

Forest Products Market Update

- a news brief from Wood Resources International LLC

Global sawlog prices in the 3Q 2010 were almost back up to pre-crisis levels, reports the Wood Resource Quarterly

Sawlog costs for many sawmills around the world went up during 2010, and the Global Sawlog Price Index reached the highest level in over two years in the 3Q/10, according to the Wood Resource Quarterly. The biggest wood price increases occurred in Western US, Germany, Sweden and Northwest Russia.

Seattle, USA. Sawlog prices have trended upward in almost all regions of the world for the past two years. The Global Sawlog Price Index (GSPI) reached \$80.88/m³ in the 3Q/10, which was the highest level since the beginning of the financial crisis in late 2008, according to the Wood Resource Quarterly. The Index, which is based on prices for logs being processed into construction and better-grade lumber, is a weighted average of sawlogs traded in the open market in 19 key regions worldwide.

The GSPI for the 3Q/10 was up 4.8 percent from the previous quarter, which is actually one of the largest quarter-to-quarter increases in 15 years. Compared to a year earlier, the GSPI was 12.8 percent higher. The price increases are partly the result of a weakening US dollar, but log prices have also gone up in the local currencies in most regions. Western and Eastern Canada are the only two regions that currently have lower log costs in the local currency than a year ago. The biggest increases occurred in the US Northwest (+43%), Germany (+28%), Sweden (+24%) and Northwest Russia (22%).

Sawmills in North America, Latin America and Oceania generally have lower costs for wood raw-material than do sawmills in Europe and Japan. The lowest sawlog costs in 2010 were found in Western Canada, Chile and Northwest Russia, while Austria, Germany, Japan and China stand out as the high-cost countries of the world. These regions have been on the high-end of the price spectrum ever since WRQ started tracking sawlog prices in 1995.

The biggest change over the past decade has occurred in Brazil. Ten years ago, sawmills in Brazil had by far the lowest log costs in the world, according to Wood Resource Quarterly. This has changed in recent years, with prices rising closer to the global average. Just in the past two years, log prices have gone up 23 percent in the country. Not all of the increase has been the result of the higher costs in the local Brazilian Real; some is due to the strengthening of the Brazilian currency against the US dollar.

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.

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