

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

Weaker lumber markets are causing global sawlog prices to fall for first time since early 2009, reports the Wood Resource Quarterly

Slowing lumber markets throughout the world have resulted in declining sawlog prices in many of the major lumber-producing regions in Europe and North America, according to the Wood Resource Quarterly. The biggest price reductions occurred in Japan, Sweden, Poland and Russia.

Seattle, USA. With weaker demand for lumber around the world, sawlog prices fell in a majority of the 21 markets tracked by the Wood Resource Quarterly (WRQ). The Global Conifer Sawlog Price Index (GSPI) declined in the 3Q for the first time since the 1Q/09. 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 gone up during 2011. The price for Coastal Hemlock rose over three percent in the 3Q, while the price for spruce-pine-fir (SPF) logs in Interior BC rose nearly seven percent. Prices in both regions were the highest they have been since the global financial crisis in late 2008.

The biggest price declines the past quarter occurred in Japan, Sweden, Poland and Russia; prices were down between 6-12 percent from the 2Q/11. The three latter countries are major exporters of lumber, and shipments to European markets and Northern Africa have fallen this summer and fall.

Wood costs have gone down for many sawmills throughout the European continent in the 3Q, mostly due to slowing lumber sales and an expectation of lower lumber production levels during the winter months. In the Nordic countries, there were a number of announcements of curtailments for the 4Q/11 and the first quarter of 2012. Although sawlog prices fell in a majority of the ten countries in Europe covered by the WRQ, they were still higher than the third quarter last year. For most markets, log prices have come up between \$15-25/m³ during the past 12 months, with only Western Russia and Norway seeing minor price increases.

Many of the continent's sawmills are currently paying close to the highest sawlog prices seen in at least 17 years, and this is occurring at a time when lumber prices are far from any record highs, and are even declining in some markets. Because of the weakening lumber demand, it can be expected that log prices will soften in the coming months.

*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***

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