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Hardwood Supply Edition
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THE LUMBER DAILY

MARKET PULSE | Lumber $580 | WTI $95 (-7% wk) | Diesel $5.64 | S&P 7,399 | 10yr 4.38%

■ TOP STORIES

Doman Building Materials Posts $68M EBITDA on 17% Gross Margin Despite Soft Pricing

Doman Building Materials Group reported first-quarter revenue of C$762.0 million, down from C$793.2 million a year earlier as pricing fell across spruce-pine-fir (SPF), oriented strand board (OSB), and plywood categories. EBITDA came in at C$68.1 million with net earnings of C$23.9 million and a gross margin of 17.0%. Construction materials accounted for 83% of sales, with specialty and allied products at 14%. Chairman Amar Doman noted cost discipline allowed the company to deliver margin performance despite year-over-year price compression. The quarterly dividend of C$0.14 per share was paid April 15. Results mark the first read on Canadian distribution-tier margins under the preliminary 7th administrative review duty framework.

Trex Beats Consensus in First Full Quarter Under Zambanini

Trex Company reported first-quarter net sales of $343.4 million and earnings per share of $0.59, beating the $0.51 analyst consensus by $0.08. Gross margin held at 40.5% and EBITDA climbed 6.2% to $101.9 million. The quarter was the first full period under chief executive officer Adam Zambanini, who succeeded Bryan Fairbanks on April 28. Trex completed a $100 million accelerated share repurchase during the quarter and guided full-year 2026 net sales of $1.185 billion to $1.23 billion with adjusted gross margin of approximately 37.5%. Capital expenditures are projected at $100 million to $120 million, down from $224 million in 2025. Composite decking continues to gain share against wood alternatives: Trex holds roughly 29% of the residential deck-board market versus 71% for wood, with composites growing 8% to 12% annually. The margin and buyback signal suggest pricing power intact heading into peak building season.

US Hardwood Lumber Production Down 29% Since 2022 as Mill Closures Accelerate

Domestic hardwood lumber production has fallen roughly 29% between 2022 and 2025, according to industry data compiled by the National Hardwood Lumber Association (NHLA) and the Hardwood Federation. The NHLA reports that more than 4% of American sawmills have been lost to closures and consolidations over the period, with the Hardwood Federation tracking approximately one hardwood mill closure per week through 2026. The contraction has eliminated an estimated 40,000 jobs. Total domestic consumption of hardwood lumber in 2025 was 2.9 billion board feet below 2019 levels and 7.5 billion board feet below the 1999 peak. Despite record-low output, most items remain in adequate supply because demand has contracted alongside production. The structural floor question — what happens when even modest demand recovery meets an industry with less spare capacity than any prior cycle — is the subject of this edition's deep dive.

■ DEEP DIVE: US HARDWOOD SUPPLY CONTRACTION

Production in Free Fall

The headline number — 29% production decline since 2022 — understates how concentrated the losses are. Record-low grade lumber and industrial product output in 2025 capped a quarter-century of erosion in domestic hardwood consumption. Total 2025 hardwood lumber consumption was 7.5 billion board feet below the 1999 peak, a structural contraction driven by offshoring of furniture manufacturing, substitution by engineered and composite materials, and a long-term decline in cabinet-grade hardwood demand. The NHLA reports more than 4% of US hardwood sawmills lost in the period. Closures have concentrated in the Appalachian and Lake States regions, where small family-owned operations running 5 to 15 million board feet per year face compounding cost pressures: electricity bills doubling in some areas, blade and equipment costs up sharply since 2019, and competition for fiber from pellet and biomass markets. The Hardwood Federation estimates production fell a further 2% in 2025 on top of multi-year declines, with a 2% rebound projected for 2026 — a recovery that would still leave output well below 2022 levels.

Demand Disconnect: Low Supply Upholds Prices Despite Weak Pull

The paradox of the current market is that historically low production is the primary support for hardwood prices, not demand strength. Most hardwood species remain in adequate supply because consumption has contracted alongside production. The domestic furniture sector — once the single largest consumer of hardwood lumber — continues to shrink as imported finished goods displace domestically manufactured case goods. Flooring, the second-largest traditional end market, faces substitution from luxury vinyl plank and engineered products that use thinner hardwood wear layers. Pallet and industrial markets are a bright spot, driven by e-commerce logistics volume, but pallet-grade lumber is a low-margin outlet. The result is a market where prices hold because supply fell faster than demand, not because buyers are competing for limited availability. Any uptick in construction activity or a reversal in furniture sourcing patterns would collide with an industry operating with less spare capacity than in any prior cycle.

Trade Headwinds Compound the Squeeze

Export markets that once absorbed surplus hardwood volume have contracted under tariff and trade-war pressure. The NHLA notes that during the 2017 trade dispute, the hardwood industry experienced a 20% to 25% export decline, with several companies forced to close. Current conditions are described as worse. Retaliatory tariffs from key markets continue to tighten margins and shift production hubs globally. China — historically the largest buyer of American hardwood logs and lumber — has sharply reduced purchases, redirecting toward Russian birch and Southeast Asian rubberwood. The Section 232 tariff framework adds a 25% duty on wood cabinets and vanities imported from countries like Vietnam, compressing downstream demand for US-origin hardwood that feeds those supply chains. A Commerce Department report on potential Section 232 expansion to additional hardwood products is due October 1, 2026. If that expansion materializes, it would further reshape trade flows in both directions.

Structural Floor or Structural Decline?

The central question is whether the current production level represents a cyclical trough or a new structural baseline. Arguments for the floor: remaining mills tend to be better capitalized, vertically integrated, or positioned in specialty niches (figured wood, wide-plank flooring stock, architectural millwork) where margins justify continued operation. Appalachian and Lake States sawlog inventories remain biologically abundant — the fiber is there; the processing capacity is not. A modest recovery in housing starts, a shift in tariff policy, or a reshoring trend in furniture manufacturing would find an industry structurally unable to respond quickly. Lead times for new kiln-dried hardwood capacity run 18 to 24 months from commitment to first production. Arguments against the floor: if demand continues its quarter-century slide, the industry shrinks further regardless of supply-side fundamentals. The 2026 outlook — a projected 2% production rebound — tests which thesis holds. Buyers watching Appalachian White Oak, Hard Maple, and Cherry availability through the summer order window will see the answer first.

■ WHAT YOU MISSED YESTERDAY

Friday, May 8 — business, markets, and the broader economy.

- S&P 500 7,398.93 (+0.84%, record close), Nasdaq 26,247.08 (+1.71%, record), Dow 49,609.16 (+12 pts). Both S&P and Nasdaq hit new all-time intraday highs.
- April nonfarm payrolls +115,000, well above the 55,000 consensus estimate. Unemployment held at 4.3%. Average hourly earnings +3.6% year-over-year, below the 3.8% estimate. Labor-force participation fell to 61.8%, lowest since October 2021.
- West Texas Intermediate crude ~$95 per barrel. Prices posted a weekly loss of approximately 7% as renewed US-Iran clashes tempered ceasefire hopes.
- 10-year Treasury yield 4.38%, easing 4 basis points on the session. Freddie Mac Primary Mortgage Market Survey 30-year fixed rate 6.37%, up 7 basis points week-over-week.
- Chicago Mercantile Exchange lumber futures ~$579 per thousand board feet, flat on the session. Madison's Lumber Prices Index $522 per thousand board feet for the week ending May 8, down $2 week-over-week.

■ INDUSTRY & COMPANY NEWS

- **Interfor Q1 due May 14.** Interfor Corporation will release first-quarter results on Wednesday, May 14, with the analyst call on Friday, May 15 at 8:00 a.m. Pacific. The report will be the first from a major Canadian producer reflecting the full impact of the preliminary 7th administrative review duty rates and the indefinite curtailments at Nairn Centre and Gogama, Ontario announced in late April.
- **Georgia wildfires: containment advancing.** The Highway 82 fire in Brantley County stands at 22,420 acres and 90% containment, up from 85% last week. The Pineland Road fire in Clinch County holds at 32,575 acres and 70% containment, up from 50%. Command of the Brantley fire transferred back to the Georgia Forestry Commission. The statewide mandatory outdoor burn ban remains in effect through May 22.
- **Weyerhaeuser finalizes British Columbia (BC) exit.** Subsequent to its first quarter, Weyerhaeuser received $22 million in proceeds following the transfer of its timber licenses in BC, representing the final proceeds associated with the sale of its Princeton lumber mill. The company also announced TerraForge Biocarbon Solutions, a joint venture with Aymium to produce 1.5 million tons of metallurgical-grade biocarbon annually at McComb, Mississippi, targeted for 2027.
- **Madison's breaks below $524 corridor.** The Madison's Lumber Prices Index printed $522 per thousand board feet for the week ending May 8, down $2 from $524 the prior week. The print snaps five consecutive weeks in the $522 to $524 range and is the lowest since late March. Year-over-year the index remains up approximately 11%.
- **Conifex Q1 results May 15.** Conifex Timber will release first-quarter results on May 15 pre-market with a conference call at 9:00 a.m. Pacific. The seven-week curtailment at its Mackenzie, BC sawmill begins May 19 with a target restart in July, driven by log inventory levels and spring breakup conditions across the BC Interior.

■ BY THE NUMBERS

INDICATOR	VALUE	TREND
CME Lumber (May)	$580/MBF	+0.2% DoD
Madison's Index (wk May 8)	$522/MBF	-$2 WoW, +11% YoY
WTI Crude	~$95/bbl	-7% WoW
EIA US Diesel (wk May 4)	$5.64/gal	+$0.29 WoW
10-yr Treasury	4.38%	-4 bps DoD
Freddie 30yr PMMS (May 7)	6.37%	+7 bps WoW
CAD/USD	~0.73	Flat WoW

■ ON DECK THIS WEEK

Tue May 13: April Consumer Price Index (CPI) 8:30 a.m. ET. **Wed May 14:** Interfor Q1 release; April Producer Price Index (PPI) 8:30 a.m. ET. **Thu May 15:** Interfor analyst call 8:00 a.m. PT; Conifex Q1 release pre-market + 9:00 a.m. PT call; Kevin Warsh succeeds Jerome Powell as Federal Reserve Chair. **Fri May 16:** West Coast Dry Kiln Association spring meeting, Eugene, Oregon (Zip-O-Log Goshen kiln tour).

■ THE BOTTOM LINE

Three things for your Monday: Hardwood supply contraction has reached numbers not seen in decades — 29% production decline since 2022, roughly one mill closure per week, and 40,000 jobs lost. Any demand uptick collides with an industry operating near its structural floor, and lead times for new capacity run 18 to 24 months. Doman's 17% gross margin in soft pricing and Trex's $0.59 beat with a 40.5% gross margin read together: distribution-tier discipline is holding, while composite alternatives continue taking share against wood decking at 8% to 12% annual growth. Madison's breaking below $524 for the first time in a month resets the price conversation heading into Interfor and Conifex Q1 data this week, April CPI Tuesday, and the Powell-to-Warsh Fed chair transition Thursday. The question is whether BC Interior curtailments are deep enough to hold the softwood floor through spring — and whether hardwood's structural contraction eventually feeds back into that equation.
