

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

New Zealand's log exports to China account for one-third of the country's timber harvest in 2011, reports the Wood Resource Quarterly

Log exportation from New Zealand continues to rise at a record pace, with almost one-third of the country's timber harvest being processed at sawmills in China. The high demand for logs from overseas has increased domestic sawlog prices to their highest levels in 15 years, according to the Wood Resource Quarterly.

Seattle, USA. Log exports from New Zealand in 2011 are set to reach a new record high. During the first eight months, total shipments were 25 percent higher than the same period last year (54 percent higher by value) and total exports for 2011 may reach as high as 13 million m³, which is more than a doubling from just three years ago. It is worth noting that almost half of the timber harvest in the 2Q was shipped overseas in log form and that almost one-third of the timber harvest in New Zealand is shipped to Chinese sawmills.

While log exports have increased substantially this year thanks to demand in China, lumber exports have actually declined from last year. This highlights the concern in the industry that domestic sawmills increasingly have difficulty competing for logs with the log exporters and thus may have to reduced production and the layoff of employees.

Sawlog costs for domestic sawmills have continued to go up during 2011 because of competition from the export market. Pine sawlog prices reached record highs in the 3Q/11 with almost a doubling in US dollar terms from early 2009. With the recent price increases, log costs in New Zealand are just below the Global Sawlog Price Index (GSPI), as reported in the Wood Resource Quarterly.

The steady increase in log exports the past five years may very well continue in the coming 15 years as the theoretical harvest level in New Zealand is set to double to 55 million m³ by 2024. Most observers in the industry agree that, for a number of reasons, this timber harvest scenario is less likely. Depending on market conditions, a more realistic level of annual timber harvests in 15 years would be between 30 and 40 million m³ annually. Even this lower harvest outlook alternative would increase available log supply from the current levels by over 50 percent.

Global timber market reporting is included in the 52-page quarterly publication Wood Resource Quarterly. The report, established in 1988 and with subscribers in over 25 countries, tracks sawlog, pulpwood, lumber and pellet prices and market developments in most key regions around the world.

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