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As Consumption and Production both Contract, Hardwood Sawmill Owners Worry about Rising Costs and the Threat of Closure

By Ben Stanley

In early June, rumors spread quickly through the hardwood industry. The truth followed hot on their heels; several well-known sawmills and concentration yards in the Southern, Appalachian, and Northern regions were shutting down or had announced plans to shut down within the next six months.

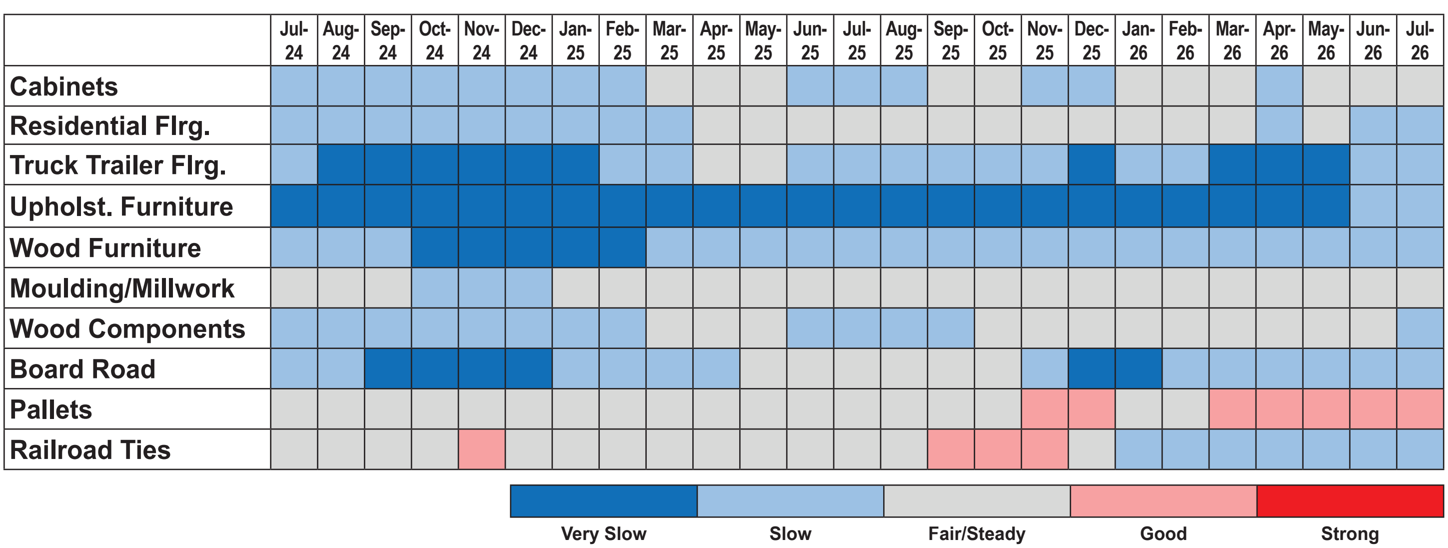
The speed at which the news traveled, and the overall shock expressed to HMR/Fastmarkets by hardwood contacts, spoke volumes about both the tight-knit nature of the industry and the collective sense of concern around its current state.

Recently, much of the story about the hardwood industry's decline has centered on the falloff in consumption. While HMR/Fastmarkets estimates published in July show projected consumption for 2026 to be 5.451 billion board feet (BBF)—basically holding steady from last year—it is down considerably from 7.73 BBF in 2022.

continued page 2

- **Real average hourly earnings for all US employees in June increased 0.8% from the prior month and 0.1% from June 2025.**
- **The ISM® Manufacturing PMI® decreased 0.7% in June from May to 53.3%, meaning the US economy expanded for the 20th consecutive month.**
- **US exports totaled $204.7.1B in June, while imports totaled $306.2B, resulting in a trade deficit of $101.5B for the month.**
- **US manufacturing capacity utilization was 75.7% in June, down slightly from 75.8% in May. It was 75.6% in June 2025.**
- **The US Consumer Price Index (CPI-U) decreased 0.4% (seasonally adjusted) in June. CPI climbed 3.5% during the 12 months ending in June.**
- **China's Purchasing Managers' Index for the manufacturing industry was 50.3% in June. This marked a 0.3% increase from May, putting it in the expansionary range.**

HMR DEMAND INDEX (HDI)



There are several reasons for the dropoff in demand. In the grade lumber arena, the primary factor is widespread consumer movement away from hardwoods, and towards engineered and 'look-alike' wood products. In the industrial category, the main driver of reduced demand is the pallet industry's transition to using roughly 80% softwood and 20% hardwood, a reversal of past norms.

"According to recent National Hardwood Lumber Association (NHLA) estimates, 35 hardwood sawmills closed in 2025... HMR/Fastmarkets understands that number will likely be higher in 2026..."

Supply typically follows demand and, in the case of hardwoods, is having its own problems. New HMR/Fastmarkets estimates show that Eastern US hardwood sawmill production is projected to be 4.08 BBF in 2026, down from 4.13 in 2025 (**Figure 1**). If production remains on the current trajectory through year end, total output in 2026 will be the lowest since HMR began tracking it in 1960. Daily and monthly rates of production have trended downwards over the last twelve months compared to the year before (**Figures 2 and 3**).

The overall result is an industry that has seen total supply—which comprises Eastern production, Western production, and imports—slip below demand since 2022 (**Figure 4**). Realistically, inventory carryover and myriad other factors influence the gap between supply and demand, but the reality does remain.

continued page 4

Figure 1

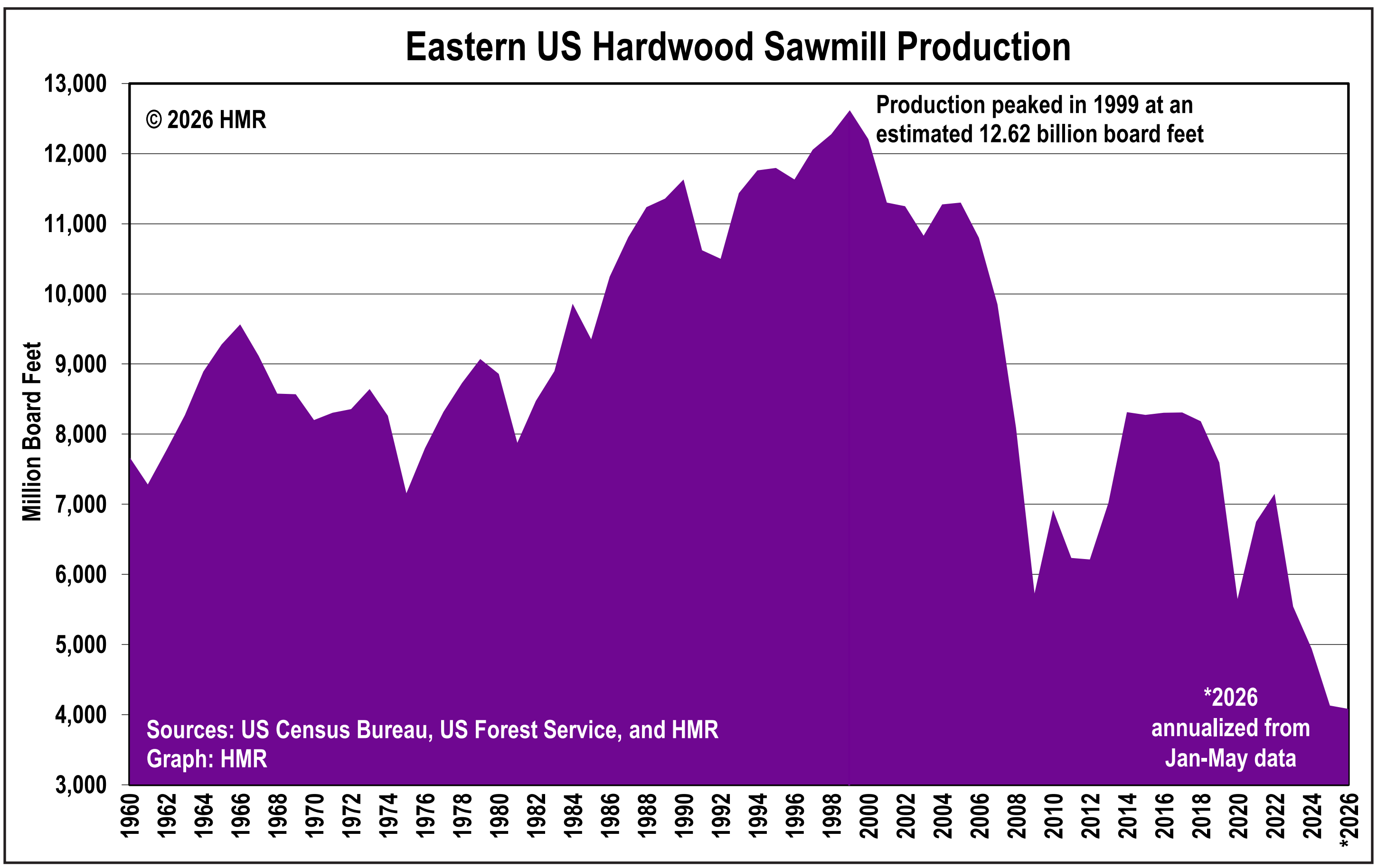


Figure 2

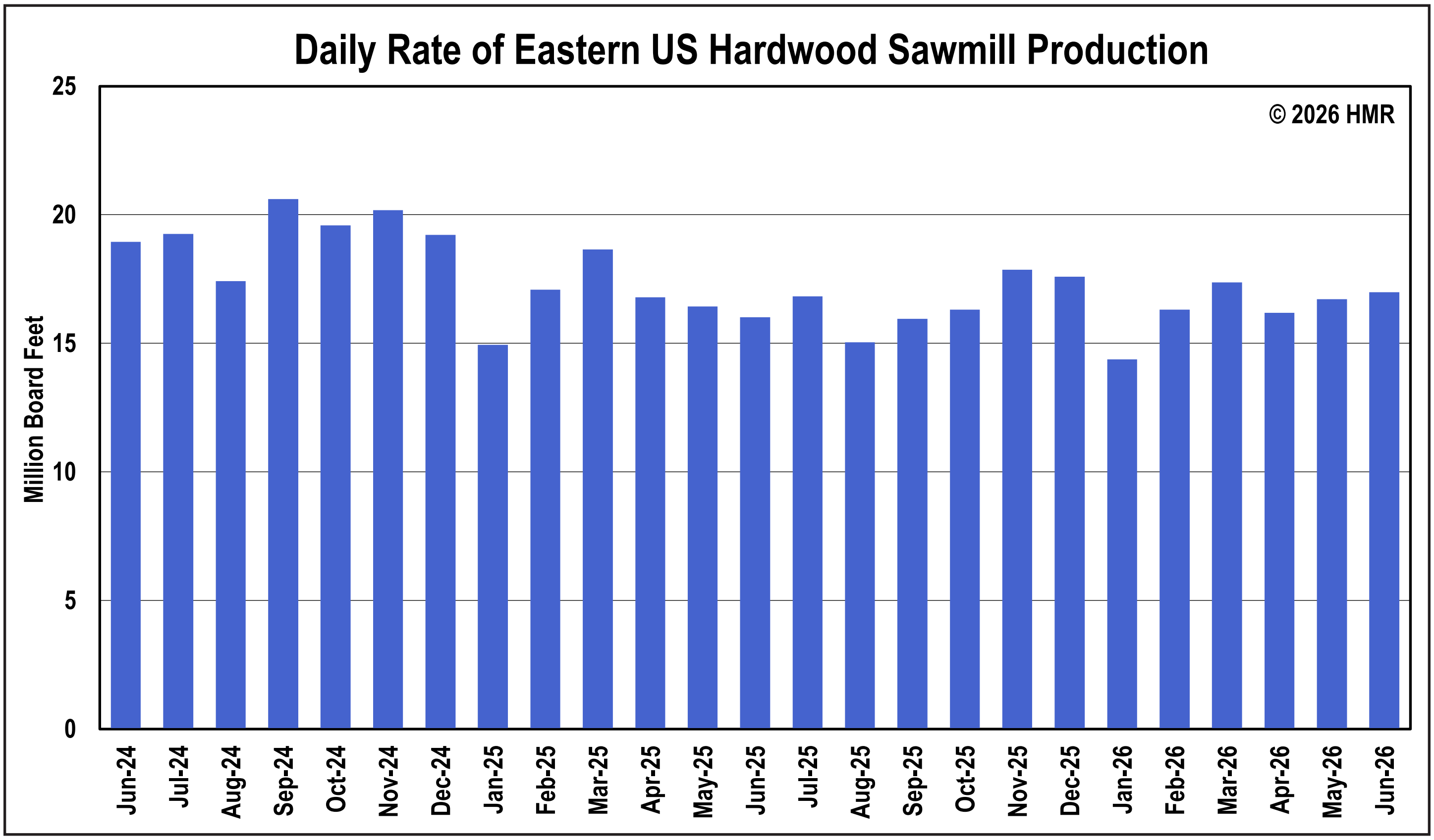
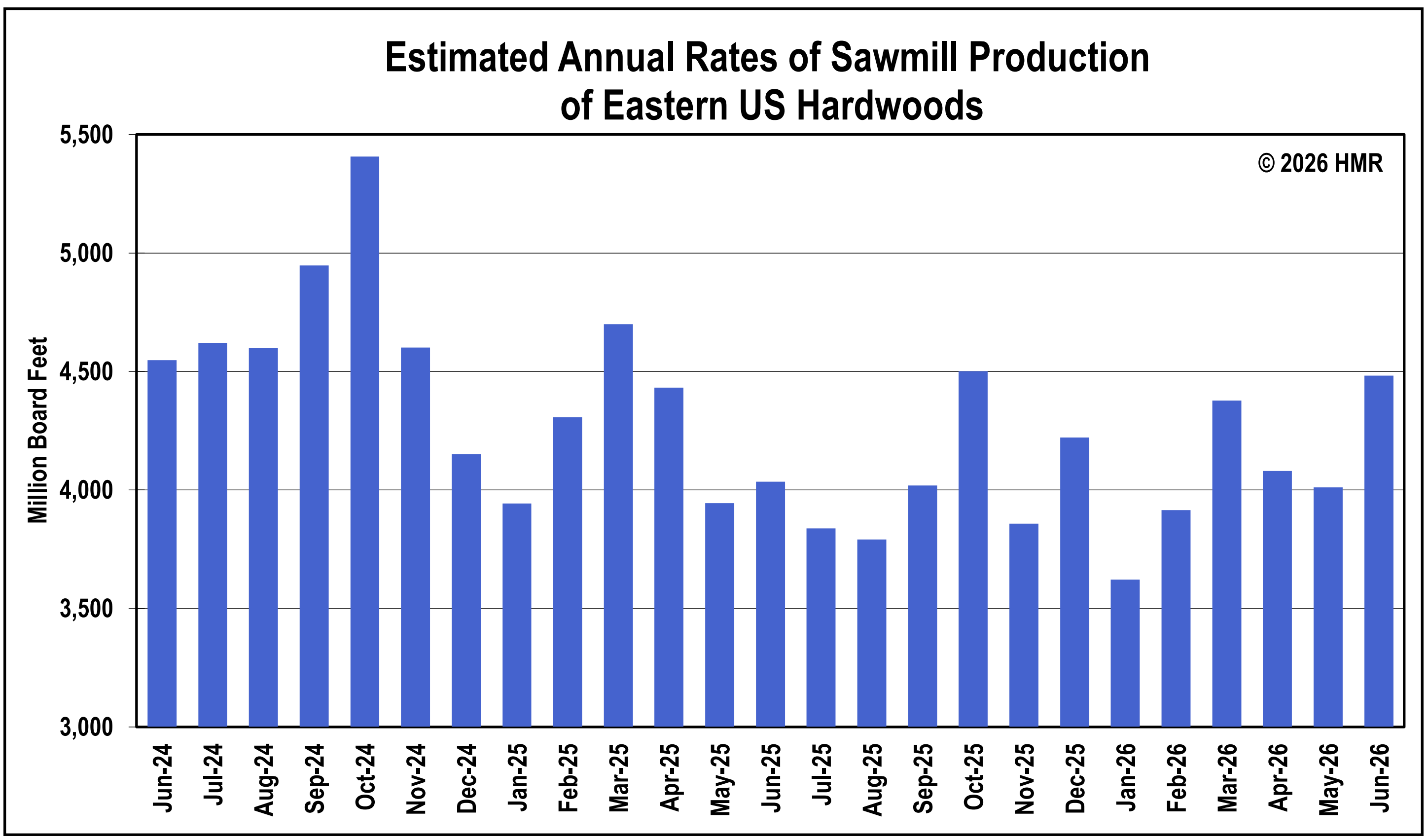


Figure 3



Traditionally, this gap would lead to increased supply, in this case hardwood lumber production. Yet despite record-low production of grade lumber and industrial products, there are not severe shortages of any species or products.

Pricewise, most grades and species of green lumber are currently in the doldrums. Prices for green 4/4 Fas&1f White Oak (**Figure 5**), for example, are the lowest in at least two-and-a-half years across all three hardwood producing regions.

"The general story of lackluster demand has been a challenge across the entire wood products industry," Emerson Paradee, a Fastmarkets economist, said.

"While the hardwood industry faces unique challenges in many ways, the fact that this is a pattern also seen in other sectors really highlights how broader macro factors are creating headwinds across the board."

"Officially, the mill is mothballed, but that's only because going to auction right now would be a nightmare."

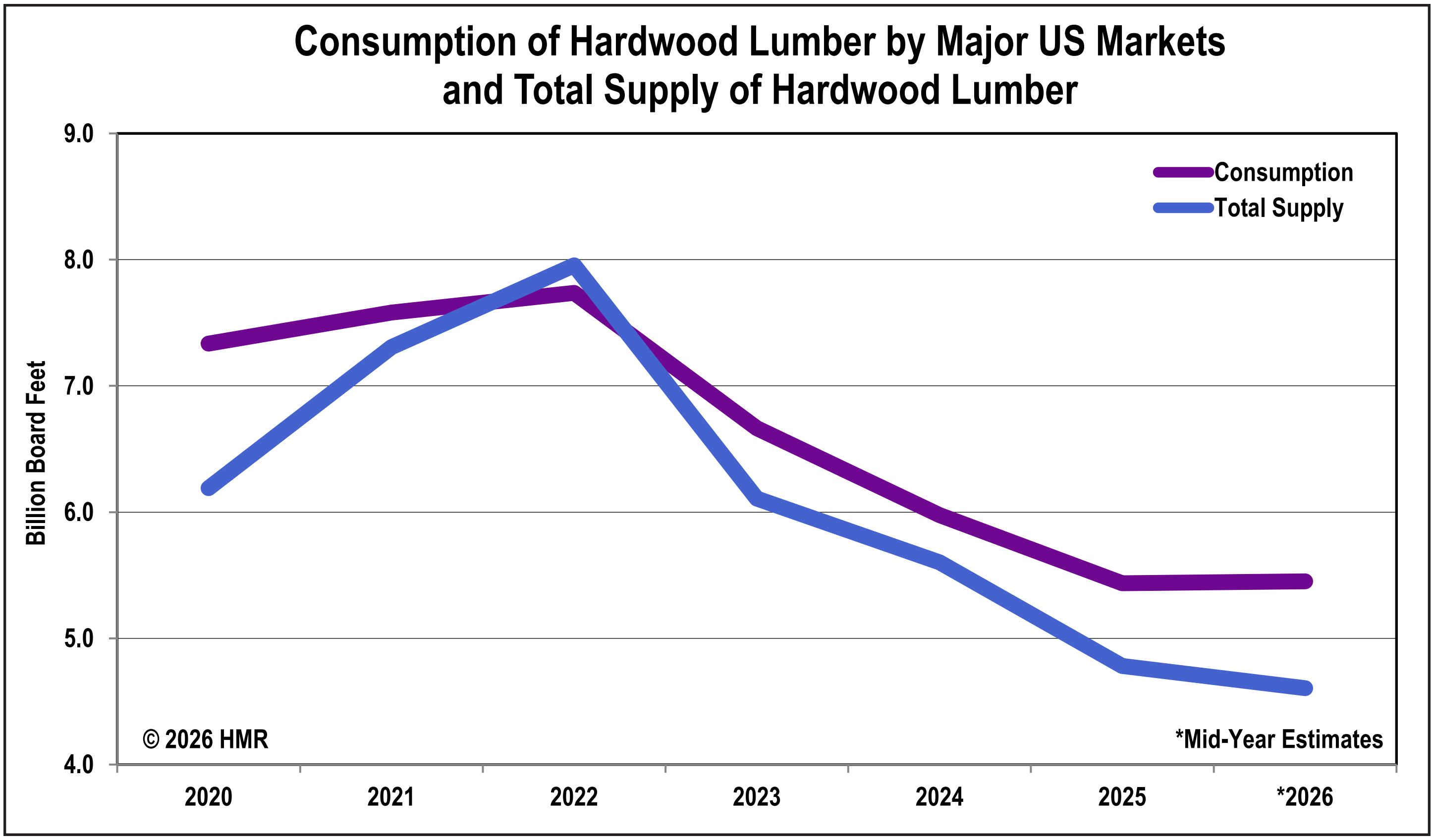
"Rising production costs and stagnant demand are a difficult combination for any industry. When consumers face job insecurity, inflation concerns, and uncertainty generally, spending pulls back, and eventually this lower level of consumption shows up on the producer side of the balance sheet."

Increased Cost of Running a Sawmill and Freight Increases

According to recent National Hardwood Lumber Association (NHLA) estimates, 35 hardwood sawmills closed in 2025. Though current figures

continued page 5

Figure 4



are not known, HMR/Fastmarkets understands that number will likely be higher in 2026 given recent closures and pending closures at several other hardwood operations, including concentration yards. The NHLA estimates the industry has lost around 40,000 jobs since 2022, largely impacting rural communities.

There are many reasons why a sawmill or yard might close. An unworkable business model or a capital risk that occurs at a bad time in the market are most common for smaller businesses, but in the case of two of the major companies shutting their doors, it was due to a lack of succession or an overall lack of interest from potential buyers.

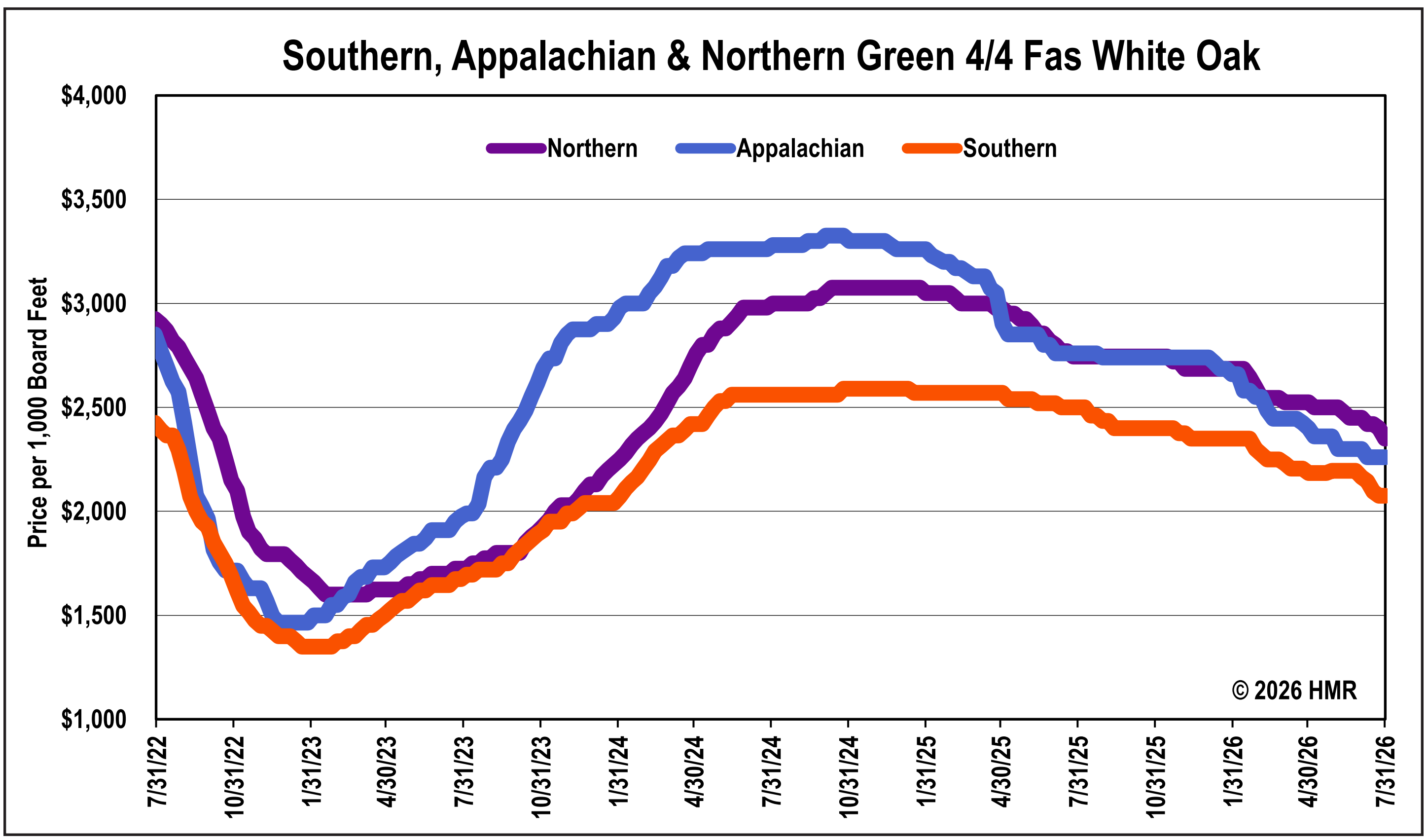
The two companies—one slated to close within a year and the other already closed—were run by highly respected industry figures. Both were in decent positions financially but chose to shut down due to lack of interest from family members to take them over along with a desire to preserve what they have earned for family.
In "exit interviews" with HMR/Fastmarkets, both owners spoke about how it was a difficult time to run a hardwood company, backing up comments regularly received from contacts across all regions. The current rate of attrition is a testament to these concerns.

From a capital expenditure perspective, it has never been more expensive to run a hardwood sawmill, yard, or secondary manufacturing operation. Inflation has been a consistent feature in the American economy since the COVID-19 pandemic, pushing up costs for everything.

In the hardwood industry, inflationary pressure has seen the costs of labor, machinery, maintenance, and insurance all rise steeply. One contact used the example of a forklift, which he said was now two to three times more expensive than in 2020.

continued page 6

Figure 5



The Southern hardwood veteran who closed his mill this summer said these cost increases are preventing him from going to auction, as he believes few in the industry would be able to afford the machinery he has to offer. "Officially, the mill is mothballed, but that's only because going to auction right now would be a nightmare," he said.

The increased cost of freight has been another major issue in 2026. Since the beginning of the US-Iran war in February, diesel prices have skyrocketed (**Figure 6**), with soaring inland freight rates becoming a constant feature of conversations between HMR price reporters and contacts. Freight rates impact all points of the supply chain, from the woods to deliveries of finished goods.

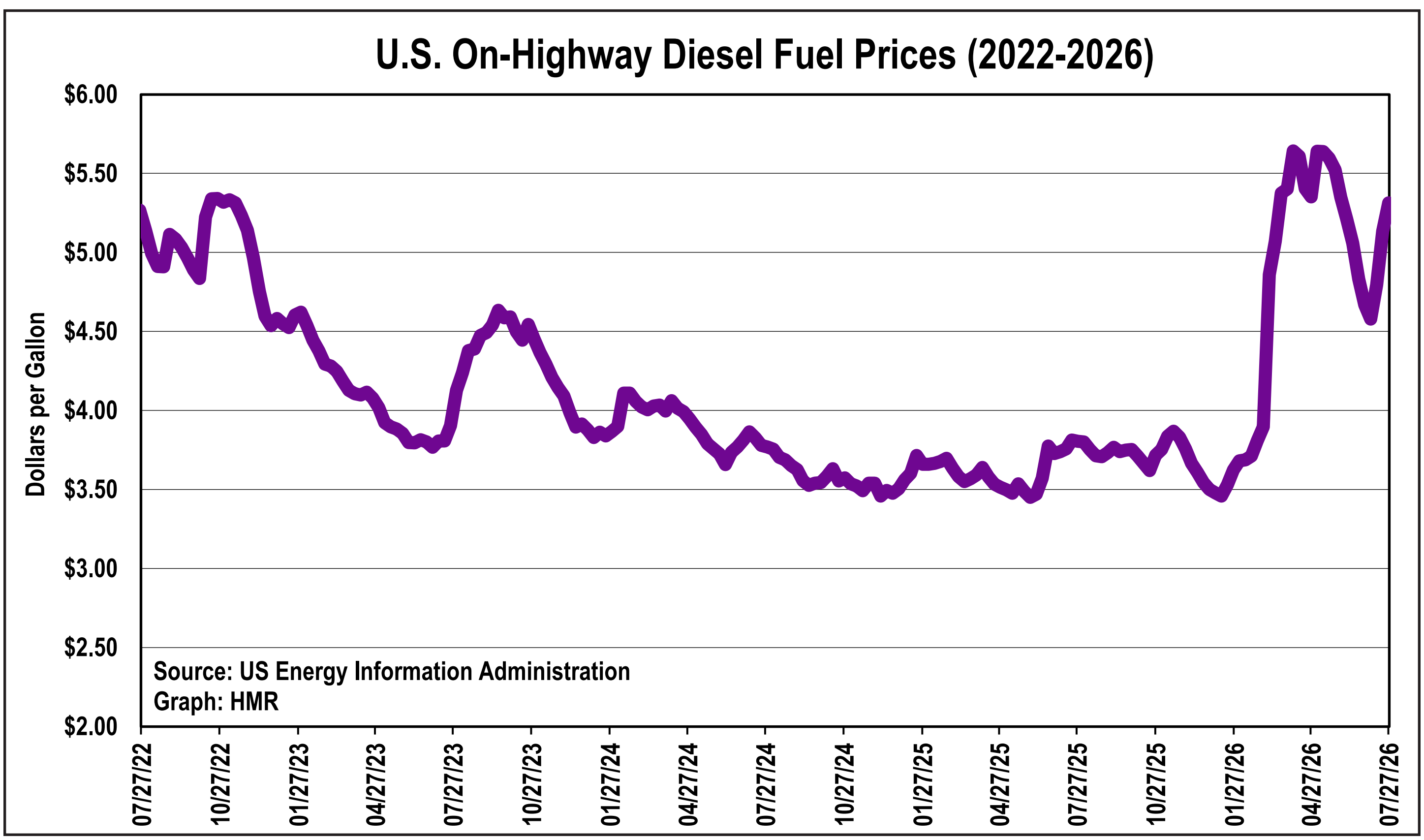
> **"Since hardwood production is less than half of what it was 10 or 12 years ago, the demand for logs is less than half of what it was 10 or 12 years ago. Why haven't log prices come down?"**

Early summer peace talks between US and Iran saw oil prices retreat, but the talks broke down in mid-July, with conflict resuming. A fragile peace was holding as this article was being written, but uncertainty regarding the trajectory of the war and oil prices remains.

Loggers, Log Prices, and Weather Impacts
Loggers are dealing with their own set of challenges that, in turn, impact sawmills and overall production. Though more pronounced in the Southern than Appalachian and Northern regions, loggers are increasingly chasing softwoods. Also, recently, the long-stagnant hard-

continued page 7

Figure 6



wood pulpwood market has seen a meaningful bounce in some areas, peeling off more loggers.

A sawmill operator in Alabama reported that "chasing" pine and hardwood pulpwood has diminished logger availability in his state lately. Another source opined about the high cost of logs and its impact on sawmills. "Since hardwood production is less than half of what it was 10 or 12 years ago, the demand for logs is less than half of what it was 10 or 12 years ago. Why haven't log prices come down?"

"Log supply varies from region to region with one common thread: everyone is paying too much for logs," the source continued.

Given that less logging and sawmill production are occurring, the contact mentioned that larger logs are being pulled out of forests. He wondered what reduced forest management and the flow-on challenge of sawing larger logs could be.

Weather also impacts production. Between January and June of this year, the Upper Midwest and small sections of Alabama and Mississippi have been wetter than average, while the Appalachian region and large portions of the South have been drier (**Figure 7**). Given that the Appalachian and Southern regions account for the majority of overall production, weather has not inhibited hardwood sawmill output. Broadly speaking, log supplies have ranged from adequate to overabundant.

Tough Market Conditions

Despite an increase in consumption by furniture manufacturers reported in the last edition of HMR *Executive*, domestic markets for grade lumber in the United States are still struggling. In fact, much of the furniture sector's increase resulted from higher framestock consumption, not growth in grade lumber usage.

continued page 9

Figure 7

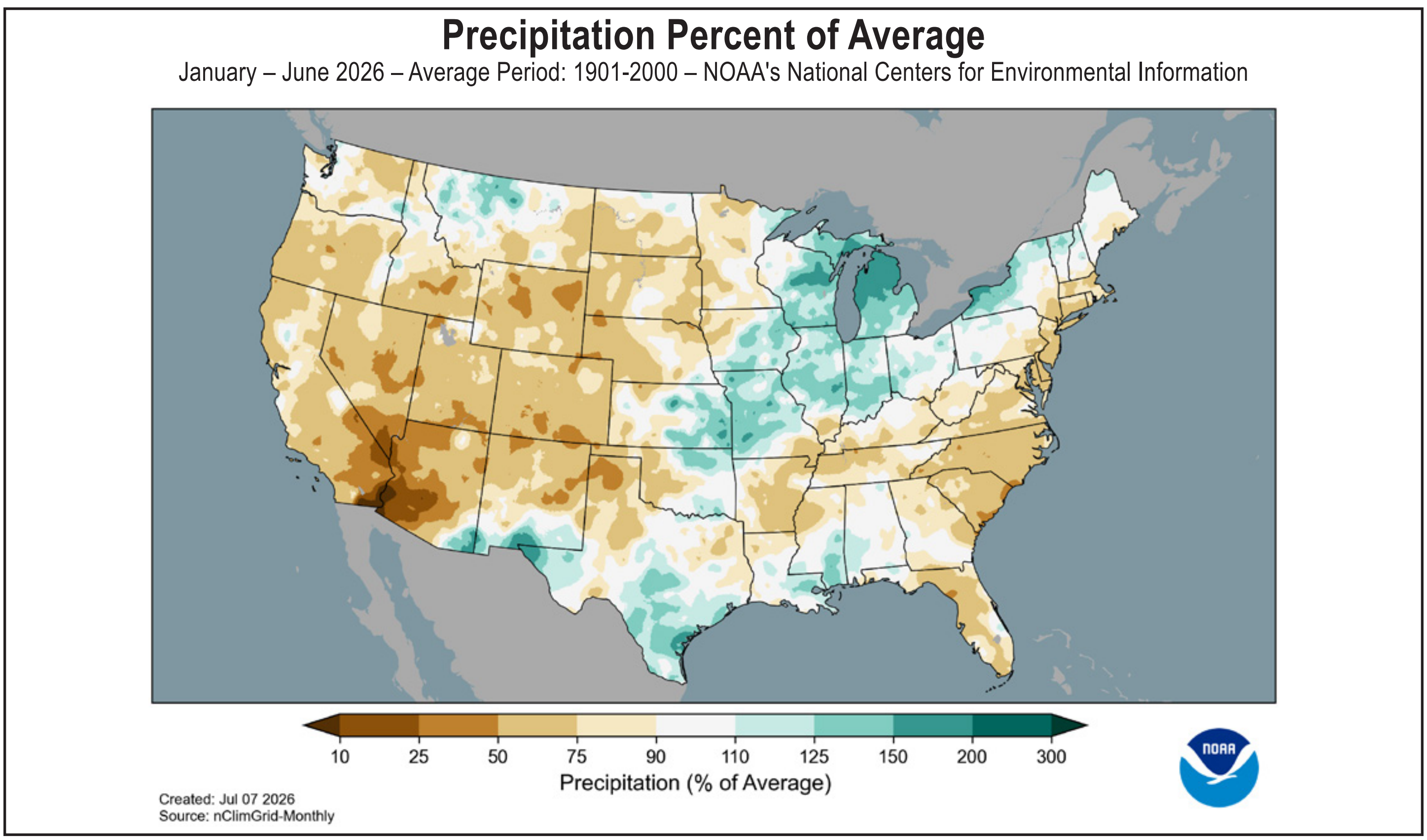


Figure 8

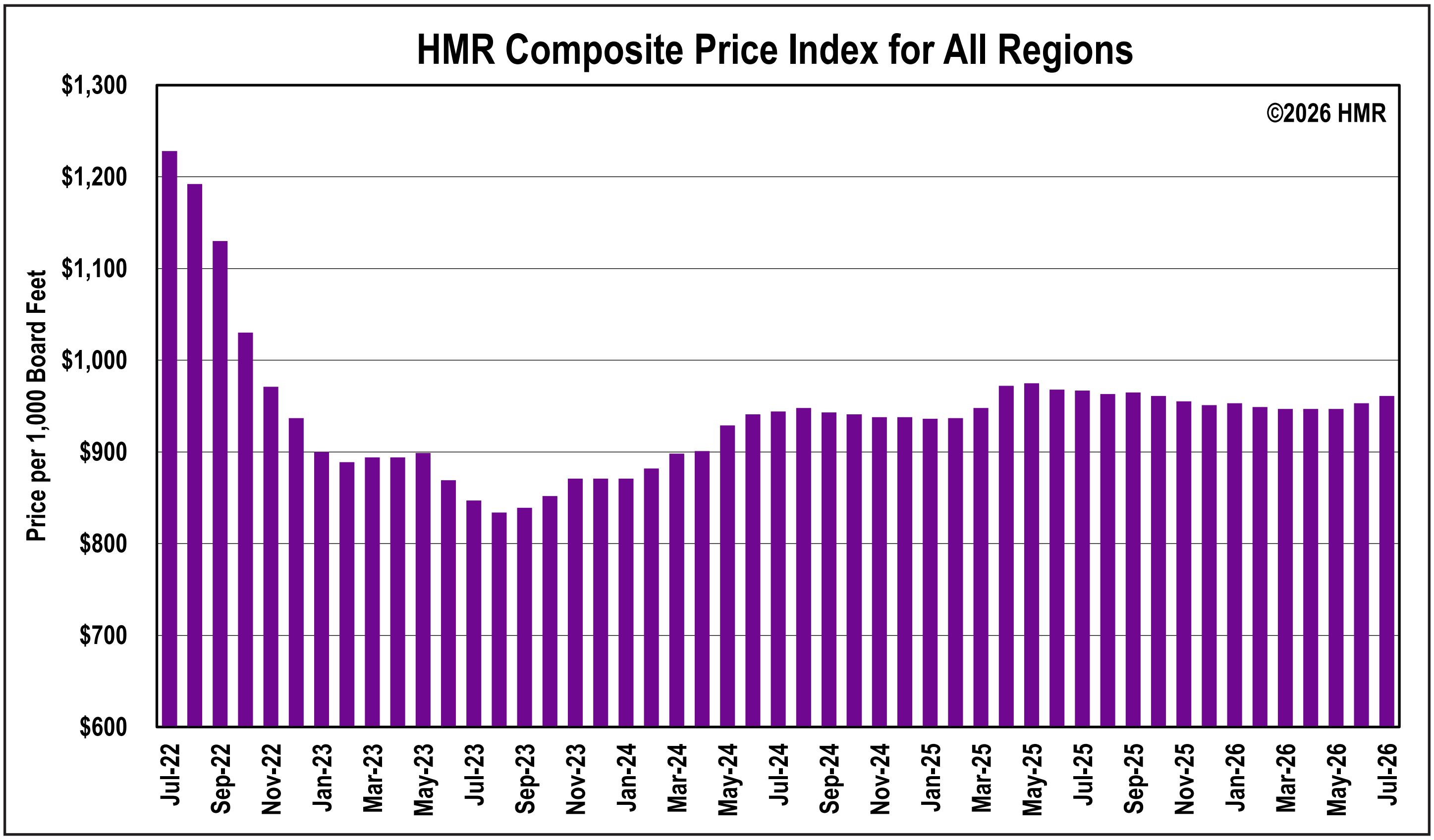
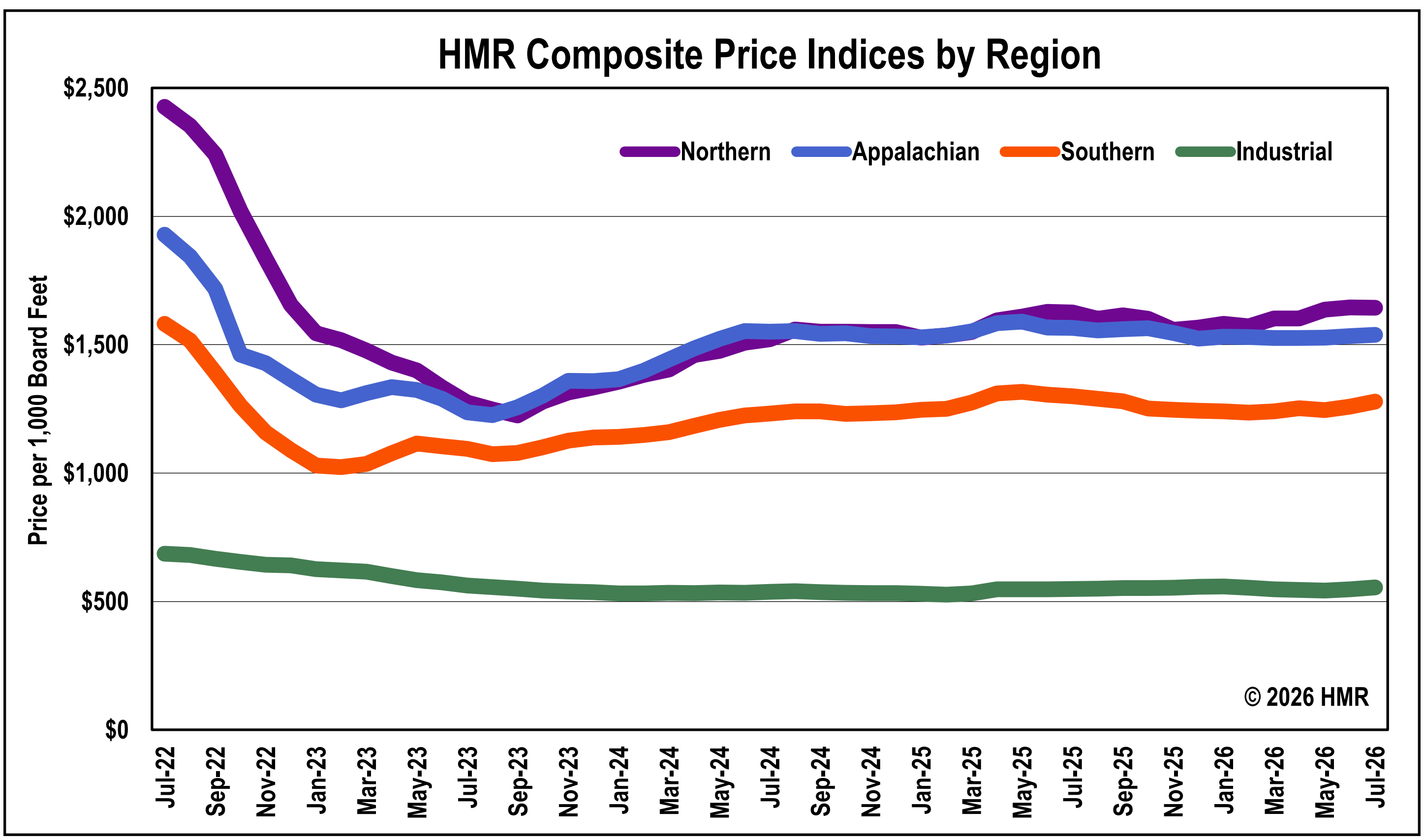


Figure 9



Industrial hardwood products are holding relatively steady, with the recent downturn in crosstie buying by railways being offset by a mini boom in demand for hardwood pallet lumber and cants. On the export side, hardwood lumber shipments from the US to foreign markets from January through May 2026 were virtually identical to the same period in 2025, while logs exports to Vietnam and China continue to explode. Many see the log export issue as potentially an existential threat for the US hardwood sawmill industry.

The major problem remains changing consumer tastes. Interest in hardwood finished goods has never been this low, while use of engineered wood and non-wood products only seems to increase. With a mixed economic outlook seen by many, affordability is an aspect of this.

The Role of Policymakers and Overall Outlook

Recent months have seen a renewed lobbying effort by the hardwood industry in Washington, DC. While there has been some talk of legislation that would introduce tax credits to stimulate hardwood usage and increased use of #2A&3A Oak in products for the Department of War, the solution probably won't come from the federal government.

There is unlikely to be any relief on capital lending this year, either. Despite inflationary pressure, lingering due to the on-again off-again war against Iran, the Federal Reserve held the federal funds rate steady in late July.

In a recent interview with HMR/Fastmarkets, U.S. Representative GT Thompson, the chair of the House Agriculture committee, admitted he was "very concerned" about the state of the hardwood industry. He was hopeful that the Department of War spending and increased hardwood uses in federal buildings would make an impact, and that the industry would recover over the next decade.

Time will tell if Representative Thompson's hopes become reality, but short-term assistance looks unlikely. A trade deal with China has remained elusive since President Donald Trump took office, while the trade détente between the two superpowers late last year saw US hardwood logs flooding into China again, harming more US sawmill operators than it helped.

All that said, the reason for the hardwood industry's decline and potential for its renewal is not political. While other factors are involved, this is primarily a story of changing consumer tastes that resulted in a move away from hardwood. And if trends don't change, there will be more whispers of sawmills going under and more mills that do.

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