

## June 2021 Market Update

Good day,

As we reported a few weeks ago, the commodity softwood lumber market has undeniably seen a peak and begun to retreat. The first chart below illustrates that the July CME lumber contract has dropped around 40% from its highs, and mills have begun to lower their expectations as well, although at a much slower pace. This is illustrated in chart 2 below, clearly indicating that the wholesale levels have not seen a decline anywhere near the magnitude of the CME futures.

It is important to note that the July lumber contract does not indicate the actual trading level today, but rather where people think the price will be when the contract expires in the middle of July. That lumber will not actually hit the market until August. Any lumber circulating now as a result of futures transactions would have been at the May numbers, much of which would have been bought around the absolute record high CME futures price. The May contract closed within 8% of the record high number, and that lumber is just delivering now.

Just to make the market more confusing, lower grade products do not follow the same path as commodities: they will trend the same way over time, but they have their own supply-demand cycles not related to housing activity. Low-grade softwood is worth more relative to commodities than it was before the commodity market began to move down.

It is important to understand that hardwood, OSB, plywood, and specialty products such as forming plywood and lagging have their own supply-demand dynamics and are not at all dependent on the same factors as softwood lumber. To illustrate this:

- **Plywood** products are holding at or near record high numbers, with some weakness just beginning to show
- **Forming plywood** is still trending up, with severe shortages across North America...it continues to be a discount to ¾" standard plywood, so it remains unattractive for mills to produce
- **OSB** just saw a market top over the last 2 weeks and is still trading at high volumes, albeit softening prices
- **Industrial hardwood lumber** supply is still very challenged and trading at very high levels
- **Softwood timbers** are showing no signs of weakness and experiencing labour issues throughout the supply chain
- **Lagging and shoring lumber** is in very short supply, somewhat related to the general hardwood and softwood timber markets, with recent price increases in effect

It is also important to understand that trading levels at the distribution level will lag mill trading levels due to the fact that most distributors keep 30-60 days of inventory for their customers. This means that companies like Weston Forest were slower to pass on the absolute market increases to their customers,

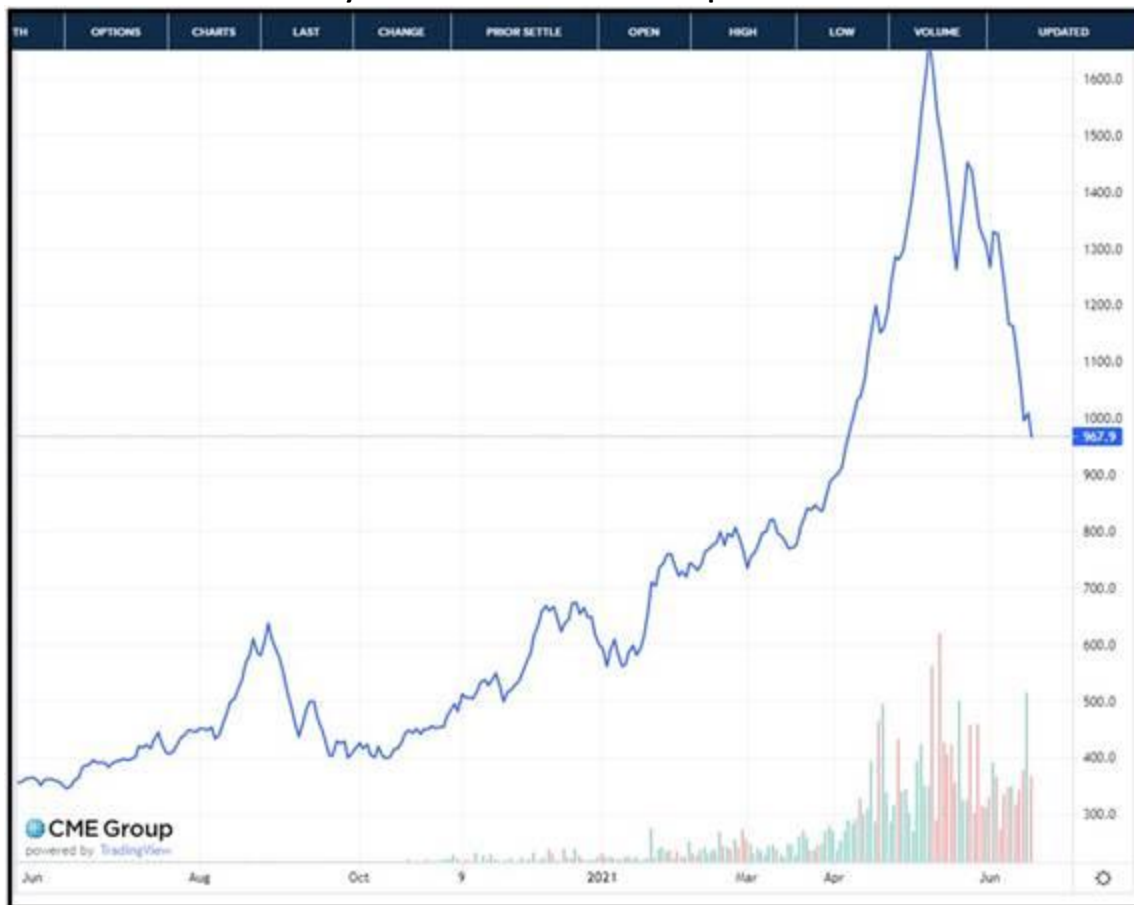
creating relative price stability as the market raged upwards. That, combined with the fact that mill order files were around 6-8 weeks out means that most distributors have 60-90 days worth of inventory that has to make its way through the distribution channels.

The fact is, despite the increases our customers have been seeing over the last year, Weston Forest customers did not pay the absolute softwood lumber market highs of May and have been somewhat sheltered from much of the volatility of the last 16 months. The good news is that your commodity softwood prices will be coming down, assuming the market continues to trend lower. We will work with you to pass on savings as the less expensive inventory arrives and as we work through our higher cost inventory.

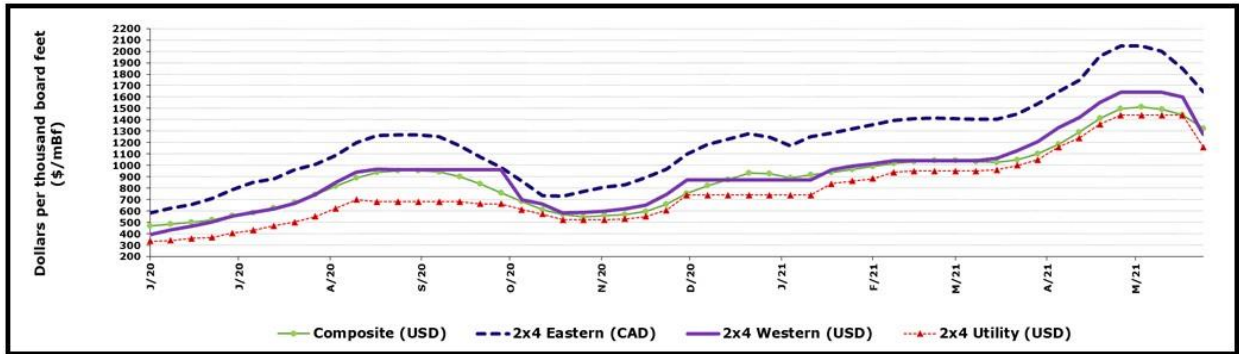
And, as the other product lines continue to have supply issues, our main goal is to ensure we have inventory for you while doing our best to manage your costs.

We will continue to work hard to have everything you need, when you need it, at a price that is fair to both of us. And we'll do everything we can to make sure you continue to love doing business with us.

### 1. CME Lumber Futures July 2021 Contract: June 2020 to present

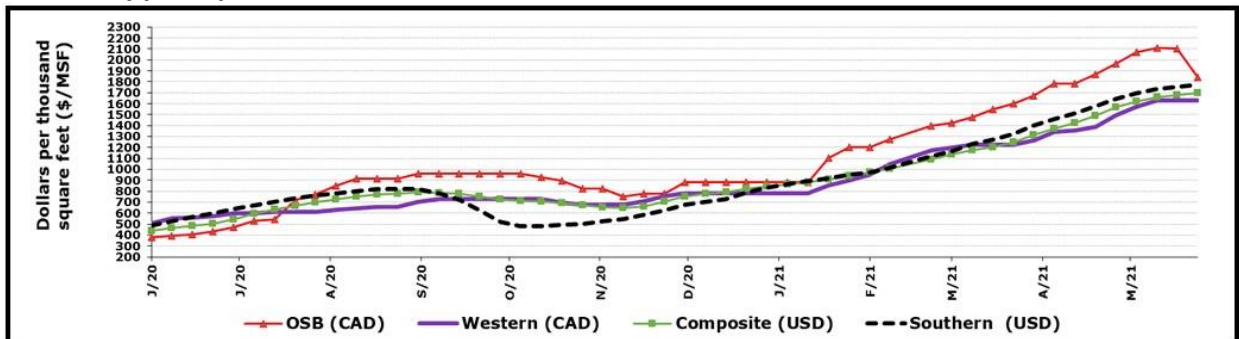


## 2. Weekly lumber prices in North America



**Note:** Eastern spruce-pine-fir 2x4 #2 and better, Random Lengths composite prices and western spruce-pine-fir 2x4 #2 and better, kiln dried

## 3. Weekly panel prices in North America



**Note:** Random Lengths structural panels composite prices, 15/32" 4-ply exterior southern, 1/2" 4-ply exterior western and 7/16" oriented strand board (north central)

## About WESTON FOREST

[Weston Forest](#) is a leading distributor and remanufacturer of softwood & hardwood lumber and specialty panel products, serving North America's industrial and construction sectors. A trusted partner since 1953, Weston's remanufacturing and inventory management services help customers create specified crating, packaging, pallets and boxes, and other niche wood products that are essential for the production or shipment of Industrial goods. The company's logistics and just-in-time fulfilment capabilities support truss manufacturing, framing, lagging & shoring, concrete forming and other processes that are crucial to commercial and residential construction and large infrastructure projects.

Weston Forest is honoured to be recognized repeatedly by Deloitte as one of Canada's Best Managed Companies, by the Canadian Business Growth 500 as one of Canada's Fastest-Growing Companies, by Waterstone Human Capital as one of Canada's Most Admired Corporate Cultures, and by Excellence Canada as a recipient of its Canadian Business Excellence Award for Private Businesses. In addition, Weston Forest received the Mississauga Board of Trade 2019 Large Business of the Year Award and has been featured on the Globe & Mail's inaugural list of Canada's Top Growing Companies.

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