

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

Sawlog prices in North and Central Europe have trended downward the past two years, while prices in Eastern Europe have increased slightly, reports the Wood Resource Quarterly

Sawlog prices in Europe were generally lower in 2012 than in 2011 because of lower log demand from the sawmilling sector, reports the Wood Resource Quarterly. Many sawmills on the continent have been forced to reduce production as a result of the weak lumber market. Log prices fell the most in the Nordic countries, while prices in Eastern Europe were steady or even slightly higher toward the end of 2012.

Seattle, USA. Sawlog prices have trended downward in most major markets in Western Europe the past two years in US dollar terms, but this trend was broken in the 4Q/12 when prices increased slightly mainly as a result of a weakening US dollar. In the local currencies, log prices were practically unchanged in the 4Q/12.

The biggest price declines have been seen in Sweden where pine sawlog prices fell over 15 percent from the 4Q/10 to the 4Q/12 in both the local currency and in US dollar terms. Spruce log prices have declined over 25 percent during the same time period. In Finland, Germany and Norway, prices have dropped a more modest 5-10 percent over the past two years, as reported by the Wood Resource Quarterly. Sawlog prices fell during 2012 because sawmills were cutting back production in response to the weaker demand for lumber throughout Europe.

While log prices have fallen in both US dollar terms and local currencies the past two years in Northern and Central Europe, prices for sawlogs in the 4Q/12 in Eastern European countries, including Estonia, Latvia and the Czech Republic, were generally higher than in 2011. This development has mainly come as a result of the relatively strong lumber export market which kept the log markets healthy.

The only major market in Eastern Europe where log prices have fallen has been Poland. From the 2Q/11 to 4Q/12, average prices have fallen over 20 percent and the country has now some of the lowest conifer sawlog prices in Europe, according to the Wood Resource Quarterly.

As a consequence of slowing lumber production, log trade declined in Europe during 2012, which also had a dampening impact on log prices on the continent. Net log imports to Western Europe fell from over 14 million m³ in 2011 to an estimated 10.8 million m³ in 2012. Much of the decline in imports was those from Russia and the Baltic States.

Sawlog prices might be close to the bottom in the 1Q/13, and they are likely to remain at these levels as long as the European demand for lumber continues to be weak. Despite the recent price declines, current price levels are higher than the ten-year average in all major

markets throughout Europe.

*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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