Tuesday, May 19, 2026
Pallets & Low-Grade Edition
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THE LUMBER DAILY

MARKET PULSE | Lumber $590 | WTI $107 (+1.6%) | Diesel $5.60 | S&P 7,403 (-0.07%) | 10yr 4.62% (+2bp)

TOP STORIES

Searsmont Investigation Continues; Injury Count Rises to Twelve, 3 p.m. Briefing Today

The Maine Office of State Fire Marshal and the ATF raised the injury count from the Friday May 15 Robbins Lumber explosion to twelve. Eight people remain hospitalized as of Tuesday morning, several in critical condition. Investigators have conducted more than fifty interviews and completed Sunday and Monday scene documentation including aerial mapping; the joint origin-and-cause examination continues this week. Department of Public Safety Commissioner Michael Sauschuck will lead an in-person media briefing at the Searsmont Town Office at 3:00 p.m. ET Tuesday with State Fire Marshal and ATF representatives. A select-board member has publicly speculated the explosion was sawdust-driven; investigators have not yet confirmed cause.

10-Year Treasury Closes at 4.62% Monday, Highest Since February 2025

The 10-year Treasury yield closed Monday May 18 at 4.62% (a 52-week high) after Friday's +14 basis-point surge and a Monday session that took yields slightly higher into the close. S&P 500 finished 7,403.05 -0.07% and the Nasdaq Composite 26,090.73 -0.51% on continued technology weakness; the Dow Jones Industrial Average added 159.95 points or 0.32% to 49,686.12 as cyclicals rotated. The yield move sits against rising West Texas Intermediate (WTI) crude on Iran-Hormuz tension and ahead of new Fed Chair Kevin Warsh's first business day at the central bank. Thursday's April housing starts release and the June 16-17 Federal Open Market Committee (FOMC) meeting are now the two near-term events that price-in or price-out the rate trajectory feeding into housing demand.

Conifex Mackenzie Sawmill Seven-Week Curtailment Begins Today

Conifex Timber's Mackenzie, British Columbia sawmill enters its previously-announced seven-week curtailment Tuesday May 19 with a July restart target. Roughly 25 million board feet (MMBF) of Spruce-Pine-Fir (SPF) supply is removed across the window; logging resumes early June, planers operate through late June on existing inventory. The Mackenzie pause is the fourth Q2 SPF-side action this calendar after Interfor's Ear Falls, Ontario Q1 indefinite curtailment and the April indefinite curtailments at Interfor Nairn Centre and Gogama, Ontario, and joins Western Forest Products' Chemainus, Vancouver Island operation that has been idle since June 2025 and is scheduled to remain down through end-2026. The federal Softwood Lumber Guarantee Program-backed $19M Business Development Bank of Canada (BDC) term loan Conifex closed last week is the operational underwrite for the curtailment-restart sequence.

■ DEEP DIVE: PALLETS & LOW-GRADE LUMBER MARKETS

Low-Grade Composite Up 27% Year-To-Date as Mills Strip the Pallet Cut

The low-grade softwood composite has risen 27% since the first week of January 2026, against a 14% gain in the framing-lumber composite over the same window. The structural driver is simple substitution at the mill: when construction demand pulls higher-grade lumber out of production, sawmills have less raw material and less incentive to make the lower-margin pallet-stock cut. Western SPF 2x4 #2&Btr KD held US$490/MBF the first week of May, up 7% year-over-year. Southern Yellow Pine (SYP) East-side 2x4 #2&Btr KD ran US$505/MBF, down 6% week-over-week. The framing-lumber composite price index closed March 2026 at $468.50/MBF, +3.2% month-over-month, +8.6% over three months and +16.4% year-over-year. The low-grade move has run faster than the headline framing tape across the same months - meaning pallet recyclers and new-build pallet manufacturers have absorbed margin compression that does not yet show up in the framing composite that most builders quote.

The Pallet Market: $60.9B 2025 to $85B 2031, Softwood Holds the Volume

The global wooden-pallet market sat at US$60.9 billion in 2025, is forecast to print US$64.39 billion in 2026, and reaches US$85.03 billion by 2031 on a 5.72% compound annual growth rate (CAGR). Softwood holds the largest single share of the wood-pallet category by volume at 22% in 2026, driven by cost efficiency and the practical durability profile most warehouse and one-way shipping applications require. Hardwood pallets are the higher-margin segment and the one positioned for share gains through 2035 on durability and wear resistance, particularly in food/beverage, automotive and heavy-industrial pool programs. Pallet stock - low-grade hardwood and softwood lumber - is the single largest cost input for the manufacturer. A Canadian softwood supply shock of the type currently in motion (Section 232 stack on top of the 7th administrative review preliminary 24.83% antidumping/countervailing duty rate) is the textbook condition under which hardwood pallets reclaim volume share from softwood substitutes.

The De Minimis Pivot: From Air-Parcel to Containerized Ocean Freight

The August 29, 2025 executive order eliminating the de minimis exemption for low-value commercial shipments - followed by phased full enforcement running through mid-2026 - is a structural pivot from air-parcel small-package flows toward containerized, palletized ocean freight. Warehouse throughput per import unit rises, palletization rates on inbound containers rise, and one-way pallet demand into U.S. fulfillment networks rises with them. For domestic pallet manufacturers and wood-pallet poolers, the de minimis change is the closest the segment has come to a regulatory tailwind since the early 2010s. Pallet manufacturers operating in regions adjacent to major container ports (Long Beach, Savannah, Newark, Norfolk, Houston) carry the most direct exposure on the demand side; mills in those regions have the most direct shot at the pallet-stock pull-through on the supply side.

ISPM 15: The Standing Phytosanitary Floor for Export Pallets

International Standard for Phytosanitary Measures No. 15 (ISPM 15), administered by the International Plant Protection Convention (IPPC) of the Food and Agriculture Organization (FAO) of the United Nations, is the standing compliance floor for any wood packaging material thicker than 6 millimeters moving in international trade. Approved treatments are heat treatment to a 56°C core temperature held for 30 minutes, methyl bromide fumigation, or dielectric (radio-frequency/microwave) heating to 60°C held for 1 minute. ISPM 15 is enforced in more than 160 countries including the United States, China, India, the European Union and Canada; non-compliance penalties include shipment rejection at port, fines that can exceed US$100,000, and criminal prosecution in some jurisdictions. The standard has not been updated since 2013, and the IPPC has not signaled an update for 2026. The compliance overhead favors integrated kiln-owning mill-and-pallet operators over independent assemblers - when freight pivots toward containerized ocean and pallet demand lifts, integrated operators capture the margin first.

WHAT YOU MISSED YESTERDAY

Monday, May 18 - business, markets, and the broader economy.

- S&P 500 7,403.05 -0.07%, Nasdaq 26,090.73 -0.51%, Dow 49,686.12 +160 pts +0.32% as technology lagged and cyclicals carried the index.
- 10-year Treasury closed at 4.62% - 52-week high - with the long end repricing on Iran-Hormuz tension and weak long-bond auction demand.
- WTI June crude climbed back toward $107/bbl on the lack of U.S.-Iran negotiations to reopen the Strait of Hormuz; the contract had closed Friday May 15 around $105.27.
- NAHB/Wells Fargo Housing Market Index (HMI) released Monday morning at 37, three points above April's 34 floor and three points above the 35 consensus.
- Warsh's first business day as Fed Chair after Powell's May 15 term end; first FOMC June 16-17.

INDUSTRY & COMPANY NEWS

- **Eight Remain Hospitalized From Searsmont Explosion; Community Donations Underway** - Eight of the twelve injured in Friday's Robbins Lumber explosion remain hospitalized Tuesday morning; the Fraternity Village General Store in Searsmont opened a donations channel for victim families. Maine Forest Rangers, the Maine Department of Environmental Protection and the federal Occupational Safety and Health Administration (OSHA) continue to support the State Fire Marshal/ATF scene examination.
- **EIA U.S. Retail Diesel Weekly Price Falls to $5.596/gal** - The U.S. Energy Information Administration (EIA) released its weekly No. 2 diesel retail print for the week ending Monday May 18 at $5.596/gal, down roughly 4 cents week-over-week from $5.639/gal the week of May 11. The print reflects diesel's late-week softening even as crude rallied; the spread between WTI and on-highway diesel widened modestly into the new week.
- **BC Premier Eby Renews Call for Softwood Tariff Relief After $1.5B Federal Package Excluded Sector** - British Columbia Premier David Eby in early May renewed pressure on the federal government to add softwood lumber to the $1.5B tariff relief package Ottawa announced in response to the broadening U.S. tariff stack, noting publicly that softwood lumber "employs more people in Canada than steel and auto parts combined." The federal package included $1.7B in loans and loan guarantees for softwood producers but did not provide direct tariff offset relief on the order of the steel and automotive supports.
- **Census April Housing Starts Release Thursday May 21, 8:30 a.m. ET** - April New Residential Construction data drops Thursday morning. The March print of 1.502 million annualized total starts and 1.372 million permits was the highest total-starts print since December 2024 and a 13-month high in single-family. April will be the first single-month read against the May HMI rebound to 37 and the 10-year breaking through 4.6%.

■ BY THE NUMBERS

INDICATOR	VALUE	TREND
CME Lumber (Jul front-month, May 18)	**~$590/MBF**	+$1 DoD, +0.17%
Madison's Lumber Prices Index (wk May 15)	**US$522/mfbm**	Flat WoW, 6th print in $522-$524 corridor
WTI June crude (May 18)	**~$107/bbl**	+1.6% on Hormuz tension
EIA U.S. retail diesel (wk May 18)	**$5.596/gal**	-4¢ WoW from $5.639
10-year Treasury yield (May 18)	**4.62%**	+2 bp, 52-week high
Freddie Mac PMMS 30-year fixed (May 14)	**6.36%**	Most recent weekly print
USD/CAD spot (May 18)	**~1.372 (CAD ~0.729)**	Flat DoD

■ THE BOTTOM LINE

Three things for your Tuesday: the Searsmont investigation moves to its first formal public update at 3 p.m. ET with eight people still hospitalized - the hospitalization count, the ATF/State Fire Marshal scene documentation timeline, and any narrowing of the sawdust-origin theory are the items that change the underwriting picture before Friday. The 10-year at 4.62% - a new 52-week high - pulls forward the rate-vs-housing read into Thursday's April starts release; an HMI bounce to 37 plus a 4.62% 10-year is not yet a builder-confidence signal that survives a soft starts print. Conifex Mackenzie removes 25 MMBF of SPF starting today against a Q2 tape that has run the low-grade composite up 27% year-to-date versus framing's 14% - the pallet-stock cut is where the supply-side curtailment shows up first, and an integrated mill-plus-pallet operator carries the cleanest path to the ISPM 15-grade export-pallet pull-through that the de minimis pivot is starting to surface.