

Press release – For Immediate Release

Seattle, USA. March 2009

Decline in global demand for forest products reduces timber prices in China, reports WRQ

Sawlog prices in China declined for the first time in three years in the 4Q/08 because of reduced demand for lumber, panels and paper products both domestically and from export markets, reports Wood Resource Quarterly.

Seattle, USA. March 2009. Production of forest products in China declined in the 4Q because of reduced demand for most forest products both domestically and from export markets. As a result, softwood log imports were down again in the 4Q for the sixth consecutive quarter. Total softwood imports were 4.2 million m³, down from 6.5 million m³ in the 2Q/07. Practically all of the decrease was due to falling importation of logs from Russia; other suppliers have actually increased their presence in China. New Zealand has doubled its shipments of pine logs in one year to 650,000 m³ in the 4Q. The market share has gone up from six percent to as much as 15 percent in just 12 months. Log imports from North America have also increased the past year, although the total volume is still relatively small.

Despite the downturn in the economy and reduced demand for logs, China still imports large volumes of logs to supply its forest industry sector. An estimated 45% of the total softwood log consumption and 22% of hardwood log demand was sourced from outside China in 2008.

It is interesting to note that while imports of softwood logs have fallen, softwood lumber imports increased by almost 30% from 2007 to 2008. The transition from importing processed products rather than raw-material can partly be explained by the higher Russian log export taxes and by the substantial increase in costs of domestic sawlogs the past few years.

The reduced demand for sawlogs in China resulted in the first reduction in log costs since 2005. Average costs for Chinese fir sawlogs in Southern China were down six percent in the 4Q as reported by the Wood Resource Quarterly. Costs for other domestic species throughout China also peaked in the 3Q last year and started to decline in late fall.

It was not only domestic log prices that fell in the 4Q, but also prices for imported logs. Average softwood log prices fell for the first time since 2004, but despite the reduced log costs for imported logs, they were still close to the highest ever. This recorded downward price trend is likely to continue in 2009.

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

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