



## This Is the Only Forestry Stock You Need to Buy Right Now

### Description

**West Fraser Timber** (TSX:WFT) stock is rallying at the moment, despite challenging market conditions and curtailments of operations taking place across the sector. Some market commentators are now starting to wonder whether there might be some life left in Canadian forestry stocks after all.

The company turned in a so-so first-quarter report at the end of April. Notable highlights included sales totalling \$1.2 billion as well as West Fraser Timber's reinvestment of \$108 million in capital expenditures and a return of \$64 million to stockholders via share buybacks and dividends.

### What's driving positive sentiment in this embattled sector?

One reason why this stock is popular at the moment is twofold: West Fraser Timber neared a 52-week low just as bullishness re-entered the market. The U.S.'s shelving of tariffs on Mexico gave the TSX a much-needed boost after two weeks of increased turbulence, brought about by trade tensions and an uncertain global outlook.

With a market cap of \$4 billion and sturdy balance sheet, West Fraser Timber is the one Canadian lumber stock a careful investor would want to buy in the current economic climate. However, it should be noted that the company has curtailed 125 million board feet of production in the last quarter and permanently cut B.C. production by 300 million board feet on a year-to-year basis.

West Fraser Timber has also seen some inside buying over the past 12 months, with more shares bought than sold in the last three months. Since this generally means that insiders are [confident that the share price is going to rise](#), and given its recent rally, there may be some upside potential here. West Fraser pays a small dividend yield of 1.45%, so brave income investors may even want to buy and hold for the long term.

### Lumber investors need to see the wood for the trees

After a period of solid growth on the back of a strong market for housing and building supplies, the

Canadian forestry products sector found itself having to contend with the introduction of lumber tariffs. Since then, opinion has been split as to whether affected stocks represent falling knives or [value opportunities for investors bullish on natural resources](#) as well as the housing and construction industries.

Following a resultant yearlong slump, it looked like **Canfor** stock was finally making a recovery last week. However, the share price failed to touch \$10, and with a number of its own curtailments set to last through July, Canfor presents no great threat to West Fraser Timber.

Canfor, the smaller of the two companies by market cap, which, at \$1 billion, makes it a quarter of West Fraser Timber's size, will itself cut production by 200 million board feet in B.C. due to uneconomic operating conditions — a continuing the trend in the sector. This comes after Canfor's sale of the Vavenby sawmill to **Interfor**.

## The bottom line

Sales of forestry related products have a tendency to be volatile, tied as they are to the housing and building sectors. However, since West Fraser Timber has seen some improvement lately and is popular with insiders, it's a stock worth keeping an eye on as the year progresses.

### CATEGORY

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