

## **Forest Products Market Update**

*- a news brief from Wood Resources International LLC*

### **Exports of lumber and logs from New Zealand on pace to reach a record in 2010, reports the Wood Resource Quarterly**

*Higher demand for forest products in China, South Korea and India is benefiting log and lumber exporters in New Zealand. The value of exported forest products have increased over 54% in 2010, reports the Wood Resource Quarterly. The strengthening export market has pushed domestic sawlog prices to their highest levels in eight years.*

**Seattle, USA. July, 2010.** New Zealand's exports of pine logs and lumber increased substantially during the first months of 2010. Unfortunately for the manufacturing sector, log exports have increased much faster than the exports of manufactured products. For the period January through May, the value of wood, pulp and paper products reached almost 1.2 billion US dollars (NZ\$1.7 billion), which was up 54% from last year. The increase in shipments the past few years is to a large extent thanks to the continued strong demand for most forest products and wood raw-material in China.

The big story from New Zealand continues to be the expanding exports of Radiata pine logs to Asia. In 2009, China was, for the first time, the number one destination for Radiata logs. The volume reached 4.8 million m<sup>3</sup> last year, up from 2.1 million in 2008 and from only 680,000 m<sup>3</sup> five years ago. So far this year, exports to China are up an additional 38% from the earlier record set last year.

The total log shipments in 2009 reached 8.7 million m<sup>3</sup> and could very well be over ten million m<sup>3</sup> this year. An interesting development is that India imported a record 810,000 m<sup>3</sup> of Radiata pine in 2009, making it the third most important world market behind China and South Korea. During the first five months of 2010, shipments to India were up 54% as compared to the same period in 2009.

There is also some good news coming from the sawmilling industry in New Zealand, where both domestic and overseas markets are starting to show improvements. Lumber exports have increased for three consecutive years and were almost 1.9 million m<sup>3</sup> in 2009. So far this year, shipments have gone up another 12% as compared to last year.

Slightly higher lumber prices have allowed sawmills to increase operating rates and pay marginally more for sawlogs in 2010. However, despite the improved market for lumber, some sawmills are concerned that they may not be able to compete for sawlogs if the log export market continues to strengthen. Domestic sawlog prices were at the highest level in eight years in the 2Q/10, as reported by the Wood Resource Quarterly. Under the current market conditions, it is not likely that log prices will decline in the near-term.

*Global timber market reporting is included in the 50-page publication Wood Resource Quarterly. The report, established in 1988 and with readers in over 25 countries,*

*tracks sawlog, pulpwood, lumber and pellet prices in key regions around the world and also includes regular updates of the latest developments in international timber, pulp, lumber markets.*

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