

Forest Products Market Update

- a news brief from Wood Resources International LLC

Exports of wood chips from Australia have declined 28% in 2009 but the country is still the largest chip exporter in the world, reports the Wood Resource Quarterly.

Australia, the world's largest chip exporter, has reduced Eucalyptus and pine chip exports substantially in 2009 due to weak pulp markets in Japan. In the domestic market, pulpwood prices have increased over 13% in US dollars this year as the Australian currency has strengthened, reports the Wood Resource Quarterly.

Seattle, USA. September, 2009. Australia, the world largest exporter of wood chips reduced shipments by 28% during the first half of 2009. The biggest decline was that of softwood and hardwood chips to Japan, which were down 31% and 36%, respectively, compared to the same period in 2008.

As a result of the reduced production of pulp in Japan the past year, demand for imported wood fiber has fallen and countries that export, such as Australia, have had to try to find alternative markets. In 2009, Eucalyptus chips destined for Japan were down to 74% of all Australian hardwood chip exports as compared to 86% in the previous year. Other increasingly important markets include Taiwan, South Korea and China. The brightest spot for chip exports the past year has been China, which has more than doubled the import volumes from Australia this year, reaching over 470,000 tons during the first eight months (some softwood but most hardwood).

Although Eucalyptus exports have declined, the domestic consumption of plantation Eucalyptus wood fiber in Australia has been increasing steadily as fast-growing plantations have matured. In the 2Q/09, there were 21% more Eucalyptus chips traded compared to the same quarter last year.

Domestic prices for both softwood and hardwood fiber were slightly lower in the 2Q in Australian dollars, but substantially higher in US dollar terms as a result of the strengthening Australian currency. Eucalyptus pulplog prices were up 14% in the 2Q and Eucalyptus chip prices for domestic pulpmills increased by 13%, according to the Wood Resource Quarterly.

The export price for Eucalyptus chips going to Japan for the remainder of the year settled at the same level as in the 1H/09 and 2008. Softwood chip export prices for chips shipped from Portland, Victoria fell US\$19/BDU to US\$140.50/BDU (US\$129/odmt) in the 1H/09. Australian softwood chips were close to the lowest cost chips delivered to Japan in the 2Q/09, only slightly higher than the price for Douglas-fir chips from the US. Radiata pine from New Zealand and spruce-pine-fir chips from Canada are currently the highest cost fiber delivered to Japanese pulp mills.

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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