

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

Chile and Brazil have begun to supply Eucalyptus chips to Chinese pulp mills; however Japan continues to be the major destination for Latin American wood chips, reports the Wood Resource Quarterly

In late 2011, Brazil and Chile sent the first chip vessels to pulp mills in China in over five years. In the past, Japan had been the major destination for Latin American Eucalyptus chips. With Japanese pulp mills paying considerably more than Chinese pulp mills for chips, it is likely that a majority of Eucalyptus chips from Latin America will continue to be shipped to Japan.

Seattle, USA. In 2007, China imported wood chips from only three countries: Vietnam, Indonesia and Australia, who together shipped 1.1 million tons throughout the year. With the fast expansion of the pulp industry in China, the country is rapidly growing its need for wood fiber. Domestic supplies have proven inadequate, so the list of supplying countries has expanded from three to eight over the past 12 months.

Two of the three chip-exporting countries in Latin America, Chile and Brazil, sent the first vessels with Eucalyptus chips since 2006 in the third quarter last year. The total volume exported from the two countries in 2011 was 100,000 tons, and during the first seven months this year, 76,000 tons have been shipped, a majority from Chile.

Wood chips from Latin America still accounted for only three percent of all hardwood chips imported to China in the 2Q/12, and these chips were among the costliest chips landing in the country, as reported in the Wood Resource Quarterly. So, although Chinese pulp mills will be in search of additional wood fiber in the coming years, it is not likely that either Chile or Brazil will be major competitors to countries in closer proximity to China, including Vietnam, Thailand, Indonesia and Australia.

Chile will most likely continue to ship a majority of its chips to Japan, where its chips are more competitively priced with other supplying countries. During the first six months of 2012, Chile was the largest supplier of hardwood chips to the Japanese pulpmills, followed closely by Australia. Chile's market share in this market has gone from 17 percent five years ago to 27 percent in the first half of 2012. With chips from Chile being less costly than Australian chips delivered to Japan, there will continue to be opportunities for Chile to gain market share in the Japanese chip market in the coming year.

*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 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