

Forest Products Market Update

- a news brief from Wood Resources International LLC

Softwood sawlog prices in Brazil in 4Q/09 were down 11% from their peak in 2008 because of weak export lumber markets, reports Wood Resource Quarterly.

Lumber exports from Brazil have fallen 45% in two years, resulting in reduced demand for sawlogs and lower log prices. In the 4Q/09, pine sawlog prices were down 11% from their peak in 2008, but were still over 300% higher than six years ago, according to the Wood Resource Quarterly.

Seattle, USA. January, 2010. Softwood sawlog prices in Brazil have gone through an unprecedented roller-coaster ride the past seven years, a ride that for a majority of the period has been quite beneficial to landowners and timberland investors.

Pine sawlog prices increased almost fourfold (in US dollar terms) from the 1Q/03 through early 2008, according to the Wood Resource Quarterly. The continuous upward price trend lasted for six years, but was interrupted in late 2008 when prices fell 30% in just six months. During 2009, prices have gone up again and were 22% higher in the 4Q/09 as compared to 4Q/08. Sawlog prices in the 4Q/09 were just 11% below their all-time high of 2008.

Brazilian sawlog prices are currently below the Global Sawlog Price Index (GSPI), which inched up to US\$68.87/m³ in 3Q, but are still substantially higher than in the US, Canada, Russia and New Zealand.

Some of the log price fluctuations can be explained by the varying strength of the Brazilian Real, but prices have also changed in the local currency. Log prices in Real terms reached their peak in 2006 and have since fallen 11%, reports the Wood Resource Quarterly. Sawlog prices have continued to fall in 2009 primarily because of sharp reductions of lumber exports to North America and Africa. In 2009, Brazil exported 45% less softwood lumber than in 2007. The domestic demand for lumber has also declined, partly because composite board and plywood are being used in its place.

Despite the recent gloomy developments in the Brazilian lumber industry, there is much confidence within the sector that over the next five years, both the export and domestic markets will improve. In 2014, the World Cup in soccer will take place in Brazil, and 12 host cities (with a total population of 34 million people) will need to undertake major investments in infrastructure, new construction of stadiums and remodeling of hotels and other accommodation facilities. As a consequence, the domestic demand for wood products will increase. Furthermore, Brazil will be hosting the Olympic Games in 2016, which will result in additional substantial investments in the construction sector in the country.

The Brazilian timber market will be the focus in the upcoming Timberland Investment Trends conference in Sao Paulo, Brazil March 15, 2010. In conjunction with the conference, there will also be a two-day conference, the 4th Global Wood Fiber Conference: Trade in Wood Fiber and Biomass. For more information, please visit www.pulpwoodconference.com

Global timber market reporting is included in the 50-page publication Wood Resource Quarterly. The report, established in 1988 and with readers in over 25 countries, tracks sawlog, pulpwood, lumber and pellet prices in key regions around the world and also includes regular updates of the latest developments in international timber, pulp, lumber and biomass markets.

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