

Forest Products Market Update

- a news brief from Wood Resources International LLC

Global sawlog prices up 17% the past 12 months with the biggest gains seen in Northern Europe and Oceania, reports the Wood Resource Quarterly

In the 1Q/2010, the Global Sawlog Price Index (GSPI) reached US\$76.77/m³, the highest level in over a year, according to the Wood Resource Quarterly. Much of the increase has been the result of a weaker US dollar, but sawlog costs have also gone up in local currencies in many markets, including Finland, Sweden, Germany, Latvia, Russia and New Zealand.

Seattle, USA. June, 2010. Global conifer sawlog prices have steadily increased for four consecutive quarters in all major world regions. The **Global Sawlog Price Index (GSPI)**, which is based on quarterly conifer sawlog prices in 19 key regions worldwide, increased from US\$65.89/m³ in the 1Q/09 to US\$76.77/m³ in the 1Q/10, a climb of almost 17%. The biggest price increases the past year have occurred in Oceania and Northern Europe, while North America has seen only moderate upward price adjustments.

Sawmills in Central and Northern Europe continue to have the highest wood costs in regions producing softwood lumber. These are also regions that have experienced the biggest price increases the past year. In Sweden and Germany, spruce sawlog prices were 28% and 15%, respectively, higher in the 1Q/10 than in early 2009, according to the Wood Resource Quarterly. Sawlog prices in Latvia and the Czech Republic have also gone up the past 12 months as a result of higher operating rates at the regions sawmills. Early in 2010, log prices were up 43% in Latvia and 25% in the Czech Republic as compared to the 1Q/09.

New Zealand exports of logs and lumber in the 1Q/10 were 50% and 18% higher, respectively, than the same quarter last year. The increase in shipments is practically all thanks to the continued strong demand for most forest products in China. As a result of the strong export market, domestic sawlog prices has gone up about four percent from a year ago in the local currency and 38% in US dollar terms. Export log prices have increased for four consecutive quarters, and were in the 1Q/10 over 50% higher than the same quarter in 2009.

Pine sawlog prices have also gone up in Australia by almost 40% in US dollar terms, mainly as the result of a strengthening Australia currency. Sawmills in Australia continue to have higher raw-material costs than their competitors in New Zealand.

Because lumber markets have improved, it is likely that sawlog prices in local currencies will continue to increase in many markets in the coming months in the local currencies. This may not necessarily translate into a higher GSPI Index next quarter since the US dollar can be expected to strengthen, particularly against European currencies.

Global timber market reporting is included in the 50-page publication Wood Resource Quarterly (www.woodprices.com). 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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