



Planks & Pandemics: The Effects of the COVID-19 Global Pandemic on the Price of Lumber

Michigan State University Center for Community and Economic Development

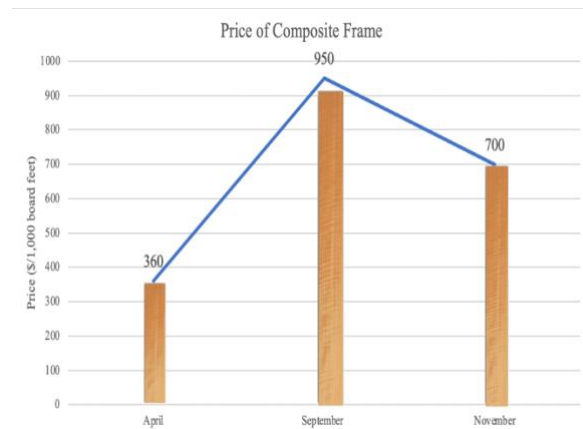
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Increasing Prices in Lumber

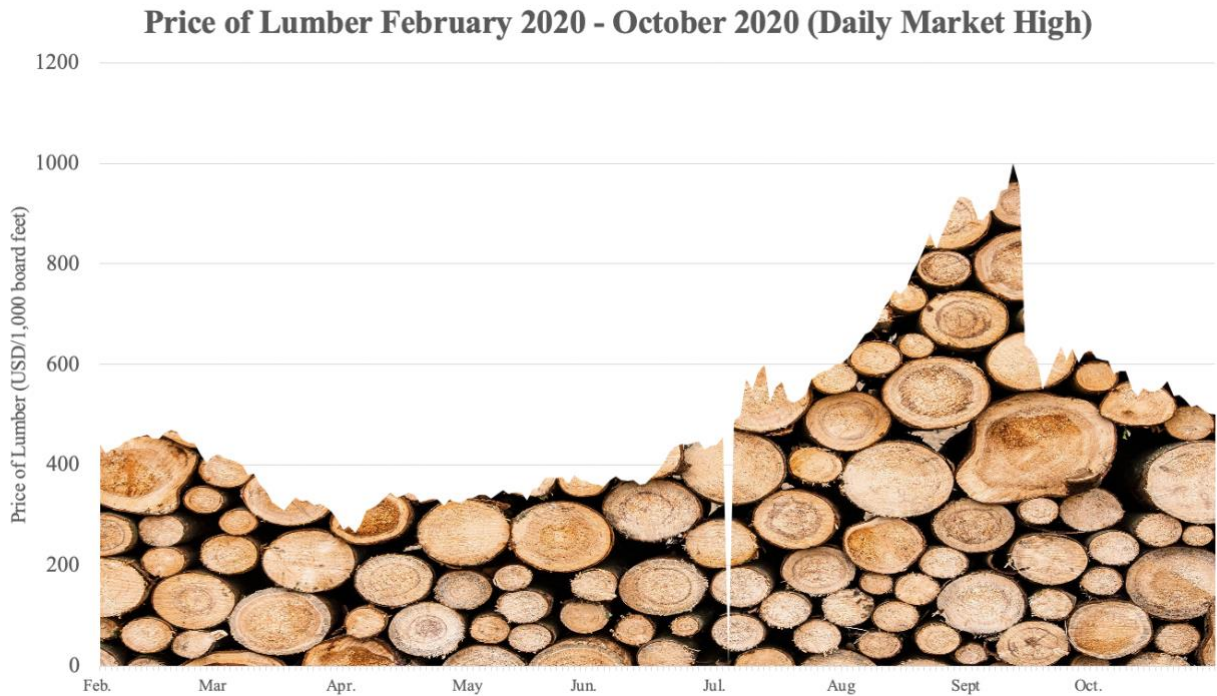
The commodity price of lumber has been steadily increasing since 2004. However, current market prices of lumber have been skyrocketing with an increase of more than 278% in the price of lumber from April 1st to September 14th, 2020. The market price of lumber, measured per 1,000 board feet, closed at \$328.40 on September 14th, 2002; and closed at \$578.60 on September 14th 2020 ([Lumber Price](#)). This dramatic spike in the price of lumber is likely to be in part due to the ongoing COVID-19 global pandemic which has caused large and persistent negative effects on the world economy ([Chudik et al, 2020](#)). With sudden and drastic changes in the market, it is imperative to understand the effects of COVID-19 on the wood products supply chain and what requires improvement in order for the market to stabilize. Though at present lumber prices appear to be slightly declining from the historic highs of this spring and summer; the observed volatility of lumber markets throughout 2020 indicates a multiplicity of opportunities throughout the US lumber supply chain for exploration of new strategies to stabilize and regionalize market practices, such as the

incorporation of circular economy principles. Deconstruction and material recovery should be at the forefront of this discussion. —



Analyzing Current Markets

Current markets indicate the need for immediate action to decrease and stabilize the current price of lumber. Being one of the most used materials in construction, the dramatic increase likely has widespread ripples that are having impacts across the entire construction industry. In studying the increasing price of lumber, identifying the effects on the purchasing end of lumber prices can serve as metrics for both the confidence in markets and impact of lumber prices on the construction sector.



Salvaged Lumber

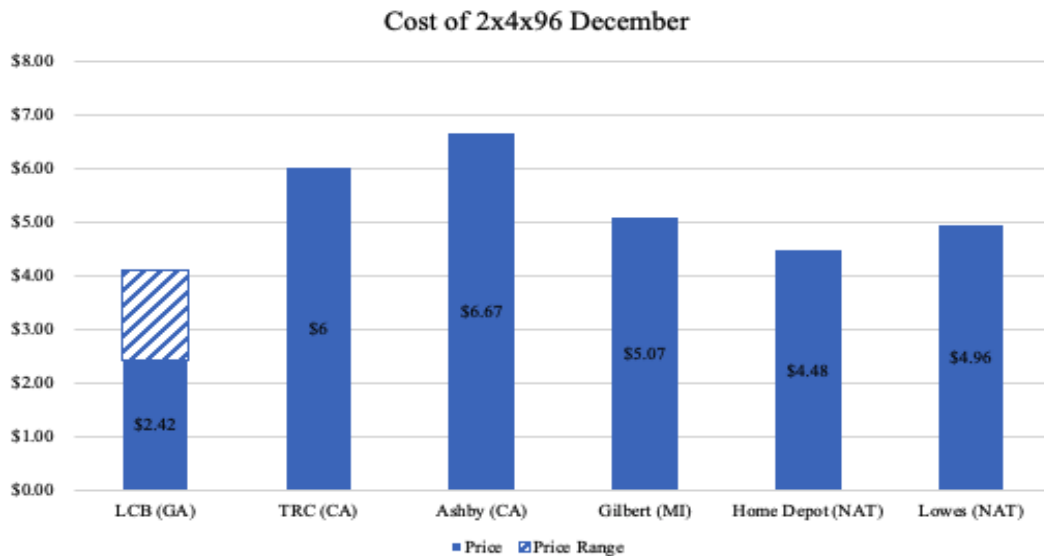
With the skyrocketing price of lumber in markets, salvaged lumber presents itself as a less expensive alternative to virgin lumber with reduced impacts on landfills and the built environment ([AWC, 2015](#)).

Dimensional lumber is classified by size and then graded based on its classifications, most board lumber can typically be reused as-is for non-structural use. However, for structural use, boards must be evaluated by a qualified engineer or regraded ([Reuse Wood, 2020](#)). Despite the cost of revaluation for structural salvaged lumber, the current prices of virgin lumber allow for salvage facilities to gain profit from the sale of

reused lumber while at a reduced price compared to virgin options.

Material Salvage and Reuse Economy

Material salvage and reuse facilities are key to providing salvaged lumber at a comparatively lower cost than virgin alternatives. Facilities typically manage this through one of two pricing models: donation based and fixed cost. Donation based models such as those used by the Lifecycle Building Center in Atlanta, rely on donations of lumber that are then priced between 50 – 85% below the cost of new material and sold



directly to consumers. This model allows for pricing to be directly competitive with virgin lumber but because this model relies on donations the supply of lumber can be inconsistent (2020). Fixed price models for salvage facilities can address the volatility of supply but are less flexible with their pricing compared to donation-based models.

Methodology

Dimensional virgin lumber data was collected using lumber commodity index pricing, interviews with Michigan lumber yards, and historical pricing from national retailers' webstores. Salvaged wood pricing and models based on information provided by material salvage and reuse facilities in Michigan and Georgia with salvaged lumber programs.

Conclusion

The recent increases in the price of lumber are too dramatic to ignore. Salvaged lumber presents itself as a competitive alternative to virgin lumber, but salvage facilities are in need of a more consistent supply of salvaged lumber in order to do so at scale. There is no better time to advance scholarship and develop more sustainable supply models that aim to generate viable alternatives to the use of virgin building materials.

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