WOOD MARKETS

HIGHLIGHTS

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Featuring Lumber, Panels and Wood Products Analysis

Global Timber, Sawmill & Lumber Benchmarking 2010–11

Results Improve, But There Are Many Variances

The 2011 edition of the *Global Timber/Sawmill/Lumber Cost Benchmarking Report* was released this month. This intensive analysis benchmarks timber and sawmilling costs, lumber revenues and margins in 29 producing regions around the world for 2010 annual results, and includes an update for Q1/2011 for both average and top-quartile sawmills. In this article, all of the global highlights for 2010 (and some from Q1/2011) are based on the results from "average" sawmills (note that the results for "top-quartile" mills can be more relevant, but this analysis is reserved for subscribers — except for the last part of this article).

GLOBAL EARNINGS

Sawmills around the world rebounded in 2010 after some of the worst losses in recent history in the second half of 2008 and much of 2009. Depressed housing starts in the U.S., coupled with new debt crises emerging in Europe and reappearing in the U.S., have had a global ripple effect on lumber demand and sawmill earnings.

The average global sawmilling margins (on an EBITDA basis — earnings before interest, tax and depreciation allowance) were US$5/m^3 (net lumber basis; or $8/Mbf, nominal basis) in 2010 at "average" sawmills, narrowing in Q1/2011 to US$3/m^3 (or $5/Mbf, nominal). In 2008, the global "average" sawmills recorded a loss of US$12/m^3 versus a profit of US$8/m^3 in 2006.

Canada had the lowest EBITDA global earnings in 2010 (for the third consecutive year) for "average" sawmills. This poor performance was due to the collapsing U.S. market, the strength of the Canadian dollar against the U.S. currency, and the impact of Canadian export taxes on U.S. shipments. Canada's results were dragged down by Eastern Canada, which achieved the poorest results of all global regions surveyed (also for the third year in a row).

U.S. regions collectively achieved some of the best global results in 2010, with earnings averaging US$11/m^3 (US$17/Mbf, nominal) over six regions; this resulted in a North America earnings average of US$6/m^3 (US$10/Mbf, nominal) over the 12 U.S. and Canadian regions surveyed. Only Scandinavia/Western Europe achieved good results at average sawmills, as markets were strong earlier in 2010, contributing to that region's average earnings of US$9/m^3 (US$14/Mbf, nominal) over the 11 countries/regions surveyed (figure 1).

The Southern Hemisphere regions surveyed (Australia, New Zealand, Chile, Brazil and South Africa) achieved global average EBITDA earnings of US$5/m^3. However, while two Southern Hemisphere countries achieved

…continued

WHAT'S INSIDE

GLOBAL PRICE TRENDS

International WOOD MARKETS Group Inc. is pleased to provide you with an overview of our monthly 12-page WOOD Markets newsletter. The excerpts displayed in this two-page summary showcase why, since 1996, WOOD MARKETS has been the leading report addressing strategic issues and global topics that impact the solid wood products sector.

WOOD MARKETS (full 12-page report) is available by annual subscription for US$530 (international US$565) or Cdn$565 per year. Call 1-604-801-5996, by e-mail at info@woodmarkets.com, or visit www.woodmarkets.com.

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Global Timber; Sawmill & Lumber Benchmarking 2010–11 cont'd

cont'd… highest country earnings results, one recorded the lowest results.

GLOBAL LOG COSTS

The global average annual delivered log cost to sawmills in 2010 was much higher than in 2008 and 2009. The highest delivered costs were found in China.

GLOBAL SAWMILLING COSTS

For the full year of 2010, seven out of 11 lowest-cost "average" mills were in Europe, confirming that European mills have the lowest global costs (despite the strong euro).

LUMBER REVENUE

The average global lumber revenue (FOB mill) in 2010 at "average" mills was US$19/$m^3$ higher than in 2008. The two importing markets of Australia and South Africa achieved the highest lumber sales revenues in 2010, while the B.C. Interior had the lowest average revenue (tied to lower-valued lumber produced from mountain pine beetle-killed logs, plus longer transportation distances to markets and U.S. export duties).

Full cost, revenue and earnings details and analysis are available in the 265-page report. ■

(The full *WOOD MARKETS* article provides further details, including graphs for the Global Timber, Sawmill & Lumber Benchmarking Report.)

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Europe & Russia Developments

All UNECE Regions Rebound in 2010

The UNECE region accounts for about 20% of the world's population and produces some 75% of its softwood lumber.

EUROPE

In 2010, sawn softwood output in Europe recovered significantly, totalling 99 million m^3. European shippers have diversified markets outside of the U.S. and Japan; since 2007, North Africa/the Middle East have become major export destinations.

THE CIS (INCLUDING RUSSIA)

Despite flat consumption, exports rose by 7.7%, lifting output by the same percentage. Asia is now the main destination for Russian exports, driven largely by China.

NORTH AMERICA

After four years of contracting consumption, this market reversed course in 2010 and saw an 8.8% increase to 72.7 million m^3 — still well below the 2005 record of 128.7 million m^3. ■

(The full *WOOD MARKETS* article provides further details, including graphs.)

WHAT'S NEW:

CONFERENCE:

China SOFTWOOD Import/Export International Conference: 2011

Focus on Logs & Lumber

- September 12–14 (3-day tour), Shanghai to Tianjin.
- September 15 (conference), Tianjin, China.
- September 16 (one-day tour).
- Visit www.woodmarkets.com/conf_conferences.html.

NOW AVAILABLE:

Global Timber/Sawmill/Lumber Cost Benchmarking

2010 Annual Basis & Q1/2011

- Cost details of global timber, sawmill and lumber industry in various regions.
- Log and sawmill manufacturing costs summaries.
- Rankings of lowest-/highest-cost producing regions.
- www.woodmarkets.com/p_globalreport.html.

SIGN UP: CHINA BULLETIN

- China "Industry News in Brief."
- Special Report.
- Statistics (graphs and tables).
- Prices (graphs and tables).
- Visit www.woodmarkets.com/p_chinabulletin.htm.

NOW AVAILABLE:

WOOD MARKETS 2011 • Outlook to 2015

- Covering lumber, OSB, plywood, MDF & particleboard.
- Featuring a five-year outlook for supply, demand and prices, including operating rates.
- Includes economic analysis of U.S. housing-market recovery and the key demand drivers.
- Go to www.woodmarkets.com/p_wmbook.html.

U.S. Moulding Market Outlook 2011–15

- Executive summary analysis report.
- U.S. shop & better lumber supply and price outlooks.
- U.S. moulding market and price outlooks.
- Click here: www.woodmarkets.com/p_moulding-market.html for detailed options.

COMING IN NOVEMBER 2011:

WOOD MARKETS 2012

- The five-year outlook for North America.
- Details to follow.

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