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Balancing Supply & Demand

During the morning session of HMA's National Conference and Expo, industry analyst and *Hardwood Market Report*, Assistant Editor, **David Caldwell**, presented an overview of "Hardwood Market Trends." Overall, it was a "mixed bag" of good and mediocre news. Seems the days of smooth sailing for the hardwood industry are still quite a ways off.

In 2015, overall hardwood consumption was down 3.3 percent over 2014 figures, despite steady economic growth and an improved housing market. The furniture and moulding/millwork sectors gained some ground. But the cabinetry and flooring markets contracted, due to imports and a trend toward lower priced, hardwood-alternative products.

Importance of Industrial Timber Products

The **pallet** industry was the largest consuming market for U.S. hardwoods, in 2015. Caldwell cautioned however, that going forward manufacturers should expect greater competition from soft wood manufacturers. The **railway** industry consumed one billion board feet in 2015. Demand in 2016 is forecasted to be less, what with rail traffic down due to changes in the oil and coal industries. **Mat/board** industry consumption slumped in 2015, due to the oil industry downturn. But sizeable pipeline projects in 2016 should boost the mat timber business.

What about Export Markets?

According to Caldwell, future export market demands will depend on key drivers like:

- **Currency Valuation** - Will the U.S. dollar get even stronger? Will China continue to devalue their currency?
- **Global demand** - Impossible to predict!
- **Availability of other species** - 2015 saw increased competition from rubber wood out of Malaysia and Vietnam.
- **Shift from lumber to logs** - Poplar lumber exports to Vietnam were down 32 percent in 2015, but Poplar log exports were up 45 percent.

Caldwell's Bottom Line - **Supply and Demand** "That's what this industry is all about, he said. "It seems like there's a pretty good balance, right now. But in our industry, that's hard to maintain."