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Following Weak 2025 Results, 2026 Starts Slowly Amid Middle East Conflict

By Michael Connolly

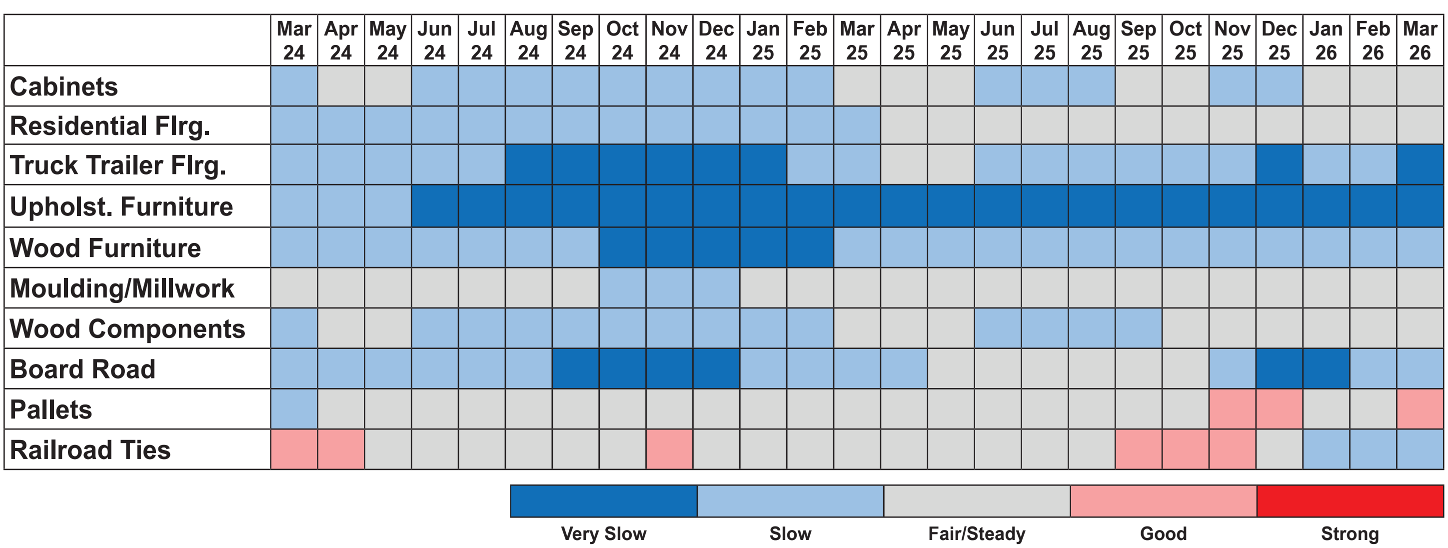
Surging freight costs and severe shipping disruptions in the Middle East have become the biggest stories in US hardwood export markets. This month's issue of the HMR *Executive* will dive into those red-hot topics.

Additionally, since the last export-focused *Executive* back in December, the USDA Foreign Agricultural Service (FAS) released data for the end of 2025 and for January 2026. This issue will examine the slow start to this year for hardwood lumber exports and compare full-year 2025 and 2024 data.

continued page 2

- **Real average hourly earnings for all US employees increased 1.4% in February 2026 over February 2025.**
- **The US Manufacturing Purchasing Managers' Index fell 0.2% in February from January to 52.4%. The January reading was the highest since August 2022.**
- **The US recorded a $54.5 billion trade deficit in January. Exports totaled $302.1B, up $15.8B from December. Imports totaled $356.6B, down $2.6B from December.**
- **US manufacturing capacity utilization was 75.6% in February, which was unchanged from January and only marginally higher than the February 2025 reading of 75.5%.**
- **The US Consumer Price Index (CPI-U) rose 0.3% on a seasonally adjusted basis in February. For the 12-month period ending in February 2026, the CPI increased 2.4%.**
- **China's Purchasing Managers' Index rose 1.4% to 50.4% in March. The figure is a 12-month high.**

HMR DEMAND INDEX (HDI)



Iran War, Higher Fuel Prices Disrupting Exports

US hardwood lumber shipments into the Middle East have been significantly hindered since the start of the war in Iran on February 28. New orders from the region have almost completely halted amid uncertainty, increased danger, and higher fuel costs.

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Iran has heavily restricted traffic through the Strait of Hormuz, and vessels traveling into the region are now being subjected to steep war-time surcharges and insurance costs. Most container shipping lines are avoiding the Strait until risks subside.

“A lot of people that had containers on the water are the ones that are most directly impacted,” Tripp Pryor, international program manager for the American Hardwood Export Council, told HMR/Fastmarkets. “People are trying to navigate where their containers are now and where they can go.”

Many container ships bound for the Middle East have had to reroute and unload cargos at alternate ports, according to Pryor. But this has been expensive and difficult for exporters, one main reason being that much of the lumber enroute to the Middle East is high-grade, thick-stock Red Oak and Ash, which are not easy to resell into other markets.

While the war persists, it is likely to significantly weigh on US lumber shipments to the Middle East and North Africa (MENA) region, largely cutting off what was a growing market for hardwoods. US exports of hardwood lumber to MENA hit a record 38.84 million board feet (MMBF) in 2025, up 18% from 2024, according to USDA data. The UAE, Turkey, Morocco, Egypt, and Lebanon were the top five markets in the region last year (**Figure 1**).

Higher fuel costs are another factor weighing on US hardwood export demand, not just into the Middle East, but on all routes. Exporters in the

middle of the US are the most affected because of their higher overland trucking costs to get product to seaports. Shortly after the start of the war, one Northern sawmill operator told HMR/Fastmarkets that trucking costs had jumped by roughly $25 to $40 per thousand board feet.

Depending on the length of the voyage, seaborne freight costs are up between $100 and $300 per container since the start of the war, Stephen Zambo, chief executive office of freight forwarder Ally Global Logistics, told HMR/Fastmarkets.

However, seaborne container freight costs were at historically low levels throughout 2025, according to Zambo, so the recent spike is not likely to close arbitrages, just squeeze exporters' margins a bit. Freight costs remain a relatively small percentage of the total cost of a lumber shipment.

Uncertainty seems likely to cloud the US hardwood export market in the short and medium terms as participants adjust to what might be a near-term norm of higher transport costs and decreased demand in the Middle East.

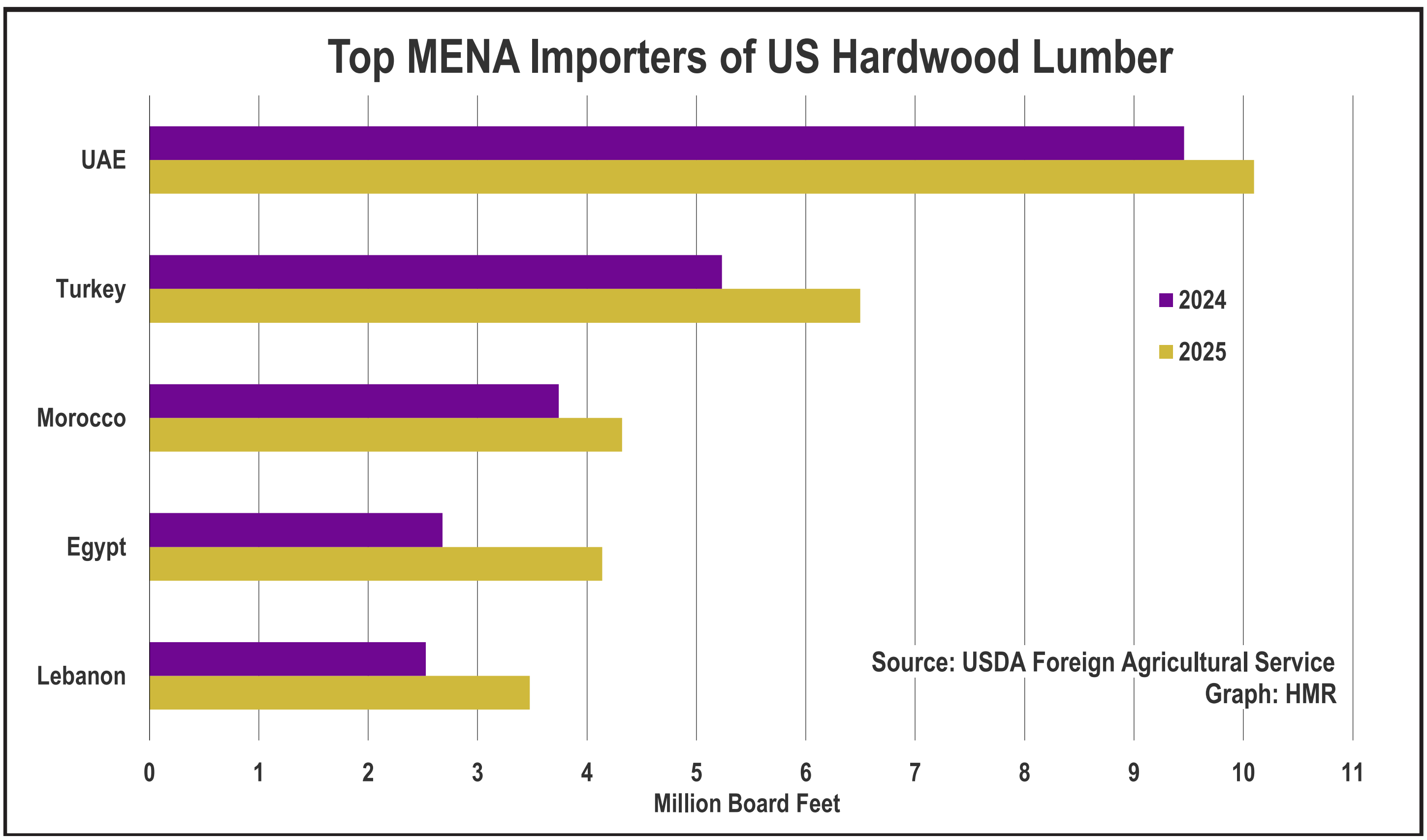
January Exports Down on China Weakness

US hardwood lumber exports totaled 87.93 MMBF in January 2026, down from 99.95 MMBF in the same period last year and the lowest for any January since 2010. Exports have fallen for nine straight Januarys after setting a record high of 158.32 MMBF in 2017.

Export demand faced continued downward pressure from ongoing trade conflicts between the US and many of its trading partners. On the supply side, severe winter weather disrupted operations throughout the US in January, causing Eastern US hardwood sawmill production to fall to the lowest level for any month since HMR/Fastmarkets began tracking it in 1960.

continued page 4

Figure 1



Decreased exports in January were led by a 38% year-on-year drop in shipments to China to 22.97 MMBF, the lowest in any January since 2010. Red Oak, the top-selling hardwood into China, faced particular downward pressure, as the country's imports of the species fell by 42% on the year to 10.37 MMBF.

Exports to other major partners Canada, Mexico, the UK, and Japan were all down slightly on the year in January, though decreases were mild compared with the drop to China.

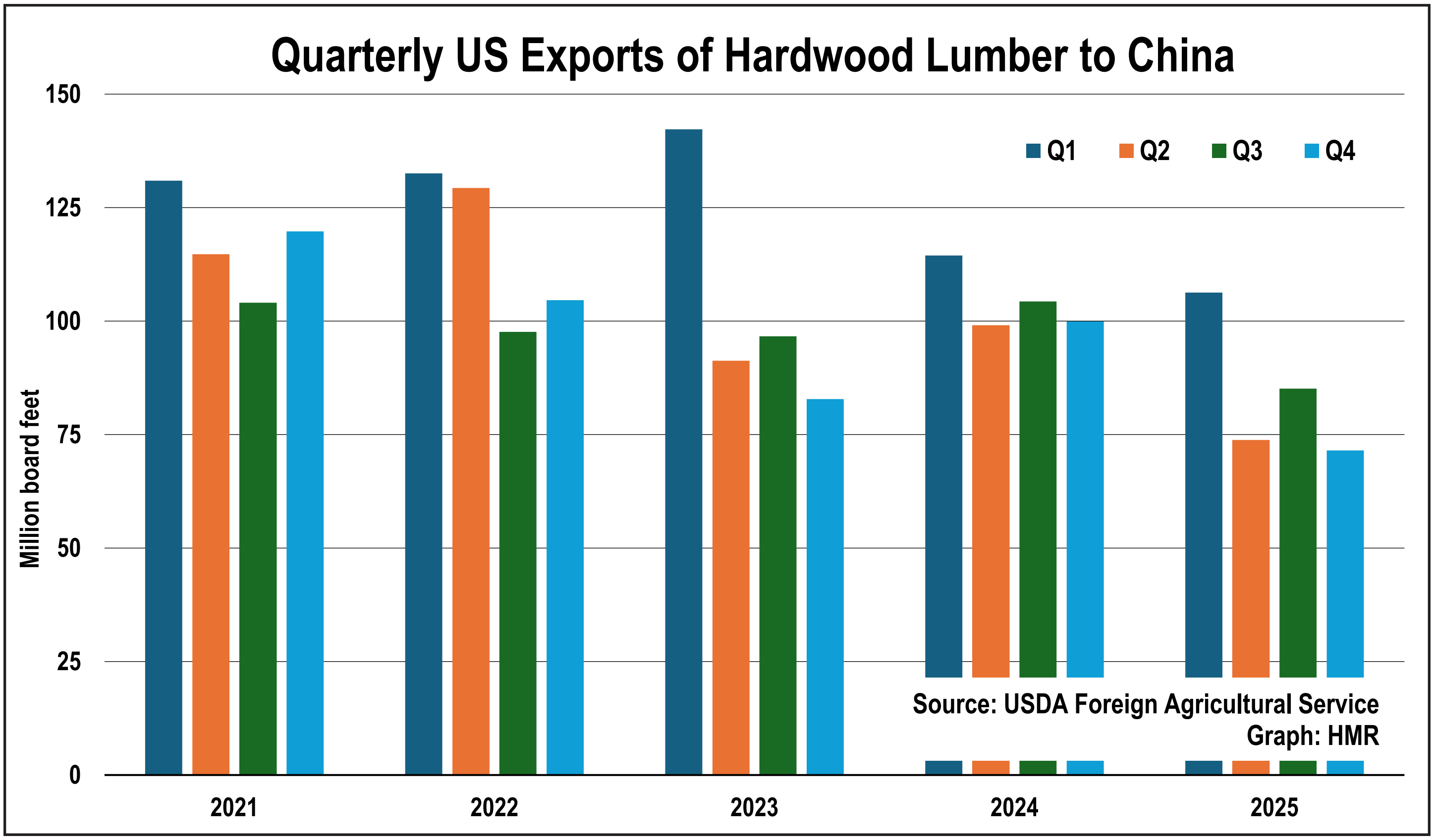
Vietnam was the one major trading partner that bought more US hardwood lumber year on year in January. Exports to the country climbed 13% to 17.00 MMBF, bolstered by a near doubling in Red Oak shipments, as well as higher volumes of White Oak and Poplar.

"US exports of hardwood lumber fell in 2025 to the lowest level in 15 years amid persistent tariff-driven trade conflicts between the US and its largest trading partners."

Additionally, some smaller partners bucked the broader trend and increased purchases year on year in January. Shipments to Australia jumped 76% to 1.25 MMBF, driven by higher demand for Red Oak, White Oak, and Walnut; shipments to Thailand more than doubled to 1.05 MMBF on higher demand for Ash and both Oak species; and shipments to Portugal climbed 57% to 855 thousand board feet (MBF), with White Oak accounting for more than half of the volume.

continued page 5

Figure 2



Full Year 2025 vs. 2024 Recap

US exports of hardwood lumber fell in 2025 to the lowest level in 15 years amid persistent tariff-driven trade conflicts between the US and its largest trading partners.

Total exports of 1.097 billion board feet (BBF) were down 10% from 2024, and 25% below the annual average of 1.463 BBF from 2015-2024. The last time the US exported less hardwood lumber in a year was in 2010, when global markets were still recovering from the Great Recession.

The decline in total exports was led by drops to the four largest foreign markets for US hardwood lumber: China, Canada, Vietnam, and Mexico.

Exports to China Down by Nearly a Fifth

China imported 336.72 MMBF of US hardwood lumber in 2025, the most of any country, but down by 19% from 417.76 MMBF in 2024 (**Figure 2**).

China has been the top export market each year since 2009, when it overtook Canada, but 2025 was the slowest year since 2010.

The slowdown largely persisted throughout last year, outside of a brief rebound in June, when volumes swelled to 40.28 MMBF, up from 32.00 MMBF the prior June. That was one of only two months in 2025 that saw year-on-year increases. Shipments fell to their low point in May, when they were just 11.16 MMBF, down 63% from May 2024, and the lowest for any month since February 2009.

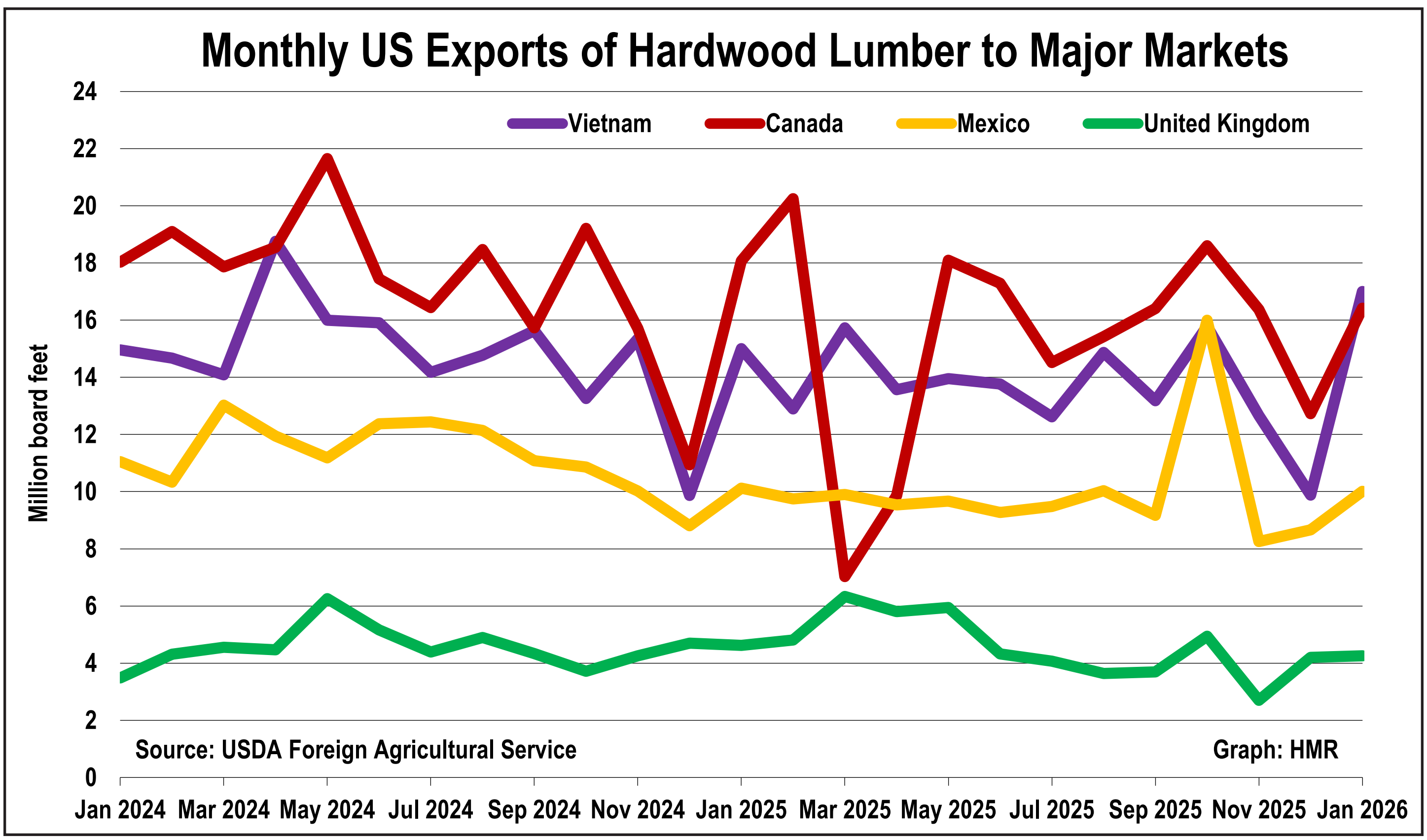
Decreases were seen across all species. Red Oak, the top seller into China, fell 11% on the year to 152.37 MMBF; Cherry quantities slid 20% to 42.21 MMBF; and Walnut shipments retreated 22% to 37.61 MMBF.

First Half Slowdown Weighs on Canada Exports

Hardwood lumber shipments from the US to Cana-

continued page 6

Figure 3



"White Oak and Red Oak were the top two movers from the US into Canada last year, accounting for more than half of business, at 55.85 MMBF and 44.81 MMBF, respectively."

da totalled 184.63 MMBF in 2025, down 12% from 209.14 MMBF in 2024.

The drop was mainly caused by a two-month slowdown shortly after the initial implementation of sweeping tariffs by the US and subsequent retaliatory tariffs by other countries. Canada imported a total of just 16.88 MMBF of US hardwood lumber last March and April, down 54% from the same period in 2024 (**Figure 3**).

Volumes then went on to normalize, relative to 2024 levels, despite continued uncertainty surrounding tariffs. In the second half of 2025, Canada imported 94.04 MMBF, just 3% below the 96.50 MMBF imported during the second half of 2024.

White Oak and Red Oak were the top two movers from the US into Canada last year, accounting for more than half of business, at 55.85 MMBF and 44.81 MMBF, respectively.

Vietnam Imports Mixed by Species in 2025

Vietnam remained the third largest foreign market for US hardwood lumber in 2025, bringing in 163.90 MMBF. This was an 8% drop from 177.42 MMBF in 2024.

The total decline was the result of persistent small drops on a month-by-month basis, rather than the sharp monthly slowdowns that hampered volumes to China and Canada.

Despite the drop in overall exports to Vietnam, White Oak volumes climbed 14% to 50.56 MMBF, Red Oak rose 10% to 26.89 MMBF, Walnut edged up 1% to 10.43 MMBF, and Ash jumped 39% to 3.53 MMBF.

However, these gains were outstripped by decreases for Poplar, Alder, Hickory, Soft Maple, and Cherry. Poplar saw the biggest drop-off, sliding 24% to 42.74 MMBF.

Mexico Rebounds in Q4

Exports to Mexico bounced back toward the end of 2025 following a slowdown during the first nine months of the year.

Mexico imported 32.91 MMBF of hardwood lumber from the US in the fourth quarter of 2025, up 11% from the same period in 2024. The rebound was driven by a busy October in which Mexico imported 16.00 MMBF, the highest for any month on record.

Despite the late rebound, total shipments to the country fell last year because of a sluggish first three quarters. Mexico imported 119.83 MMBF of US hardwood lumber in 2025, down by 11% from 2024.

Of the primary species going from the US into Mexico, the only one to gain ground in 2025 was Soft Maple, with a 109% increase to 11.09 MMBF.

Japan and Indonesia Bounce Back

US hardwood lumber shipments to Japan jumped 18% to 21.18 MMBF in 2025, after the country brought in just 17.93 MMBF in 2024, the least since 2009.

White Oak and Red Oak remained by far the top two sellers into the country, rising 26% to 6.4 MMBF and 14% to 4.83 MMBF, respectively.

Despite this growth, it was still a relatively slow year for exports to Japan. Shipments to the country averaged 26.34 MMBF from 2021-2023.

Indonesian imports of US hardwood lumber also climbed in 2025, as the country brought in 15.24 MMBF, up from 12.58 MMBF in 2024, and 8.28 MMBF in 2023.

Alder became the top-selling species to Indonesia last year, with volume surging 64% to 3.75 MMBF. Red Oak and White Oak were tied for the second-best seller, both totaling roughly 3.37 MMBF of exports into Indonesia.

Increased Trade with Some Minor Partners
Diminished demand in most of the primary foreign markets for US hardwoods forced exporters to find alternative outlets. Consequently, shipments jumped to several smaller trading partners in 2025, helping to mitigate the total decline.

India imported a record 6.78 MMBF of US hardwood lumber last year, up 46% from 2024. Significant gains were seen across species; in particular, Ash volumes more than doubled to 609 MBF, and Poplar volumes rose to roughly 485 MBF from 181 MBF.

India has shown a lot of growth as a market for US hardwoods in the past five years. In the period of 2021-2025, India averaged 4.94 MMBF of imports annually, up significantly from an annual average of 1.06 MMBF in 2016-2020.

Portugal also saw a notable jump in imports of US hardwood lumber in 2025. The country brought in a 16-year high of 9.31 MMBF, up 35% from 6.91 MMBF in 2024. White Oak lumber led the way, totalling 5.40 MMBF, up 69% on the year. Meanwhile, Red Oak climbed 51% to 1.74 MMBF, and Walnut rose 26% to 627 MBF.

continued page 8

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Europe Almost Steady in 2025
US exports of hardwood lumber to the EU27+ UK totalled 135.93 MMBF in 2025, down 1% from 2024.

The UK and Germany remained the two largest markets in the region, with volumes into both countries ticking up 1% to 55.09 MMBF and 14.32 MMBF, respectively. Decreased shipments to Italy and Spain were offset by increased shipments to Portugal, Ireland, Estonia, Greece, and France.

White Oak remained the top seller to Europe in 2025 at 64.04 MMBF, as volume was roughly unchanged on the year. Meanwhile, Red Oak notched an 18% increase to 23.83 MMBF.

Vietnam Driving Log Exports
US exports of hardwood logs totaled 385.65 MMBF in 2025, down 10% from 2024. The decrease resulted from a nose-dive in trade to China, which fell 78% to 48.52 MMBF amid a Chinese ban on imports of US logs that lasted for much of the year.

Vietnam filled much of the demand gap left by China, as it emerged as the top market in 2025. Shipments to the country surged 357% to a record high of 176.54 MMBF.

HMR/Fastmarkets will dive deeper into this and other trends affecting the US hardwood log export market in the May issue of the HMR *Executive*.

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Website: www.hmr.com ~ Email: client.services@fastmarkets.com
5101 Wheelis Dr., Ste 312, Memphis, TN 38117-4550
Phone: 901-767-9126