



665 Rodi Road Suite 305  
Pittsburgh, PA 15235  
Phone: 412.244.0440  
Fax: 412.244.9090  
[www.HMAmembers.org](http://www.HMAmembers.org)

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## **“Trends in Domestic Hardwood Markets” a NatCon Session Recap**

During his presentation at HMA’s National Conference and Expo in Austin, industry analyst and HMR Publications Managing Editor, **Judd Johnson**, provided an in depth look at ‘where we were,’ ‘where we are’ and ‘what’s next’ regarding “Trends in U.S. Hardwood Markets.” Here are the highlights of his presentation.

### **2020 – The Year of the Pandemic**

At the start of 2020, “there was reason for optimism. U.S. industrial markets were performing well. Grade lumber inventories were near balance with demand. Downward price pressures were starting to ease for several key lumber items. There was a growing sense that business with China was improving – the Chinese economy was expanding again, and in-country inventories of U.S. hardwoods were down. Eastern U.S. hardwood sawmill production ticked up in the first two months of 2020, over January/February 2019. And China’s government announced it would roll back additional tariffs on U.S. hardwoods for a year.” And then there was COVID! And an epic downfall of business from March through June, 2020.

### **Today**

The extreme economic downturn of 2020 is behind us. And “economic recovery is well underway.” The U.S. economy is projected to grow 5.1 percent and 2.5 percent in 2021 and 2022, respectively, and that means greater demand for U.S. hardwood lumber.

- Increased Single-family Housing starts and remodeling of existing single-family housing, propelled by the recovering economy and the current severe housing shortages in the U.S, are in direct correlation with demand for grade lumber for hardwood interior building materials, components, and furnishings.
- Residential construction is also driving demand for industrial lumber and timbers used for packaging materials and in transportation of residential building components.

However, “even if hardwood lumber usage in 2021 is the same as usage in 2020, inventories need to be restored. And building inventory requires sawmills to produce more volume than is being consumed. And we are just not there yet.”

### **What’s Next?**

Global markets are recovering and that equates to business opportunities for U.S. hardwoods. Significantly, China’s economy is strengthening. The Chinese government extended tariff exclusions to mid-September, 2021. And “if Russia follows through and halts log exports, as advertised, China’s demand for U.S. hardwood lumber and logs could increase even more.”

Domestically, “U.S. population demographics are changing. What we are currently experiencing with housing and the economy may be something more than just recovery from COVID lockdowns. We could be in the early stages of a prolonged expansion period – perhaps the longest expansion period in U.S. history.”

Consider that more than half of the U.S. population is 39 years old and younger. And more than half of that group is of home-buying age, and soon to be followed by the next

generation that will likely be anxious to enter the housing market. In short, these 169 million Millennials and Generation Z, as identified by the U.S. Census Bureau, will need somewhere to live. The U.S. may be on the brink of a prolonged growth in the housing market, and in turn, opportunities for the hardwood industry.

**Judd's Bottom Line:** The two primary drivers to the hardwood industry –the economy and housing - are trending in the right direction. The question is: how will you seize that opportunity?