

Forest Products Market Update

- a news brief from Wood Resources International LLC

Global shipments of wood chips fell 14% in 2009; China bucked the trend, tripling its imports to become the world's second largest chip importer, reports WRQ

The international financial crisis in 2009 had a major negative impact on worldwide demand for pulp and paper products. As a result, the consumption of wood chips and pulpwood for pulp production was lower and global trade of wood chips fell 14%, according to the Wood Resource Quarterly. China bucked this trend, almost tripling its imports to become the world's second largest importer of wood chips last year.

Seattle, USA. April, 2010. As with most commodities, global trade of wood chips, fell in 2009 because of the international financial crises. Wood chip trade had increased on average five percent per year annually between 2002 and 2008, reaching an all-time high of 31 million oven-dry metric tons (odmt) in 2008. This upward trend was broken last year when trade fell 14% from the previous year, reports the Wood Resource Quarterly.

International trade of wood chips has historically been driven by pulp manufacturers need for either unique wood fiber properties not available locally, for fiber competitively priced or for strategic reasons. Despite the recent decline, global trade of wood chips has more than doubled in 20 years.

The trade reduction in 2009 was equal for both softwood and hardwood chips, and most countries cut back fiber imports. The only major exceptions were Turkey, which increased its imports by 50% last year and China, which almost tripled its imports. China has evolved from having been a net exporter of chips five years ago, to being a major chip consumer. The country now imports almost 20% of all chips traded in the Pacific Rim and is now the world's second largest importer of woodchips after Japan.

Trade of wood chips is still the highest in the Pacific Rim, accounting for about 55% of the total global trade and over 95% of water-born trade. The major exporting countries in 2009 were Australia, Chile, the US, Vietnam and South Africa, which together exported just over 16 million odmt. A majority of the shipments were Eucalyptus wood chips destined for pulp mills in Japan and China.

The most dramatic reductions in export volumes last year occurred in Australia (-22%), the US (-25%, a majority bound for Canada) and South Africa (-45%), according to the WRQ. In contrast, Vietnam and Russia both increased their shipments last year. Outside of the top five it is worth noting that shipments from Uruguay declined by almost 50% last year.

Trade of wood raw-material, including logs and wood chips, is likely to increase in 2010 as the global economy slowly recovers and as a consequence, the demand for most forest

products will improve. In addition, many energy companies in Europe are searching for new sources of biomass, which will further expand the overseas trade of wood chips.

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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