

plant-a-tree fund - Forestry and Timber Info Sheet

Trends in Timberland and Wood Industry Investing

Welcome to this 13th edition of “plant-a-tree fund – Forestry and Timber Info Sheet”! More than presenting a global snapshot of the forestry and timber industry at the moment of publication, this short brief aims to present useful information on trends in timberland. These topics may cover diverse areas, such as geographies, species, markets, and price trends.

2024 reflected a mixture of steady growth and persistent challenges across regions, influenced by economic conditions, environmental threats, and regulatory shifts.

The U.S. timber industry saw a rise in single-family homebuilding activity, with lumber prices experiencing volatility amid a cautiously optimistic outlook for housing affordability and buyer demand.¹ Meanwhile, U.S. timber companies benefited from tariffs impacting Canadian competitors, positioning the U.S. to become more dominant in the North American market.² The U.S. South maintained its position as a competitive producer, driven by efficient mill operations and favorable conditions, including sustainable material trends.³ British Columbia (B.C.) faced ongoing supply challenges, impacted by high operational costs and regulatory constraints that continued to restrict output and limit competitiveness in comparison to lower-cost U.S. regions.⁴ The persistent pine beetle outbreak further reduced timber supply across Western Canada and increasingly in the U.S. South, contributing to long-term forest degradation and decreased harvest volumes.⁵ Among publicly-traded lumber companies, Stella-Jones has been a standout, reporting a 35% rise in net income in Q4/2023. Its focus has remained on pressure-treated wood and lumber for home building. The company has raised its dividend payouts for 17 consecutive years.⁶ Meanwhile, Canfor’s operations struggled in B.C. and the company posted a net loss in 2023. Its European and U.S. South operations performed solidly.

Lumber Futures 2023-24 (Random Lengths)



Source: Barchart.com

European timber markets grappled with an economically challenging year, especially within the construction sector, which saw fewer building permits amid high inflation and elevated material costs. Germany’s construction sector continued to see a downturn, with signs of a possible recovery anticipated in 2025.⁷ Devastating wildfires in Greece highlighted the importance of sustainable reforestation strategies, as debate grew around restoration approaches and ecological protection.⁸ In China, timber imports saw modest growth, with Europe and Russia as major suppliers. The region’s long-term timber demand remains uncertain, given mixed results from Chinese real estate stimulus efforts. Japan also experienced a slowdown in timber demand, influenced by high material costs and restrained housing growth.

In sustainability news, the timberland sector saw increasing demand for nature-based carbon credits, such as the long-term contract between Timberland Investment Group and Meta, highlighting timber’s role in carbon reduction.⁹ Policymakers advocated for higher integrity in carbon markets to enhance timberland’s appeal in environmental finance.¹⁰ The demand for sustainable materials, especially cross-laminated timber (CLT), continued to expand globally. Urban centers in North America and Europe increasingly explored CLT as a low-carbon construction alternative.¹¹

Looking ahead, the global timber market is expected to navigate a complex set of economic and regulatory factors. North America’s timber market is likely to experience modest growth, particularly as demand for single-family homes drives lumber consumption, with U.S. companies positioned to capture market share.¹² In Europe, any recovery may hinge on the broader economic rebound anticipated for 2025, with construction demand potentially revitalizing timber markets.¹³ Meanwhile, China’s uncertain housing market could moderate demand growth in Asia, even as sustainable building materials like mass timber continue to gain traction globally.¹⁴ Overall, 2024 positioned timber as an essential component in housing, climate strategies, and sustainable urban development. While challenges remain, particularly around economic stability and supply chain dynamics, the timber market’s outlook reflects cautious optimism, underscored by rising demand for both housing and sustainable materials.

Andrew Miller, Independent Forestry Consultant

¹ Mutikani, L. US single-family homebuilding hits five-month high, but trend remains soft, *Reuters*, 18 Oct 24.

² Peng, I. Seal, T. US Lumber Industry Set to End Canada’s Dominance as Tariffs Take Toll, *BNN Bloomberg*, 4 Nov 24.

³ *South Quarterly Market Bulletin*, Timber Mart, 2nd Qtr 2024.

⁴ Canfor reports results for the second quarter of 2024, 25 Jul 24.

⁵ Southern Pine Beetles Reach Epidemic Level in Alabama’s Forests, Alabama Forestry Commission, 4 Aug 24.

⁶ Porrello, S. Top Canadian Lumber Stocks of 2024, *Motley Fool*, 13 Sep 24.

⁷ Van Sante, M. EU Construction Outlook: Strong decline this year but signs of recovery in 2025, *ING Research*, 3 Sep 24.

⁸ McAllister, E. As wildfires wipe out forests, Greeks debate: to replant, or not? *Reuters*, 19 Sep 24.

⁹ Press release, Timber Investment Group and Meta, Jan 24.

¹⁰ Brown, C. Khan, Y. Leading Economists and Policymakers Push for Higher Integrity in Carbon Markets, *Wall St. Journal*, 25 Sept 24.

¹¹ Neo, GH, Zhou, Y. The building sector is key to the fight against climate change. Annual Meeting of the New Champions, *World Economic Forum*, 26 Jul 24.

¹² Jannke, P. Strengthening Economy Bodes Well for Wood Demand, 2024 Outlook for the Forest Products Industry, *Farm Credit East*. Vol 18, No 3, Mar 24.

¹³ *Ibid*, 6.

¹⁴ Forestry and Logging Market, *Market Data Forecast*, updated Jun 24.