

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

Lumber markets improved sharply in the US during 2012 and early 2013; production was up eight percent and prices have increased over 60 percent since late 2011, reports the Wood Resource Quarterly

The lumber market in the US really took off in late 2012 and early 2013. Lumber prices in February were more than 60 percent higher than in late 2011. Increased lumber production has put upward pressure on sawlog prices and in the US Northwest, Douglas-fir sawlog prices reached a five-year high in the 4Q/12, according to the North American Wood Fiber Review.

Seattle, USA. Lumber production in the US and Canada improved during 2012, with total output in 2012 being eight percent and five percent higher, respectively, than in 2011, according to WWPA. Sawmills in the Western region have been more fortunate than mills in other regions in North America since they have been able to ship lumber both to markets in the US and to Asia.

The US housing market is continuing to improve, with higher house prices, lower inventories and limited sales of foreclosure homes (increasingly turned into rental properties). These developments have resulted in an increased number of housing starts and higher demand for lumber. Canadian sawmills, which export a majority of their lumber to the US, have been ramping up production during 2012 to meet the higher demand for lumber. This has been particularly true for sawmills in the Eastern provinces where production in the 4Q/12 was up 16 percent year-over-year.

The US lumber price developments during 2012 and into early 2013 have been quite remarkable with the Random Length Lumber Price Index increasing by over 60 percent from late 2011 to March 2013. This development has been drawing the attention from sawmills far away from the North American continent. With substantially higher prices and a predicted increase in the demand for lumber in 2013, many foreign companies hope to be able to increase shipments of lumber to the US shores in the coming year.

The strong lumber market has pushed sawlog prices upward throughout North America. As reported in the North American Wood Fiber Review, prices for Douglas-fir sawlogs in the Western US reached a five-year high in the 4Q/12 and prices continued upward in the 1Q/13 because of higher log demand both from domestic sawmills and from log buyers in Asia.

Sawlog prices have also inched up in Coastal British Columbia and Eastern Canada as a result of tighter log supply. Pine sawlog prices in the US South have been surprisingly stable since 2010 and, in the 4Q/12, were close to the lowest level in almost 15 year. However, with the improved housing market in the US and higher lumber prices, it can be expected that sawmills will increase the consumption of logs and that the Southern

states will follow the rest of North America with upward trending log prices during 2013.

*Global pulpwood and timber market reporting is included in the 52-page quarterly publication Wood Resource Quarterly (WRQ). The report, established in 1988 and with subscribers in over 30 countries, tracks sawlog, pulpwood, lumber and pellet prices, trade 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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