Monday, April 13, 2026
Thermal Mod, Tropicals & WRC Edition
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THE LUMBER DAILY

MARKET PULSE | Lumber $575.50 | WTI $104.82 (+8.5%) | Diesel $5.64 | S&P 6,816.89 | 10yr 4.31%

TOP STORIES

Iran talks collapse; Trump announces Strait of Hormuz blockade as oil surges past $104

United States-Iran negotiations in Pakistan collapsed on Saturday. President Trump announced a Strait of Hormuz blockade on Sunday, escalating a conflict that had briefly calmed under the two-week ceasefire announced April 8. West Texas Intermediate (WTI) crude surged to $104.82 per barrel Sunday evening, up 8.54% from Friday's close of $95.90. The Strait handles roughly 20% of global oil flows. For the lumber industry, the immediate transmission is diesel. National average on-highway diesel was already $5.64 per gallon before the weekend. Any sustained move above $6 reprices every delivered log, every flatbed load, and every kiln-dried board foot moving by truck. Ocean freight surcharges will follow. Monday opens into a market that has to reprice energy across every supply chain.

March Consumer Price Index: gasoline surges 21.2% in single month, largest jump since 1967

The Bureau of Labor Statistics released March 2026 Consumer Price Index (CPI) data on Friday. Headline inflation rose 0.9% month over month and 3.3% year over year. The dominant driver was gasoline, which surged 21.2% in a single month, the largest monthly increase since 1967. Hardware and building supply prices rose 1.4%. The gasoline spike reflects the Iran conflict's first-order pass-through into consumer prices. For builders and remodelers, the CPI print pushes the Federal Reserve further from rate cuts and keeps mortgage rates elevated at 6.46%. The University of Michigan consumer sentiment index released the same day hit 47.6, the lowest reading in 70 years of tracking. Housing demand was already weak before this data. Single-family starts had fallen 14.2% and building permits dropped 5.4% in the prior month.

Five-alarm fire destroys Southwood Lumber Pallet production facility in Orrville, Ohio

A five-alarm fire broke out Saturday evening at Southwood Lumber Pallet Inc. in Orrville, Ohio, destroying the main production area of the 42-year-old pallet manufacturer. Twenty-four fire departments and more than 75 firefighters responded. No injuries were reported. The company has pledged to rebuild. Pallet-grade lumber is already under supply pressure from rising low-grade prices and competing fiber demand from pellet and biomass buyers. The loss of a production facility during peak spring building season tightens an already thin pallet supply chain in the Ohio Valley and surrounding region.

DEEP DIVE: THERMAL MOD, TROPICALS & WESTERN RED CEDAR

Western Red Cedar's structural supply squeeze

Western Red Cedar (WRC) faces a supply crisis that is structural, not cyclical. Old-growth cedar comprised 95% of British Columbia's (BC) coastal harvest in 1995. That share has fallen to roughly 71%, driven by actual depletion and old-growth deferral policies, not conservation gains alone. Second-growth WRC yields smaller diameters, more sapwood, and lower natural durability. Industry sources report cedar decking inventory is 'shrinking rapidly' ahead of summer builds, with prices having quietly doubled from pre-2020 levels. BC's new forestry policies protecting old-growth canopies have further reduced annual harvest yields. Premium WRC pricing now reflects a permanent shift toward constrained supply rather than a temporary disruption. Builders who have not finalized cedar orders by early spring face price escalation and allocation risk through the balance of the year. For specialty producers carrying WRC decking, siding, and trim inventory, the supply squeeze is a margin opportunity, but only if replacement stock can be secured.

Thermal modification scales as a domestic alternative

The global thermally modified wood market reached roughly $4.4 billion in 2025 and is projected to grow at 3 to 5% annually through 2034, reaching $5.2 to $5.9 billion. The process heats wood to 180-220 degrees Celsius in an oxygen-free environment, reducing moisture uptake and cutting shrink-and-swell movement by 40 to 80% compared to untreated softwood. The result is a chemically free product with 25-plus-year exterior durability that competes directly with pressure-treated lumber, composites, and tropical hardwoods. United States manufacturers include Arbor Wood (domestic production, chemical-free), Thermory USA (multiple species, brushed and smooth textures, a charred 'Ignite' line), and Tantimber (North American and African sourcing, Turkish processing). The competitive position is clear. Thermal modification turns domestic softwoods and low-value hardwoods into exterior-grade products without chemical treatment or tropical sourcing risk. As WRC supply tightens and tropical species face regulatory pressure, thermal modification is the domestic manufacturing answer that scales with existing fiber supply.

Tropical species face EU Deforestation Regulation deadline in eight months

The European Union Deforestation Regulation (EUDR) takes effect December 30, 2026 for medium and large enterprises. It requires proof that wood products entering the EU did not drive deforestation or forest degradation. The EU is the second-largest importer of goods linked to tropical deforestation after China, making the regulation a major sourcing constraint for tropical decking species. Ipe leads the decking hardness charts at 3,680 Janka and commands top-tier pricing. Cumaru hits 3,540 Janka with a 50-year expected life at roughly two-thirds the cost of Ipe. Garapa offers 25-year durability at 1,210 Janka and roughly two-thirds the price of Cumaru. All three face the same EUDR compliance challenge: chain-of-custody documentation from tropical harvest sites through multiple intermediaries to the end buyer. Compliance costs will rise. Sourcing timelines will lengthen. Price volatility will increase. For North American importers, the EUDR is an eight-month countdown to a structurally different tropical supply chain, even for product that never touches the EU market, because global sourcing networks overlap.

The competitive map: wood still leads, but the share is shifting

Wood still holds 71% of the decking market by revenue. Composites have captured 29% and are growing at a 12.23% compound annual growth rate through 2035. In five of nine United States Census divisions, composite has already overtaken pressure-treated wood as the builder recommendation. Forty-six percent of builders now recommend composite over traditional wood. Within the real-wood segment, modified wood products are gaining ground. Accoya (acetylated wood) carries a 50-year warranty. Kebony (Norwegian furfurylation process) achieves a 1,700 Janka hardness rating. Both compete directly with WRC and tropicals on durability while avoiding tropical sourcing risk and WRC supply constraints. Charred finishes using the Japanese yakisugi technique have moved from exterior cladding into interior feature walls, creating a niche premium channel for WRC, Douglas-fir, and reclaimed hemlock substrates. The net picture: WRC is supply-constrained. Tropicals face regulatory tightening. Composites are taking volume. And modified wood is emerging as the bridge product that offers real-wood aesthetics with engineered durability. Specialty producers positioned across multiple product lines have the widest margin of safety.

■ WHAT YOU MISSED FRIDAY & THE WEEKEND

Friday, April 10 through Sunday, April 12.

- **Indices (Friday close):** S&P 500 6,816.89 -0.11%, Dow 47,916.57 -0.56%, Nasdaq 22,902.89 +0.35%. Flat session ahead of the weekend.
- **Oil (Sunday):** WTI crude surged to $104.82 per barrel (+8.54%) after U.S.-Iran talks in Pakistan collapsed Saturday and Trump announced a Strait of Hormuz blockade Sunday.
- **CPI (Friday):** March headline inflation +0.9% month over month, +3.3% year over year. Gasoline +21.2%, the largest single-month increase since 1967.
- **Consumer sentiment (Friday):** University of Michigan index hit 47.6, the lowest reading in the survey's 70-year history. Down 11% from early April.
- **Lumber:** Chicago Mercantile Exchange (CME) futures closed Friday at $575.50 per thousand board feet (MBF), down 0.95%. Madison's Lumber Price Index at $523 per MBF for the week ending April 10.

■ INDUSTRY & COMPANY NEWS

- **BC wood manufacturers call softwood tariff dispute a 'broken process':** Following the Commerce Department's 7th review preliminary dropping duties to 24.83%, BC's wood manufacturers council said the dispute resolution mechanism is fundamentally broken. BC Premier called for mutual resolution, noting Canadian mills have already absorbed 22 permanent closures.
- **Madison's Lumber Price Index holds at $523 per MBF:** The composite index for the week ending April 10 was unchanged from the prior week. Spruce-pine-fir (SPF) 2x4 at $490 per MBF, up 4% month over month but still 10% below year-ago levels. Order files stretching toward month-end.
- **National Wood Flooring Association (NWFA) Expo opens April 21 in Orlando:** The industry's largest hardwood flooring event runs April 21-23 at the Orange County Convention Center. Species trends, finish technology, and installation standards on the agenda.
- **USDA Wood Innovations grant deadline in nine days:** The $95 million Wood Innovations and Community Wood grant cycle closes April 22. Specialty producers and millwork operations planning capacity or market development work should have applications submitted this week.
- **Mortgage rates at 6.46%, housing demand under pressure:** Single-family starts fell 14.2% and building permits dropped 5.4% in the most recent data. Friday's CPI print and record-low consumer sentiment push any Federal Reserve rate-cut timeline further out.

■ MARKET & SUPPLY SNAPSHOT

INDICATOR	VALUE	TREND
CME Lumber (front month)	$575.50 / MBF	Down 0.95% Fri; spring demand muted
WTI Crude	$104.82 / bbl	Sunday surge; Hormuz blockade
National on-hwy diesel	$5.64 / gal	Heading higher; CA $7+
30-yr mortgage rate	6.46%	No relief after CPI print
CAD / USD	1.3831	Steady; duty cut not yet priced
U. of Michigan sentiment	47.6	Record low in 70 yrs of tracking
S-F housing starts (latest)	-14.2% MoM	Permits -5.4%; inventory +2.4%

■ THE BOTTOM LINE

Three things for your Monday. First, oil above $104 and the Hormuz blockade mean diesel is heading past $6 nationally this week. Every delivered log cost, every flatbed rate, and every kiln schedule in the country reprices on that move. Second, the deep dive maps a structural shift in exterior wood. Western Red Cedar is supply-constrained with no path back to pre-2020 volumes. Tropical species face an eight-month EUDR countdown. Thermal modification is the domestic manufacturing answer that scales without regulatory risk. Specialty producers carrying multiple product lines across modified, cedar, and tropical have the widest margin of safety. Third, consumer sentiment at a 70-year low, housing starts falling, and mortgage rates stuck above 6.4% are demand signals that cannot be ignored. The cost side is getting worse while the demand side weakens. Manage inventory accordingly.
