

# The Global Forest Industry in the 3Q/2011

## *Excerpts from the Wood Resource Quarterly*

### **Global timber markets**

With weaker demand for lumber around the world, sawlog prices fell in a majority of the 21 markets tracked by the WRQ. The **Global Conifer Sawlog Price Index (GSPI)** declined in the 3Q for the first time since the 1Q/09 to \$90.18/m<sup>3</sup>. With a few exceptions, prices fell in both local currencies and in US dollar terms. The only region that saw any substantial price increase in the 3Q was British Columbia, where prices were up 5-7 percent from the 2Q. This region has benefited from higher lumber exports and production has increased during 2011.

### **Global pulpwood prices**

A strengthening of the US dollar against many currencies resulted in lower wood fiber costs in US dollar terms for the pulp industry in the 3Q. As a consequence, the **Softwood Wood Fiber Price Index (SFPI)** fell by less than one percent to \$108.90/odmt, which was the first decline since 2Q/10. In addition to the exchange rate adjustments, prices also fell in the local currencies in Russia, France and Spain.

The **Hardwood Wood Fiber Price Index (HFPI)** rose for the fifth quarter in a row, reaching \$117.91/odmt, an increase of 14 percent since early last year. The biggest increases from the 2Q/11 occurred in Chile, Japan, Indonesia and Brazil. The premium of \$9.01/odmt for HFPI over the SFPI has never been higher than in the 3Q.

### **Global pulp markets**

The global demand for market pulp has been weakening the past four months, particularly that of hardwood pulp. Pulpwatch reports that global shipment of BHKP pulp fell from 1.76 million tons in June to 1.41 million tons in July. Although shipments picked up in August and September, the outlook for the next six months is for lower demand and reduced pulp production as compared to the same period one year ago.

The softwood market pulp (NBSK) price has fallen from its record high in June earlier this year. In just four months, the price has come down almost \$100/ton to \$930/ton as of early November, according to FOEX.

### **Global lumber markets**

Although there is limited production data available for the full third quarter, there are early reports indicating lower production levels in the US, Eastern Canada, the Nordic countries, Russia and a number of countries in Europe. In addition, a number of the largest lumber-consuming countries in the world imported less lumber in July and August than they did in the previous months. Some of these countries included the US, the UK

and Germany. Even the fast increase in imports to China seen earlier in the year slowed down during the fall.

In British Columbia, sawmills have been running at an 83 percent utilization rate thanks to continued strong exports to Asia. Production during the first eight months reached 8.2 million m<sup>3</sup>, which was 7.2 percent higher than the same period in 2010.

Softwood lumber imports to Japan are up nine percent so far this year. Total imports for the year may reach around 6.8 million m<sup>3</sup>, the highest import volumes since 2007

### **Global biomass markets**

Prices for woody biomass, whether it was sawmill byproducts, forest residues or urban wood waste, were lower in 2011 than the previous two years in most regions throughout the US, reports the North American Wood Fiber Review. The expansion of pellet capacity in Europe over the past five years has been much faster than demand.

Pellet prices in Sweden fell for the first time in almost three years. In Germany and Austria, pellet prices only changed a few Euros. The price discrepancy between the three largest markets in Europe is currently the widest it has been since 2007.

*Global timber market reporting is included in the 52-page quarterly publication Wood Resource Quarterly. The report, established in 1988 and with subscribers in over 25 countries, tracks sawlog, pulpwood, lumber and pellet prices, and market developments in most key regions around the world. **To subscribe to the WRQ, please go to [www.woodprices.com](http://www.woodprices.com)***

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