

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

Asia's increasing demand for wood drives sawlog prices up in the US and Canada, reports the North American Wood Fiber Review

Sawlog prices in Western US were up about 20 percent in 2010 as an result of increased competition for logs from log buyers in China, South Korea and Japan, according to the North American Wood Fiber Review. Prices for logs in the US South and Canada also moved up last year, but at a slower rate. Sawmills in Western Canada currently have some of the lowest wood costs in the world.

Seattle, USA. Softwood sawlog prices have trended upwards in all major regions of North America over the past two years. The biggest increases have occurred in the US Northwest, where the log export market has had a major impact on the supply-demand balance. Total log shipments to Asia from the US west coast last year were the highest they have been in 14 years, and much of this increase was the result of China's seemingly never-ending need for wood raw-material. The US Southeast and US South Central are the sub-regions where log prices have increased the least since 2009; in fact, prices in these regions even fell slightly late last year, according to the North American Wood Fiber Review.

In the 4Q/10, Douglas-fir log prices in the Northwest were up 19 percent from the same quarter in 2009. Hemlock sawlog prices, which increasingly have been influenced by log exports to China and South Korea, have gone up over 25 percent the past 12 months. With the recent price increases, sawmills in the West now have higher wood raw-material costs than sawmills in the South, which is opposite to the situation in 2009. Price levels in the Southern states are currently close to their nadir of 15 years.

Sawlog prices in Canada have followed the same pattern as in the US, with prices in the Western provinces increasing more than in the Eastern provinces. In the 4Q/10, log prices in British Columbia had moved up to their highest levels in over two years in US dollar terms. Despite the increase, softwood lumber producers in the Interior of the province still have some of the lowest wood raw-material costs on the continent.

According to the Wood Resource Quarterly, Western Canada currently has the lowest sawlog prices in the world. In Canadian dollar terms, prices have fluctuated less in 2010 than they have over the past few years, and Western and Eastern Canada were actually two of the few regions in the world that had lower log costs in the 4Q/10 in the local currency than they did in the 4Q/08.

The North American Wood Fiber Review is the only publication that tracks prices of sawlogs, wood chips, biomass and, pulpwood in the US and Canada. The 36-page market report, which was established over 20 years ago and includes prices and market commentary for 15 regions on the continent.

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