

February 2021 Market Update

How could anything be crazier than 2020, right?

Well, 2021 has been giving the 2020 commodity markets a run for their money, not least of all forest products. A quick look at [this](#) Government of Canada website page shows that every grade of every forest product commodity is at or near record pricing.

This is corroborated by the movement of the March 2021 Lumber contract on the Chicago Mercantile Exchange (CME), the benchmark for North American lumber pricing.

CME March 2021 Lumber contract (USD \$/mfbm) October to present



Plywood, concrete forming plywood, and OSB have continued to surge and are, in many cases, at all-time high prices. Mill order files are extending well beyond usual and supply is extremely tight. Low-grade hardwood lumber supply is very limited, with pricing also hitting new all-time highs. Low-grade softwood lumber, in particular, is trading at levels far above previous highs.

Why is this the case? The simple answer is that conditions continue to be conducive to price increases.

- Weather across most high-consumption regions has been favourable, so demand has been unexpectedly high
- Producers across North America have experienced COVID-related labour issues, so supply has been challenged
- Rail and truck transportation providers have also experienced COVID-related labour issues
- A combination of all of the above has sawmill order files well into late March and some panel order files into May
- All of the factors in our December market update remain an influence on the market: compromised production and transportation, strong North American housing starts, and strong renovation & remodelling demand

Most analysts are forecasting late Q3 or Q4 2021 before the supply–demand balance returns to something resembling normal. Different perspectives on the issues can be found in the recent articles below:

<https://www.cbc.ca/news/>

<https://www.cbc.ca/news/>

<https://www.thestar.com/business/>

<https://www.bloomberg.com/news/>

<https://www.woodbusiness.ca/lumber>

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