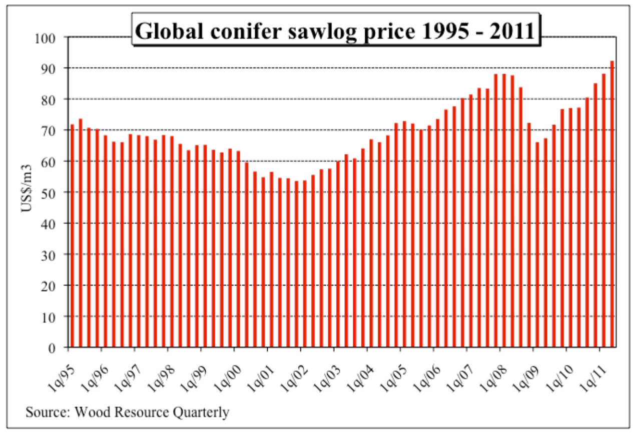
The Global Forest Industry This Quarter

Excerpts from the 2Q 2011 issue of the Wood Resource Quarterly.

Global timber markets

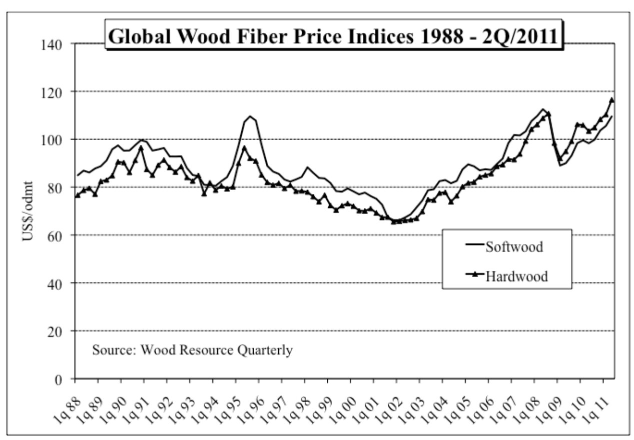
The **Global Conifer Sawlog Price Index (GSPI)** reached a new all-time high of US$92.27/m3 in the 2Q/11 (see graph). This was 5.6 percent more than the previous quarter, and an almost 20% jump from a year ago.



The GSPI has gone up every quarter since the 1Q/09 when the Index was at $66.10/m3. This almost 40% increase in two years is due not only to the weakening of the US dollar against all other currencies in the Index, but also to the higher costs of logs in local currencies.

Global pulpwood price

Wood fiber costs for the global pulp industry have trended upward for over two years. The **Softwood Fiber Price Index (SFPI)** reached $109.52/odmt in the 2Q/11, a 3.7 percent increase from the previous quarter and a 23% increase from Global Wood Fiber Price Indices 1988 - 2Q/2011 two years ago. In local currencies, fiber prices increased the most in the US Northwest, Western Canada, Russia and Finland. The weakening US dollar against most global currencies resulted in higher fiber prices in all regions covered by the WRQ in US dollar terms.



The **Hardwood Fiber Price Index (HFPI)** reached a new all-time-high in the 2Q at $116.44/odmt, which was 5.5 % higher than the 1Q/11 and almost 27% higher than in early 2009. Recently, hardwood prices have increased the most in Indonesia, Finland, Russia and Brazil.

Global pulp markets

Global pulp markets continued to be surprisingly strong in the 2Q/11, setting record high prices for most market pulp grades. The **NBSK pulp prices** ranged between $1010/ton and $1040/ton both in Europe and in North America, while prices in China were around $850- 930/ton. Global **production of market pulp** was up as much as eight percent during the first five months of this year compared to 2010. The highest increase occurred in Latin America; the gain in Europe was somewhat smaller.

Global lumber markets

Lumber exports from the **Nordic countries** slowed during spring, and prices fell slightly. The average export prices of lumber from Finland and Sweden have fallen from last fall and were 3-6 percent lower in April than in October of last year.

Lumber production in **the US** fell by 13 percent from March to April because of slowing domestic demand, and the average operating rate for US sawmills was down to 67%.

With the persistent weak demand for lumber in the US, sawmills in **Eastern Canada** continue to struggle, as they are so dependent on the health of the US market for their survival. The operating rate so far in 2011 has been only 55% of capacity.

Lumber imports to **China** continue to set new records. During the first five months of 2011, the importation of softwood lumber was up 72% from the same period last year.

Global biomass markets

Prices for woody biomass, including mill residues and forest residues, increased slightly in all major biomass-consuming regions of the US in the 2Q.

Pellet prices in Europe were unchanged or slightly lower in the 2Q as compared to the 1Q, but the long-term trends are still upward with prices being close to record levels.

Asian demand for biomass energy is finally beginning to emerge. **Japan, China and South Korea** has recently announced policies to increase the use of biomass.

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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