

Forest Products Market Update

- a news brief from Wood Resources International LLC

European sawmills' profitability is being squeezed by high log costs and declining lumber prices, reports the Wood Resource Quarterly

Sawlog costs in Europe have gone up more than lumber prices the past year, reports the Wood Resource Quarterly. With the expected decline in lumber consumption, many sawmills in Europe are considering reductions in their operating rates. As a consequence, prices for sawlogs are likely to drop from their two-year highs in the coming months.

Seattle, USA. Over the past year, the sawmilling sector in Europe has shifted from high production levels and the highest lumber prices in four years, to weakening lumber demand and reduced prices for many lumber grades during this fall.

European lumber production fell by six percent to 93 million m³ in 2009, which was the lowest level in eight years. The biggest declines in volume came in Austria, Finland and Sweden, while lumber production in Germany and Romania bucked the general trend and increased last year. Although last year was a low point for the sawmilling industry, the lumber markets improved in the second half of the year and into the spring and early summer this year, reported Wood Resource Quarterly.

Total exports by the four largest lumber-producing countries in Europe, Sweden, Germany, Austria and Finland, have been slightly higher the first eight months of 2010 as compared to the same period last year. Exports from Sweden declined by seven percent while the other three countries increased shipments substantially. The Finnish sawmilling industry in particular, has had a much better year this year than in 2009. During the first nine months of 2010, lumber production was up 27 percent from the same period last year, with most of the additional production being exported.

The high operating rates at many sawmills in Europe the past year have resulted in increased costs of logs throughout the continent. Softwood sawlog prices have gone up between 15-40 percent in the major lumber-producing countries since early 2009, according to the Wood Resource Quarterly.

With the probability of reduced lumber demand in Europe during the upcoming winter season, lumber prices may continue to weaken. This development is problematic because sawlog prices have reached their highest levels in almost two years, which will squeeze the profitability for many sawmills. Consequently, it is likely that many sawmills will reduce operating rates in the coming months, and as a result, sawlog prices can be expected to decline during this quarter and the first quarter of 2011.

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 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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