

Forest Products Market Update

- a news brief from Wood Resources International LLC

Global sawlog prices jumped almost 8% in the 3Q/09 because of improved lumber markets in the US and Europe, reports the Wood Resource Quarterly

In the 3Q/09, the Global Sawlog Price Index (GSPI) had the highest quarter-to-quarter jump in the 15-year history of the Index, according to the Wood Resource Quarterly. The Index increased for the third straight quarter and reached just over US\$73/m³.

Seattle, USA. January, 2010. Global sawlog prices started to move up in the fall after having reached a bottom in many markets earlier this year. The recent upswing has been the result of a tighter log supply but also because of improved operating rates at many sawmills in both the US and Europe. The US, the Nordic countries, Central Europe the Baltic States and Russia have experienced the largest price increases (in the local currencies) over the past six months.

The Global Sawlog Price Index (GSPI), which is based on conifer sawlog prices in 19 key regions worldwide, was US\$73.30/m³ in the 3Q, up 7.6% from the previous quarter, as reported by the Wood Resource Quarterly. Much of the increase was because the US dollar weakened against most currencies in the WRQ regions, but there were also higher log prices in Europe in the local currencies. Despite the recent increase in the GSPI Index, it is still 15% lower than a year ago and 20.3% below the all-time-high in the 4Q/07.

The biggest declines in log prices (in US dollar terms) since the peak in early 2008, have occurred in the Baltic States, the Nordic countries and in Western North America. In these regions, prices are now more than 25% below their all-time highs. Log prices in the US South, Central Europe, Latin America and Oceania have fallen relatively less and are currently 5-10% below their peak about 18 months ago.

Log prices have probably reached their bottom in this cycle last spring and it can be expected that they will continue the recent upswing in 2010 because of increased demand for lumber in the US, Europe, Asia and Latin America. So far this year, Europe, Northern Africa and China have been some of the most rapidly growing markets for lumber exporters and this trend is likely to continue into next year.

There is also some good news coming out of Russia. Lumber exports increased slightly in 2009 compared to 2008 and might reach the third highest level on record. This is mostly thanks to the high demand for lumber in China. Softwood lumber shipments to China have been up almost 60% this year. The strong export lumber market has mostly benefited sawmills in Siberia and the Russian Far East.

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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