CANADIAN PERSPECTIVE - SPF
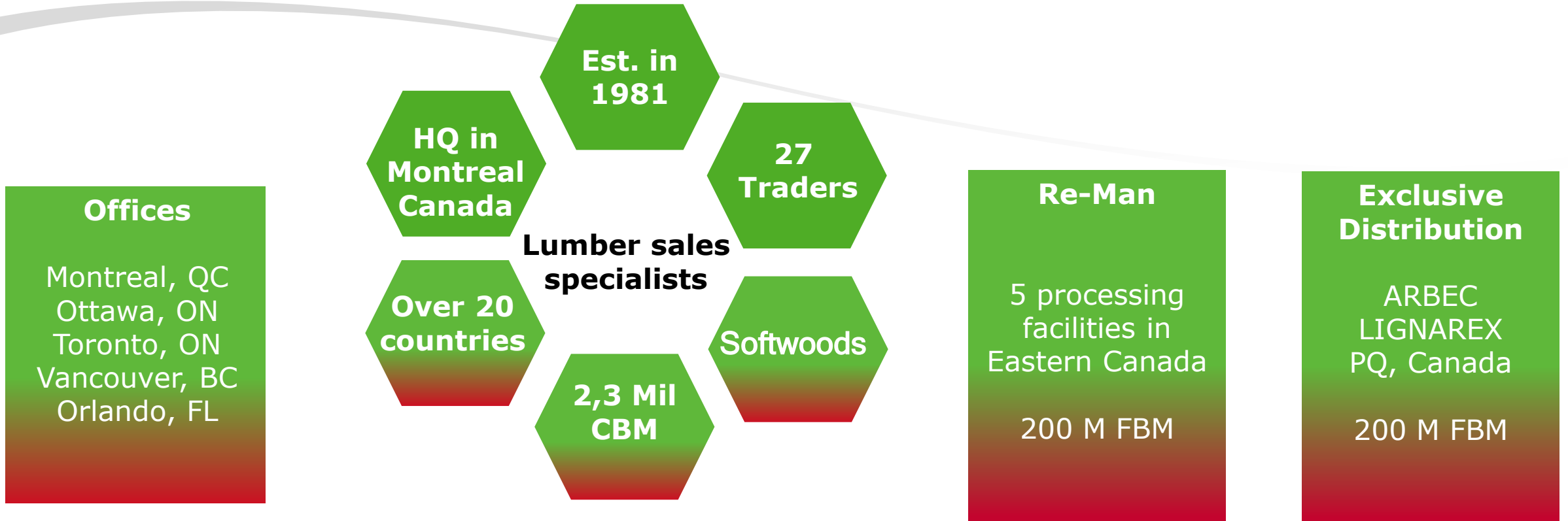
By Christian Provost – VP Sales & Mktg Boscus Canada Inc

ISC – Taormina, Italia October 17, 2024

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AGENDA

- **Boscus Canada introduction**

- **Production**
  - Regional Volumes
  - Main Canadian producers
  - Forest fires / AAC
  - Forest fires
  - New Capacity
  - Wood pellets

- **Euro lumber imports USA**

- **SLD – Canadian perspective**

- **Consumption**
  - Canadian Trade flows
  - Demographics
  - Feel good factor
  - Housing starts

- **"Predictions"**

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Boscus Canada in a nutshell

Offices

Montreal, QC
Ottawa, ON
Toronto, ON
Vancouver, BC
Orlando, FL

HQ in Montreal Canada

Est. in 1981

27 Traders

Lumber sales specialists

Over 20 countries

2,3 Mil CBM

Softwoods

Re-Man

5 processing facilities in Eastern Canada

200 M FBM

Exclusive Distribution

ARBEC LIGNAREX PQ, Canada

200 M FBM

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Boscus Canada in a nutshell (cont.)

Main points of distribution
(Dimensional/Stud**)**

- Canadian SPF (Canada)
- N-A SPF / SYP / DF (USA)
- Euro imports (USA)

CANADA

UNITED STATES

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Million $ question:

- When will lumber prices start increasing in N-A???

- What will be the next 12 months average price ???

"The N-A lumber market is like a box of pizza. You never know what you're gonna get!"

Forest Gump's Italian alter ego

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Regional volumes

(000 CBM)

01 – B-C Coastal species

2024 (6 m)	585	- 11 %
2023	1 268	- 16 %
2022	1 511	

02 – Eastern SPF

2024 (6 m)	8 354	11.8%
2023	13 856	- 1.2%
2022	14 021	

03 - Western SPF

2024 (6 m)	7 916	- 1%
2023	15 992	- 7.7%
2022	17 326	

2024 (F)	**2.9 %**
2023	**- 4.7 %**

04 – Inland "white woods"

2024 (6 m)	2 988	0.9%
2023	7 117	- 2.8%
2022	7 323	

05 - West coast species

2024 (6 m)	5 956	0.9%
2023	14 285	- 2.2%
2022	14 608	

06 – South SYP

2024 (6 m)	15 609	0.1%
2023	34 726	- 0.2%
2022	34 779	
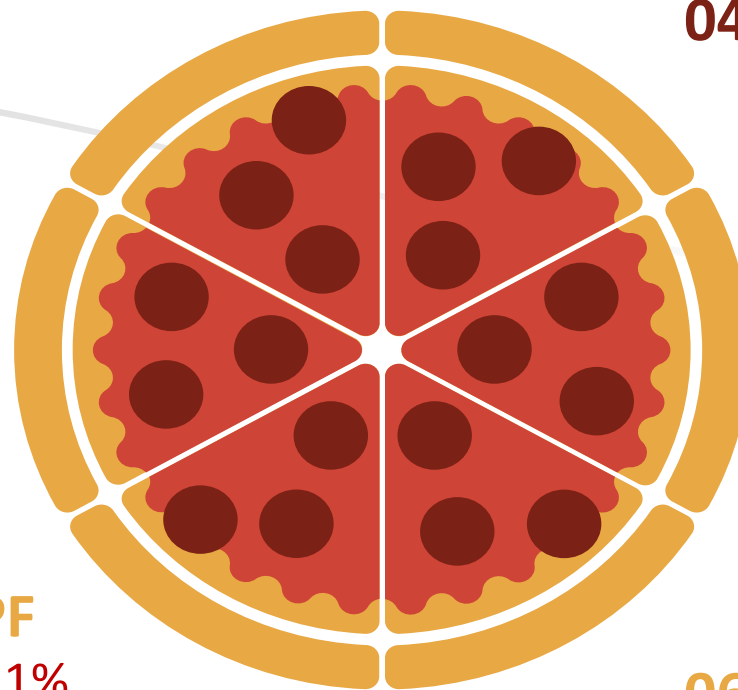
2024	**0.1%**
2023	**- 1.1%**

Sources: StatCan, WWPA, Cens
us, FEA

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Regional volumes (cont.)

Annual average of "monthly" production of softwood (MMBF)
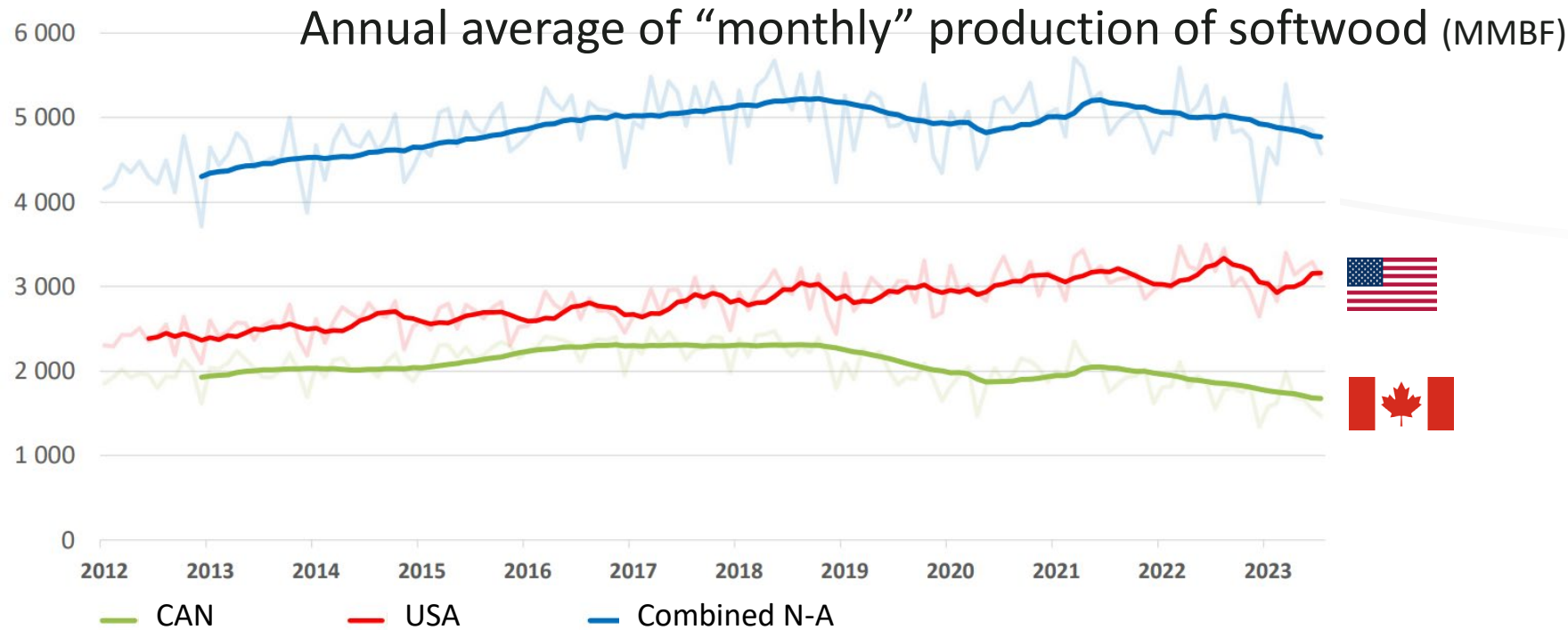
Source: StatCan, Lumber Track

Canadian share of USA consumption:

2024 (5m)	24.2%
2023	23.1%
2022	24.1%

Source: WWPA, Census Bureau, FEA

Canada is a good trade partner !!!!

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Main Cdn softwoods producers
5 years 2018 vs 2023

Rank	Company	Nb of mills open	Production 000 CBM
2018			
1	West Fraser	13	5,951
2	Canfor	13	5,573
3	Resolute FP	8	2,897
4	Tolko	7	2,283
5	J.D. Irving	7	1,491
6	EACOM	7	1,358
7	WFP	7	1,356
8	Weyerhauser	3	1,339
9	Interfor	5	1,304
10	Arbec	4	1,042
		74	24,594
	Total Canadian Shipments		42,939
			57%

Rank 2018	Rank 2023	Company	Nb of mills open	Var	Production 000 CBM	Var
1	1	West Fraser	13	0	4,217	-29%
2	2	Canfor	13	0	3,445	-38%
3	3	Resolute FP	14	6	2,994	3%
9	4	interfor	12	8	2,557	96%
5	5	J.D. Irving	6	-1	1,715	15%
4	6	Tolko	5	-2	1,634	-28%
8	7	Weyerhauser	3	0	1,219	-9%
12	8	Dunkley Lumber	3	2	1,132	27%
13	9	Groupe Lebel	10	0	1,125	50%
10	10	Arbec	5	1	1,121	8%
			84		21,159	-14%
		Total Canadian Shipments			31,116	-28%
					68%	19%

- **Canadian Shipments have gone down 28% (ab 12M cbm)**
- Top 10 mills:
  - Control 10 more mills
  - Their total production is down 14%
  - Their market share has increased from 19% to 68%

Source: FEA, Wood Markets

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Main Cdn softwoods producers (cont.)

Recent Cdn mill curtailments announcements:

			000 CBM		
Resolute	Maniwaki	QC	150	Indefinite	Q4 2024
Resolute	La Tuque	QC	150	indefinite	Q4 2024
Canfor	Plateau	BC	500	Closure	Q4 2024
Canfor	Fort St-James	BC	500	Closure	Q4 2024
Canfor	Polar	BC	470	Permanent	Q2 2024
West Fraser	Fraser Lake	BC	250	Permanent	Q1 2024
			2,020		

11 mills curtailed in 2023 in BC alone!!!!!

Source: Right From The Stump

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Forest Fires / AAC
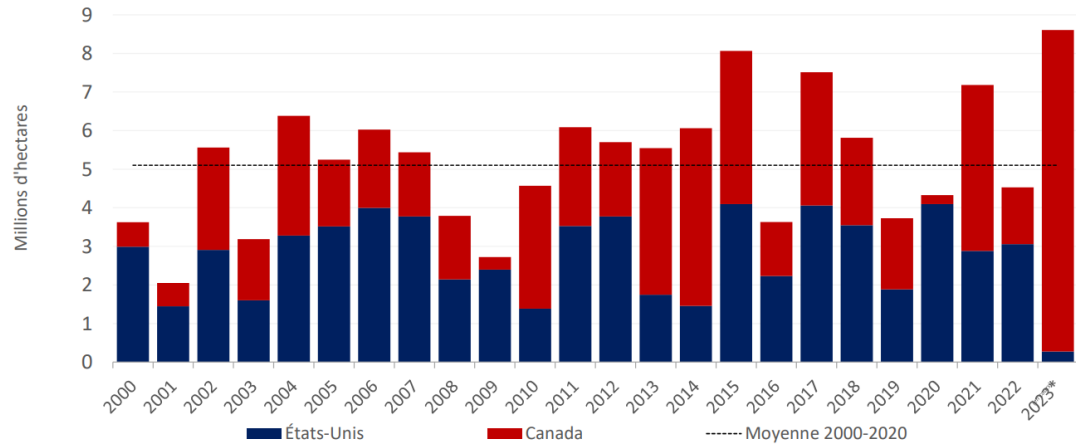
Source : National Interagency Fire Center, CIFFC
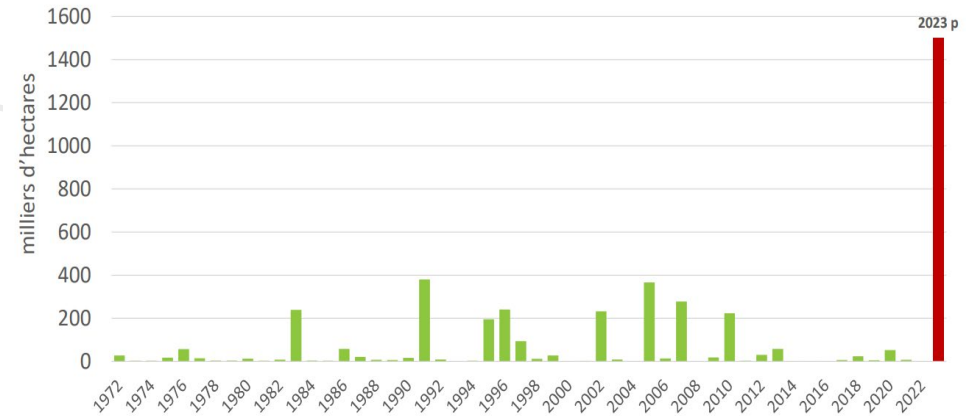
11.1 million soccer fields!!!!

Source: SOPFEU

What is available of AAC is more and more difficult to harvest:
- Further away from mills
- Very difficult to attract / renew workforce in remote timber land
- Cost of equipment / fuel / insurances is increasing exponentially.

- AAC (realistic) are going down
  - Wildfires
  - Caribou Habitat
  - First Nations related issues / claims
  - Old growth harvest deferral
 - Greens / Hunters / Leisure
  - Beetles

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New Capacity

Legend:
- Under construction or announced (start 2024)
- Under construction (start 2023)
- Temporary shutdown
- Permanent shutdown

SPF → ? Subsitution ? → SYP

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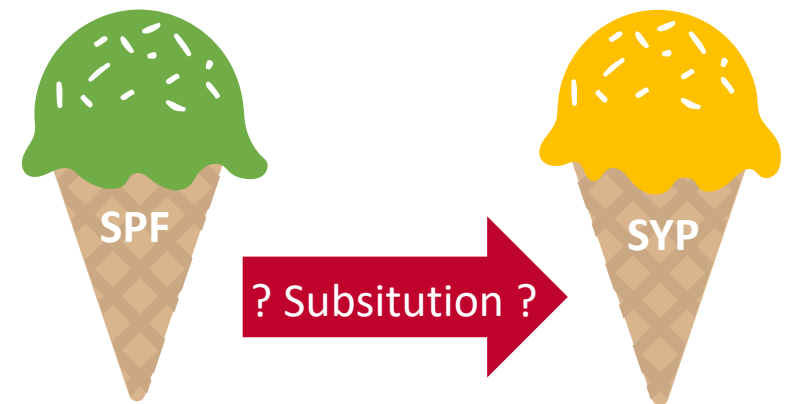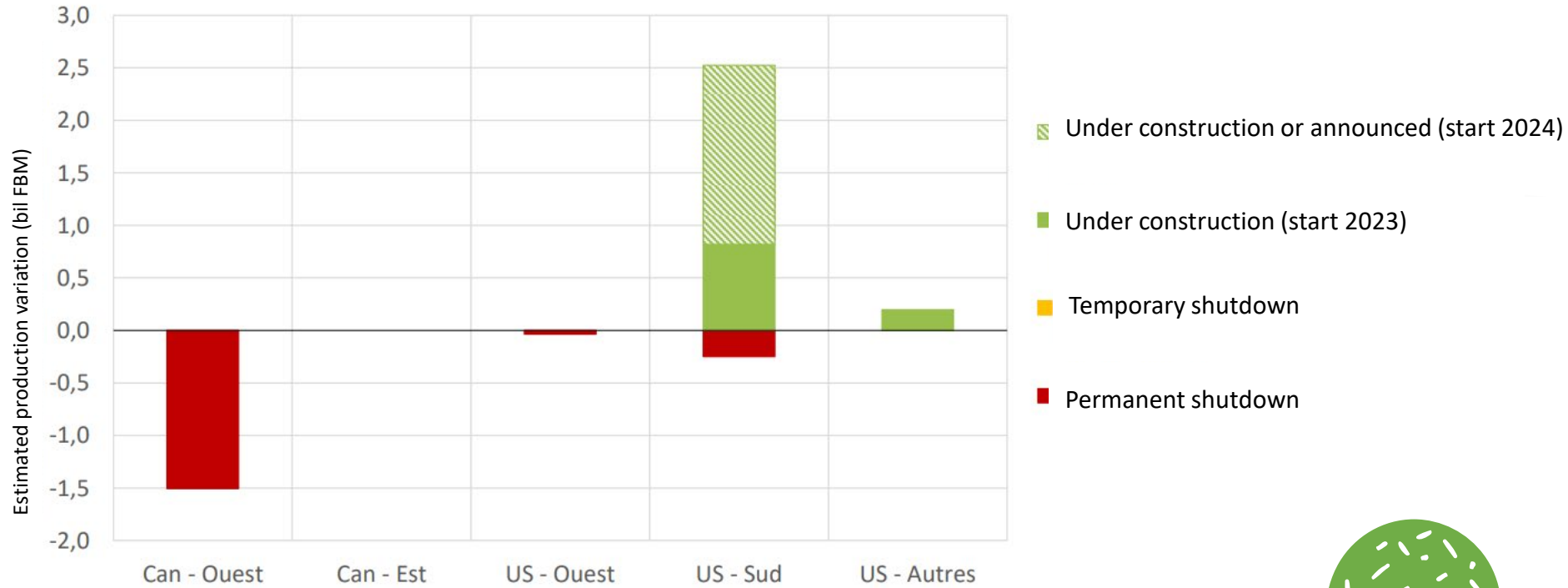
Wood Pellets

Exports main (mil Ton):	2021	2022	2023
- British-Columbia	402.8	472.5	404.7
- Quebec	83.9	140.9	142.6

The Canadian Pellet Industry
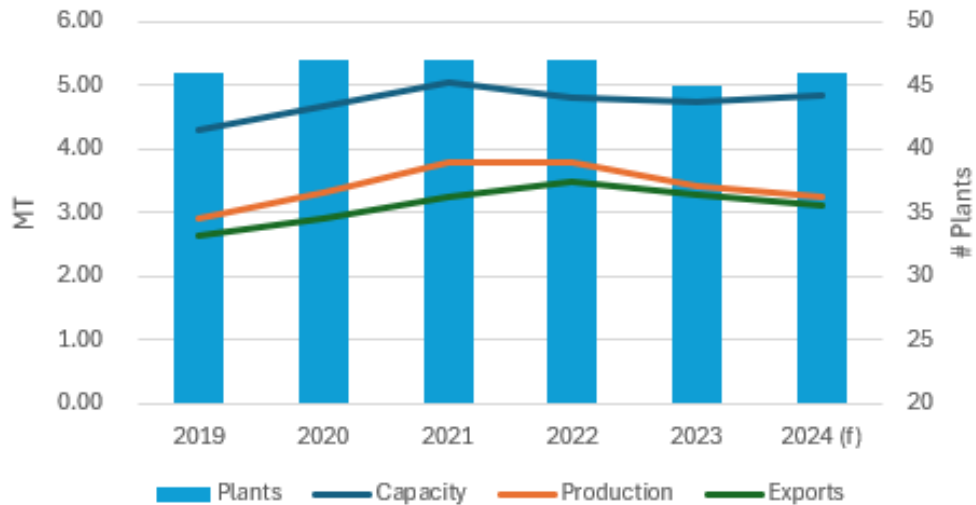
Canadian Pellet Exports, CAD
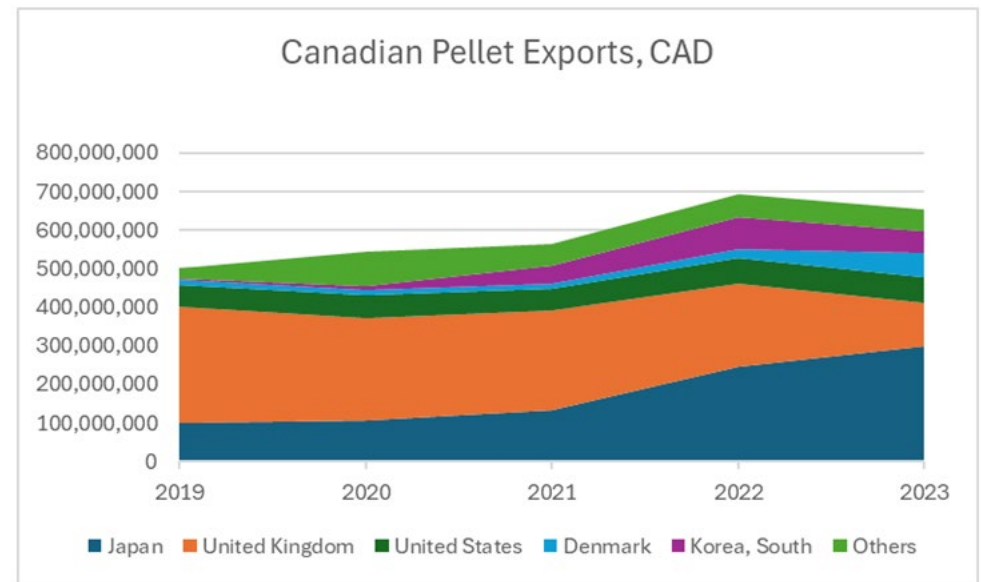
Source:Canadian Biomasse, Stats Can

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USA imports of European softwood

Exhibit 1: Forestry – U.S. Offshore Lumber Imports, 2001 - Present
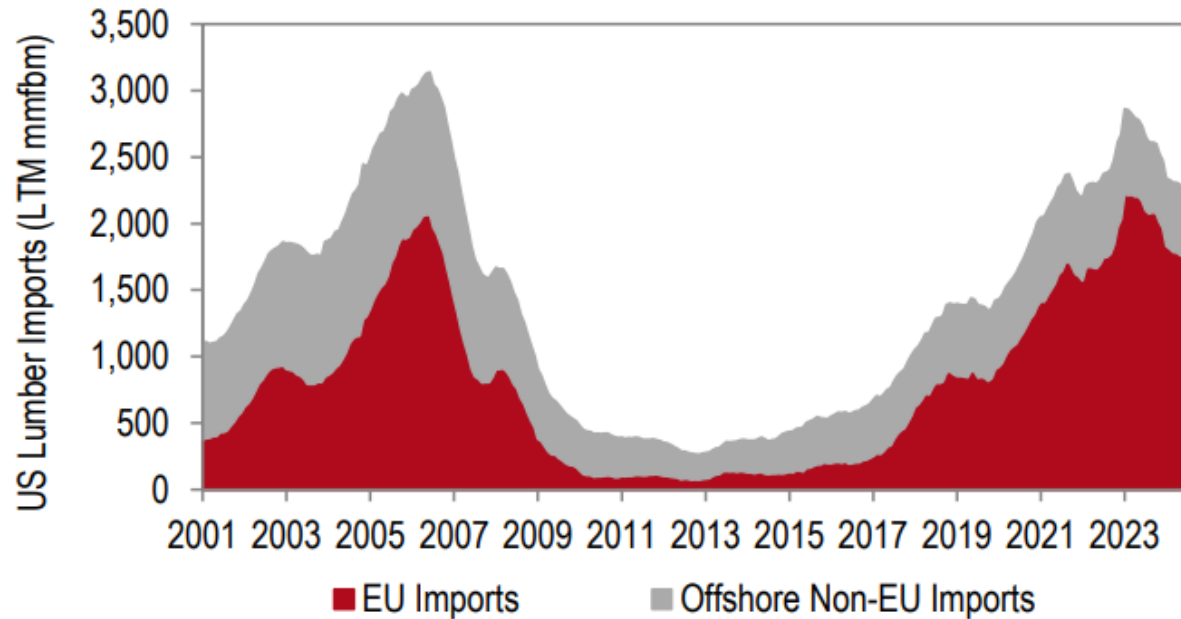
Source: U.S. Census Bureau and CIBC World Markets Inc.

Country	000 CBM					
	2022		2023		2024 (7m)	
Germany	2,244	46%	2,420	52%	888	52%
Sweden	953	20%	1,072	23%	422	25%
Austria	527	11%	417	9%	168	10%
Others	1,103	23%	767	16%	239	14%
Total	4,827		4,677	-3%	1,717	-22%
USA App. Consumption	83,186		80,953		33,965	
EURO market share	**5.8%**		**5.8%**		**5.1%**	

Source: WWPA, Census Bureau, FEA

- Looks small, but from a regional point of view, it is significant
- Not all players understand the intricacies of the market and / or are willing to work with "proper villains"
**= Very disruptive "price exploration"**

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Softwood lumber dispute

Has been going since November 2016.
- Current combined rate (Aug 24) is 14.54% (previously 8.05%)
- It is projected that the rate will double in the second half of 2025 (sixth administrative review)
- Canada has challenged all with WTO & CUSMA (new NAFTA)
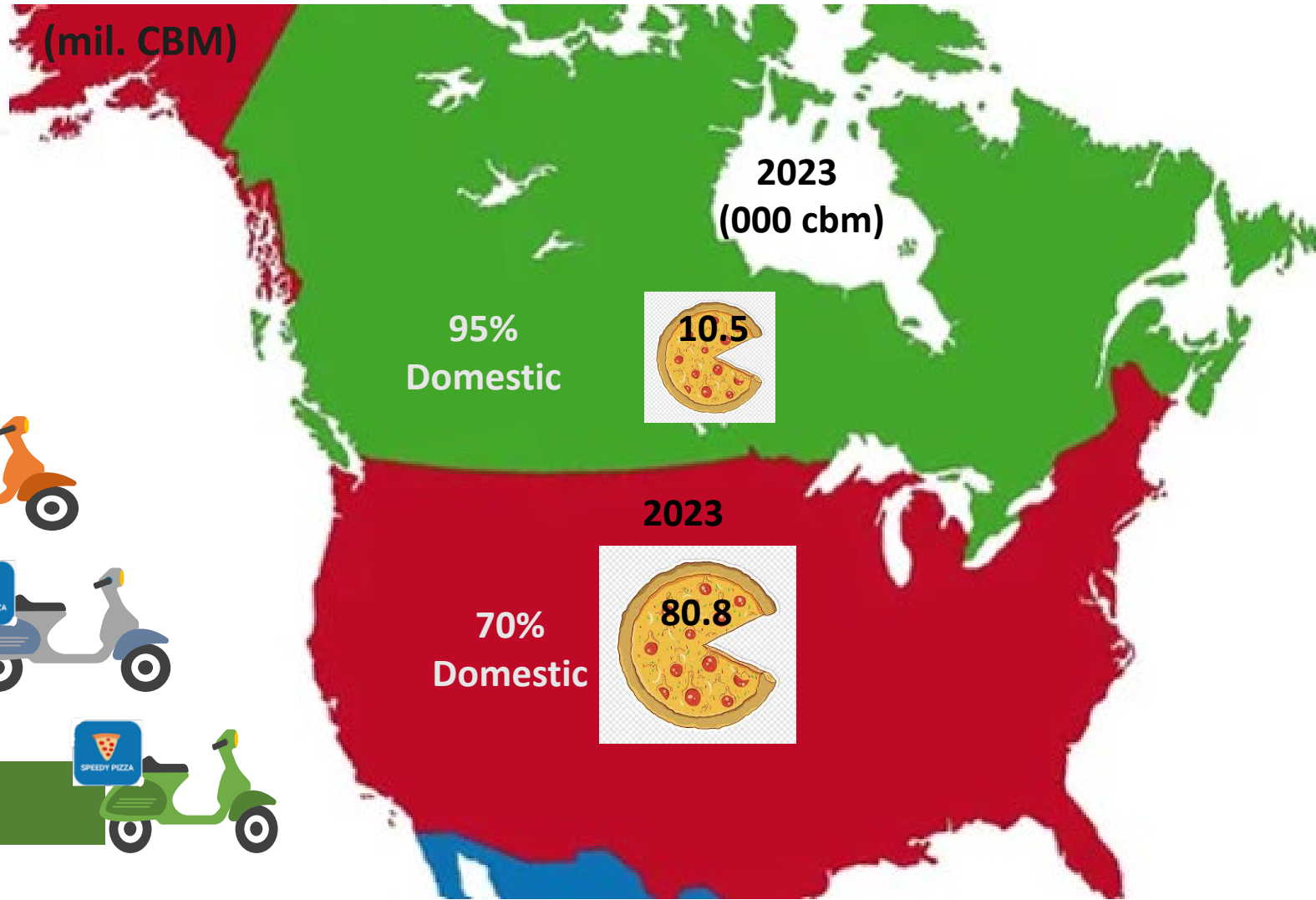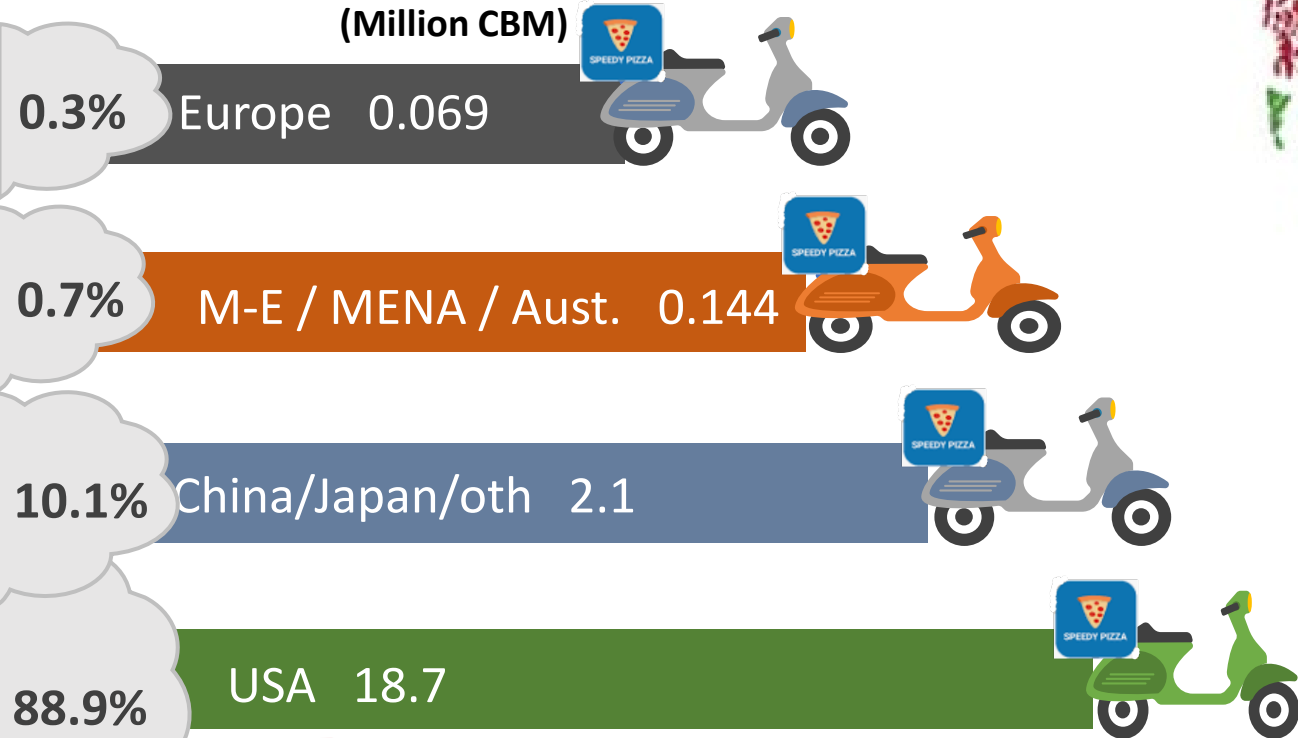
Estimated paid CVD/AD (Aug 24)

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What about demand?

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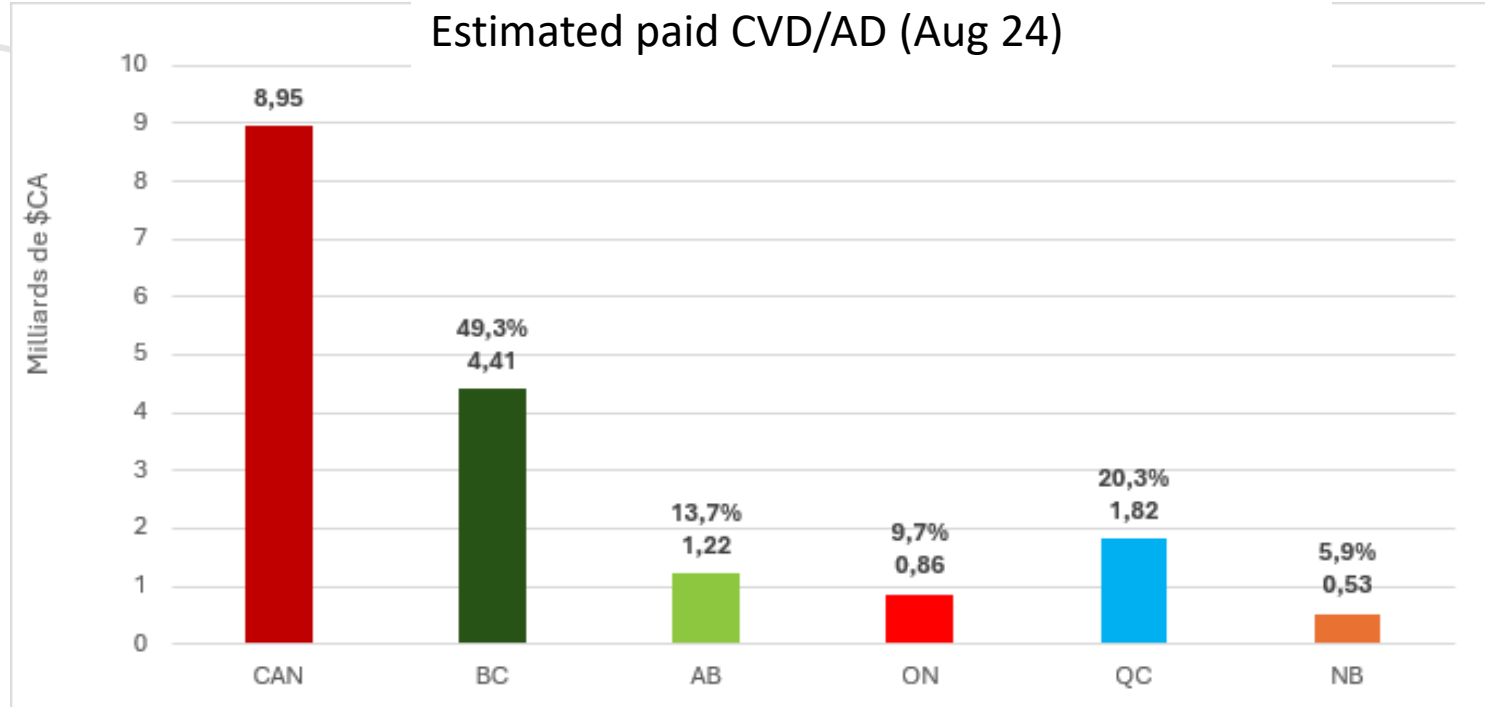
Cdn trade Flows

(mil. CBM)

In 2023, Canada exported 2/3 of its production. Trends are similar for 1st half of 2024

(Million CBM)

0.3%	Europe	0.069
0.7%	M-E / MENA / Aust.	0.144
10.1%	China/Japan/oth	2.1
88.9%	USA	18.7

2023 (000 cbm)

95% Domestic **10.5**

2023

70% Domestic **80.8**

Source: Stats Can, TDM, WWPA, Census bureau, FEA

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Demographics explain " 2/3 of everything"

Nb of people, aged 30 to 45, in USA population

Source : US Census Bureau

"When you get a big group of people moving through the same stage of their life at the same time, that's what generates the mega-trends around us,"
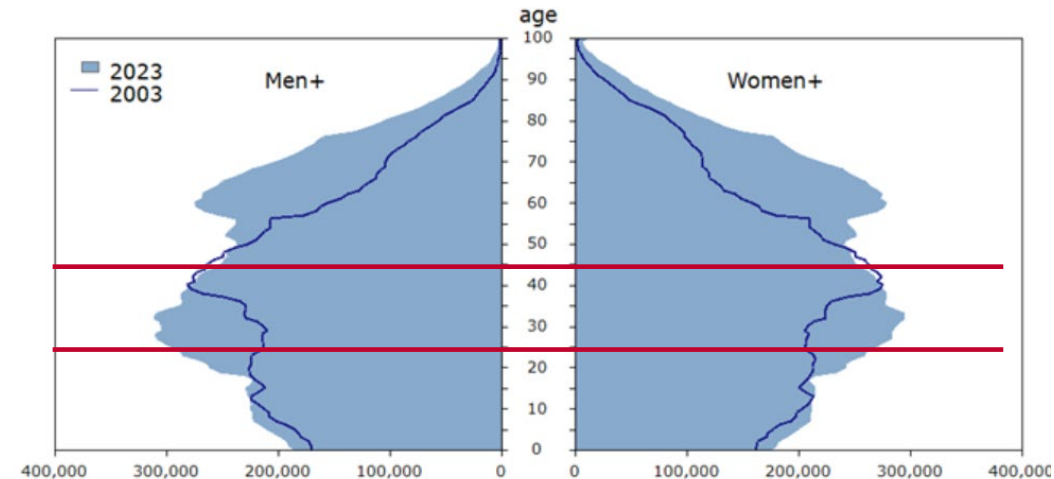
David K. Foot is a Canadian economist and demographer. Foot did his undergraduate work at the University of Western Australia and his graduate work in economics at Harvard University
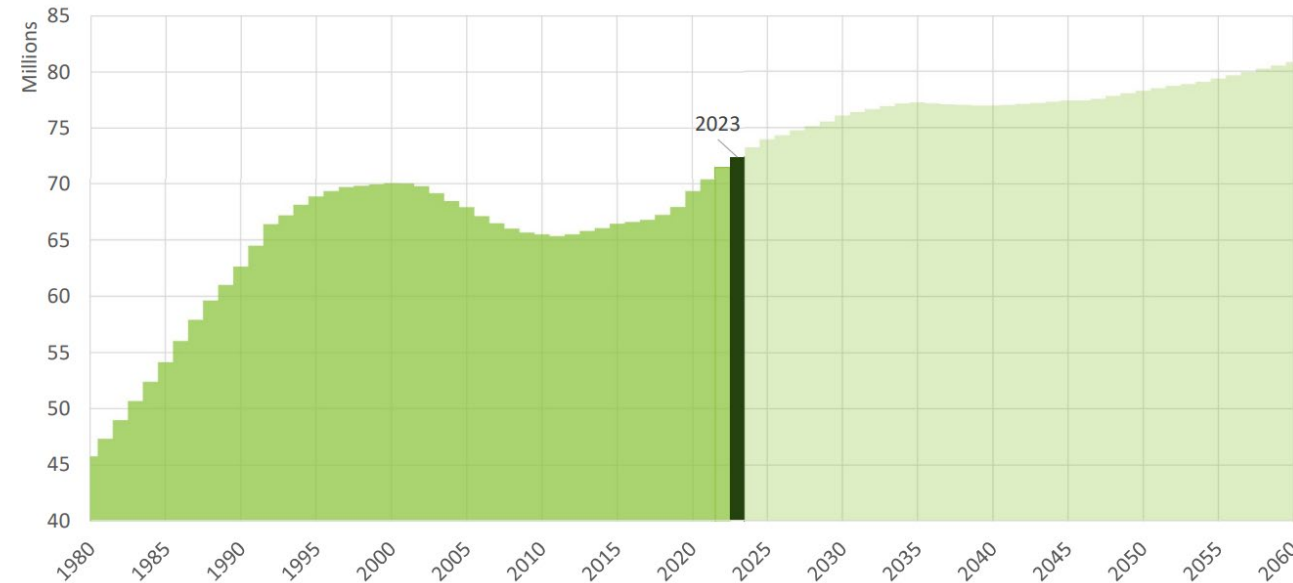
Age and gender pyramid, as of July 1, 2003 and 2023, Canada


Note(s): Gender refers to an individual's personal and social identity as a man, woman or non-binary person (a person who is not exclusively a man or a woman). The gender category "**Men+** " includes men (and/or boys), as well as some non-binary persons. The gender category "**Women+** " includes women (and/or girls), as well as some non-binary persons.

Source(s): Table 17-10-0005-01.

Source: Stats Can

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Demographics explain " 2/3 of everything" (cont.)

Number of immigrants in Canada from 2000 to 2023

© Statista 2024
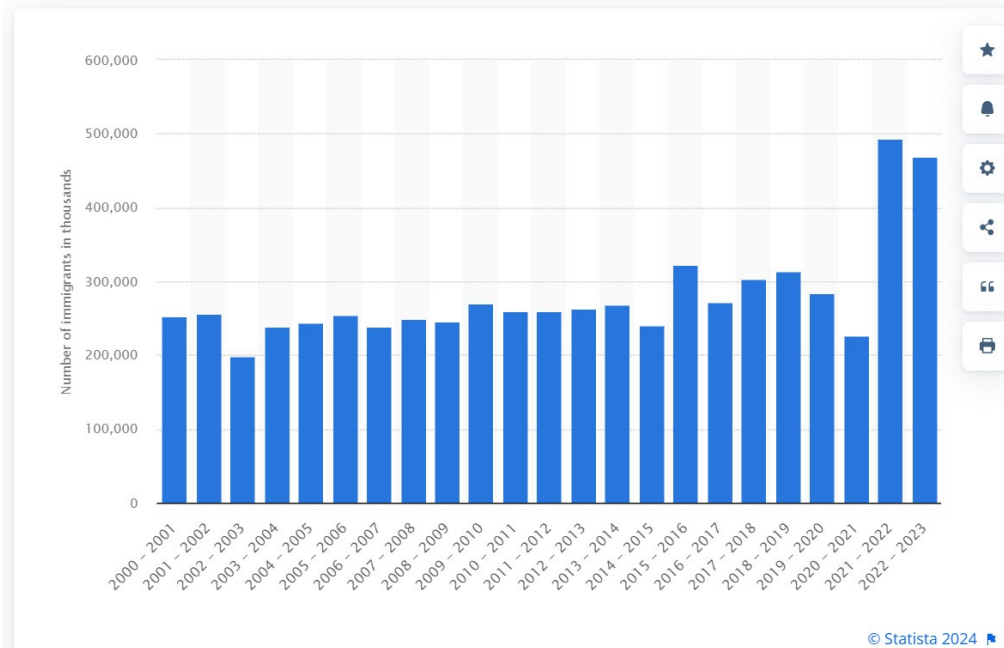
2024–2026 Immigration Levels Plan

Year	2024		2025		2026	
Total Projected admissions Targets and Ranges *	**485,000**		**500,000**		**500,000**	
	Low	High	Low	High	Low	High
	430,000	532,500	442,500	550,000	442,500	550,000
Economic immigration **	**281,135**		**301,250**		**301,250**	
	250,000	305,000	265,000	326,000	265,000	326,000
Family reunification	**114,000**		**118,000**		**118,000**	
	105,000	130,000	107,000	135,000	107,000	135,000
Refugees, protected persons, humanitarian and compassionate, and other	**89,865**		**80,750**		**80,750**	
	75,000	110,500	70,500	92,000	70,500	92,000

Source: Canadian Gvt

Canadian Immigration will trigger an increase of about 1/2 million people per year, without accounting for "temp workers". Mostly adults.

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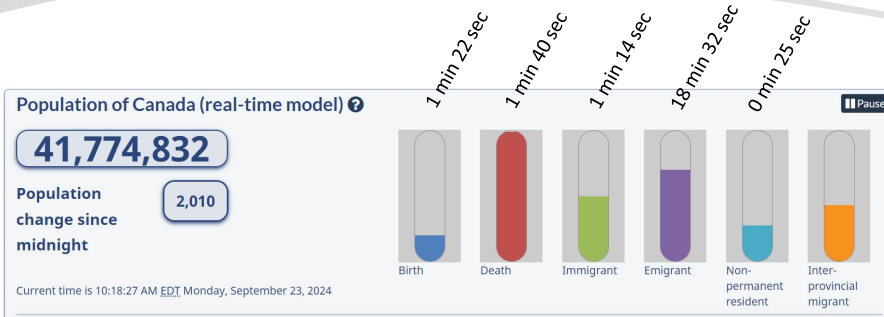# Demographics explain " 2/3 of everything" (cont.)

Canada is rising to this challenge once again. We are:

Building more homes by bringing down the costs of homebuilding, helping cities make it easier to build homes at a faster pace, changing the way Canadian homebuilders manufacture homes, and growing the workforce to ensure we get the job done.

Making it easier to own or rent a home by ensuring that every renter or homeowner has a home that suits their needs, and the stability to retain it.

Helping Canadians who can't afford a home by building more affordable housing for students, seniors, persons with disabilities, equity-deserving communities, and eliminating chronic homelessness in Canada.

This document is Canada's plan to solve the housing crisis. But the federal government cannot do it alone.

Population of Canada (real-time model) ❓

41,774,832

Population change since midnight — 2,010

1 min 22 sec	Birth
1 min 40 sec	Death
1 min 14 sec	Immigrant
18 min 32 sec	Emigrant
0 min 25 sec	Non-permanent resident
	Inter-provincial migrant

Current time is 10:18:27 AM EDT Monday, September 23, 2024

Sep 23, 2024 14:25 UTC (+4)

🇺🇸 U.S. Population

3 3 7 , 1 5 7 , 9 6 9

Components of Population Change — 14:25:14 UTC

One birth every **8 seconds**

One death every **11 seconds**

One international migrant (net) every **27 seconds**

Net gain of one person every **15 seconds**

2Mil People/year 40-50% immig.

Canadian government pledged 115 Bil. CAD$ over 10 years!!!

National Housing Strategy

The National Housing Strategy is Canada's 10+year $115+ billion plan to give more Canadians a place to call home.

✓ **$54.28B** in funding commitments.

✓ **149,650** new housing units created or committed.

✓ **356,091** community housing units protected.

✓ **30%** of funding committed towards meeting the housing needs of women and their children.

as of June 30th,2024

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Demographics explain " 2/3 of everything" (cont.)

Real estate: A core investment for all

"In Bank of America's survey of wealthy individuals, it was the only investing category to be **similarly preferred by both older and younger respondents**".
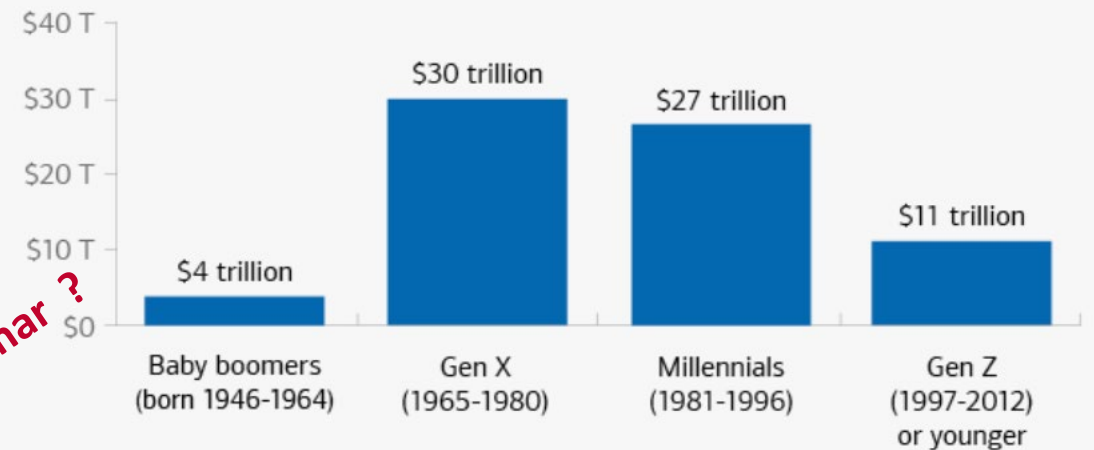
"**The Great Wealth Transfer should enable more of them to become homeowners — or trade up or add a second home** — either through inherited property or the funds for a down payment."

"with younger buyers potentially **more focused on climate risks, sustainability, and energy efficiency**. "How we live in our homes is shifting," Norman says, "and the trend is to ensure that you have sustainable energy sources in the home."

Source: Merril, 2022 Bank of America Private Bank Study of Wealthy Americans, The New York Times, "The Greatest Wealth Transfer in History Is Here, With Familiar (Rich) Winners," May 14, 2023.

By the numbers: The Great Wealth Transfer

Estimated wealth to be inherited through 2045, by generation:

Generation	Estimated wealth
Baby boomers (born 1946-1964)	$4 trillion
Gen X (1965-1980)	$30 trillion
Millennials (1981-1996)	$27 trillion
Gen Z (1997-2012) or younger	$11 trillion

CLT / Carbon / Biofuel / Biochar ?

Source: Cerulli Associates, "The Cerulli Report: U.S. High-Net-Worth and Ultra-High-Net-Worth Markets 2021."

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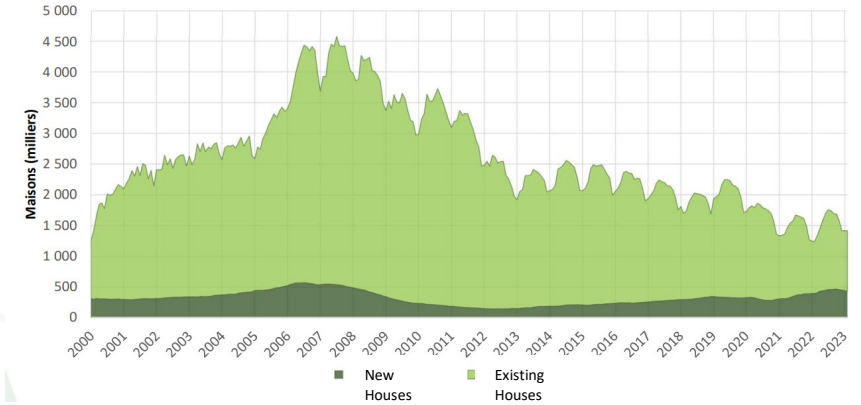# Feel good factor

US Unemployment Rate (I:USUR)
4.20% for Aug 2024
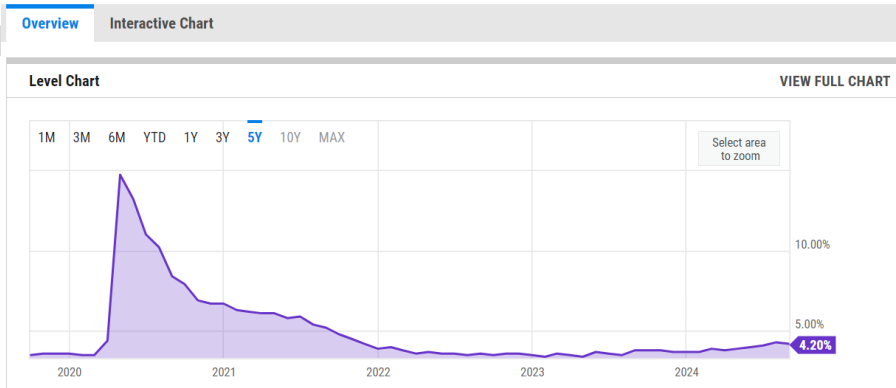
Most N-A wealth is composed of:

- Home equity
- Stable job
- Savings / 401k tied to stock market
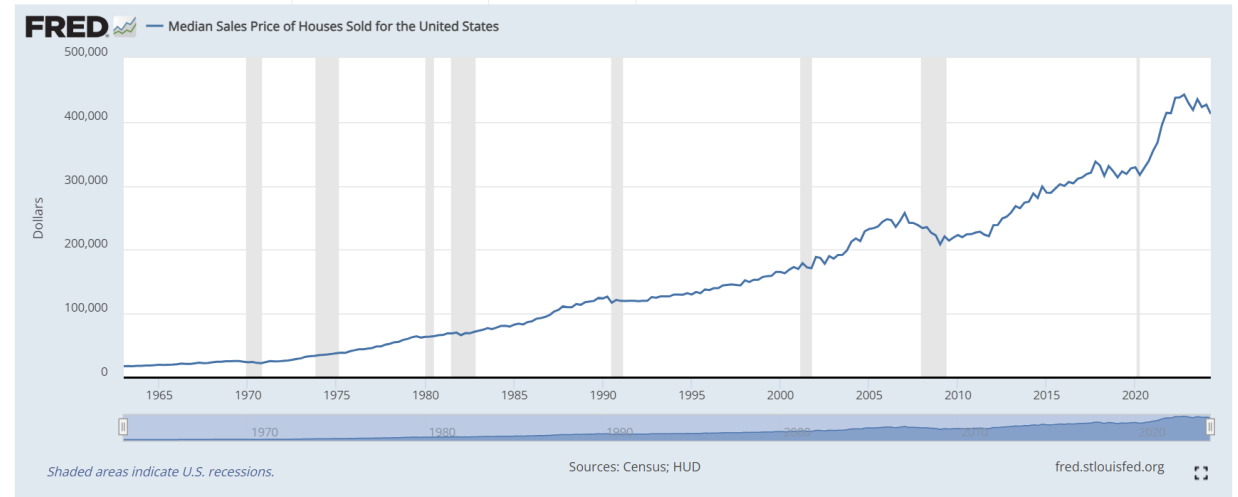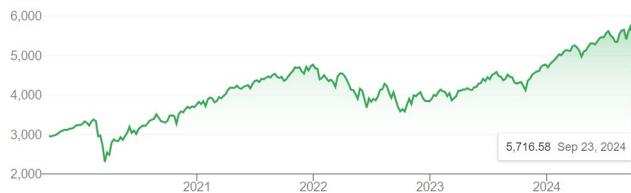
Existing and new house inventory USA

Market Summary > S&P 500

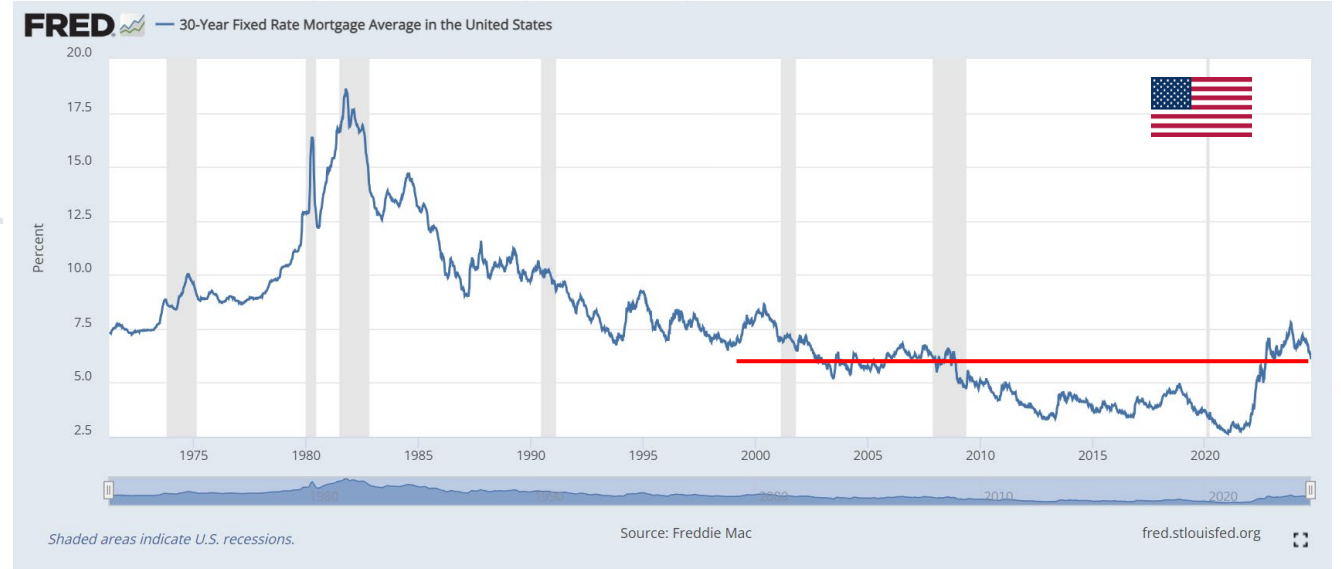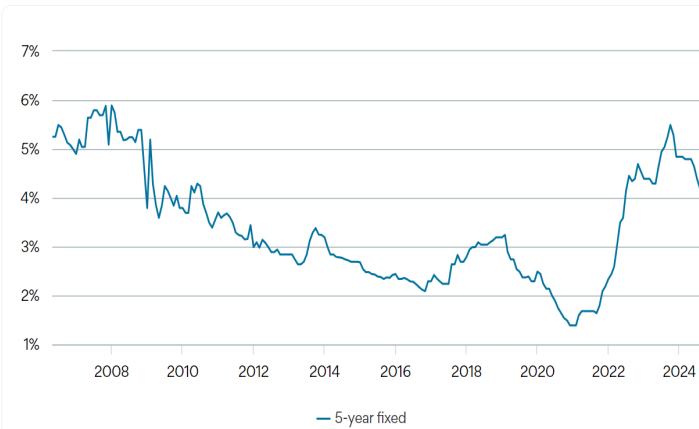**5,716.85**
+2,755.06 (93.02%) ↑ past 5 years
Sep 23, 11:21 a.m. EDT • Disclaimer

5,716.58 Sep 23, 2024

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Feel good factor (cont)

Historical discounted 5-year mortgage rates 🇨🇦

— 5-year fixed

30-Year Fixed Rate Mortgage Average in the United States
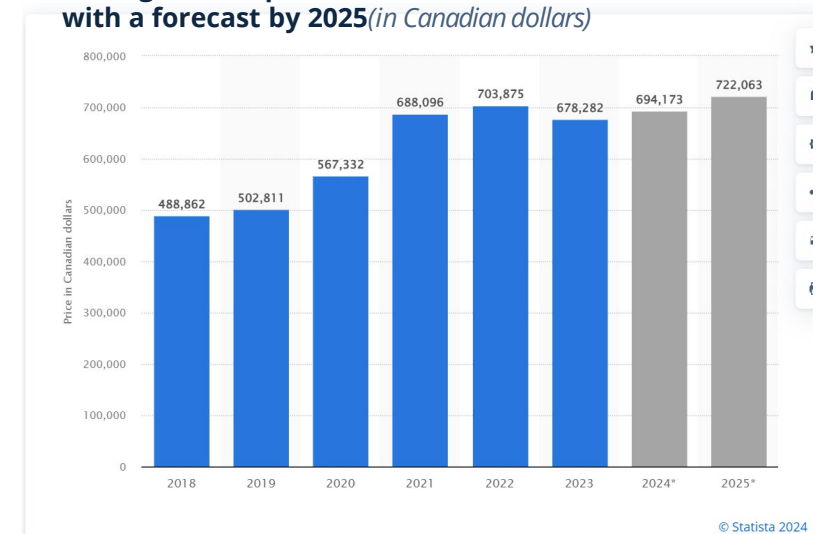
Shaded areas indicate U.S. recessions.   Source: Freddie Mac   fred.stlouisfed.org

Affordability is the challenge

- Mortgage rates are coming down

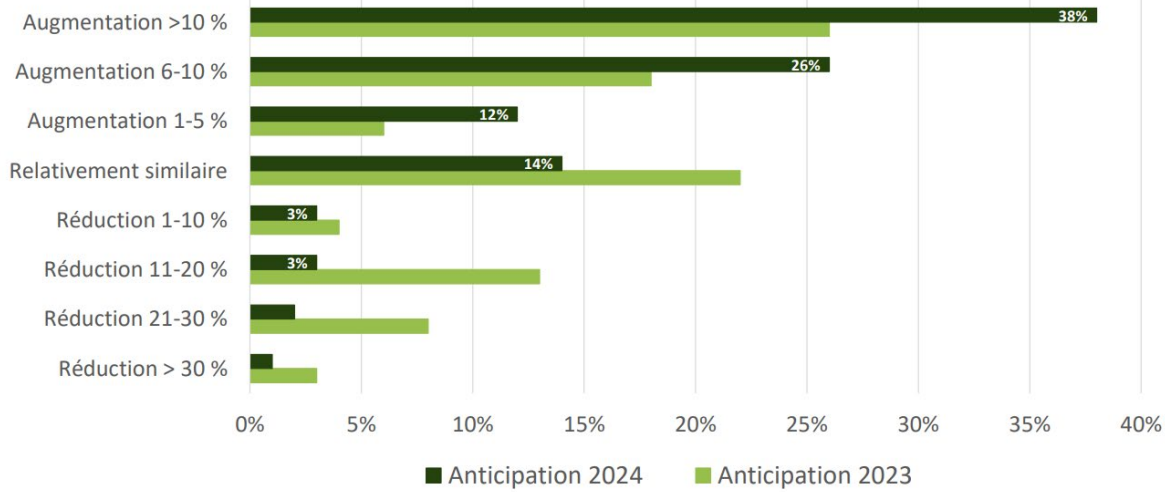- Several government sponsored initiatives for builders and first time homeowners

Average house price in Canada from 2018 to 2023, with a forecast by 2025 *(in Canadian dollars)*

© Statista 2024

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Housing starts / R&R

American builders' anticipation survey

Source: Zonda

Projected needed housing stock in main provinces

Annual average
Actual: 56 000
Needed: 125 000 **+223%**

Houses between 20 & 39 years old - USA

Source : US Census Bureau

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23
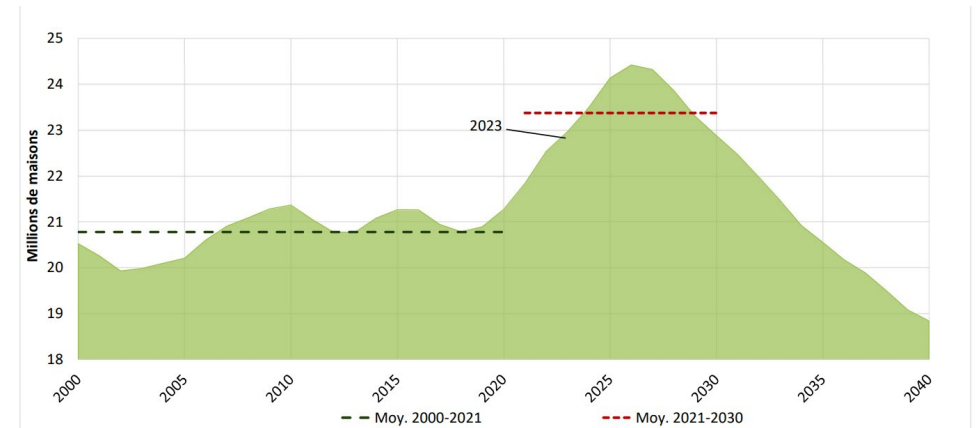
Price Predictions

DEMAND

OFFER
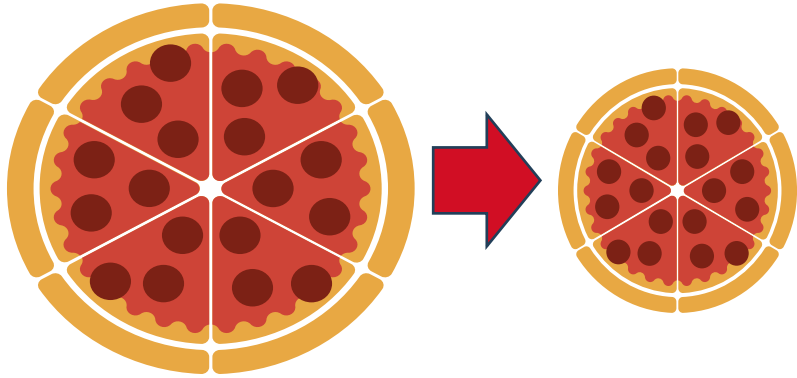
"*Se non hai mai pianto, I tuoi occhi non possono essere belli* "

"If you haven't cried, your eyes can't be beautiful"

Sophia Loren

BUT…

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