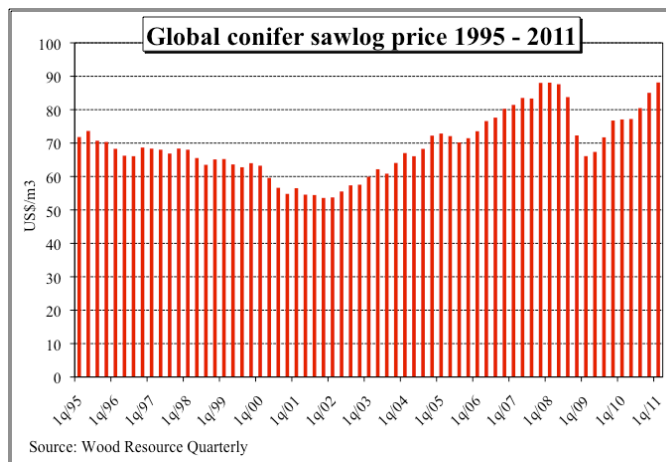


The Global Forest Industry This Quarter

Excerpts from the 1Q 2011 issue of the Wood Resource Quarterly.

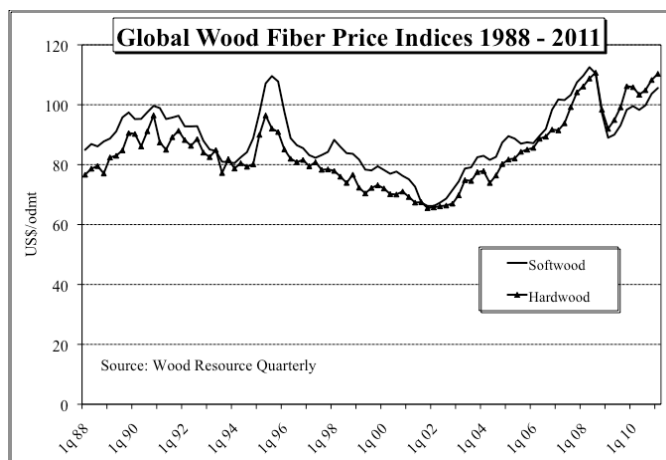
Global timber markets

Higher lumber production, increased log trade and a weak US dollar were three factors that pushed sawlog prices up in dollar terms worldwide in the 1Q/11. In many regions, prices reached their highest levels since WRQ started tracking log prices in 1995. The **Global Sawlog Price Index (GSPI)** increased for the eighth consecutive quarter to an all-time high of US\$88.14/m³. In two years, the GSPI has gone up by 33 percent, which is substantially more than the increase in global pulpwood prices.



Global pulpwood price

Wood fiber costs for pulp mills worldwide rose for the third consecutive quarter in the 1Q/11. The **Softwood Wood Fiber Price Index (SFPI)** increased 1.9 percent in the 1Q, reaching US\$105.60/odmt, the highest level since 3Q/08.



The US Northwest, European markets, Chile, Australia and New Zealand saw the biggest wood fiber price increases this quarter. The **Hardwood Wood Fiber Price Index (HFPI)** was also up 1.9 percent from the 4Q/10, and is now close to an all-time high of US\$110.33/odmt. Fiber prices were up in most markets, with the highest increases in Europe, Australia and Chile, as Canada and Russia saw smaller price increases, and hardwood fiber costs even declined in the US South.

Global pulp markets

Global pulp markets have not quite developed as many analysts forecasted a year ago. Rather than the predicted retraction in market pulp prices this spring, prices stayed strong and actually increased to record-high levels in the month of April. The **NBSK price** in Europe in early May was US\$1008/ton, according to FOEX. During the first two months of 2011, **production of market pulp** was up five percent compared to last year. The biggest increase was in Western Europe, which produced nine percent more pulp in 2011 than in 2010.

Global lumber markets

Global **demand for softwood lumber** increased by about 18 percent in 2010. This came after a year when wood consumption worldwide was the lowest it had been in almost 50 years. This upward trend in consumption has continued thus far in 2011, with the total volume consumed being around 20 percent higher than the same period in early 2010. Not surprisingly, it is **China** that has been the major driver in the higher demand for lumber. The country's sawmills are far from being able to meet the increased demand, and as a result there has been a substantial increase in import volumes the past five year.

Lumber imports to **Japan** were up 21 percent in the first quarter as compared to the same quarter last year. The biggest increases were in shipments from Sweden, Finland and Russia.

During the first two months of 2011, lumber production was up in most provinces of **Canada**. Ontario (28%), Alberta (16%) and Southern BC (16%) saw the greatest increases.

The housing market in the **US South** has fared relatively better than the rest of the country, with higher lumber consumption than in other regions of the US.

The weak building and construction market in **Europe** late last year resulted in lower lumber demand and, as a result, also lower lumber prices.

Global biomass markets

While the U.S. and Canadian domestic pellet industry struggled through another year of weak domestic market demand and overcapacity, **pellet export** shipments to Europe

continued to rise, up 21 percent in 2010. **Prices for wood pellets** in the three major markets in Europe, Sweden, Germany and Austria have gone up the past two years.

Global timber market and forest industry reporting is included in the 52-page publication the Wood Resource Quarterly. The report, established in 1988 and with subscribers in over 25 countries, tracks sawlog, pulpwood, lumber and pellet prices in most key regions around the world. The report also includes regular updates of the latest developments in international timber, pulp, lumber and biomass markets. To subscribe please contact:

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