

From Stump to Stack: What Timber, Log, and Lumber Market Trends Mean for Your Bottom Line

Navigating Uncertainty in the US Pallet Market

Antonio Gallotta

Two cross-sections of a tree trunk, showing the concentric growth rings of the wood. One is on the left edge and one is on the right edge of the slide.

The pallet market faced a challenging environment in 2025, but glimmers of hope for 2026 are emerging.

US softwood supply to steadily grow over the next 15 years

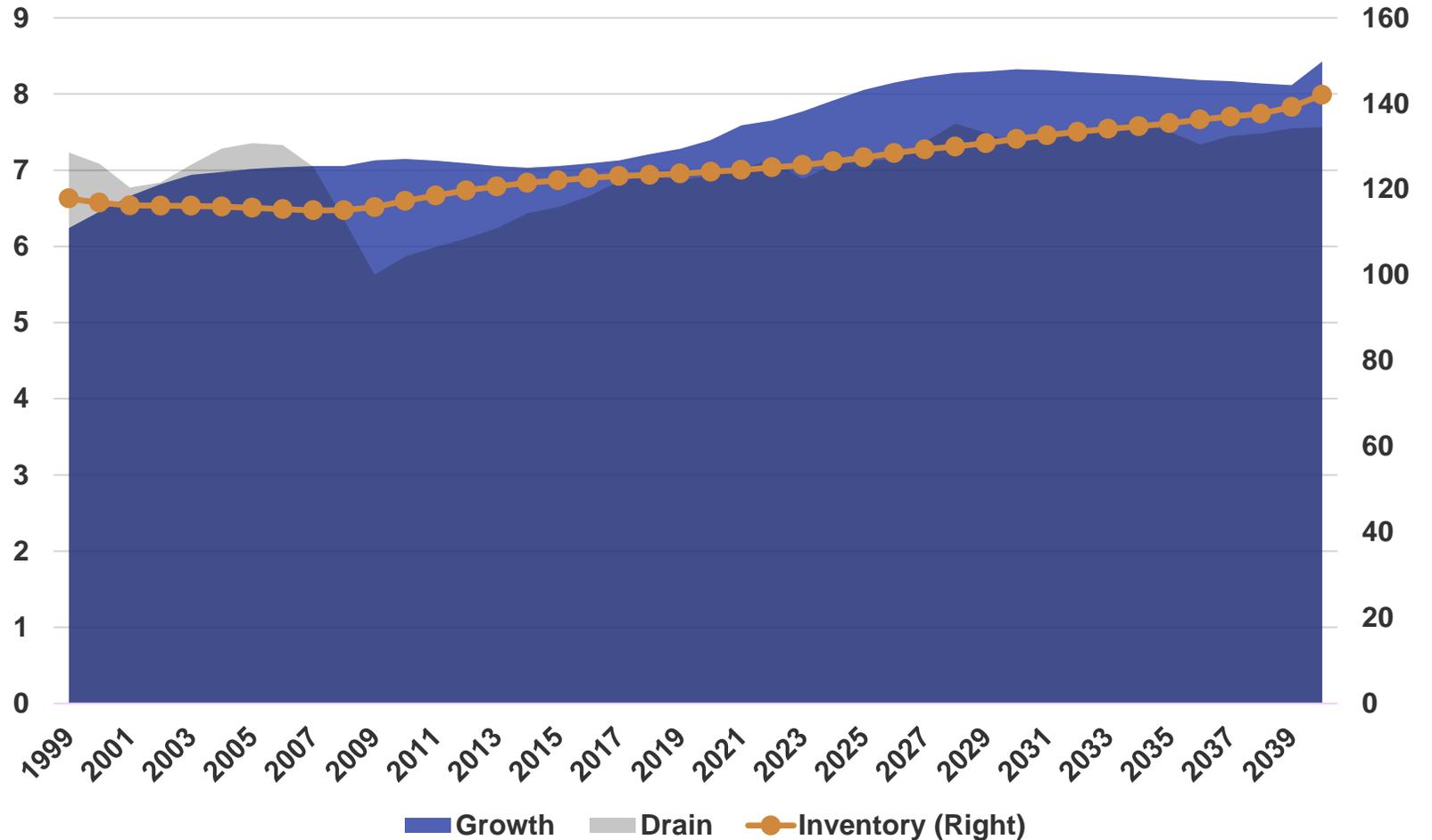


An abundance of Southern Yellow Pine is a huge driver

- Since the late 2000s softwood growth has significantly outpaced the harvest, creating a glut of standing pine sawtimber supply.
- Fastmarkets' 15-year outlook show private pine acreage and yields climbing (pine plantations now account for nearly half of southern growth).

US softwood growth and inventory

Billion Cubic Feet



Source: HMR, Fastmarkets.

Softwood lumber production and capacity

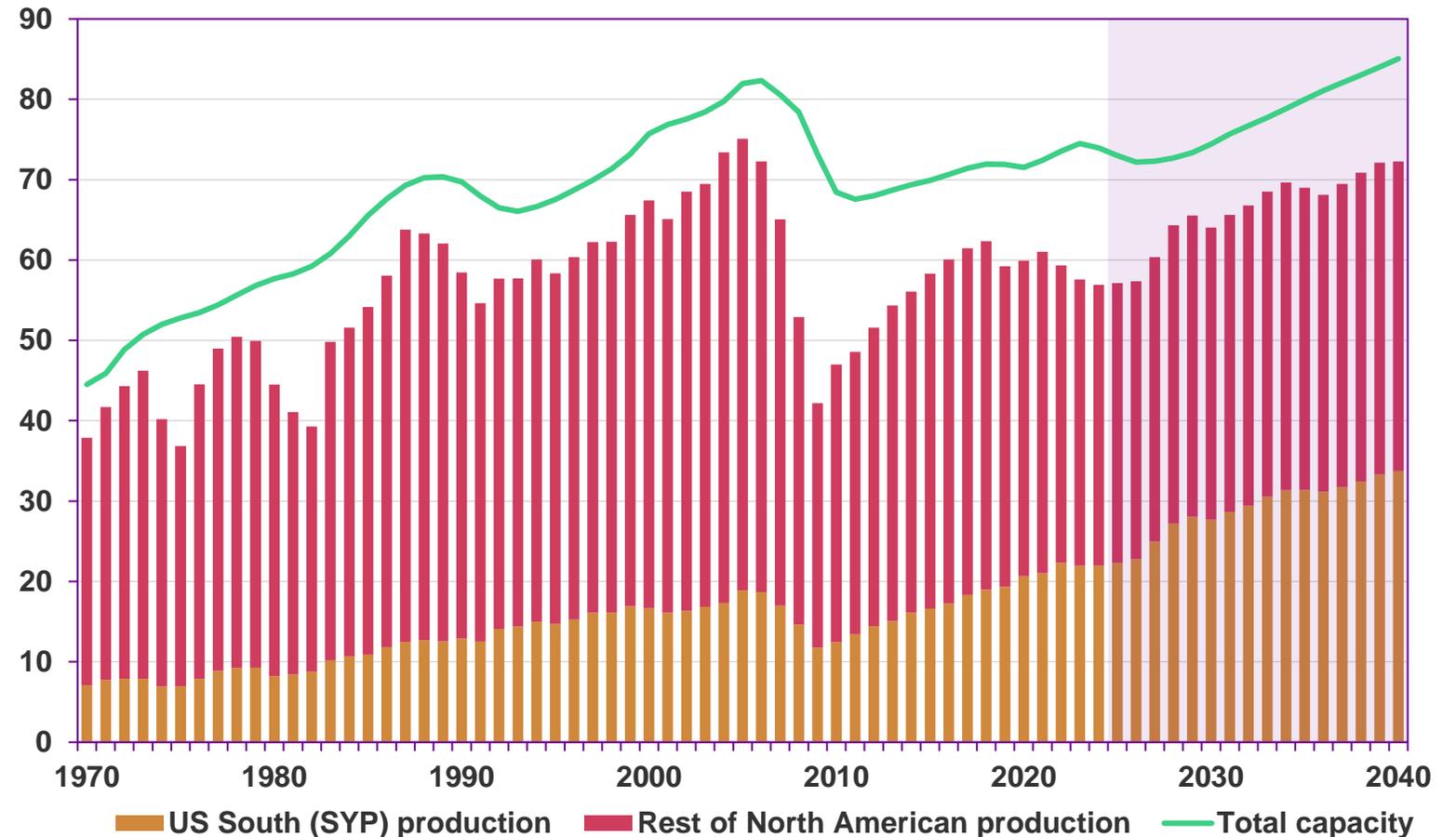


Softwood production had a strong rebound after 2008, which has halted in recent years

- These gains are driven by the rise in Southern Yellow Pine.
- SYP production up since 2008, other softwood species have not seen the same rebounds.
- Softwood's price edge is what has helped keep pallet costs down.

North American softwood lumber production and capacity

Billion Board Feet

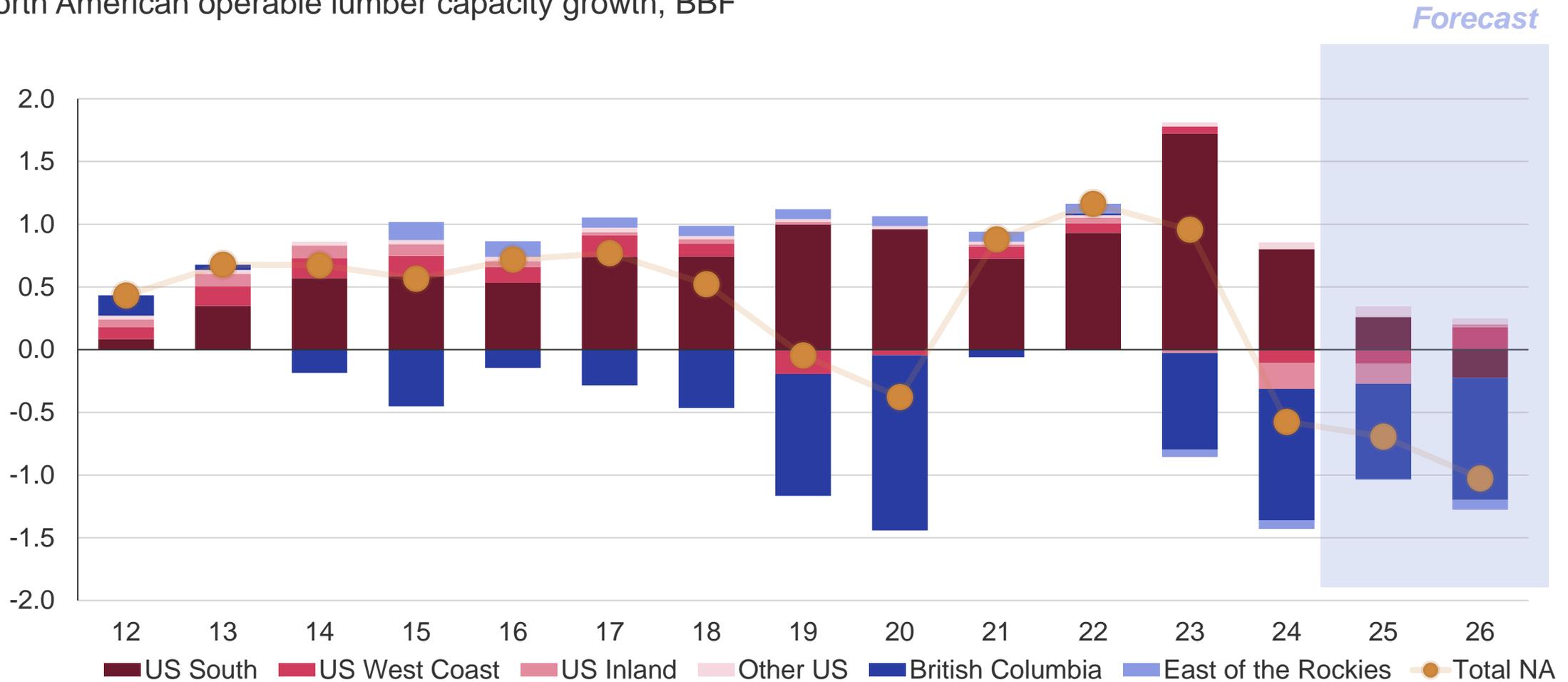


Source: WWPA, Statscan, Fastmarkets.

SYP sawmill buildout driving topline capacity growth in North America is finally slowing down



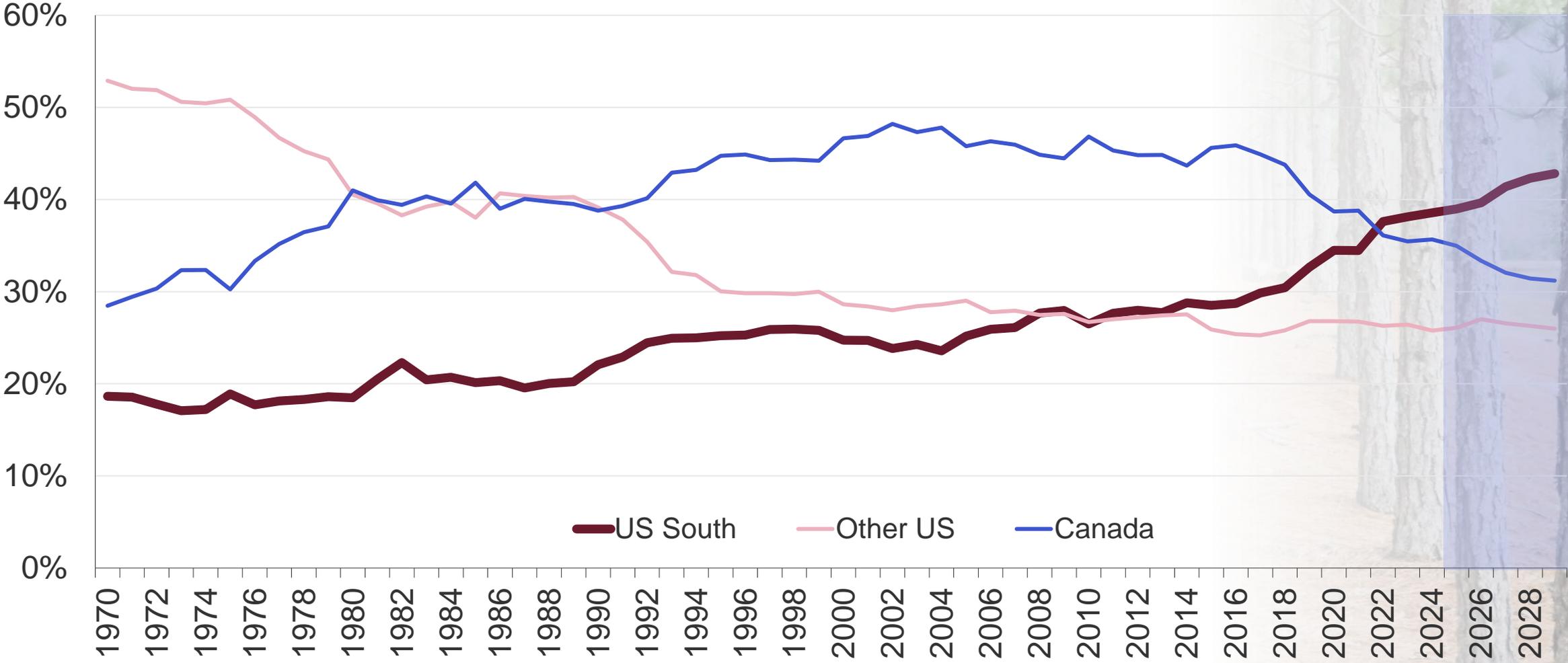
North American operable lumber capacity growth, BBF



Source: Fastmarkets.

Taking the long view: The South's share of production continues to rise and accelerate with constrained SPF supply

North American softwood lumber production share by major region



Source: WWPA, Statscan, USFS, Fastmarkets.

After a challenging couple of decades, hardwood supply is set to recover

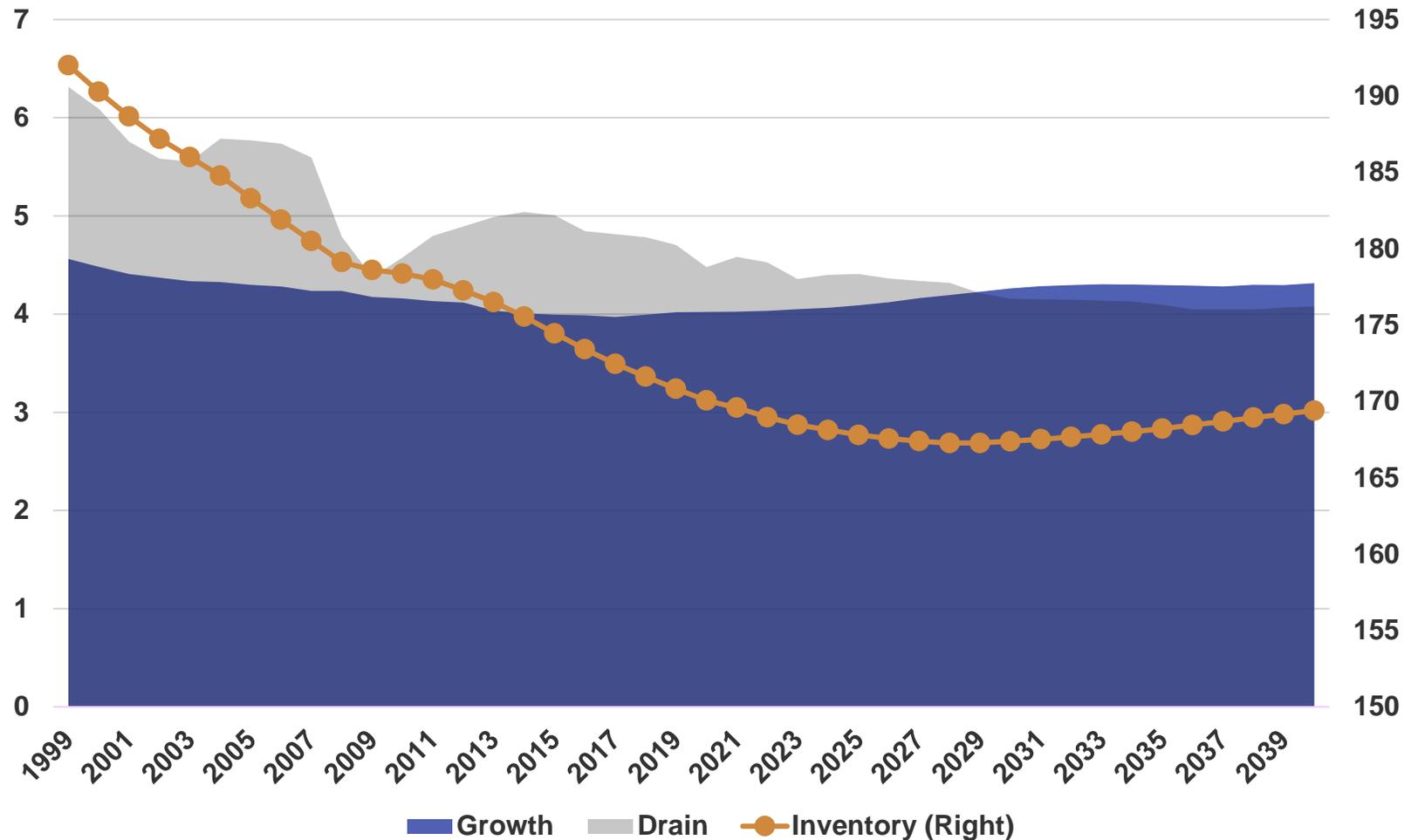


By contrast, hardwood availability has contracted sharply

- North American furniture and flooring manufacturing moved offshore
- Paper/pulp mills have either converted to softwood or shut down as paper demand collapsed.
- Landowners have re-planted pine or allowed hardwood stands to grow idle

US hardwood growth and inventory

Billion Cubic Feet



Source: HMR, Fastmarkets.

The hardwood market did not see the rebound after 2008 that softwood saw

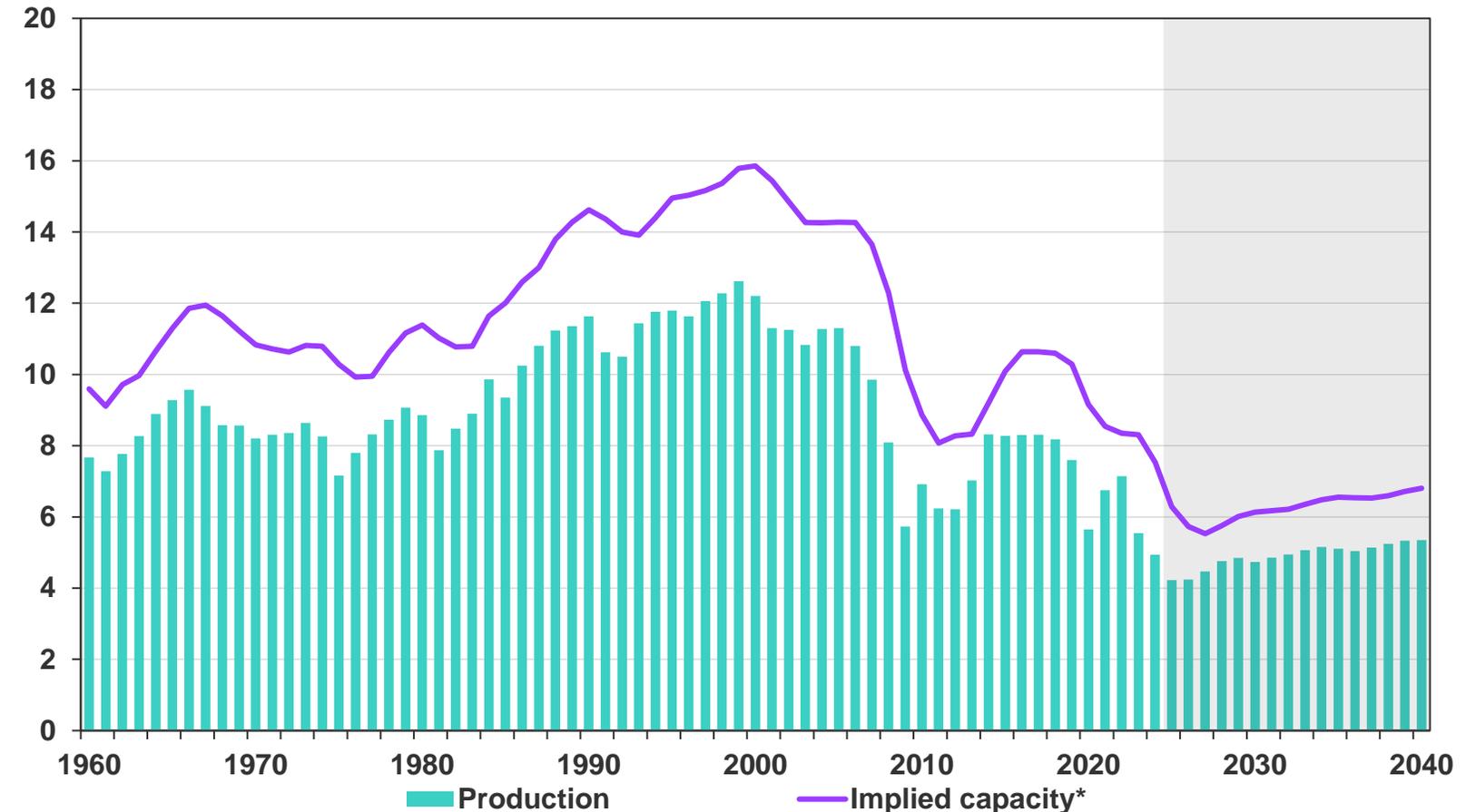


A modest rebound fell sharply after offshore demand cratered

- Tariffs and economic uncertainty are weighing on production, even with steady retail sales.
- Chinese demand helped, but this quickly fell after the first US-China trade war.
- This raises the odds of a quicker tightening and bigger price swings.

Total Eastern US hardwood lumber production and capacity base

Billion Board Feet

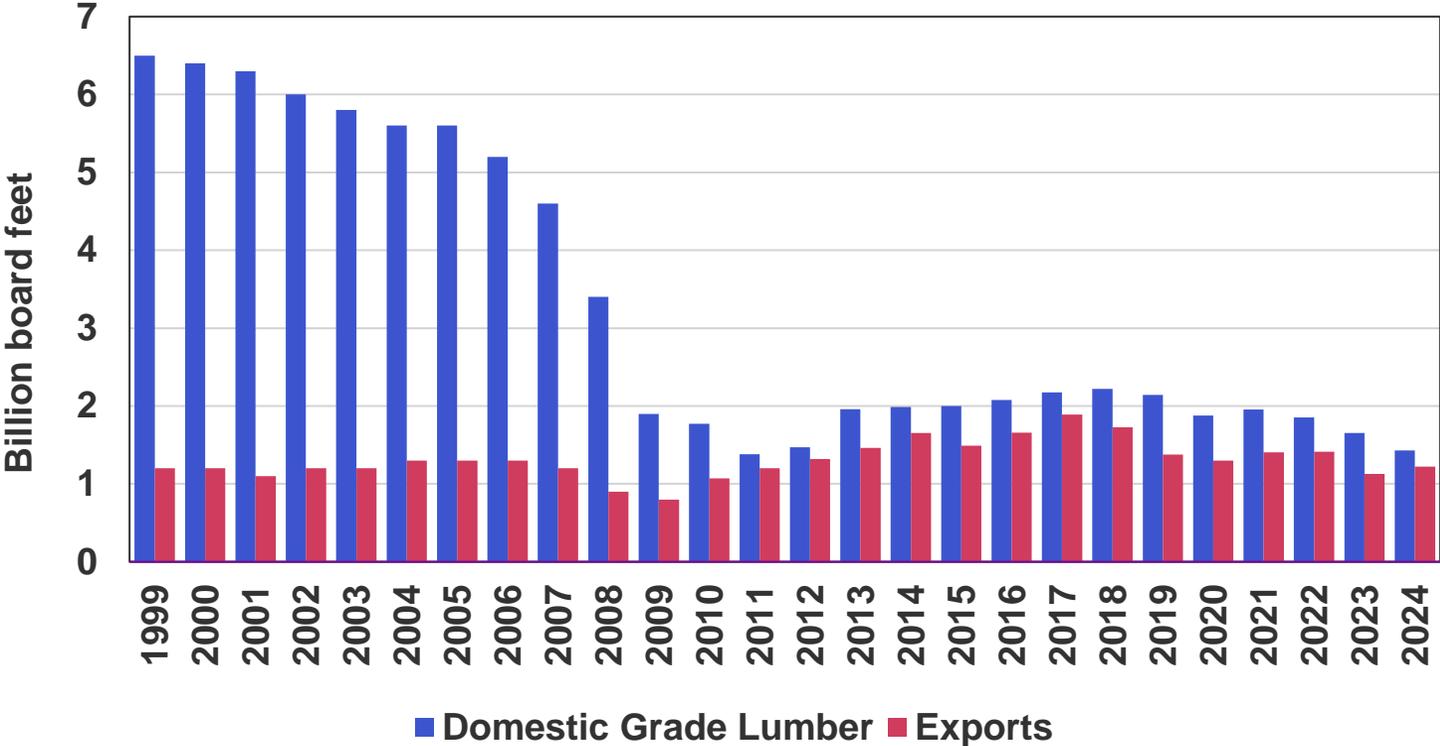


Source: HMR Fastmarkets.



What caused this production decline? Far less demand from both domestic and export markets

Eastern US grade hardwood lumber consumption by domestic and export markets



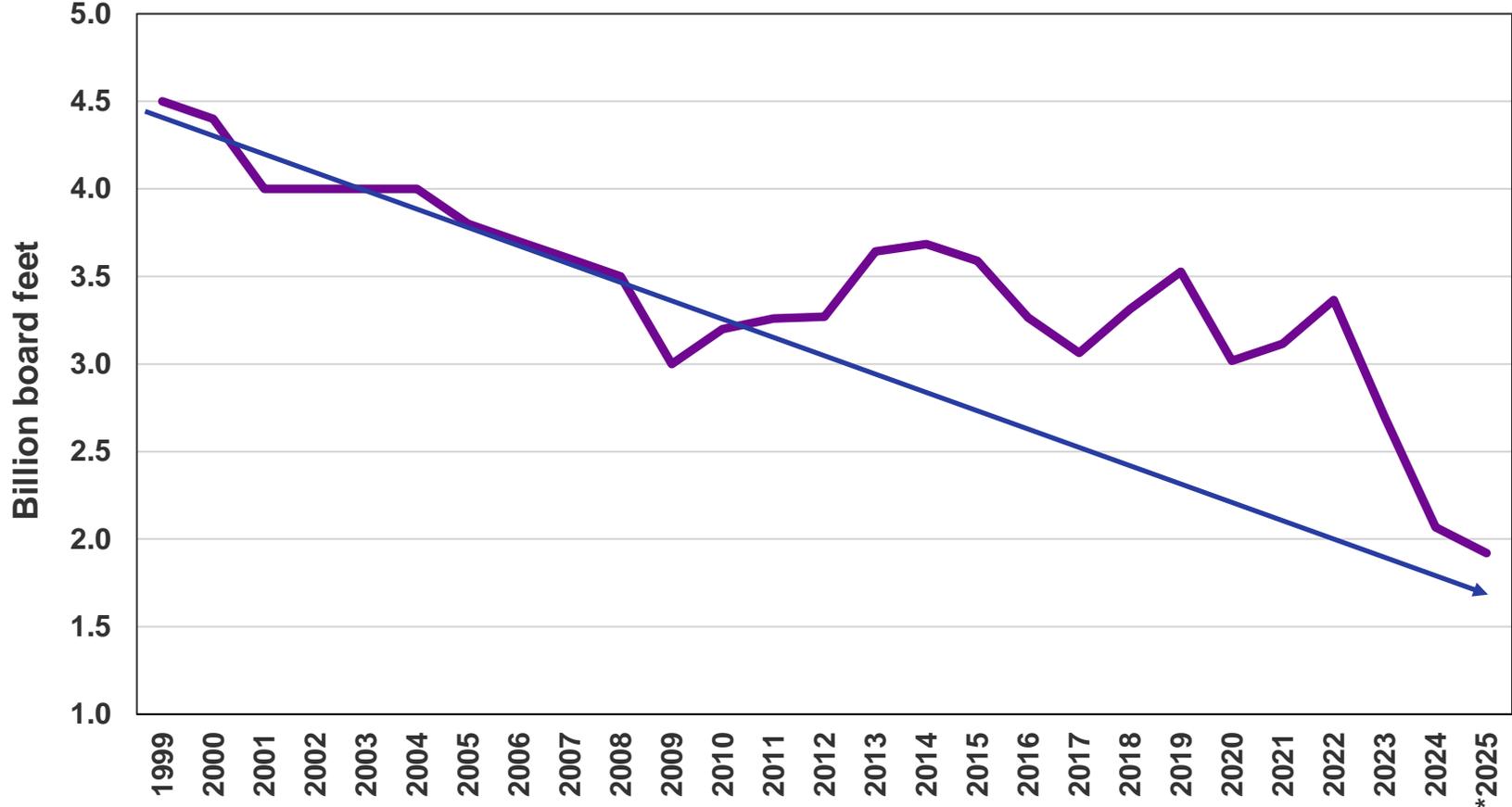
- Housing crash accelerated an already shrinking market.
- Exports to China fell, first after the trade war, then with China's property market collapse.
- At the same time, low-cost SYP expanded, lifting softwood share in pallet market.

Source: Hardwood Market Report.



Despite being the largest end-use market for hardwood, overall consumption for pallets has steadily fallen

Eastern US hardwood consumption by US pallet industry



What's behind the continued decline?

- Better margins pull logs to on-grade products.
- Less furniture, flooring, and cabinetry output means fewer low-grade residuals for pallets.
- Pallet buyers are substituting toward softwood and recycled as supply tightens.

Source: Hardwood Market Report.
* Q3 2025 estimate so this may be revised

Less hardwood grade lumber production causing pallet grade lumber to fall

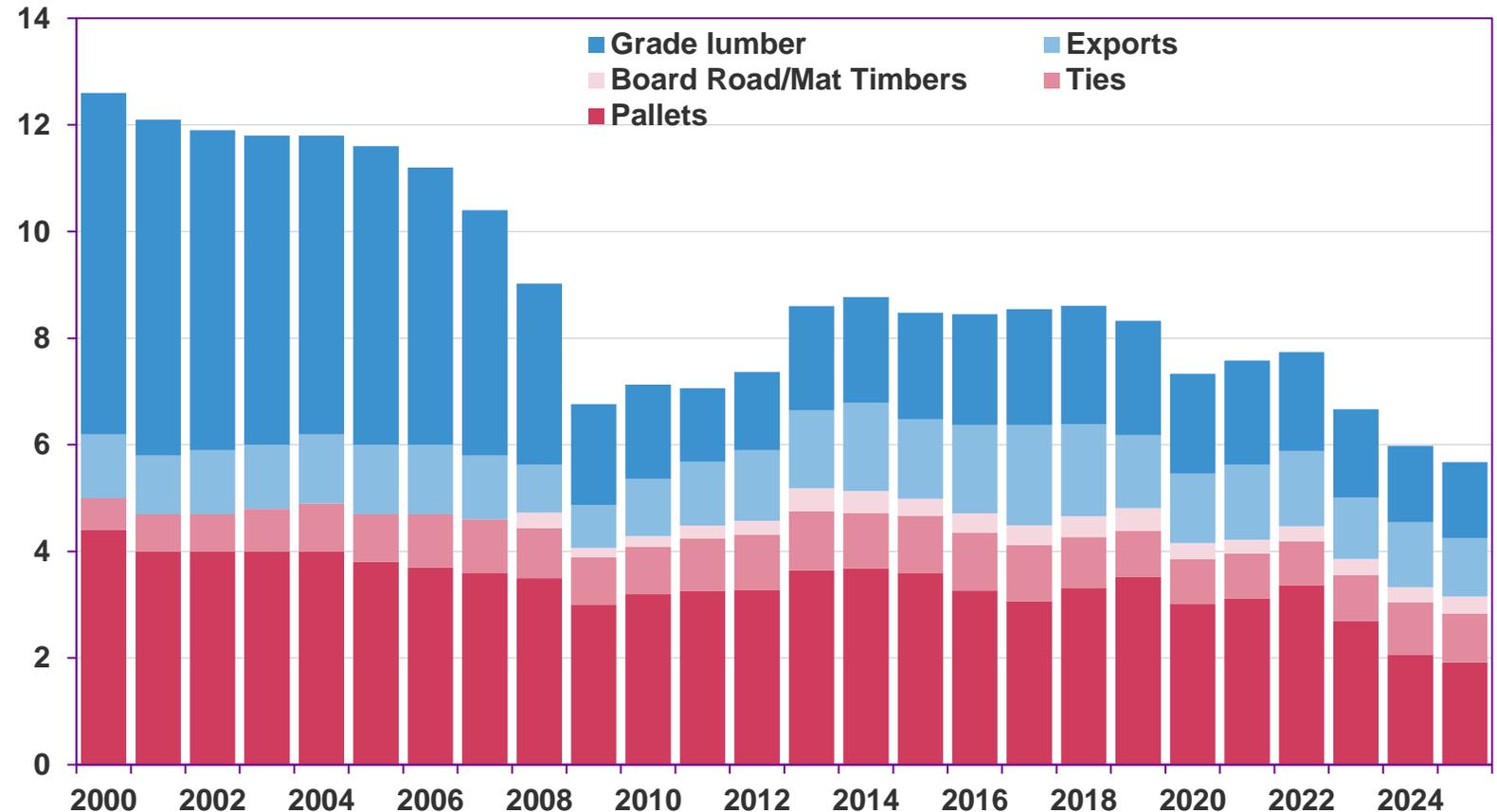


Grade lumber fell proportionately the most from the 2008 crash

- Grade hardwood is pressured by shifting preferences, softer housing, and weaker China demand.
- With less high-value output, mills generate fewer low-grade residuals, tightening pallet-grade supply.

Evolution of Eastern hardwood lumber end-use markets

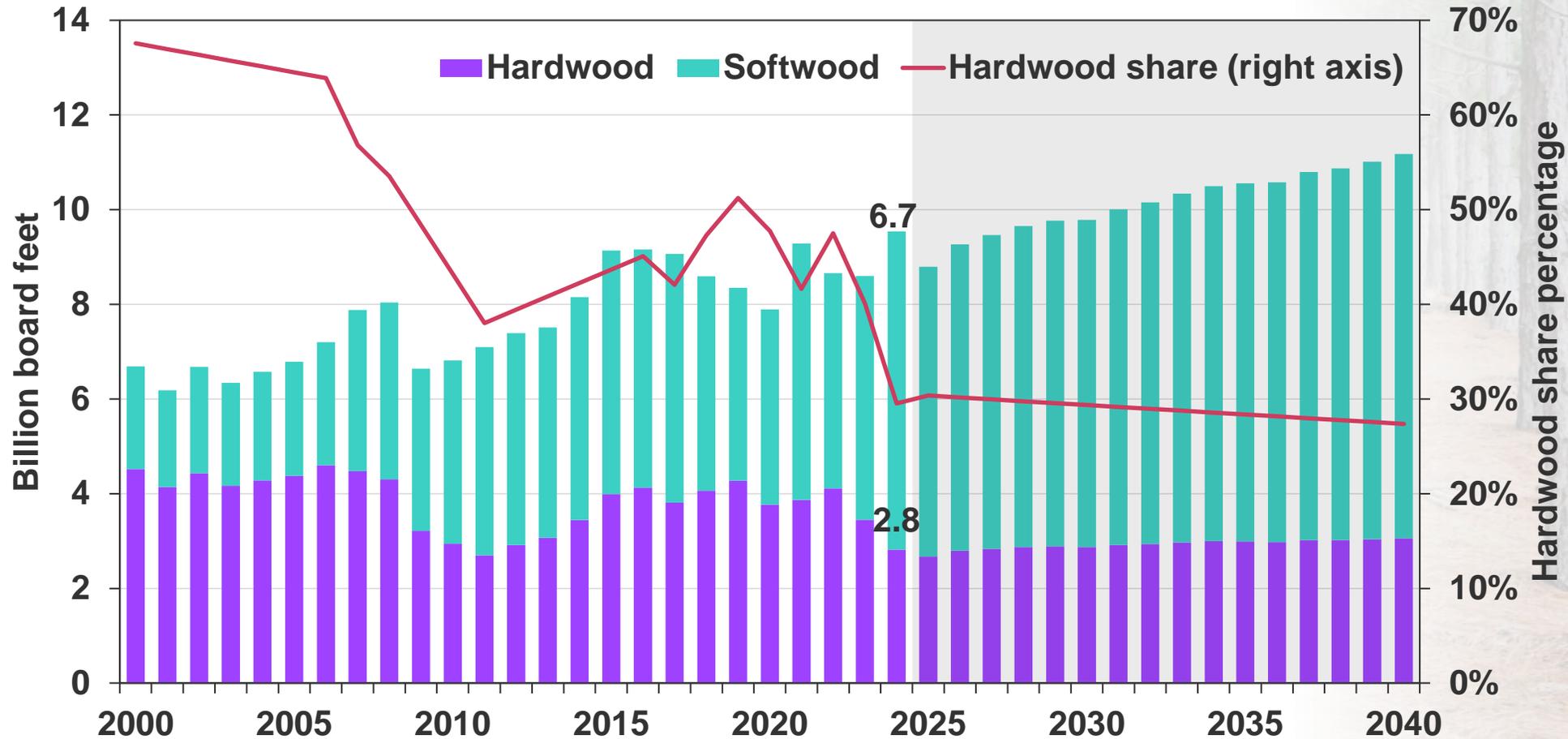
Billion Board Feet



Source: HMR Fastmarkets.

Taking the long view: softwood's share of pallet production continues to rise as hardwood loses share

North American softwood pallet production share by species



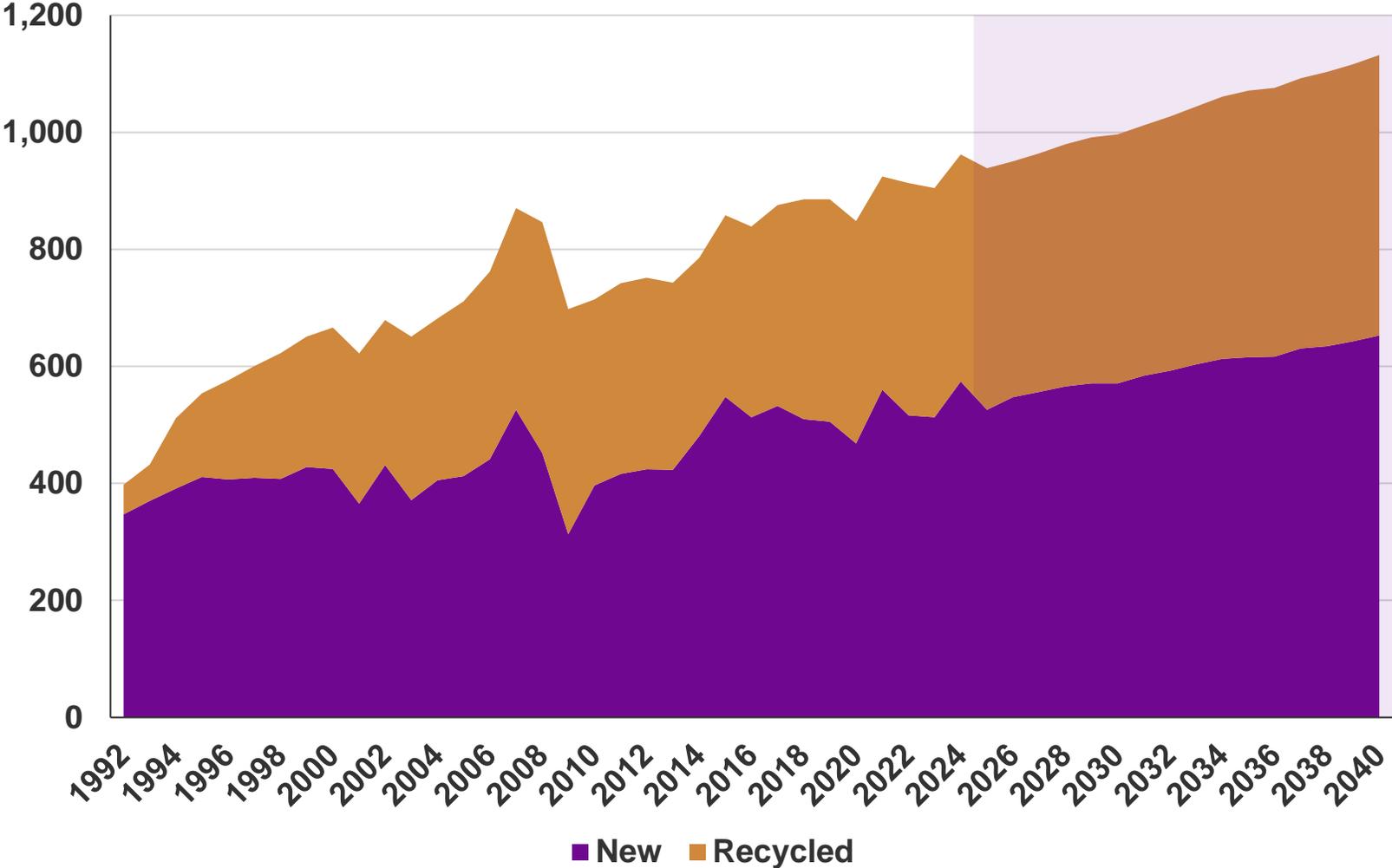
Source: Fastmarkets.

The composition of the pallet market has changed over time



US Pallet Annual Production

Millions of units annually



THERE ARE 4 MAIN DRIVERS BEHIND THIS

- Increasing standardization
- Growth in pallet recyclers
- Cost pressures during lumber spikes
- Growth in e-commerce and distribution centers

Pallet demand: powered by shopping carts and factory floors

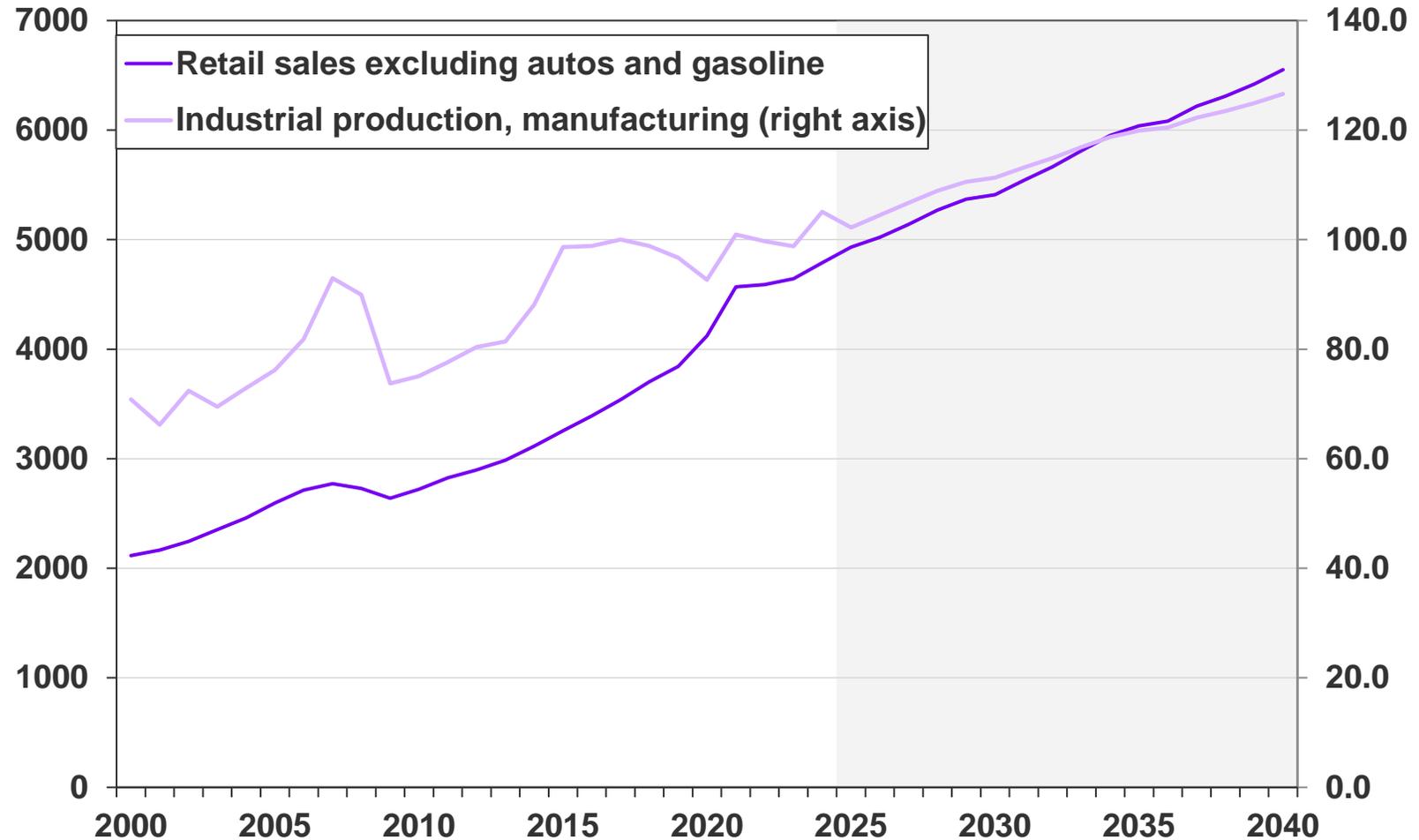


Retail sales and industrial production drive pallet demand

- Near-term challenges for industrial production, but retail sales have been steady
- Retail sales have grown steadily since 2000 and are projected to continue rising
- AI center construction will help industrial production in manufacturing to maintain growth

Pallet market drivers, retail sales and industrial output

Billions of US dollars (2017 dollars); index level (2017=100)

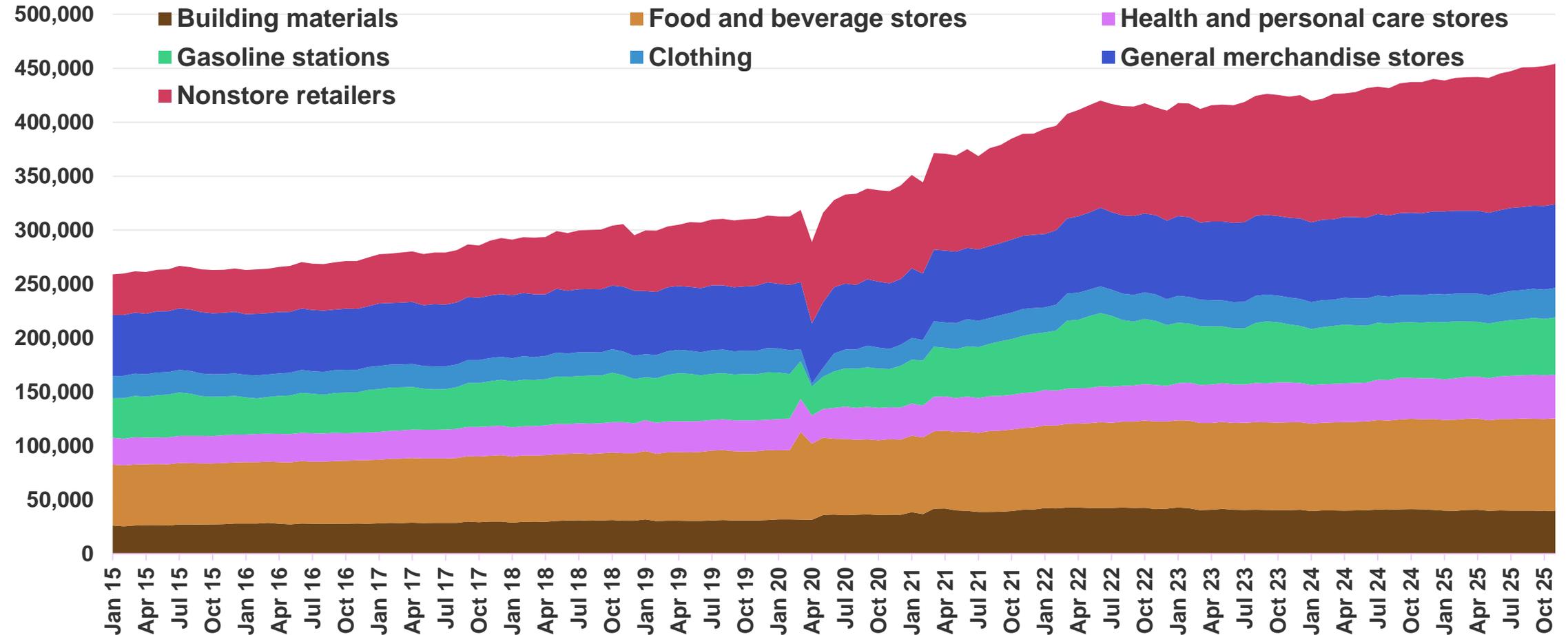


Source: Board of Governors of the Federal Reserve System, Census Bureau.

Retail sales continue to grow despite headwinds, and one category is pushing most of the growth



Seasonally adjusted sales (millions of US dollars, nominal)



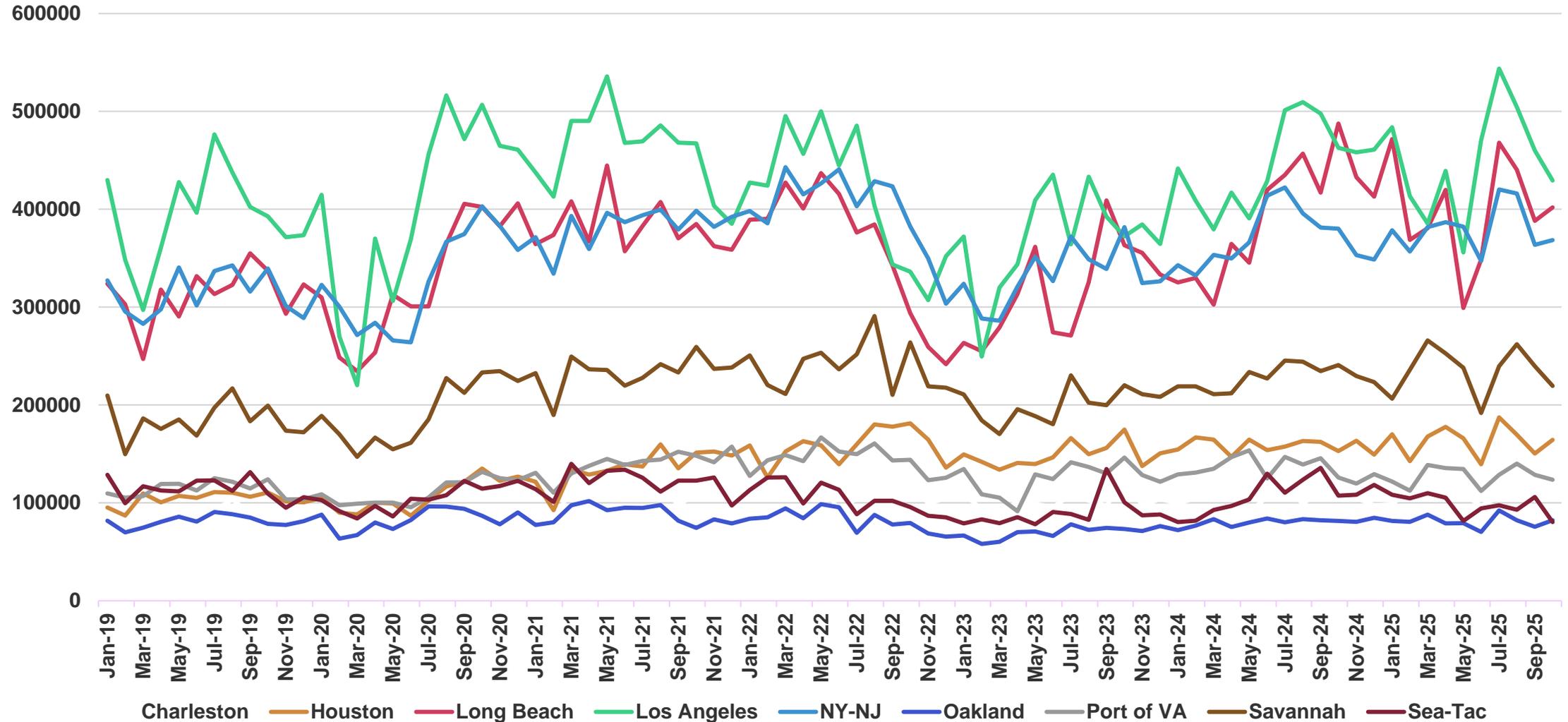
How will the changes to de-minimis rules affect this?

3 ports dominate the imports into the US



Loaded Import Containers at Select U.S. Ports

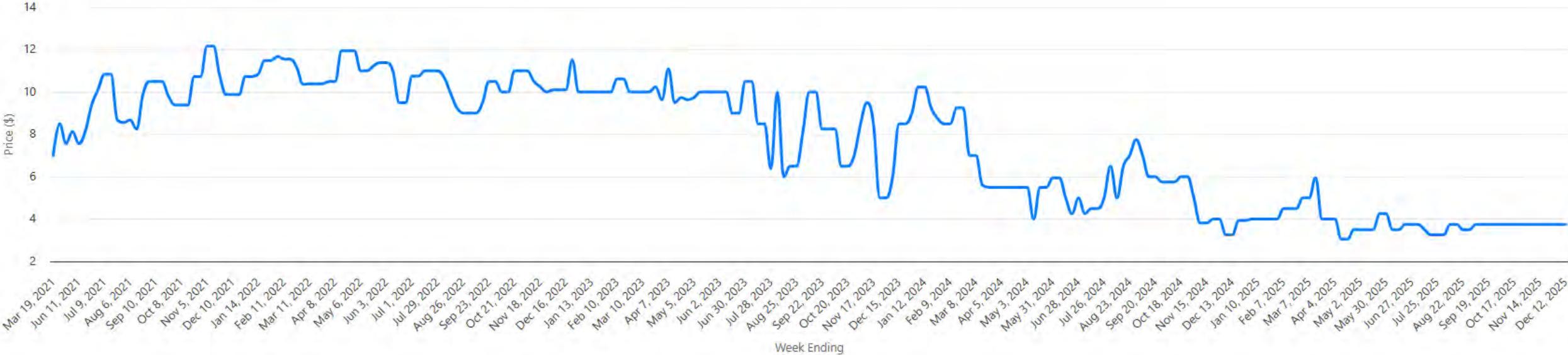
Twenty-foot Equivalent Units (TEUs)



How does this affect prices?



48x40 recycled core prices for California, courtesy of Pallet Connect

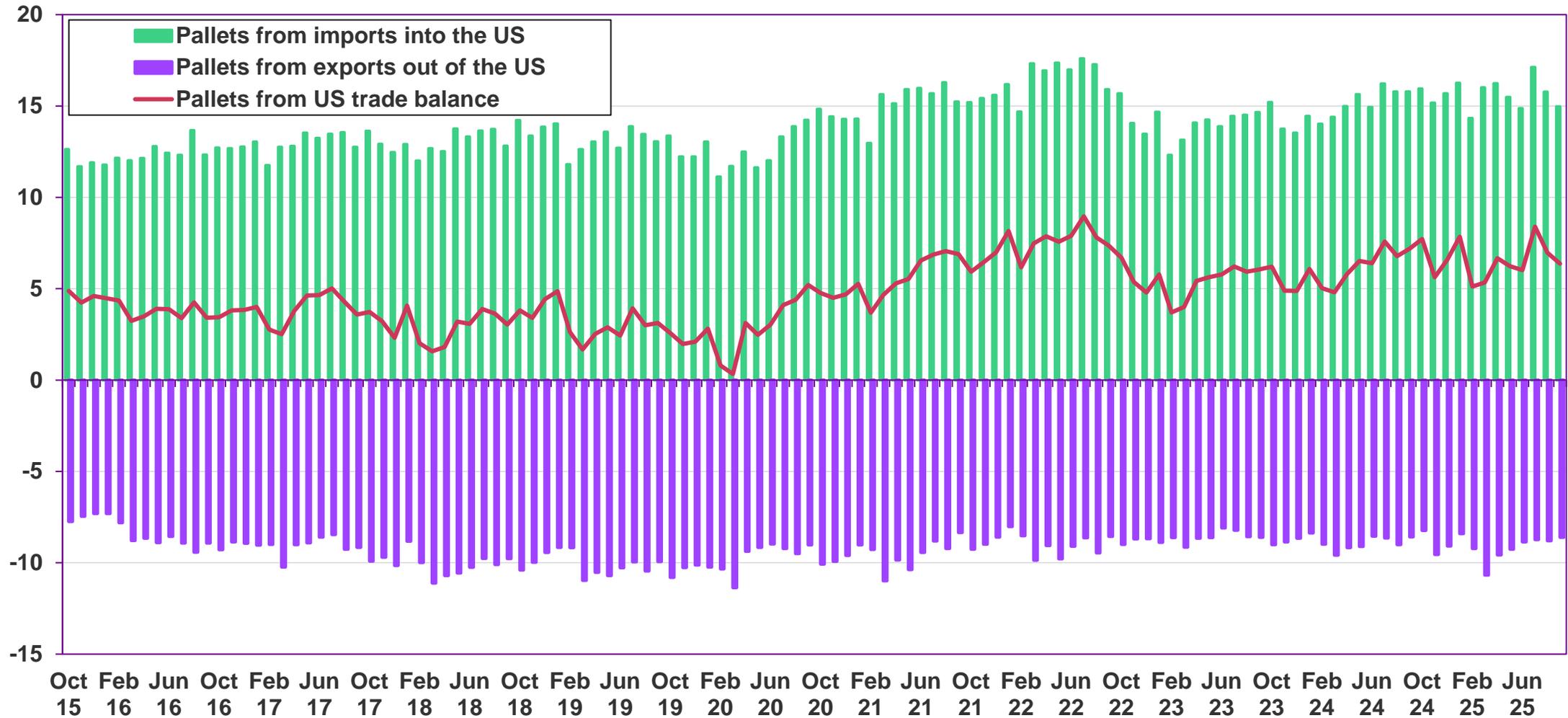


Pallets leaving and entering the US through global trade

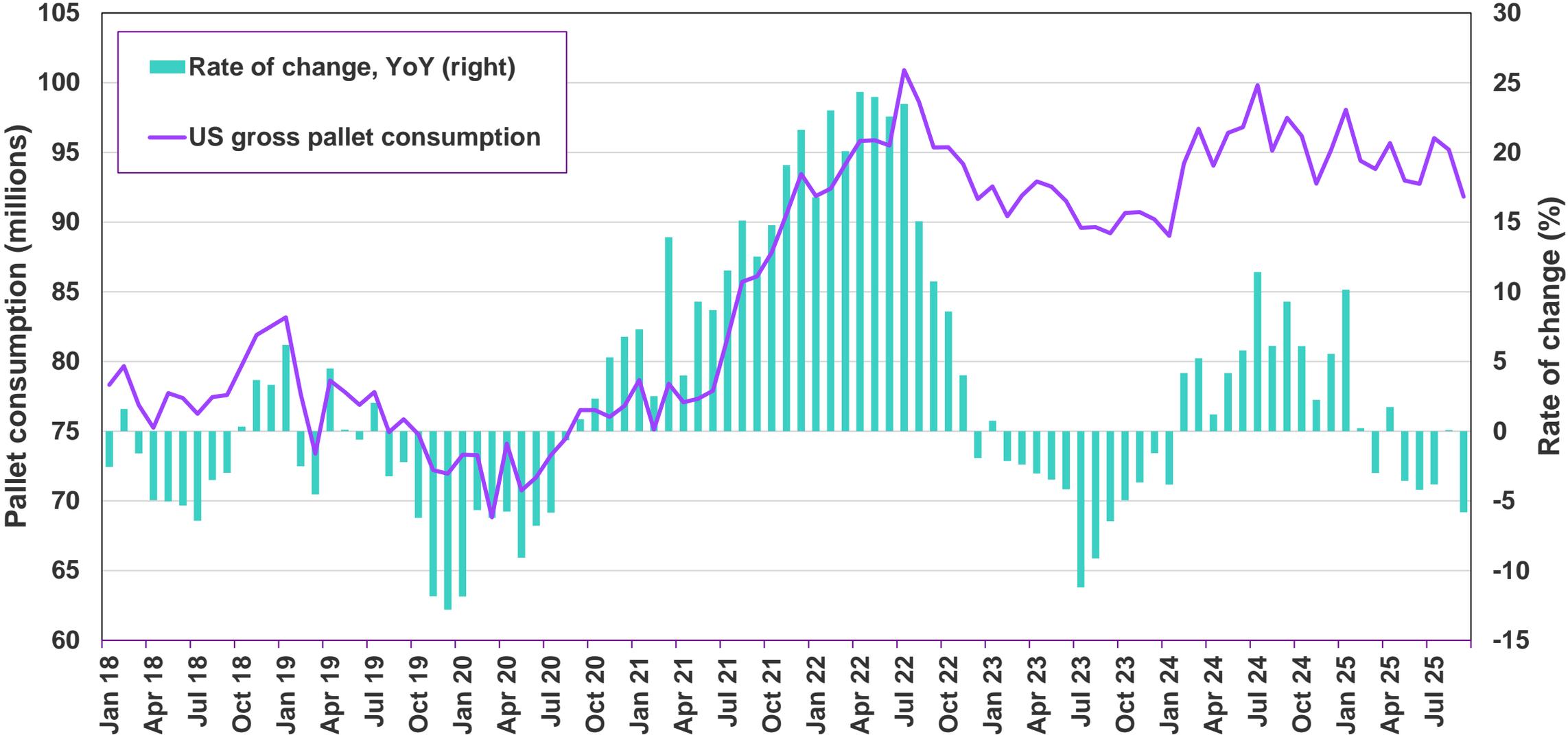


Pallet supply from trade

Millions of pallets

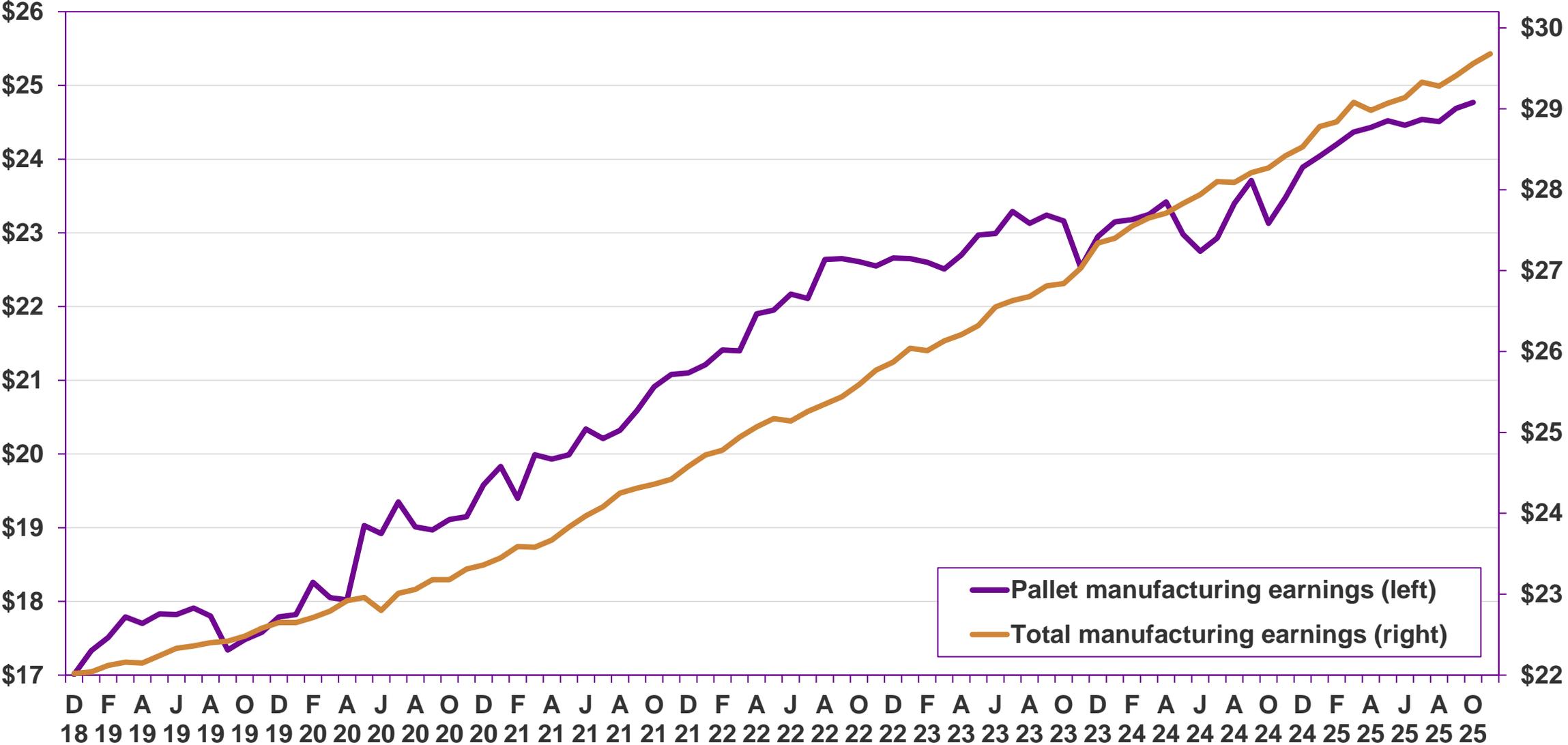


Monthly US pallet consumption



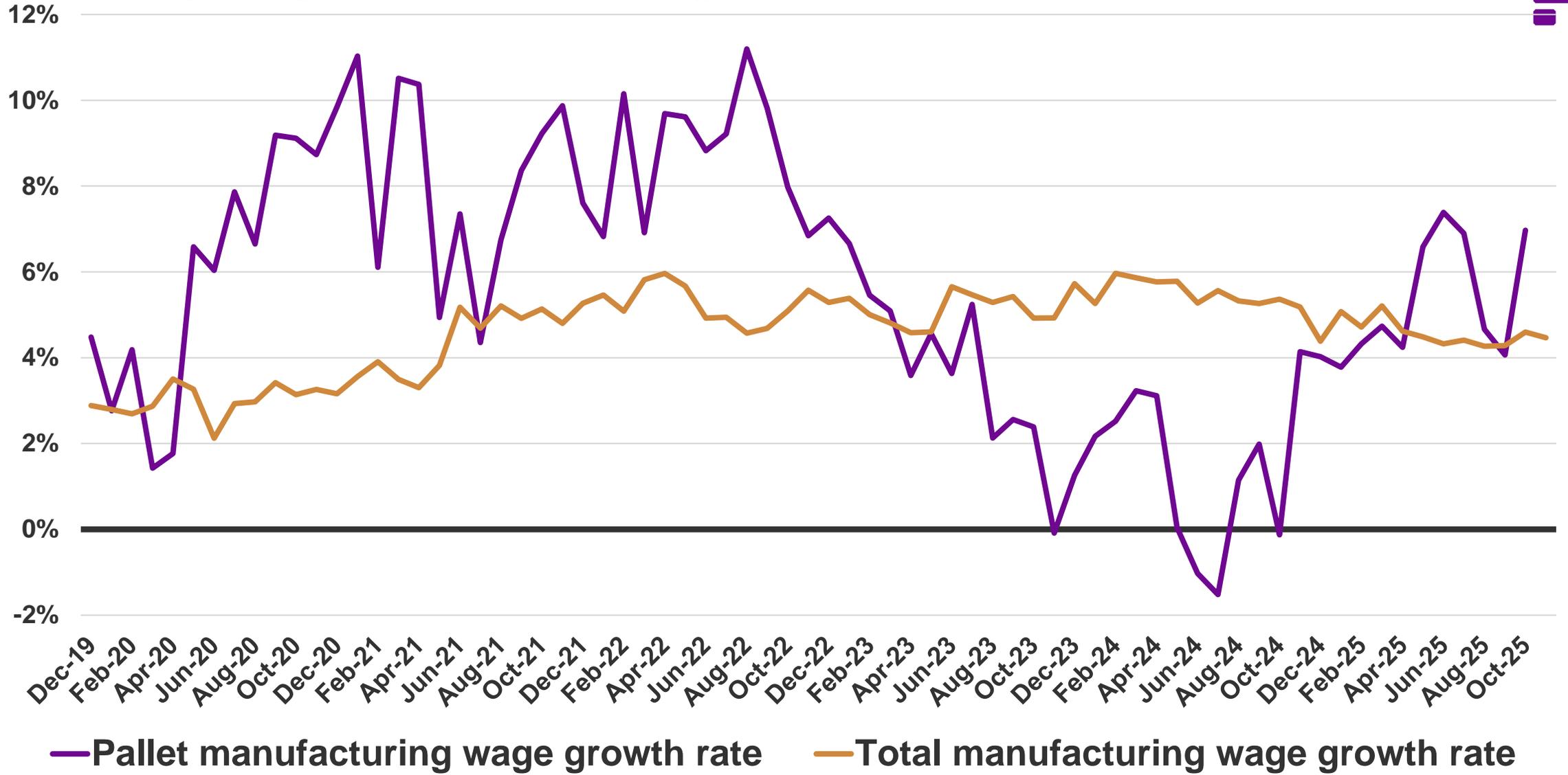
Source: GTT, Fastmarkets.

Pallet labor costs



Source: Bureau of Labor Statistics.

Year-on-year growth rate for wages

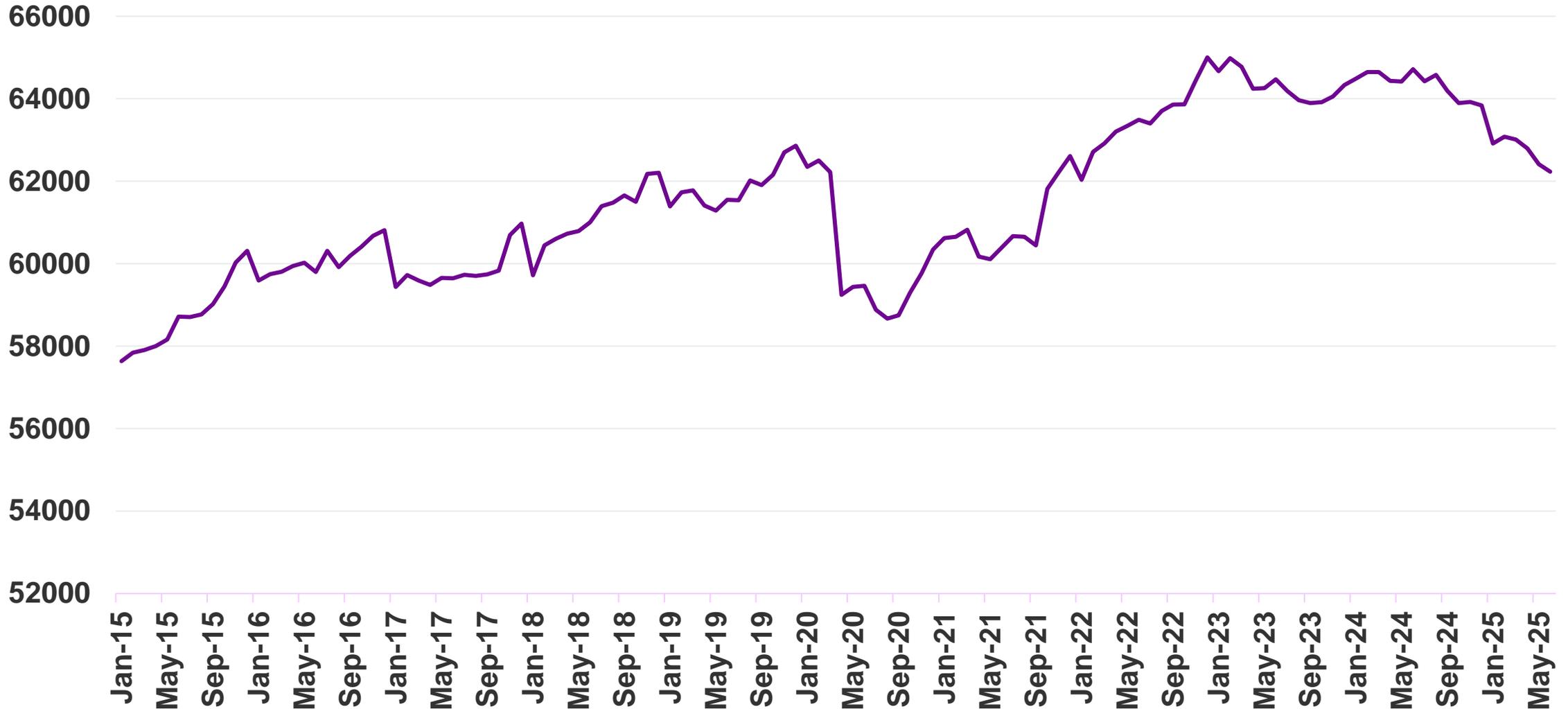


Source: Bureau of Labor Statistics.

How has this affected the pallet labor market?



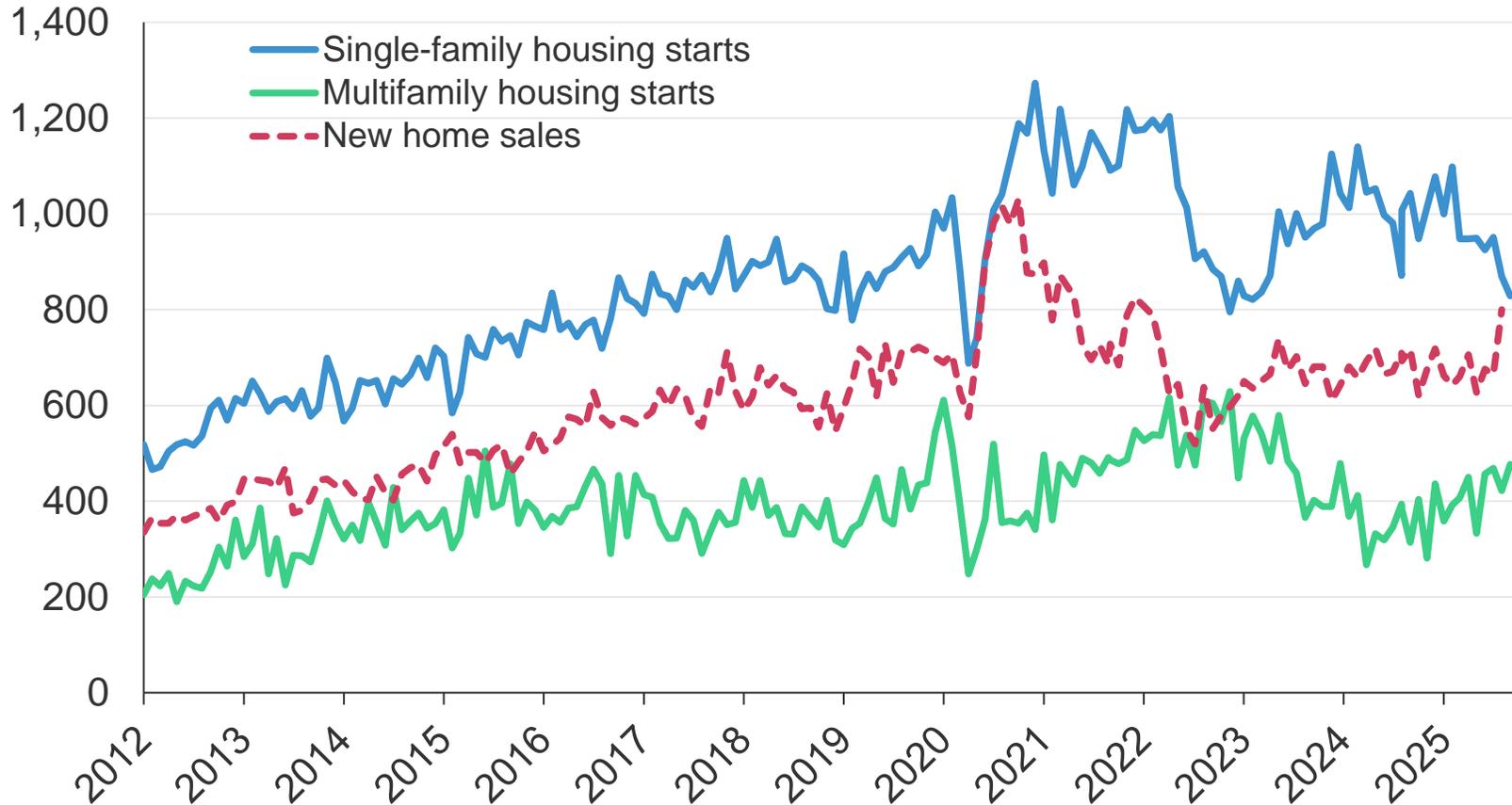
All US employees in the pallet sector



End-use markets for framing lumber have been weak this year



Housing starts and new home sales, SAAR, thousand units

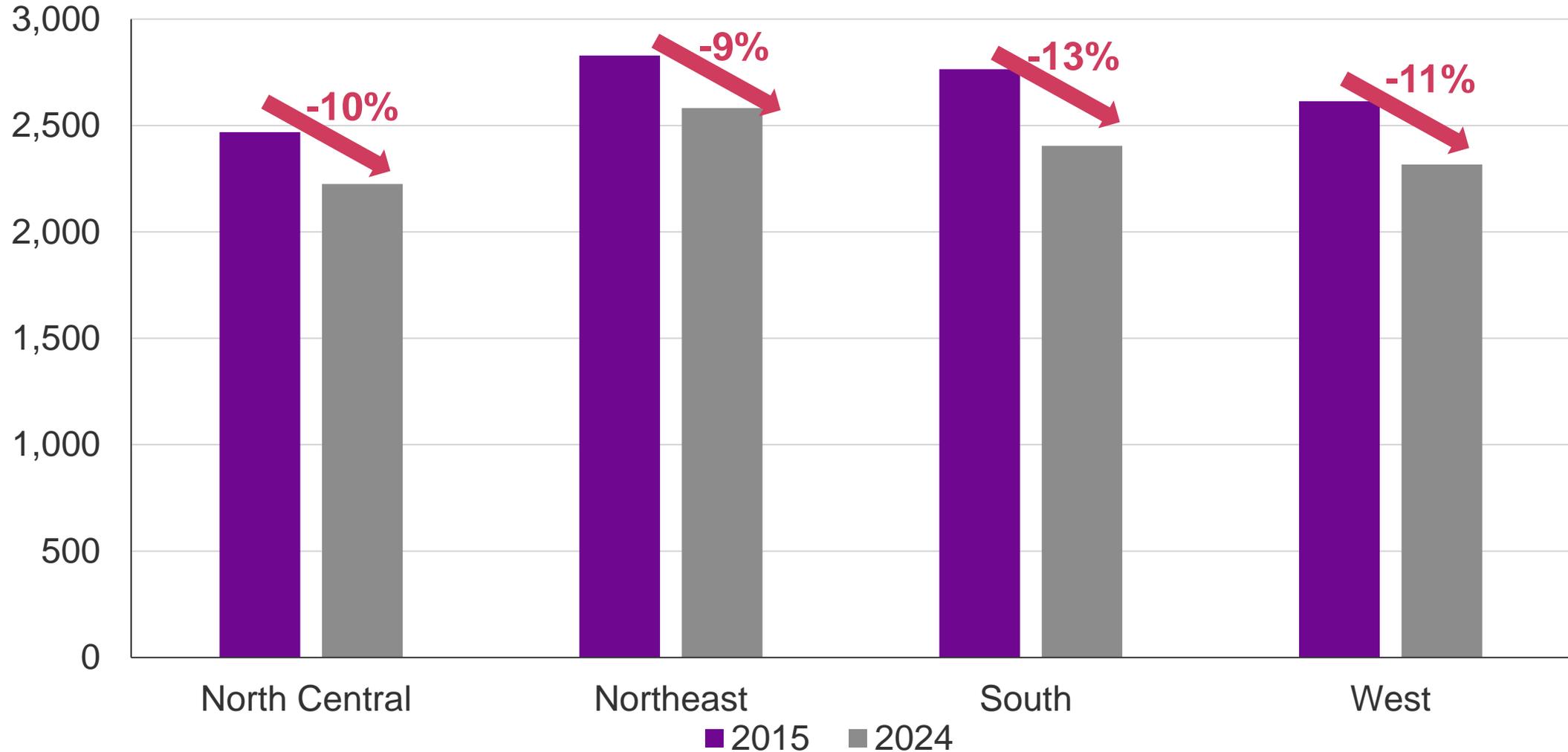


Will housing starts hang tough?

- Interest rates will likely ease as economic growth cools and demand picks up when policy uncertainty lifts later this year
- Builder sentiment remains in the dumps and construction layoffs are picking up
- Dual headwinds for lumber demand of home-builders building smaller homes and multi-family being the main driver this year, as it uses less framing lumber per square foot than single-family homes

Home sizes are shrinking amid affordability crunch

Average home size by region, thousand square feet



Trump has put himself in a tough spot on housing



“You create a lot of housing all of a sudden, and it drives house prices down. So, I want to take care of the people that have houses that have a value to their house that they never thought possible.”

Trump in January 2026

Which policies has he suggested?

- A 50-year mortgage
- Fannie Mae and Freddie Mac to buy billions of dollars of mortgage bonds to push down borrowing costs.
- Banning Wall Street from buying any more single-family homes.
- Letting Americans tap their 401(k)s for a downpayment.

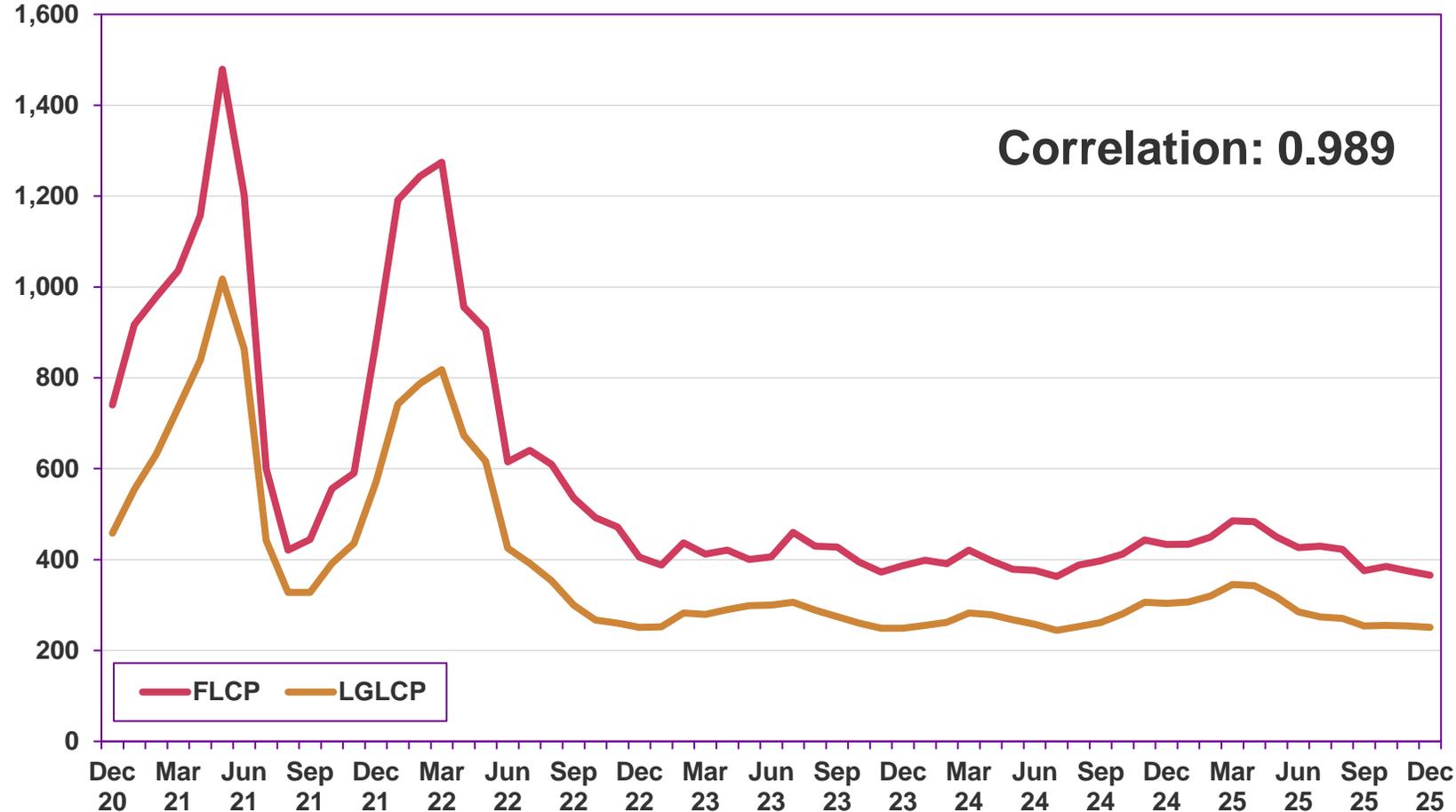
However, none of these policies tackle the biggest issue: the lack of supply

Why the housing market matters for pallets and what would happen if Trump chose to build more homes



Random Lengths Framing Lumber and Low-Grade Lumber Composite Prices

US dollars per thousand board feet



If the price of framing lumber goes up, so does the price of low-grade lumber.

- The construction market for softwood lumber is far larger than the pallet market, so it has more sway in the overall direction of pricing
- A sharp increase in homebuilding would trigger more demand for pallets as the transportation for construction goods would require more pallets.



In summary...

Businesses are getting used to the tariff scenario, which will help improve certainty

1. Indicators are mixed

- **Retail sales** strong despite headwinds
- **Manufacturing** weak, affordability challenges keeping many would-be buyers on the sidelines
- **Tariffs** have been a drag but **savvy adaptations from businesses** have kept costs low

2. Lumber prices are low

- Framing lumber prices the biggest driver of low-grade lumber prices
- SYP lumber prices at low levels thanks to excess supply and weak end-use markets
- Softwood is now the main lumber type used in production, **which is making pallets cheaper**

3. Housing will be the determining factor for 2026

- **Affordability is** still the main headwind, keeping many buyers on the sidelines
- This hinges on whether Trump chooses to **actually boost housing supply.**

Thank you for your attention!

Any questions?

US Pallet Analytics Commentary

<https://www.fastmarkets.com/forest-products/wood-products/pallets/>

Antonio Gallotta
antonio.gallotta@fastmarkets.com


September 2025

US Pallet Analytics

ANALYSIS AND FORECASTS FOR THE US ECONOMY AND PALLET MARKET

Introduction
July imports rise to new records due to early Christmas stocking cycle

Economic insights

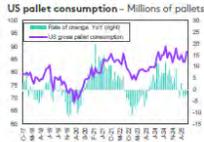
- Section 232 lumber tariffs announced
- Empties peaked early; imports slow
- Freight recession caps pallet demand


September 2025

US Pallet Analytics Dashboard

Key concepts

US pallet consumption - Millions of pallets



Pallet supply from trade - Millions of pallets



Random Lengths Framing Lumber and Low-Grade Lumber Composite Prices - US dollars per thousand board feet



End-use indicators

Indicator	2025	2026
US housing starts	1,356 million (-1.3%)	1,580 million (+1.8%)
Real retail sales (excl. auto & gas)	406.1 million (+1.8%)	415.4 million (+2.3%)
Manufacturing index	0.931 (+1.1%)	0.941 (+1.0%)
Nonresidential construction	2,225.6 billion (-1.4%)	2,222.1 billion (+1.6%)
Pallet industrial production index	105.1 (+6.3%)	104.1 (-1.0%)

Changes/ highlights

- Introduction of Fastmarkets' price forecasts for new softwood GMA pallets across six metro hubs.
- The RL LGLCP forecast has been lowered by \$10 per MBF for the remainder of 2025 due to the poorer demand environment and chronic weakness in DIP prices.
- Unusually early surge in imports suggests softer demand ahead, as shippers have frontloaded stocking for the holiday period.

US pallet market

The US pallet market finally gained clarity on the Section 232 tariffs, with rates set at 10%. The early import wave leaves a shallower restock path into Q4 the fourth quarter and a flatter seasonal pallet pull. Retailers are narrowing assortments and favoring fast-turnover products, which supports steadier but smaller orders. Pallet prices are broadly stable now, with a measured up-bias into 2026 as input costs recover from depressed lumber levels and the used-core surplus continues to shrink. Sawmills curtailments and closures have been announced in light of persistently depressed profit margins.

If you have any questions about the data provided here, please reach out to Antonio Gallotta at antonio.gallotta@fastmarkets.com.

US Metro #3 softwood GMA A-grade stringer pallet cost forecast summary

	Chicago	Dallas	Los Angeles	New York	San Francisco	Seattle
2025:	\$11.72 (-1.4)	\$9.14 (+11.0%)	\$11.85 (+10.2%)	\$11.87 (+1.3%)	\$11.36 (-3.4%)	\$9.41 (-2.3%)
2026:	\$12.57 (+5.5%)	\$9.94 (+8.8%)	\$13.21 (+11.5%)	\$12.71 (+7.1%)	\$12.71 (+11.8%)	\$10.65 (+13.2%)

fastmarkets.com | 2