

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

Global trade of lumber up 25 percent the past two years and signs of better times ahead for the lumber industry, reports the Wood Resource Quarterly

International trade of softwood lumber increased in 2011 after two years in decline. Imports were up to China, Japan, Spain and South Korea while they fell in the US, the UK, France and Egypt, as reported in the WRQ. In Europe, lumber prices might have bottomed and could start increasing if additional supply will not outpace higher demand.

Seattle, USA. After a sharp decline in global demand for lumber in 2008 and 2009 as a result of the global recession, global trade of softwood lumber increased an estimated 25 percent over the past two years. In 2011, trade reached just over 90 million m³, which is still substantially below “pre-financial crises” levels. China, Japan, Spain and South Korea saw the biggest rise in import volume between 2010 and 2011. However, not all markets improved last year and major importer such as the US, the UK, Italy, France and Egypt reduced imports by between 5-10 percent year-over-year.

The Middle East/North African region has had a growing appetite for lumber for its construction sector; and the region imported 36 percent more lumber in 2010 than in 2007. This steady upward trend was interrupted last year when the Egyptian revolution, the civil war in Libya and riots in Algeria created temporary chaos and uncertainty in the region. As a result, shipments of lumber fell and total imports to N. Africa/Middle East were down about ten percent from the previous year.

The sawmilling industry in Europe has not had a good year with declining product prices, reduced demand for lumber in both domestic and export markets, and continued high wood raw-material costs as reported by the Wood Resource Quarterly. As a result, many sawmills on the continent have reduced operating rates and numerous lumber companies have suffered financial losses during the past year.

Lumber prices in the Nordic countries fell during most of the second half of 2011 to their lowest levels since the summer of 2009. However, the bottom may have been reached for now. There are signs that the lumber market is improving in a few countries on the continent and in major markets in Northern Africa and Middle East. This is happening at the same time as log costs are in the decline, which could be the good news that many sawmills have been waiting for.

However, the lumber market is still very unpredictable and frail, so if the lumber sector increases production from the current level too fast, there is a chance supply will grow faster than demand in the coming months with reduced product prices as the result. If this less desirable scenario (from the industry’s perspective) bears fruition, it would not be the

first time this industry has overreacted to limited positive news and increased operating rates above actual market demand.

*Global timber market reporting is included in the 52-page quarterly publication Wood Resource Quarterly (WRQ). 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***

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