

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

China log and lumber imports down in 1Q/12, with Russia and New Zealand suppliers hit the hardest, while North America gained market share, reports the Wood Resource Quarterly

China's demand for logs and lumber fell in late 2011 and early 2012 because of their slowing housing market. However, over the past ten years, importation of wood products has increased dramatically, as reported in the Wood Resource Quarterly. Lately, North American log and lumber exporters have increased their market share in China at the expense of exporters in Russia and New Zealand.

Seattle, USA. Over the past decade, China's fast expanding economy and boom in housing starts lifted the country to being the world's largest importer of sawlogs and the second largest importer of softwood lumber, after the US, as reported in the Wood Resource Quarterly (www.woodprices.com). China has increased the importation of logs and lumber practically every year for over ten years, with lumber imports in 2011 being 15 times higher than in 2001 and log imports being up three-fold from ten years ago. The total value of imported logs and lumber increased from 630 million dollars in 2001 to almost eight billion dollars last year.

This constant upward trend in importation came to a halt in late 2011 when construction activities slowed and inventories of logs and lumber at many Chinese ports reached very high levels. As a result of lower demand for wood products, softwood log import volumes during the first three months of 2012 were down 11 percent from the same period last year. Log shipments from the two largest supplying countries, Russia and New Zealand, have declined by 16% and 17%, respectively, from a year ago. However, not all log suppliers to China have been hit by the reduced log demand in the country. Both Canada and the US have increased exports dramatically the past few years, and this trend continued into the first quarter of 2012, when exports from Western Canada were up 23% from 1Q/11 and the US shipments were two percent higher than in early 2011.

North American log exporters have gained considerable market shares since 2009 when about one million m³ of softwood logs were shipped, which accounted for only five percent of the total imports to China. In 2011, the volume reached a new high of 7.1 million m³, which was 22% of all imported logs to the country last year.

Softwood lumber imports have shown a similar trend to that of logs, according to the Wood Resource Quarterly. In 1Q/12, North American softwood lumber accounted for as much as 55% of all imports, up from only 25% in 2007.

China is likely to continue to rely heavily on North America for particularly lumber but also increasingly for logs over the next few years. When the US housing market, and as a consequence, lumber demand, eventually improve, available wood supply will tighten

and costs for logs and lumber are likely to go up. This expected scenario may change how China sources logs and lumber in the future.

*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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