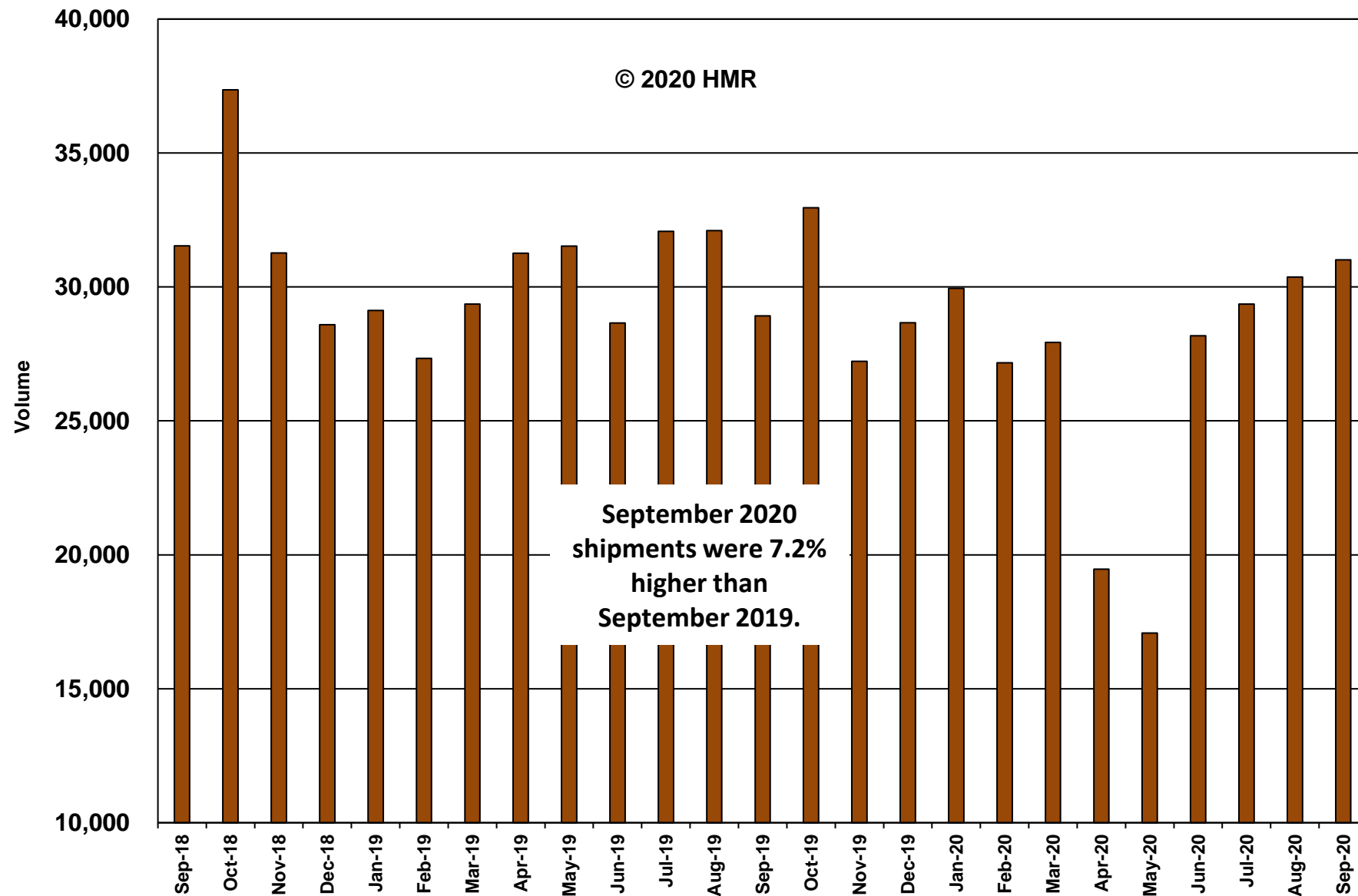
US Market Consumption of Solid Hardwood Flooring



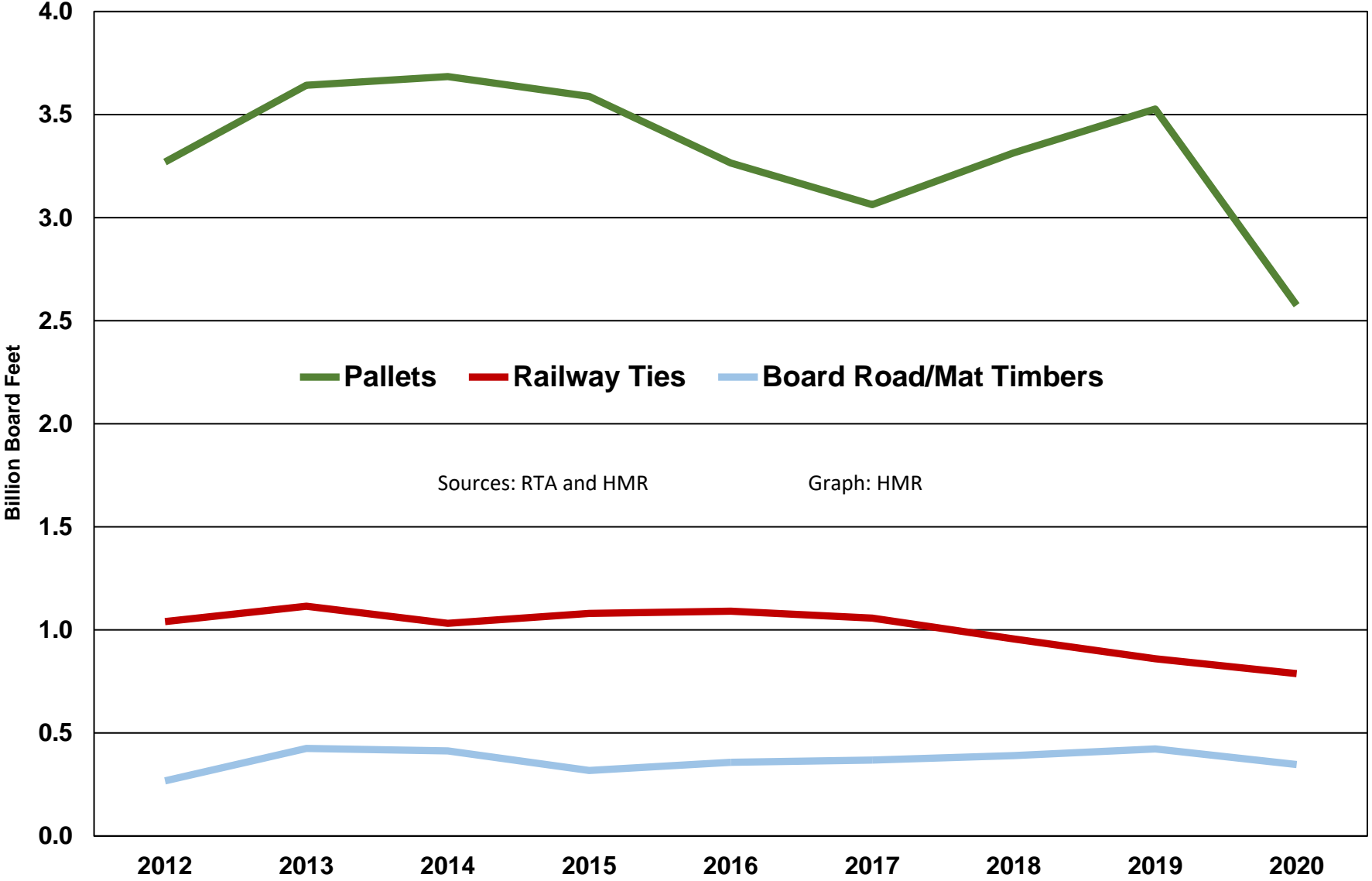
Sources: USDA FAS and HMR

Graph: HMR

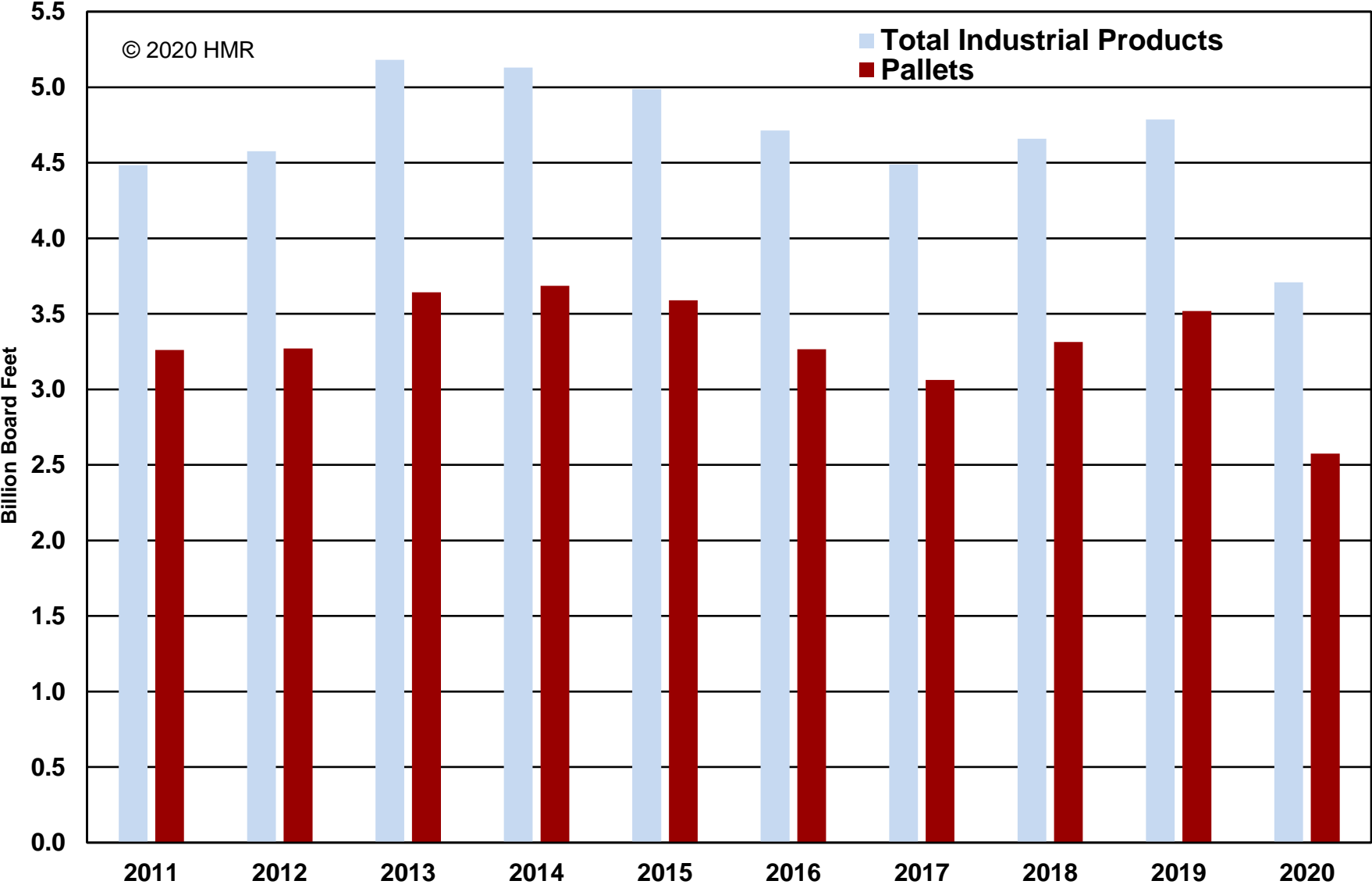
US Manufacturers' Shipments of Solid Wood Flooring (Thousand Square Feet)



Consumption Estimates

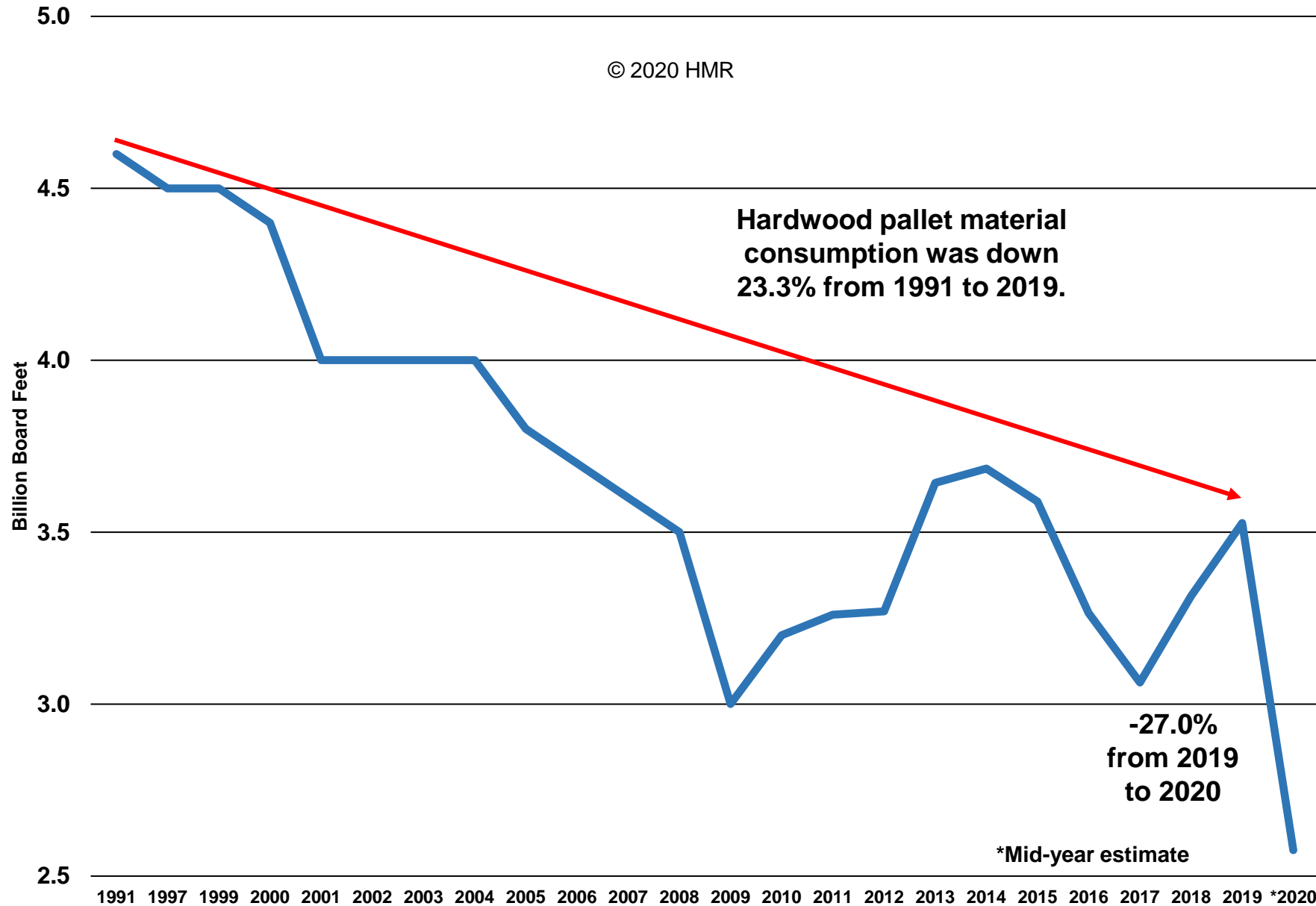


Consumption by Industrial Product Markets



Hardwood Lumber Consumption by the US Pallet Industry

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The Pallet Industry

Statistics from NWPCA, Virginia Tech, HMR, and USDA Forest Service

	2011	2016
New Pallets	406 Million	508 Million
Recycled Pallets	324 Million	341 Million
Total Pallets	730 Million	849 Million
Hardwood Usage (HMR)	3.26 Billion Bd. Ft	3.527 Billion Bd. Ft.





Fortune Business Insights –

July 23, 2019

Global Pallet Market 2018 to 2026:

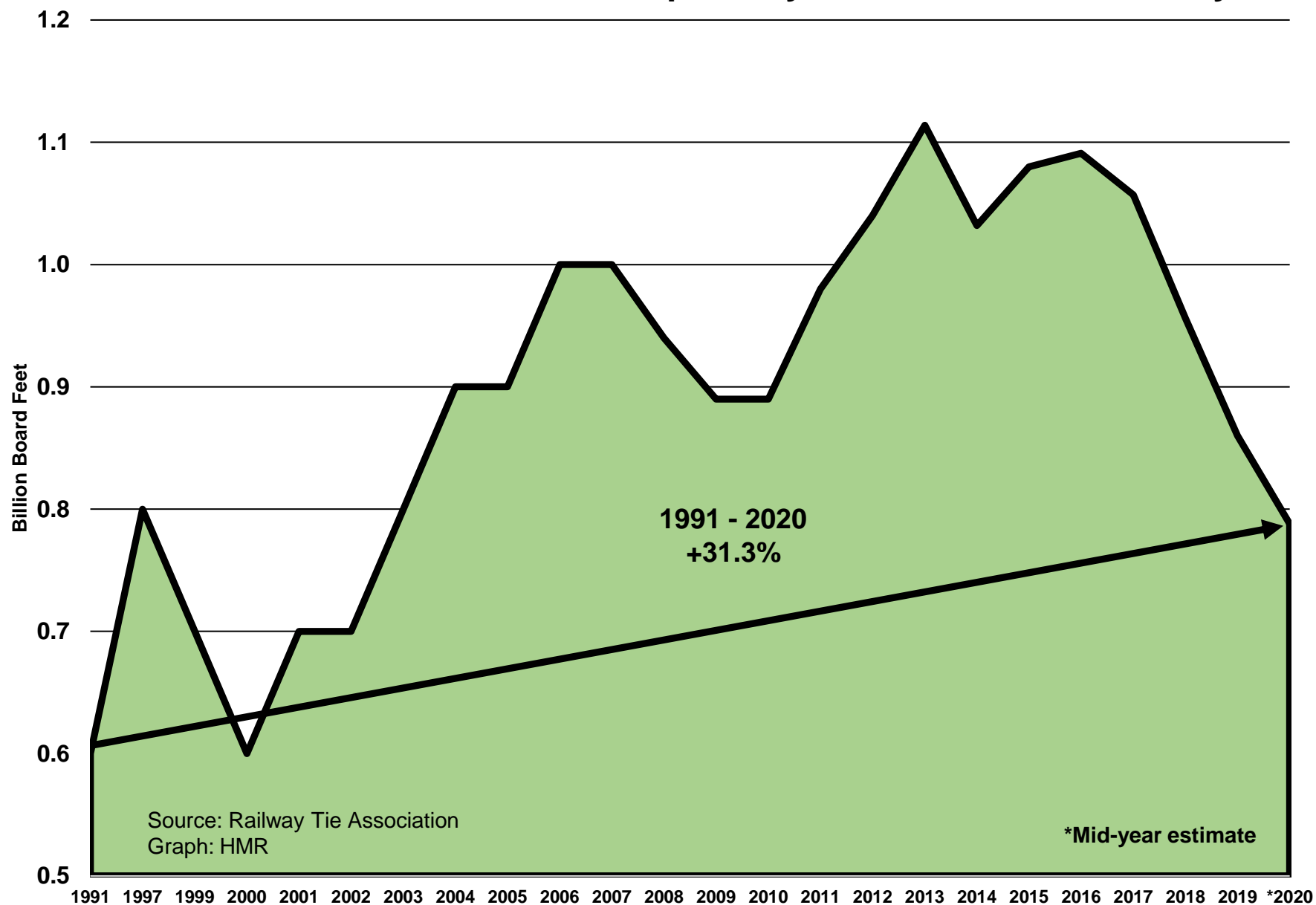
2018 \$59.91 billion

2026 \$88.69 billion

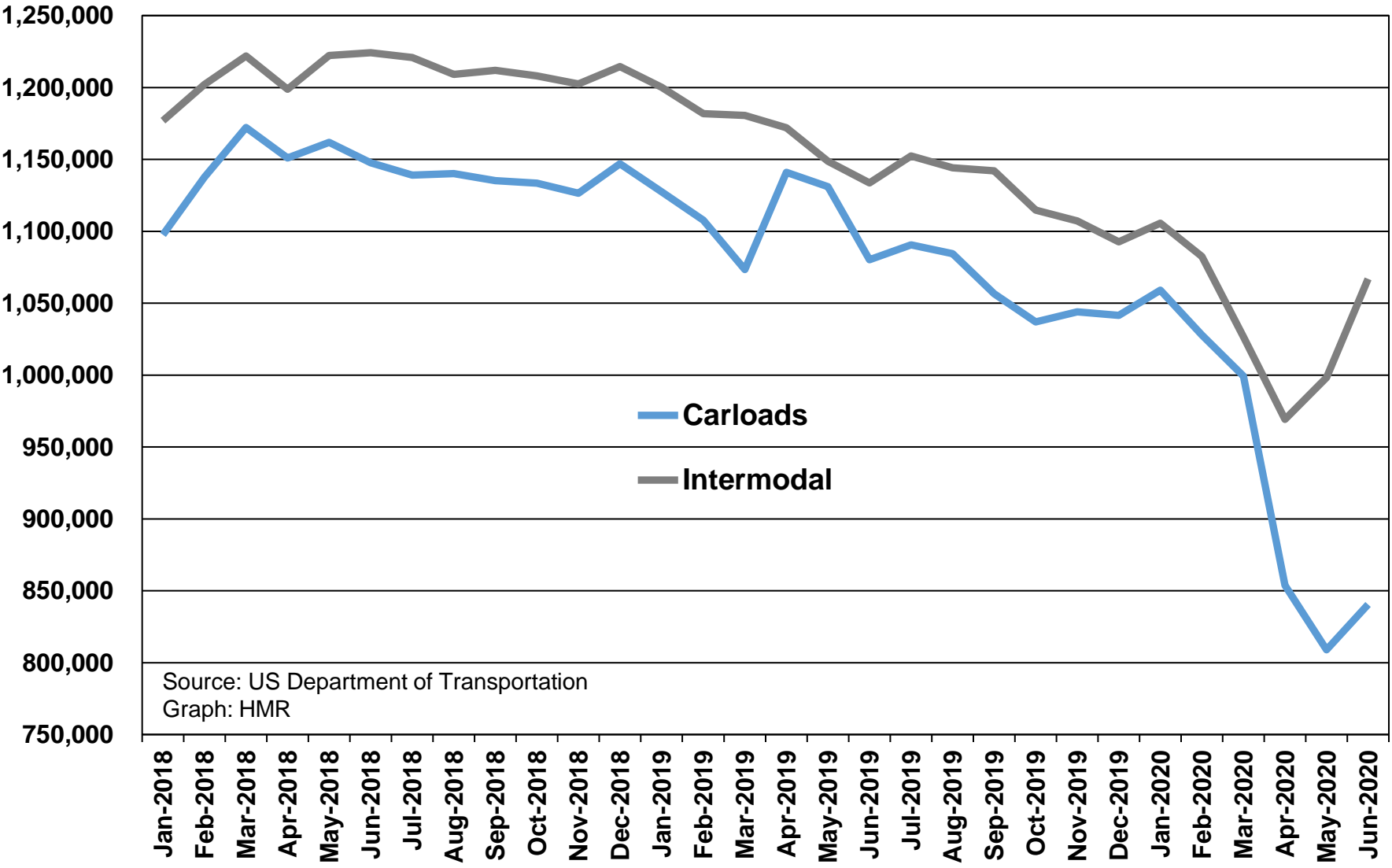
Compound Annual Growth Rate 5.1%

Wood pallets are expected to account for the largest share of the global market

Hardwood Lumber Consumption by the Railroad Tie Industry



US Rail Freight (Seasonally Adjusted)



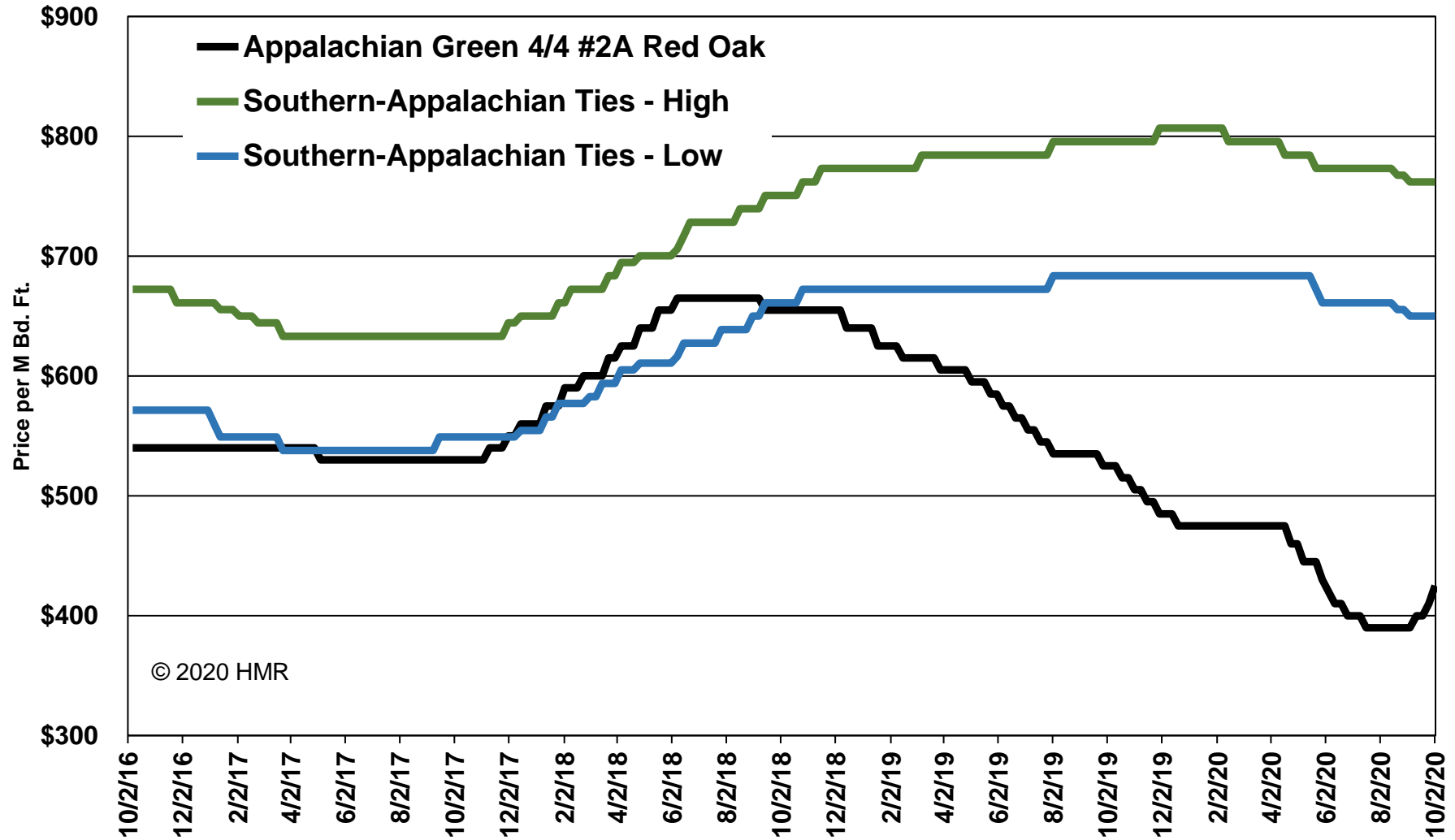
Source: US Department of Transportation
Graph: HMR

US Department of Transportation 30-Year Forecast

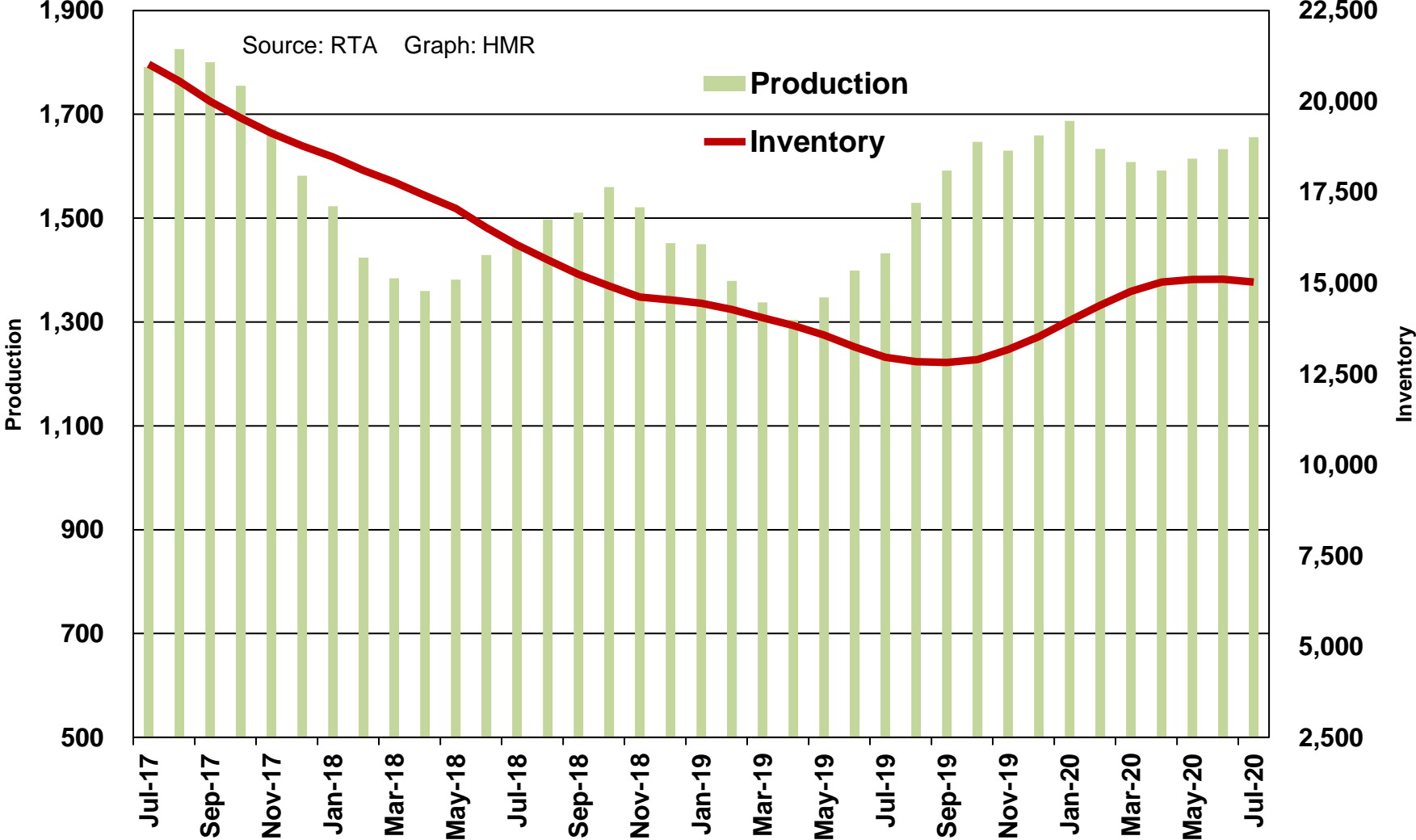
Mode	2015	2045	Change
Truck	11,513	16,529	+ 44%
Pipeline	3,303	4,554	+ 38%
Rail	1,694	2,094	+ 24%
Water	835	1,156	+ 38%
Multiple Modes and Mail	398	646	+ 62%
No Domestic Mode*	273	297	+ 9%
Air	7	24	+ 234%
Total	18,056	25,331	+ 40%

Weight (Million Tons)

Appalachian Green 4/4 #2A Red Oak and Southern-Appalachian 7x9x8 1/2' Crossties



Crosstie Production and Inventory
Six-Month Moving Average
(Thousand Ties)



Railway Tie Association Annual Survey

Estimated New Hardwood Crosstie Requirements

	Class I Railroads	Small Markets	Total
2019	14,471,000	4,105,000	18,576,000
2020	13,836,000	3,831,000	17,667,000
2021	13,731,000	4,427,000	18,158,000

Board Road/Crane Mat Industry Overview

Demand Buckets

- Transmission Lines
- Pipelines
- Drilling
- Roads and Bridges
- General Construction

Board Road/Crane Mat Industry Overview

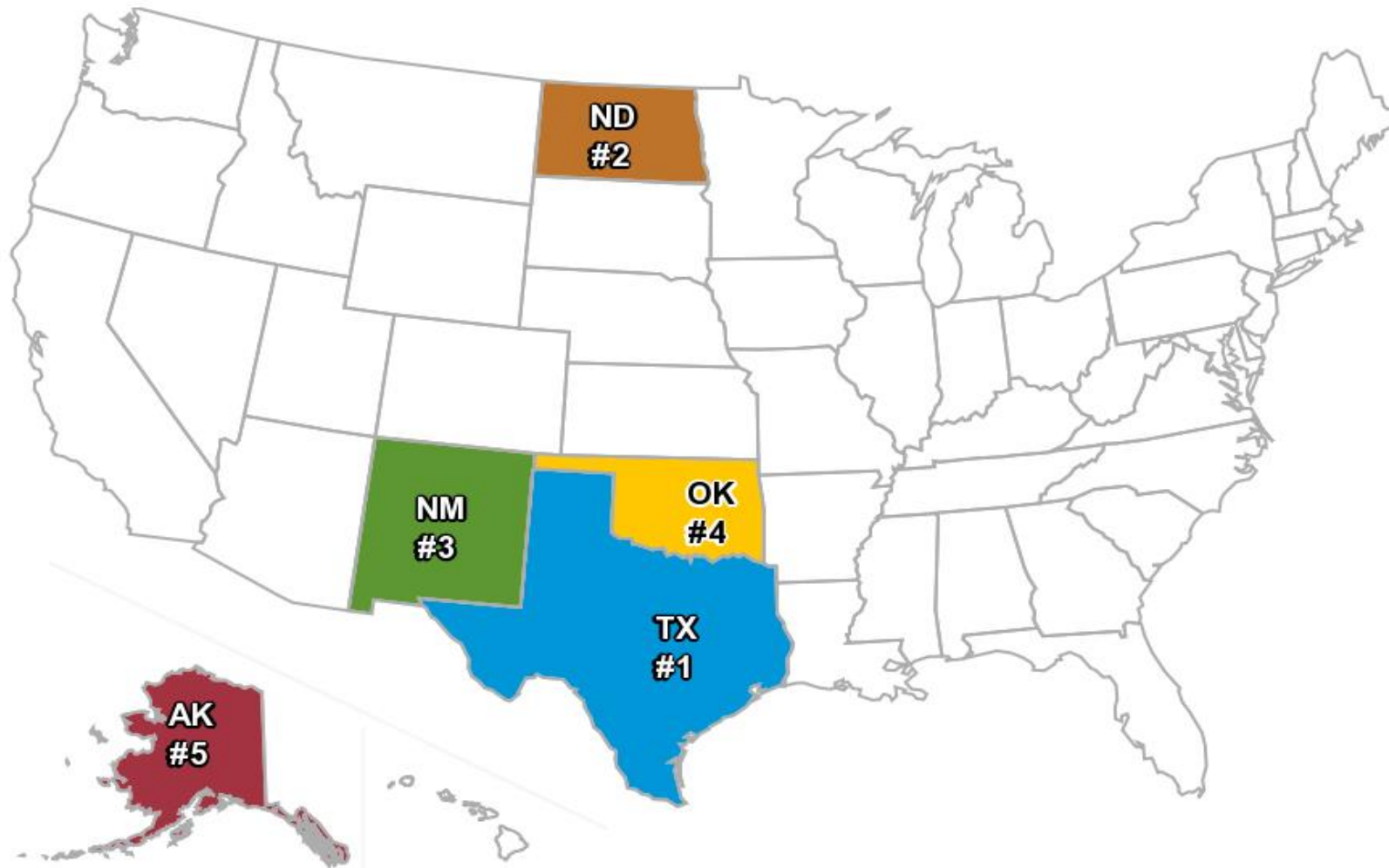
Supply Stream –

Raw materials for mat construction

- Large sawmills, vertically integrated in producing raw materials and assembling mats
- Mat builders that purchase lumber and timbers. These mat builders may or may not be sawmills.
- Sawmills that sell to lumber and timbers to mat builders – directly or indirectly
- Brokers that purchase and resell lumber and timbers to mat builders.



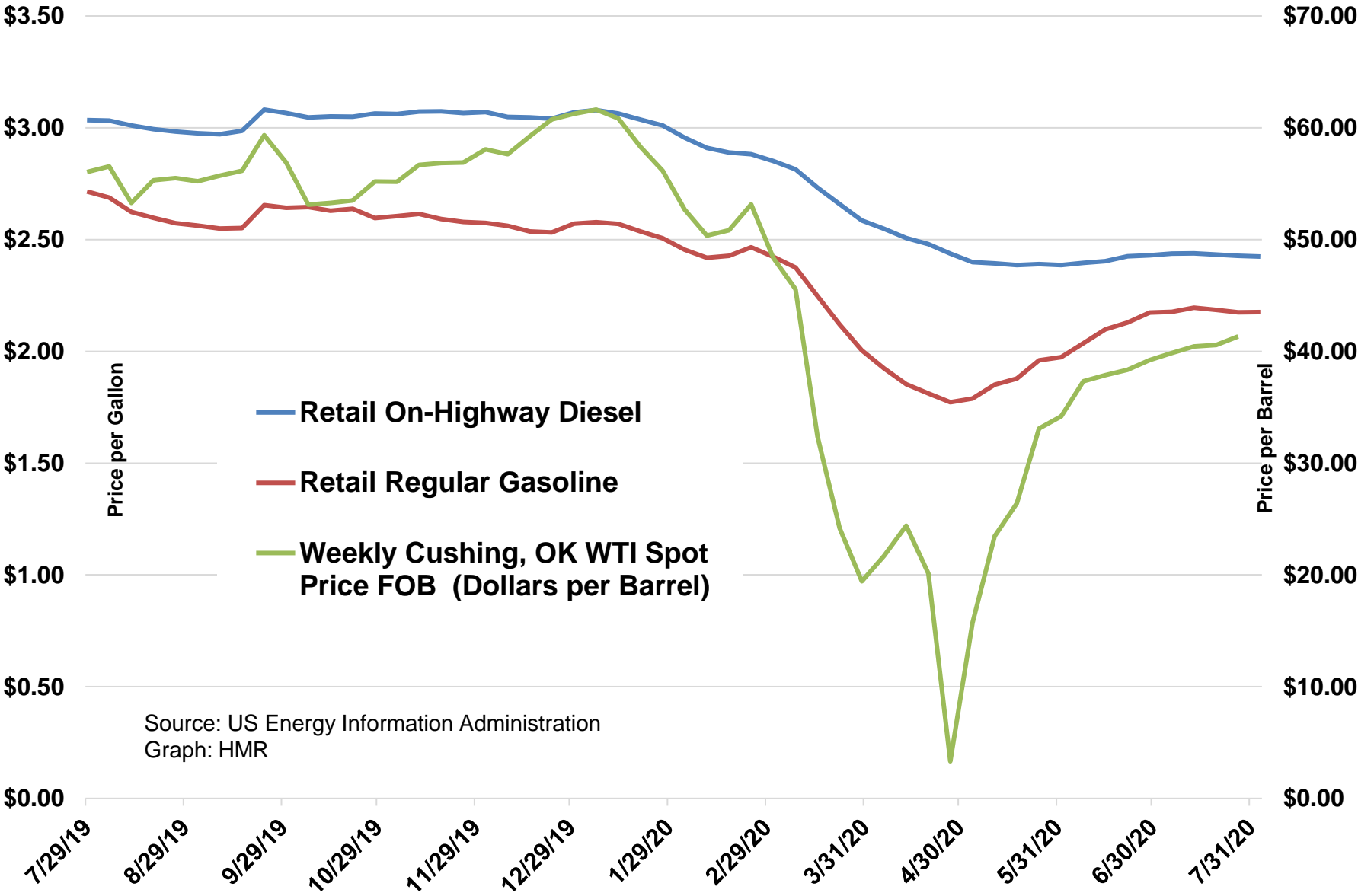
Top crude oil producing states, 2018



Note: Federal Offshore Gulf of Mexico would rank #2 in production if it were a state.

Source: U.S. Energy Information Administration, *Petroleum Supply Monthly*, Table 26, March 2019, preliminary data

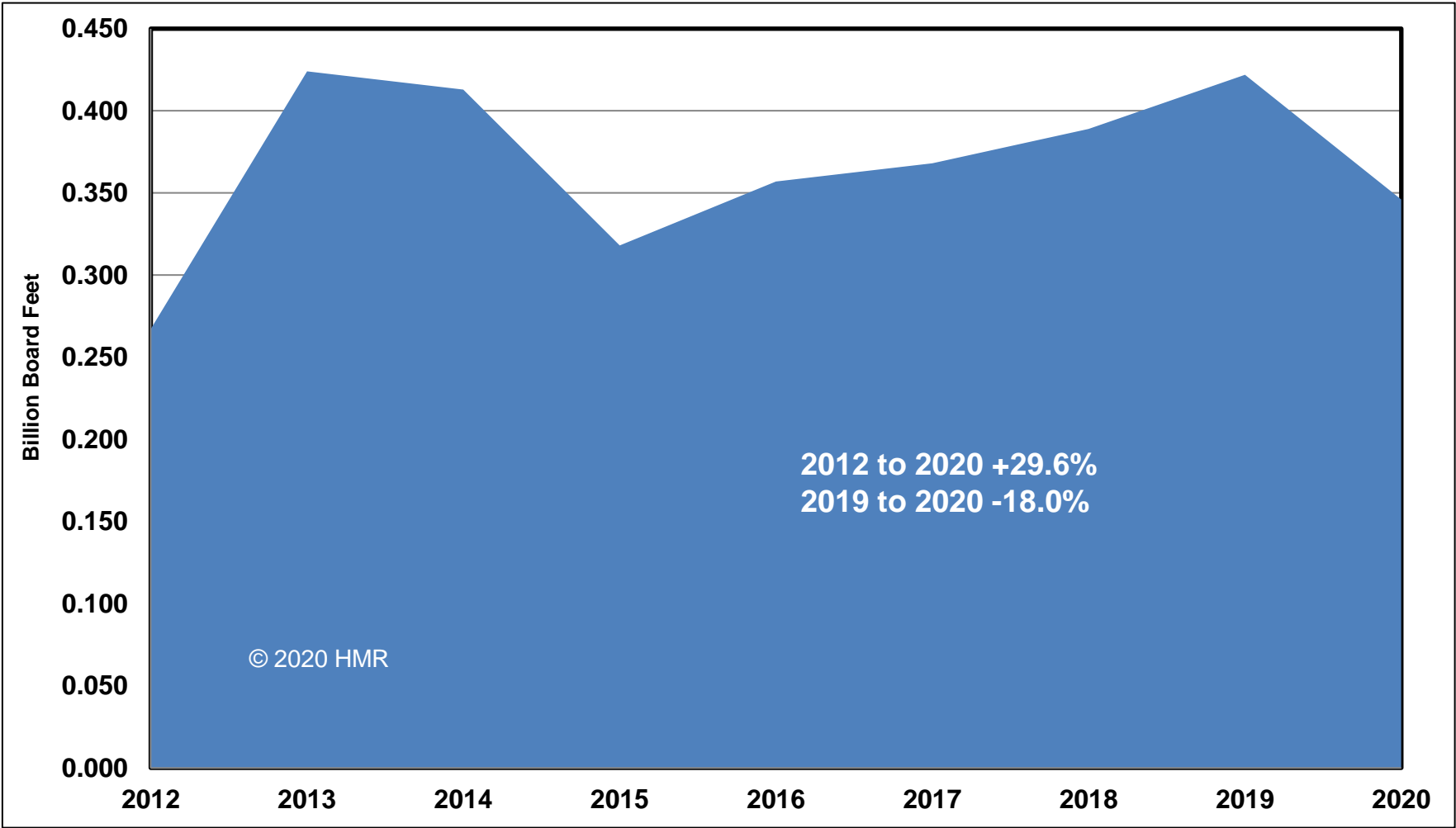
US Gasoline, Diesel, and Oil Prices



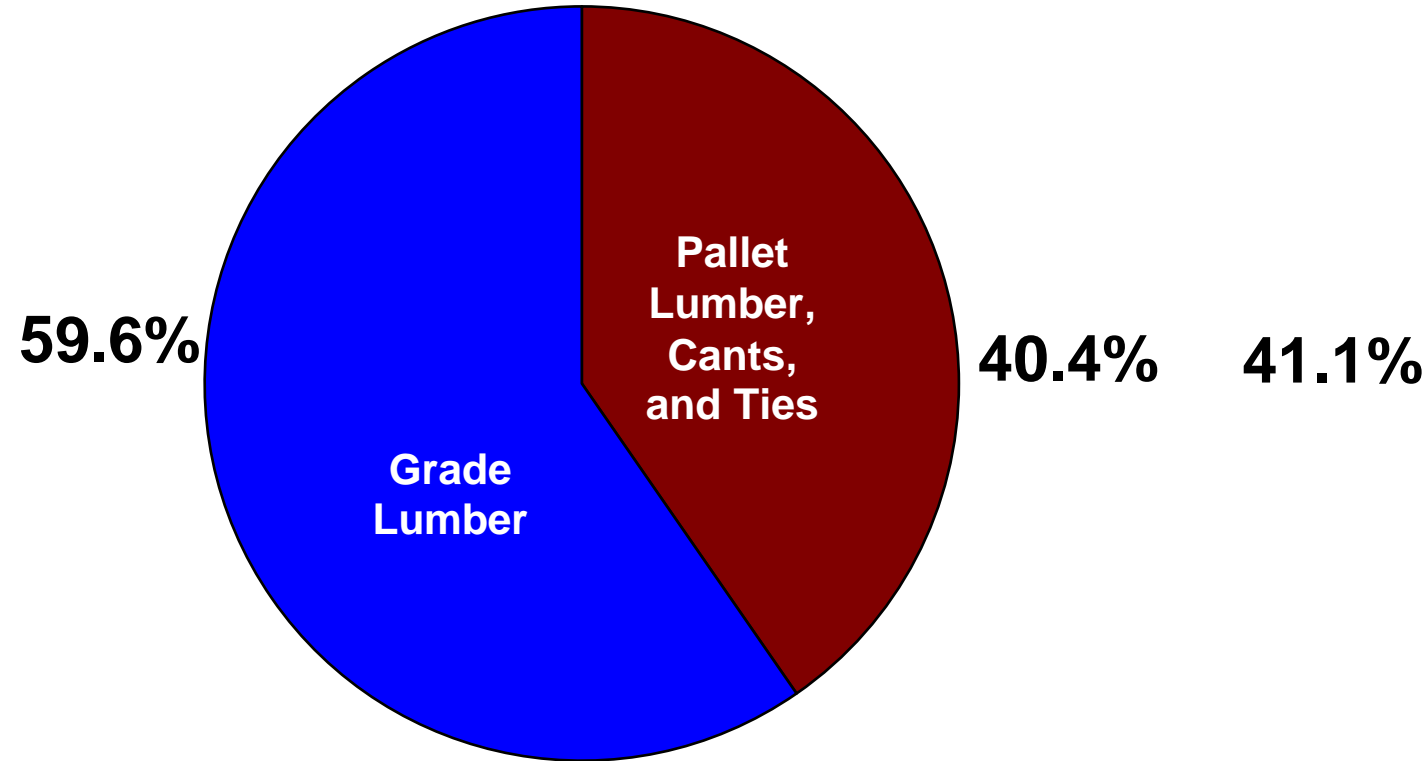
Nationwide Permit 12

**Issued 3-19-2017 by the US Corp of Engineers
NWP 12 authorizes discharges of dredged or fill
material into waters of the United States for
crossings of those waters associated with the
construction, maintenance, or repair of utility
lines, which are defined as any pipe or pipeline
for the transportation of any gaseous, liquid, or
slurry materials. The permit also applies to
various types of communication lines.**

Board Road/Mat	2012	2013	2014	2015	2016	2017	2018	2019	2020
Timbers	0.267	0.424	0.413	0.318	0.357	0.368	0.389	0.422	0.346

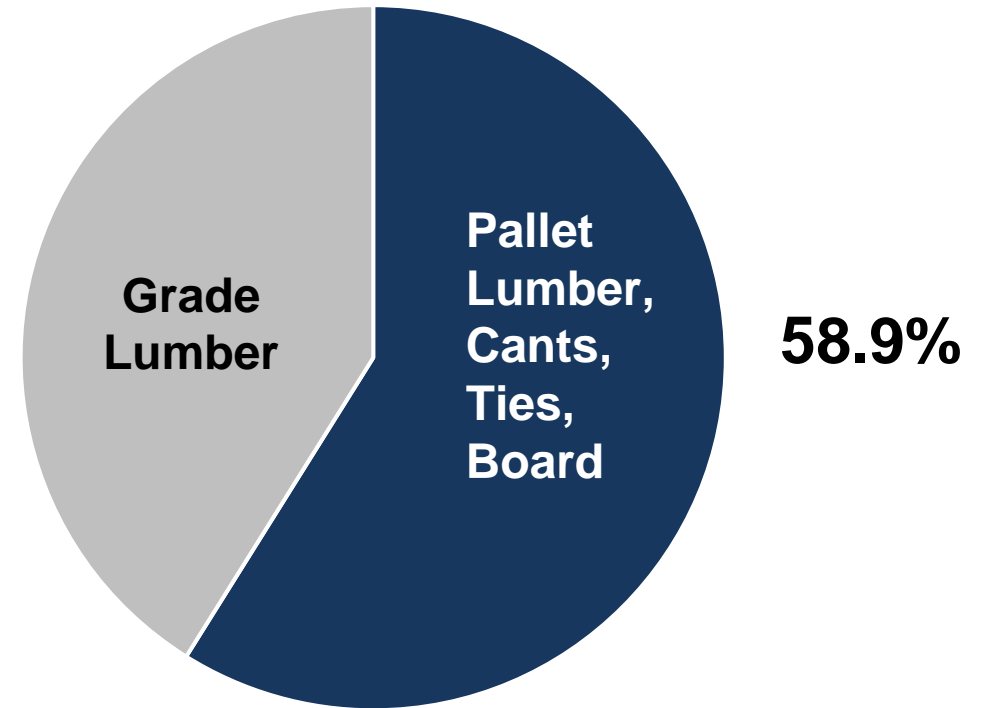


1999 Hardwood Consumption



Industrial Products: 5.21B bd. ft.
Grade Lumber: 7.7B bd. ft.

2020 Hardwood Consumption

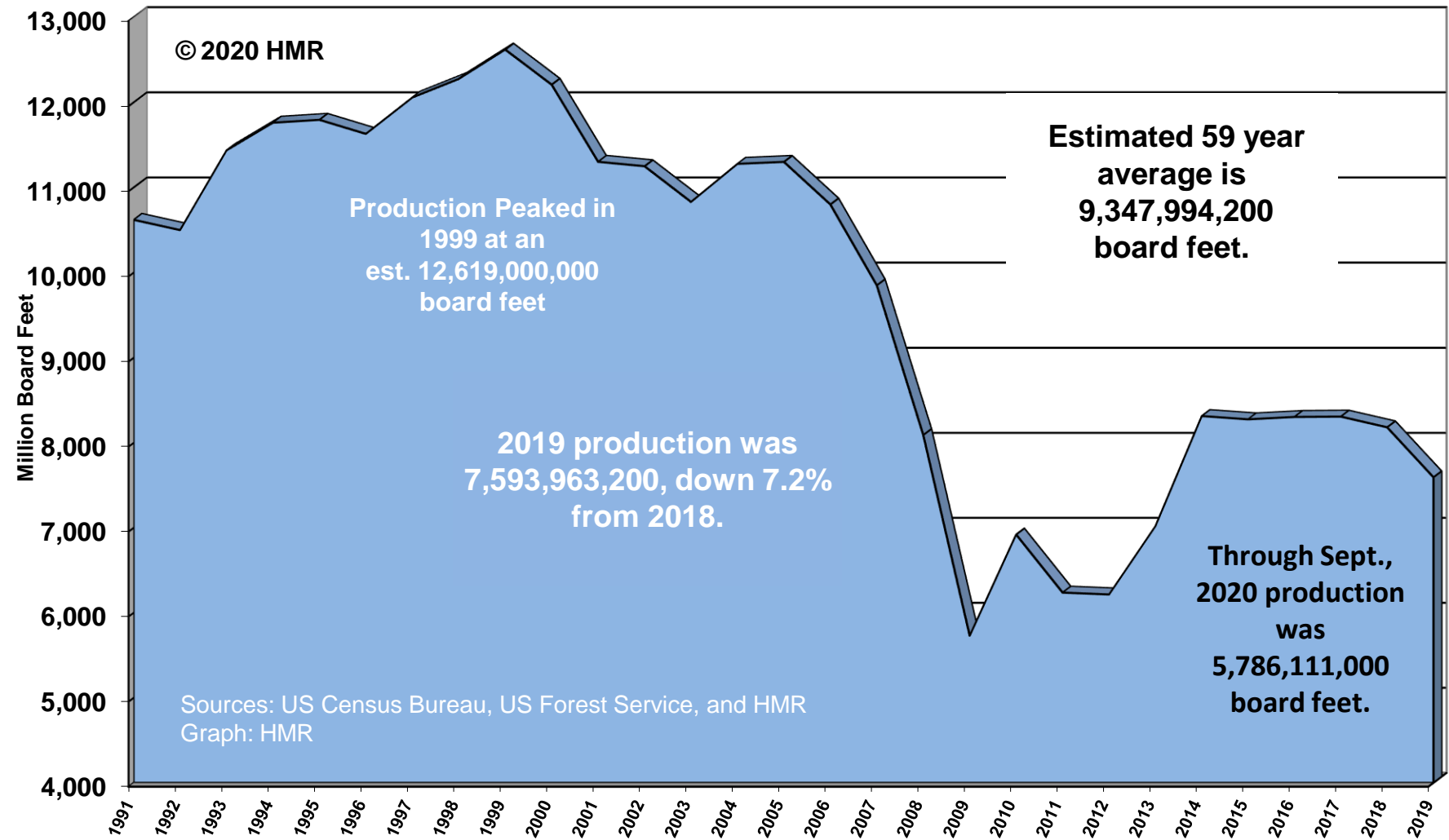


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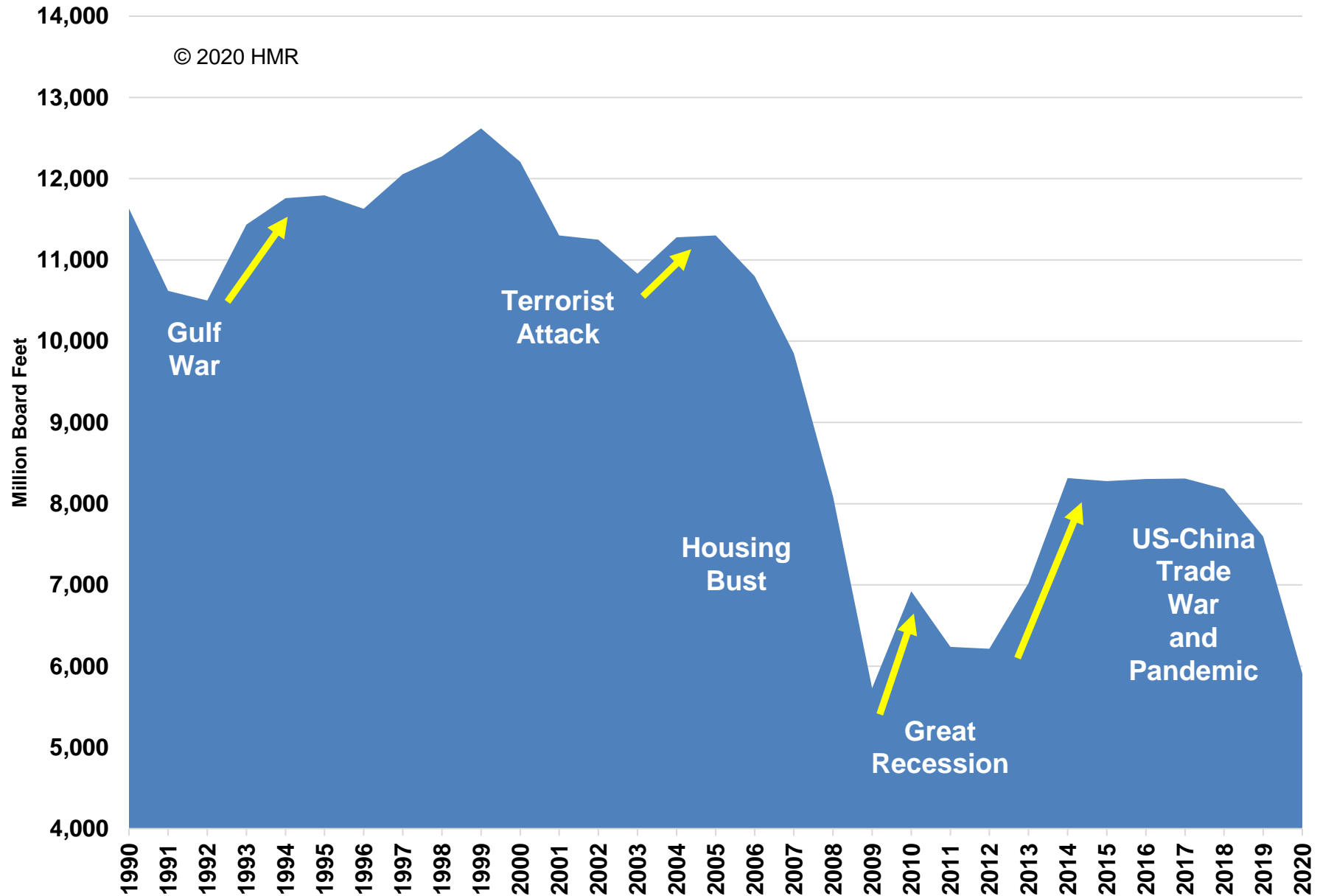
Consumption of Hardwood Lumber by Major US Markets

© 2020 HMR	2019	Mid-Year 2020	Estimated 2020	% Change Mid-Year 2020	% Change 2019
Pallets	3.527	2.575	2.77	7.6%	-21.5%
Furniture	0.472	0.3311	0.387	16.9%	-18.0%
Exports	1.363	1.168	1.25	7.0%	-8.3%
Millwork	0.495	0.3861	0.422	9.3%	-14.7%
Cabinets	0.443	0.2702	0.345	27.7%	-22.1%
Flooring	0.733	0.4325	0.615	42.2%	-16.1%
Railway Ties	0.860	0.788	0.775	-1.6%	-9.9%
Board Road/Mat Timbers	0.422	0.346	0.325	-6.1%	-23.0%
Total Estimated Consumption	8.315	6.297	6.889	9.4%	-17.1%

Eastern US Hardwood Production



Eastern US Hardwood Production





Hardwood Market Report

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Lumber News Since 1922

World Watch

China August 2017
Manufacturing PMI +0.3% over July to 51.1%
Non-manufacturing PMI -1.1% from July

Canada
GDP +0.3% in June over May,
+4.3% over June 2016
Labor productivity -0.1% in Q2 from Q1

Euro area
Unemployment rate 9.1% in July
Retail sales -0.3% in July from June
Annual inflation 1.5% in August



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