

Press Release – For Immediate Release

Sawlog prices increase in China in 3Q 2008 as log supply tightens, reports WRI

The domestic sawlog market in China has tightened as a result of reduced log imports from Russia in 2008. The increased competition for logs has pushed log prices upward to record highs in the 3Q 08, according to Wood Resources International.

Seattle, USA, December 1, 2008. During the first seven months of the year, production of most wood products in China has been substantially higher than during the same period in 2007. Plywood production has been up 29%, fiberboard 35%, wood flooring 19%, wooden furniture 12% and wood-based pulp 3%. It is likely that production will be down for most sectors in the 4Q, but that 2008 will still be a better year for the Chinese forest industry than 2007. The higher production level in the industry has increased demand for both sawlogs and pullogs. Most of the additional supply has been sourced domestically as total imports of both softwood and hardwood logs have fallen over 20% in 2008 as compared to last year.

Imports of softwood logs have declined for the past three quarters and were down to 4.4 million m³ in the 3Q/08, the lowest level since 1Q/05. Russia continues to be the largest supplier, accounting for 81% of total imports; however, this share is down from almost 90% in 2007. New Zealand has increased shipments of radiata pine logs to 512,000 m³ in the 3Q, which was up from 323,900 m³ a year ago. The only other major suppliers of softwood logs to China are Australia, the US and Canada, all of which have increased their shipments in recent months.

As a result of the increased demand for domestic logs, prices have trended upwards most of the year and they reached new highs in the 3Q. The biggest increase has been of Chinese fir sawlogs in Southern China, which were about 15% higher in the 3Q compared to 1Q/08.

It is still too early to know the full impact of the global financial crisis on log demand and prices in China, but there were indications that demand for forest products, both domestically and for the export market, started to decline in October. It also remains to be seen how the delayed tax increase on Russian logs will impact the flow of wood into China in the coming months.

Global pulpwood and sawlog market updates are included in the 50-page publication Wood Resource Quarterly. The report, established in 1988 and with readers in over 20 countries, tracks wood prices in most regions around the world and also includes regular updates of international timber, pulp, lumber and biomass markets.

Contact Information

Wood Resources International

Hakan Ekstrom, info@wri-ltd.com

www.woodprices.com