

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

Log prices in Western US fell in the 3Q because decreasing log exports to Asia, reports the Wood Resource Quarterly

For many years, the sawlog market in Western US has been impacted by the demand for logs and lumber in Asia. With the constant increase in log exports, domestic sawlog prices have more than doubled over the past five years, reports the Wood Resource Quarterly. However, from the 1Q to 3Q in 2014, this upward trend was broken as log prices fell almost ten percent because of a weakening log export market.

Seattle, USA. There has been a constant upward pressure on domestic sawlog prices in the US Northwest for the past five years as a result of an increase in the exportation of sawlogs and softwood lumber to Asia. In just over four years, log export volumes to China, Japan and South Korea have almost doubled to reach close to an all-time high of 2.5 million m³ in the 2Q/14. As a consequence of the higher demand for logs from the export market, average prices for sawlogs at local sawmills have more than doubled from early 2009 to the 2Q/14, according to the Wood Resource Quarterly (WRQ).

In the 3Q/14, US export volumes to Asia were down by almost 25% from the 2Q/14, with Chinese shipments down by over 32% to their lowest quarterly volumes since the 1Q/13. The total volume shipped to Asia in the 3Q was at its lowest level in over two years. The two major factors influencing the decline in log shipments from the US to China are decreased demand for wood from the housing sector and high log inventories within China itself.

The weaker demand for logs in the export market has resulted in lower log export prices during the summer and fall. The average export value reached an all-time high in the first quarter this year and has since fallen over six percent (see the WRQ for more detailed price information). The slowdown in the log export shipments has been welcome news for sawmills on the US west coast.

Prices for Douglas-fir sawlogs in the 3Q/14 were down nine percent from their eight-year high in the 1Q/14. Despite the recent decline, current price levels in the Northwest are still 13-25% higher than the ten-year price averages, depending on species and sub-region. Interestingly, the price decline that was experienced in 2014 may be short-lived. There are reports that both domestic and export log prices stopped falling during the 4Q, mainly as a result of higher production levels at the region's sawmills.

*Global lumber, sawlog and pulpwood market reporting is included in the 52-page quarterly publication Wood Resource Quarterly (WRQ). The report, which was established in 1988 and has 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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