

Forest Products Market Update

- a news brief from Wood Resources International LLC

China's hunger for wood raw-material pushes timber prices upward, increasing the importation of logs and wood chips to record levels in 2010, reports the Wood Resource Quarterly

The forest industry in China is continuing its expansion, and with limited domestic timber resources, importation of logs and wood chips are at an all-time high, especially as tight supply of domestic logs has increased local log prices to new highs in the 2Q/10, according to the Wood Resource Quarterly.

Seattle, USA. Continued increases in demand for wood raw-material from sawmills, plywood plants and pulp mills in China has pushed domestic log prices upward and many Chinese companies are increasingly exploring the opportunities of importing more logs and wood chips to supplement the domestic fiber sources.

The tight log supply has resulted in higher prices for domestically sourced logs this year. Chinese fir sawlogs prices were almost 17 percent higher in the 2Q/10 as compared to the same quarter in 2009, according to the Wood Resource Quarterly (WRQ). Eucalyptus logs, mainly used by the pulp industry, have also become more expensive the past 12 months, reaching new record-highs.

The continued high costs of locally sourced logs has resulted in higher volumes being imported so far this year. During the first eight months of 2010, the total imports of softwood and hardwood logs were up 23 percent compared to the same period in 2009. The importation of tropical hardwood logs has increased almost 50 percent, and Papua New Guinea has overtaken Russia as the major hardwood log supplier to the Chinese sawmilling and veneer industry.

After Russia introduced a log export tax of 25% of the log value in 2008, shipments to China fell from a record 25 million m³ in 2007 to less than 15 million m³ this year. Unless Russia reduces their log tariffs, it is difficult to see importation expanding between the two countries. Instead New Zealand, Australia, the US, Canada, Papua New Guinea, Salomon Island and a number of African countries will all continue to benefit from the Chinese forest industry's diversification of their log sourcing.

During the first eight months of this year, imports of wood chips to China have more than doubled compared to last year, as reported in the WRQ. Pulp mills in China have increased their consumption of imported wood fiber dramatically in just two years. The total chip imports for 2010 are likely to be close to five times as much as in 2008. Vietnam is by far the largest supplier of chips followed by Indonesia and Thailand. The three countries together currently supply about 90% of all imported chips.

Shipments of wood raw-material to feed the growing Chinese forest industry have increased dramatically the past ten years and because of the limited supply of domestic timber resources, this trend it is likely to continue in the coming years.

Global timber market reporting is included in the 52-page publication Wood Resource Quarterly. The report, established in 1988 and with subscribers in over 25 countries, tracks sawlog, pulpwood, lumber and pellet prices in most key regions around the world and the report also includes regular updates of the latest developments in international timber, pulp, lumber and biomass markets.

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