

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

Lumber markets in the US improving with higher demand and increasing prices in the 2Q/12; sawlog price trends mixed, reports to the Wood Resource Quarterly

Increased demand for lumber in the US and higher exports from Canada to China have resulted in lumber prices being about 35% higher in August of 2012 as compared to August of 2011. Sawlog prices have moved up in Interior BC 2Q/12 y-o-y, while falling in Western US and remaining unchanged in Eastern Canada and the US South, according to WRQ.

Seattle, USA. The North American lumber market has, to a large extent, been a buyers market since the beginning of the financial crisis in 2008, but is now shifting to a sellers market with the increase in demand for lumber by the huge US market. In May, lumber consumption in the US was 13 % higher than in May of 2011. The May 2012 consumption level was actually the highest seen for the month of May since 2008.

US demand for lumber is likely to continue to go up in the second half of this year and into 2013 as the housing and remodeling markets slowly improve. The American and Canadian sawmilling sectors are currently running at about 80 percent of practical capacity according to WWPA, so there is room to add hours and shifts to meet increasing lumber demand. However, it is going to be a bumpy road ahead as the sawmilling sector's infrastructure industry has downsized the past three years.

The Canadian sawmilling industry has ramped up production the first six months of 2012 as compared to the same period in 2011. All provinces with the exception of Ontario have produced more lumber this year than last year. The provinces of Alberta and Quebec have seen the biggest increases thanks to higher demand for lumber in the US housing sector. West coast sawmills have also been shipping more lumber to China this year, with exports during the 1H/12 being up three percent as compared to the 1H/11.

The improved markets for lumber have put upward pressure on lumber prices. During the past 12 months, southern yellow pine (SYP) prices have gone up almost 37%, while spruce-pine-fir (SPF) prices in Canada have increased by about 35%.

Price trends for sawlogs in North America have been mixed the past 12 months. According to the North American Wood Fiber Review, the costs for logs, which can account for more than 70% of the production costs for a sawmill, were higher in the Interior BC in the 2Q/12 year-over-year, lower in Western US and Coastal BC, and practically unchanged in Eastern Canada and the US South. As a matter of fact, prices for pine sawlogs in the Southern US were close to a 15-year low in the 2Q/12.

*Global pulpwood and 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, trade 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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