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"Hardwood Lumber Market Recap and Outlook in Light of Expanding Log Exports"

Rapidly rising hardwood log exports are currently a top concern for U.S. hardwood sawmills, and raise important questions about the future of the U.S. hardwood industry. In his presentation at HMA's National Conference and Expo, **Dan Meyer**, *Hardwood Publishing* Managing Editor, Writer and Analyst, took a hard look at the complexities of the issue, and asked the tough questions about what, if anything, the industry could/should do about it. We offer this presentation recap.

To set the stage ...

Meyer's presentation began with a brief recap of current Market conditions:

- **Kiln dried** lumber pricing is strong. Cherry and Walnut are at five year highs. **Green** lumber is just as strong. Lumber is selling, but margins are tighter.
- **Low-grade markets** – ties and cants – are getting stronger.
- Outlook through the Summer – due to ramping-up of housing and secondary manufacturing, anticipate firm to higher lumber prices, stronger low-grade markets, and very strong log and lumber exports!
- **Biggest contributor to why lumber prices are strong – log exports.**

Industry Perception vs Government Data on Log Exports ...

Meyer discussed a recently conducted survey of almost 800 U.S. hardwood sawmills regarding log exports. Numerous concerns were identified, including access to and the affordability of logs; the need to export high quality logs to achieve a greater return; pressure to reduce sawing volume; pressure to shift species utilization. Nearly all of the respondents said that log exports have raised log prices, and that the situation is getting worse!

Government data, however, showed that current log exports to the world are **less** now, than exports in the early 2000's. So what's the problem? **The problems are:**

- Log shipments are concentrated in one market and exports of key species have intensified.
- The significant shift in the quality and value of exported logs ...
- The percentage of logs vs lumber being shipped is getting larger.

What's the Future of the U.S. Sawmill?

If these shifts continue, in ten years the hardwood industry will look radically different. So what's to be done? "There are NO easy answers," Meyer said. "But if log exports are a concern to your business, you need to consider what to do to continue to thrive."

Option #1 – **Renovate/Innovate** to survive as one of the remaining sawmills. Continue to make the same products, but do so more efficiently. Or make other wood products to meet global customer needs – S4S lumber, components, millimeter thickness lumber, HCLT, Thermally Modified Lumber. (Keeping in mind that there will always be global competition.)

Option #2 – **Reinvent** your company to be different than you are today. “Leverage your existing strengths – people, technology, knowledge, capital – into products and services not as easily reproduced elsewhere.”

Meyer’s bottom line: Regardless of your thoughts on log exports, “everyone ought to be on the renovate/innovate/reinvent spectrum. It’s just good business. Whatever you choose to do, act now!”