

Timber Research Project

27.10.20

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# Executive Summary

## N.A. Wood PT Market

Pressure treated lumber has sparked recently due to housebound homeowners using the Covid-19 pandemic to make renovations to their homes. Industry pricing experts say the cost of pressure treated 2x4s has increased by as much 80% or better in the past three months with decking boards shooting up by about 75%. During the same span, the cost of 4x6 and 6X6 pressure treated lumber is up nearly 50%. Decking is contributing most of the growth, closely followed by fencing, garden beds and treehouses and other playground equipment.

There's no sale or industry data available for the market at large, but the commentary above sets the tone for this report and points to promising signs for a new hemlock fencing product.

## WFP PT Opportunity

This research is commissioned on behalf of [Western Forest Products](#) (WFP). WFP has a successful business selling a range of timber products to a large number of highly established and reputable customers. They believe there is an opportunity to pressure treat a hemlock product and sell the product as fence pickets. Hemlock isn't traditionally used in fencing because it is not as durable as other timbers, however, effective treatment can increase the lifespan of the product. Importantly the opportunity is to sell the hemlock fence pickets to existing customers (not create a new market for the product or sell the product to new customers).

# PT Market Overview

## Market Drivers & Opportunities

### **Demand from residential building construction**

Timber is used extensively to construct single-unit housing and multi-unit apartments, and in home renovations. Increased housing construction tends to positively influence demand for a range of wholesale timber products such as plywood and particle board timbers. Demand from residential building construction is expected to decline during 2019-20, posing a significant threat to many industry operators.

### **Demand from non-residential building construction**

Non-residential construction firms are important downstream customers for the industry. Increased demand from non-residential building construction firms typically boosts industry revenue. Small-scale commercial and institutional buildings such as retail stores typically use greater amounts of timber as a construction material. Demand from non-residential building construction is expected to increase during 2019-20, which may present an opportunity for industry expansion.

### **Covid-19 and home projects**

The lockdown may encourage greater retail sales to DIY homeowners, which could stimulate increased wholesale supply of timber products through the supply chain. This is because consumers cannot travel internationally (or even domestically in some regions) and therefore they have more disposable income to spend. (They've also spent more time at home to trigger renovation projects and home improvement thoughts.) Note, this is offset slightly by the increase in unemployment and the consequent reduction in disposable incomes.

### **Lumber shortage**

Despite having been declared an essential industry, the forestry industry was impacted just like everyone else. Logging companies reduced the number of trees being harvested, lumber mills closed down, and wood did not get pressure-treated. Yet sitting around with nothing to do, consumers began [sprucing up their homes](#) and adding on, as home builders began building again in earnest. But with logging and milling activity slowed or stopped, the home improvement centers have been hit with a lumber shortage, and their prices are soaring.

See research on the two links below.

[Link](#) [Link](#)

### **Market Restraints**

#### **Hemlock reputation**

Anecdotally, Hemlock has a poor reputation as a fencing product due to question marks over the durability of the product in outside environments (especially ground contact). Cedar is preferred and accordingly, wholesale and retail customers may need convincing that the product is a sensible one.

# Pricing

Regional Pricing

Segment Pricing

# Customers and Competitors

Competitors

Here's a list of competitors currently offering a hemlock product. Note, they're not categorised by business activity, size or region. These are simply all of the hemlock fencing products online. These are found on Google, therefore if a consumer knew they wanted hemlock they would find these results. If that consumer instead went to Lowes, they would simply search for 'fencing picket', 'fencing rail' and be met with the full range of timber options.

Competitors	Links	Comments
GrahamLumber	<a href="#">Here</a>	Kentucky based seller, marketing the hemlock fence boards as suitable for farming and equestrian.  1x6-16' Rough Hemlock Fence Board = \$5.60
Hoover Fence	<a href="#">Here</a>	Ohio mill selling split rail fence boards in hemlock / spruce. Suggested use includes: for defining boundaries, decorating property, and fencing in livestock and horses  11' board = \$8.70
Goosebay Lumber	<a href="#">Here</a>	This New Hampshire supplier is another with a dated website, but admittedly, with a direct to consumer channel. They do an excellent job at explaining the wood, how to use it and how to protect it.  Full price list <a href="#">here</a>
Keystone Fence Supplies	<a href="#">Here</a>	Pennsylvanian fencing supplier with 11' hemlock split rail. No prices on their website.

Lumber Store by Carlwood	<a href="#">Here</a>	A Lumber Store in Canada with, amongst other strong offerings, a clever virtual wood selection service. Their hemlock product is a 6" X 6" – 6' western hemlock finished on a bandsaw or mill for \$16.00.
Dain's Lumber	<a href="#">Here</a>	No prices here (on application only). The hemlock they have available are approximately: height 150 feet to 200 feet tall, trunk diameter 3 feet to 4 feet. Note, clearly selling B2B.

Generic competitors that shape the pressure-treated wood market include:Koppers,Setra Group,Building Products Plus,Stella Jones,Westminster Industries Ltd.,James Latham plc,Weyerhaeuser Company,Universal Forest Products, Inc.,Goodfellow,Trex Company, Inc.,Metsa Group,West Fraser Timber Co. Ltd. andCox Industries Inc.

Their market share can be found [here](#). But please note, this is a paid report.

### Customer Review

In this section we review the likelihood of selling the proposed treated hemlock product to existing customers. The existing customers are listed as well as a link to related search results on their websites:

Customer	Relevant Existing Products	Propensity to Buy
Weyerhaeuser	No direct eCommerce channel but information on the website doesn't mention hemlock.	Hemlock is well known for interior use, but less likely to be used by the construction sector for outdoor projects. May be less likely to order the new product.
Bluelinx	No direct eCommerce channel but information on the website doesn't mention hemlock.	Hemlock is well known for interior use, but less likely to be used by the construction sector for outdoor projects. May be less likely to order the new product.
Home Depot	<a href="#">Treated Lumber</a> <a href="#">Hemlock Fencing</a> <a href="#">Fence Picket</a>	Likely to want to give their consumers even more choice, and if hemlock comes in cheaper will definitely stock.
Lowe's	<a href="#">Treated Lumber</a> <a href="#">Hemlock Fencing</a> <a href="#">Fence Picket</a>	Likely to want to give their consumers even more choice, and if hemlock comes in cheaper will definitely stock.
Menards	<a href="#">Fencing</a> <a href="#">Hemlock</a> <a href="#">Treated Lumber</a>	Likely to want to give their consumers even more choice, and if hemlock comes in cheaper will

		definitely stock.
McCoys	<a href="#">Fencing</a> <a href="#">Treated Lumber</a>	Likely to want to give their consumers even more choice, and if hemlock comes in cheaper will definitely stock.
Rona	<a href="#">Hemlock</a> <a href="#">Fencing</a>	Likely to want to give their consumers even more choice, and if hemlock comes in cheaper will definitely stock.

## Segment Analysis

### Wholesale market

Generally, favourable trends in the building construction sector will increase demand for industry products, as greater amounts of products such as glue laminated timber are needed to fulfil increased construction activity. Consumer preferences also determine timber product demand. Greater preference for specific native hardwood timbers used in furniture, cladding and wooden-framed windows, over alternatives such as aluminium or steel, can positively affect demand for the industry's products. Demand for timber from the Wooden Furniture and Upholstered Seat Manufacturing industry also determines industry demand. Furniture is a discretionary item, the purchase of which is deferrable and subject to changes in economic conditions and the relative price and attractiveness of substitutes. Consequently, demand for wholesale timber products from furniture manufacturers can fluctuate.

### Non-residential contractors and tradespeople

Residential contractors and tradespeople are the dominant market for timber wholesalers. This market purchases timber products from wholesale chains, retail chains and small-scale independent retailers. Carpenters and joinery contractors also use industry products for repair and maintenance projects on existing dwellings and associated fixtures such as kitchens and staircases. Over the past five years, demand from residential building construction has increased due to strong growth in the Australian population. However, much of this growth has come from the Multi-Unit Apartment and Townhouse Construction industry, which typically uses less timber than operators constructing traditional single-unit housing. This has been compounded by a housing downturn in recent years, including the COVID-19 effect on housing commencements during 2019-20. Generally the recent fall in property values have decreased the demand for new houses. Despite these factors, the residential contractors and tradespeople market has increased overall as a share of revenue over the past five years.

Non-residential contractors and tradespeople represent the industry's second- largest market. This market's share of industry revenue generally fluctuates with investment trends in commercial and institutional building construction. Non- residential contractors and tradespeople have declined as a share of revenue over the past five years, despite the solid growth in the value of commercial building construction. The concentration on the

construction of large-scale commercial building along with the shift towards the use of substitute building products such as metal, concrete and plastics in non-residential building construction has also contributed to this market's decline as a share of revenue.

**Retail market**

Retailers and general consumers represent an important market for industry operators. DIY consumers undertaking home renovation projects largely drive this market. This market segment has increased as a share of industry revenue over the past five years, although ongoing expansion is likely to slow as the home renovation market matures in line with residential property prices. Industry operators supply retail customers directly from timber yards located adjacent to residential areas, or through hardware chains and garden outlets. Most retail activity is undertaken by the large-scale retail chains, such as Home Depot and Lowes.

# Product

Western hemlock is hard, strong, straight-grained and resin-free. The construction industry uses hemlock with frames, sheathes, and floors with hemlock. Mills turn the wood into windows, frame-and-panel doors, moldings, stairs and paneling. For the wholesale market, hemlock is easy to machine and therefore can be used instead of hardwood for furniture and cabinets.

For the home construction industry, homeowners can work with hemlock easily with hand or power tools, which means it can be used for home DIY projects like decking and fencing.

That said, hemlock fence rails, pickets and so forth, aren't easy to find at the major retail chains. That could be because it has a poor reputation as performing poorly in adverse weather conditions or when used in the ground (i.e. fence posts). However, once treated, hemlock will be as effective as any other timber and could easily become as widely used as other fencing timbers.

# Channel Analysis

Both of the major home project retailers lack a hemlock fencing product. But they still have a large number of other treated and non-treated timber pickets. Therefore, to want to stock a hemlock variety to sell to their customers, Lowes and Home Depot will need to be convinced there is a compelling reason (cost, durability, aesthetic, ease of use).

Yes, they'll want to add variety and consumer choice, but they need a reason to market it. The below sets out the competitive products in the two major retail channels.

## Home Depot (US)

Picket Type	Size	Price
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Pressure Treated Pine French Gothic Fence Pickets (6-Pack)	3/4 in. x 3-1/2 in. x 42 in.	\$23.26
Dog Ear Brazilian Pine Fence Picket (12-Pack)	1/2 in. x 4 in. x 6 ft.	\$25.85
Cedar French Gothic Primed White Fence Picket (14-Pack)	1/2 in. x 3-1/2 in. x 3-1/2 ft.	\$40.44
Western Red Cedar Pointed Top Fence Picket (18-Pack)	1/2 in. x 3-1/2 in. x 3-1/2 ft.	\$39.46
Western Red Cedar #1 Dog-Ear Fence Picket (10-Pack)		\$58.09
5/8 in. x 3-1/2 in. x 3-1/2 ft. Western Red Cedar French Gothic Fence Picket (27-Pack)	5/8 in. x 5-1/2 in. x 6 ft.	\$57.89
Western Red Cedar Flat Top Fence Picket (27-Pack)	5/8 in. x 3-1/2 in. x 3-1/2 ft.	\$54.40
Cedar Dog Ear Fence Picket (6-Pack)	5/8 in. x 6 in. x 6 ft.	\$42.49
Con Heart Redwood Flat Top Fence Picket	11/16 in. x 7-1/2 in. x 6 ft.	\$8.97
Construction Heart Redwood Flat Top Fence Picket	11/16 in. x 7-1/2 in. x 5 ft.	\$7.97
Dog Ear Brazilian Pine Fence Picket (10-Pack)	5/8 in. x 6 in. x 6 ft.	\$33.54

## Lowes (CA)

Picket Type	Size	Price
Whitewood	1-in x 6-in W x 6-ft	\$2.29
Redwood	3/4-in x 7-1/2-in W x 8-ft H	\$11.99
Pressure Treated Pine	1-in x 6-in W x 6-ft H	\$1.72

Douglas Fir	1-in x 6-in W x 6-ft H	\$2.29
Cedar	5/8-in x 5-1/2-in W x 6-ft H	\$3.98
Pressure Treated Pine	1-in x 6-in W x 8-ft H	\$2.97
Pressure Treated Southern Yellow Pine	5/8-in x 5-1/2-in W x 6-ft H	\$1.72
Incense Cedar	5/8-in x 5-1/2-in W x 6-ft H	\$2.26