

Forest Products Market Update

- a news brief from Wood Resources International LLC

Imports of logs, lumber and pulp to China increased substantially in the 2Q/09 as the country's economy grows by almost 8%, reports the Wood Resource Quarterly.

China became the major import destination for many globally traded forest products in 2009. The country is the world's largest importer of wood pulp and logs, and was the 2nd largest importer of softwood lumber in the world in the 2Q/09, reports the Wood Resource Quarterly.

Seattle, USA. September, 2009. The Chinese economy continues to positively surprise, with the GDP growing by 7.9% in the 2Q. Domestic consumption of forest products has increased, with new construction and remodelling being the major drivers for higher consumption of wood products.

Imports of softwood logs were 51% higher in the 2Q than the previous quarter and 27% higher than in the 2Q/08, a sign of improved operating rates in the sawmilling and plywood industry. The biggest increases in imports originated from Russia and New Zealand. Although Russia is still the largest supplier of logs, New Zealand has increased its market share from 10% in the 2Q of last year to 23% the same quarter this year.

The average import value for softwood logs has been in decline for three consecutive quarters and was, in the 2Q, down 25% from its peak in the 3Q/08. So far this year, Russian logs have cost substantially more than have logs from New Zealand and Australia.

Prices for Chinese fir sawlogs, a common species used by the sawmilling industry in southern China, were 18% lower in the 2Q/09 than at their all-time high last fall, according to the Wood Resource Quarterly. Prices for domestic logs, which in general have been higher than those of foreign logs, have followed a similar trend as imported wood.

The increased demand for softwood lumber has not only been met by higher production at the country's sawmills, but also from an increase in the importation of lumber. During the first six months this year, China imported 28% more than during the same period last year. Much of the increased demand has been filled by lumber from Russia, Canada and New Zealand.

Chinese paper companies have been aggressive buyers of wood pulp in 2009, with import volumes being more than 40% higher the first half of this year as compared to the same period in 2008. Pulp mills in Latin America have been the major beneficiaries of the recent surge in pulp imports to China. As reported in the Wood Resource Quarterly, Brazil has increased its exports of wood pulp to China by over 50% this year.

Global timber market reporting is included in the 50-page publication Wood Resource Quarterly. The report, established in 1988 and with readers in over 25 countries, tracks sawlog, pulpwood, lumber and pellet prices in key regions around the world and also includes regular updates of the latest developments in international timber, pulp, lumber and biomass markets.

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