

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

Brazilian sawlog prices have declined 40% since 2011, and in the 2Q/15 hit their lowest levels in ten years, reports the Wood Resource Quarterly

Sawmills in Brazil have become much more competitive in the export market the past few years because of substantially lower sawlog costs. In the 2Q/15, average log prices were down to their lowest levels in ten years, reports the Wood Resource Quarterly. This downward trend may rebound later in 2015 as the export market for lumber is likely to improve.

Seattle, USA. Sawlog prices in Brazil fell to their lowest level since 2005 in the 2Q/15, after having been in a falling mode for about four years. Current prices for pine logs, in US dollar terms, are almost 40% below their all-time high in 2011, according to the Wood Resource Quarterly (WRQ).

Over the past 20 years, sawlog prices have fluctuated quite substantially with a period of slowly declining prices from 1995 to 2003, followed by a dramatic increase from 2003 to 2008 when prices increased almost fourfold.

The global financial crises of 2008 hit Brazil hard, as with most other countries in the world, resulting in log prices falling substantially in just a few quarters. After the global recession came a period of price recovery, which lasted almost three years until the all-time high was reached in 2011. Subsequently, there was a long period of declining prices.

The price fluctuations in Brazil have, to a large extent, tracked the Global Sawlog Price Index (GSPI) over the past 20 years, although the GSPI price swings have been less dramatic. However, there is one exception, the period from late 2012 to early 2014, when the GSPI increased while prices in Brazil continued their downward trend, reports the WRQ (woodprices.com). This came during a period when the Brazilian currency continued to weaken against the US dollar, whereas many other currencies in Europe, Oceania and Asia were unchanged or in recovery mode.

The sharp price swings in Brazil over the past ten years can mostly be attributed to the fluctuation in the value of the Brazilian Real. A closer look at the price trends for sawlogs in the local currency paints a very different picture than the price history in US dollar terms. Average prices in the Real from 2007 to early 2014 have actually been quite stable. However, since the 1Q/14, prices have taken off and reached an all-time high in the 2Q/15, an increase of about 10% in 18 months.

Exportation of softwood lumber from Brazil has been increasing in 2015, with the 2Q/15 shipments reaching their highest levels since 2006. With the lumber export market improving, particularly in the US, there is likely to be upward price pressure on pine

sawlogs in the coming 12 months.

*Global lumber, sawlog and pulpwood market reporting is included in the 52-page quarterly publication Wood Resource Quarterly (WRQ). The report, which was established in 1988 and has subscribers in over 30 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***

Contact Information

Wood Resources International LLC

Hakan Ekstrom

Seattle, USA

info@wri-ltd.com

www.woodprices.com