

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

Eucalyptus and pine log prices in Brazil close to all-time highs in the 4Q/11, reports the Wood Resource Quarterly

Wood costs for pulp mills and sawmills in Brazil have gone up over the past few years, reaching their highest levels in over 20 years in 2011, according to the Wood Resource Quarterly. However, towards the end of the year, Eucalyptus and pine log prices fell, mainly because of the strengthening US dollar.

Seattle, USA. Eucalyptus log prices in Brazil reached a peak in the 3Q last year, but fell back almost eight percent in the 4Q/11 in US dollar terms because of the strengthening dollar. Current price levels are still among the highest since the Wood Resource Quarterly (www.woodprices.com) started tracking Brazilian wood prices in 1990.

Prices for Eucalyptus pulpwood traded in the open market are high not only from a historical perspective, but also as compared to many other regions around the world. Only pulp mills in Europe and Australia had higher hardwood fiber costs than Brazil in late 2011, while North America, Chile, Russia and Indonesia all had lower hardwood log prices than the world's largest market pulp exporter.

Wood fiber cost is by far the most important cost component for Brazilian pulpmills, more so than for most other pulp mills in the world. In the 4Q/11, wood costs accounted for as much as 72 percent of the total cash costs in Brazil, according to Fisher International. This is substantially higher than the global average of 61 percent.

For the sawmilling industry in Brazil, 2011 was a better year than the previous year, with higher demand both from their domestic market and from abroad. Lumber exports in 2011 were up six percent to their highest levels in three years, with shipments to China, Saudi Arabia, Mexico and Morocco increasing the most.

As a result of the higher lumber production, sawlog prices have trended upward for almost three years, reaching an all-time high in the 2Q/11, according to the Wood Resource Quarterly. During the second half of 2011, log prices fell in US dollar terms, while there were only small price adjustments in the Brazilian Real terms.

Domestic demand for lumber is expected to continue to improve in 2012 with the construction sector gearing up for the World Cup in soccer (2014) and the Olympic Games (2016). If the US dollar continues to strengthen against the Brazilian Real, exports may also contribute to a better year for the Brazilian lumber industry than that of the past two years. This development is likely to put upward pressure on sawlog prices in the coming year.

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. **To subscribe to the WRQ, please go to www.woodprices.com***

Contact Information

Wood Resources International LLC

Hakan Ekstrom

info@wri-ltd.com

www.woodprices.com