



December 3, 2018

The best description to characterize the movement of North American construction framing dimension softwood lumber wholesaler prices last week is “waffling”. Indeed, benchmark Western Spruce-Pine-Fir KD 2x4 #2&Btr price landed exactly where it had been two weeks ago, with Friday’s print in *Madison’s Lumber Reporter* at US\$354 mfbm, having lost 1% (or \$4) from the previous week’s US\$358. WSPF 2x6 exhibited the exact same price changes. Trading of lumber futures on the Chicago Mercantile Commission, meanwhile, went from being on-par with the cash market for the January 15 contract to a discount of approximately \$10 Monday.

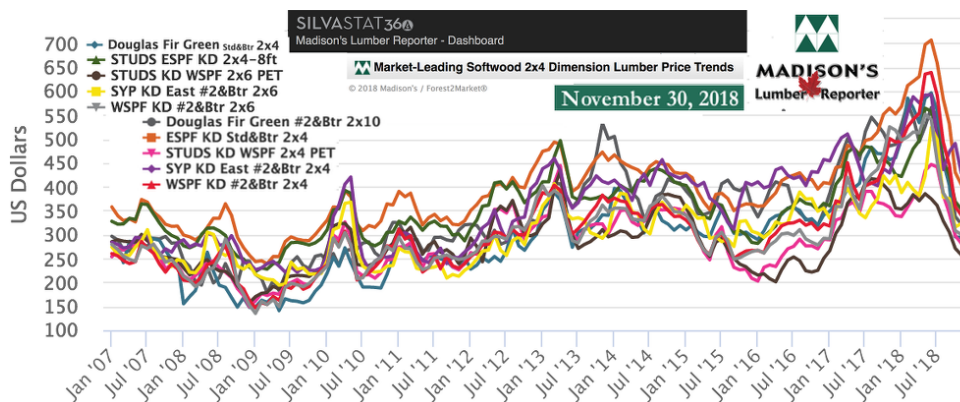
Softwood Lumber Dimension Prices Stop Falling, Some Even Pop Back Up

Trading volumes remained low as demand was muted in the usually-quiet week following the US Thanksgiving long weekend. What orders were booked were for fill-in and immediate needs only. Some customers were willing to pay steady prices that sawmills were quoting, while many others preferred to wait and see if levels would fall yet more.

In this slowing time of year for building in North America, log buyers for China have been out actively sourcing wood in advance of Spring Break. This newer seasonal cycle, of large-volume log and lumber sales to Asia in 4Q, tends to keep the bottom for annual Canadian and US lumber prices higher than it was prior to 2011 when this new trend started emerging.

Kiln-dried fir 2x6 dimension lumber was the subject of strong demand, be it standard or low grade dimension, or studs. — *Madison’s Lumber Reporter* www.madisonsreport.com

Below is a graph of the highest volume, or benchmark, North American lumber prices from January 2007 to November 2018.



SOURCE: Madison's Lumber Reporter www.madisonsreport.com

Part of the reason for such a sharp drop in almost all lumber prices toward the end of 2018 is the terrible wildfire in British Columbia in 2017. Those fires took out a significant amount of both immediate and longer-term timber supply from manufacturing facilities in that province. As those logs were used up, several BC companies in 3Q 2018 announced permanent closures. These widely-ranging lumber prices of 2017/18 should start settling back into normal territory for 1Q 2019.

Whatever “normal” will be; there is definitely a new normal for Canadian and US lumber prices compared to the way the market operated a decade ago and longer.

Southern yellow pine (SYP) prices crept back up last week, suggesting that prices may have found a floor in late November. The year-to-date 2018 average price from the SYP index was US\$460 mfbm. — *Madison’s Lumber Reporter* www.madisonsreport.com

The below table is a comparison of June 2018 and November 2018 prices for benchmark dimension softwood lumber 2x4 prices compared to historical highs of 2004/05:

2x4 Dimension Lumber		madisonsreport.com				
US\$ per thousand board feet	Current 11/30/2018	June 2018	% Change	All Time High (Previous or Current)		% Change Current vs. All Time High
SYP East Side KD #2&Btr	\$ 409	\$ 550	-25.6%	3Q2005	\$ 460	-11.1%
WSPF KD #2&Btr	\$ 354	\$ 622	-43.1%	2Q2004	\$ 443	-20.1%
ESPF KD #2&Btr	\$ 409	\$ 690	-40.7%	2Q 2004	\$ 529	-22.7%
Douglas fir Green	\$ 298	\$ 590	-49.5%	2Q 2004	\$ 500	-40.4%
STUDS (PET)	\$ 282	\$ 445	-36.6%	2Q 2005	\$ 445	-36.6%

SOURCE: Madison's Lumber Reporter www.madisonsreport.com

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