

# **Global Timber and Wood Products Market Update**

*- a news brief from Wood Resources International LLC*

## **Global sawlog prices continued to drop in the 3Q/12, with prices in Europe falling more than 13% in 12 months, reports the Wood Resource Quarterly**

*Weaker lumber markets in Europe have reduced demand and prices for sawlogs on the continent this fall. Lower sawlog prices in both Europe and Latin America have resulted in an almost ten percent reduction in the Global Sawlog Price Index (GSPI) over the past 12 months, reports the Wood Resource Quarterly.*

**Seattle, USA.** With global demand for lumber declining in many regions during the summer and fall, log prices continued to trend downward throughout 2012. The Global Sawlog Price Index (GSPI) fell for the fifth consecutive quarter to \$81.94/m<sup>3</sup>. The Index was down only 1.1 percent from the 2Q/12, which was the smallest quarter-over-quarter decline since world prices started to fall in early 2011. In just 12 months, the GSPI Index has fallen 9.9% with the biggest price reductions in Europe and Latin America. In North America prices have been fairly flat for almost two years.

The biggest log price declines in local currencies occurred in Sweden, Germany and Poland because sawmills in those countries were running at lower operating rates. Lumber production in the Nordic countries has been lower this year than it was in both 2010 and 2011. During the first nine months of 2012, production was down two percent as compared to the same period in 2011. The biggest decline occurred in Sweden during the second and third quarter. In September, production was as much as 15 percent below the production level the same month in 2011.

Sawlog prices in Western US have been surprisingly flat for more than a year but there are indications that the log market is changing. In early November, there was increased upward pressure on sawlogs prices from Chinese log buyers that were more active in this market than earlier in the year. Some log buyers were offering \$10-15/m<sup>3</sup> more for export logs than they did last spring. This new development has not been popular with sawmills producing lumber for the US domestic market; some industry leaders have commented that they would not be able to pay the new higher prices for logs unless lumber prices increased.

Softwood sawlog prices across the US South were practically unchanged in the 3Q/12, and, for the most part, average prices have hovered around \$60-62/m<sup>3</sup> for almost two years. Since log costs can account for up to 70% of the production costs for a sawmill, the continuing stability of log prices combined with the increases in lumber prices has improved profitability for many sawmills. This is good news indeed for sawmills that have gone through some economically tough times these past few years.

*Global timber, pulpwood and biomass 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 market developments as well as sawlog, pulpwood, lumber and pellet prices in most key regions around the world. **To subscribe to the WRQ, please go to [www.woodprices.com](http://www.woodprices.com)***

**Contact Information**

Wood Resources International LLC

Hakan Ekstrom

[info@wri-ltd.com](mailto:info@wri-ltd.com)

[www.woodprices.com](http://www.woodprices.com)