

WOOD MARKETS



HIGHLIGHTS

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Featuring Lumber, Panels and Wood Products Analysis

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China Conference Update

Import Slowdown to be Temporary

On September 15–16, 2011, WOOD MARKETS, in conjunction with the China Timber and Wood Products Distribution Association (CTWPDA), organized the **China Softwood Log and Lumber Import International Conference** in Tianjin, China. Nearly 300 delegates attended this event to discuss key issues, trends and dynamics around China's softwood log and lumber trade. Among this group were nearly 80 international softwood suppliers from 12 different countries, who participated to meet and discuss potential supply opportunities with Chinese importers directly at the conference.

Despite the continued growth in China's log and lumber imports, the inventory situation was not as balanced as it could have been as of mid-September. During a three-day softwood industry tour of ports, warehouses and mills organized by WOOD MARKETS during September 12–14, two main softwood importing ports (Taicang Port, Jiangsu Province, near Shanghai, and Lanshan Port, Shandong Province) were visited. Both ports had above-average log inventories, with the stock volume estimated at 300,000–400,000 m³ at each port (all Chinese ports were close to 2.5 million m³); a normal inventory is approximately four weeks' supply, and it was suggested that inventories levels had been closer to six weeks during the third quarter. Lumber inventories were perhaps even higher than log invento-

ries, although this depended on which delegate one spoke to. However, since the construction industry seemed to be slowing down, it made sense that concrete forming lumber inventories would be high. Also, the Chinese sawmilling industry around ports was not working even close to capacity, and some sawmills had halted production due to high inventories and sluggish demand for new orders.

The conclusion of conference speakers was that, despite a temporary slowdown, China's log and lumber import volumes will need to keep growing every year. In comparison to logs, lumber import volumes are still small; however, it is expected (and somewhat necessary) for these to grow at a faster rate than log imports (which will be constrained by an economic domestic supply and sources of economic log imports). **Taking into consideration rising labour costs and a tightening labour market, as well as the potential for more international suppliers to produce Chinese sizes, the volume of lumber imports could surpass their log import counterpart by the end of the decade.**

As a result, industry experts are still positive about China's market fundamentals and potential, and China's log and lumber import business is expected to be a long-term business with a promising future. ■

*By Russ Taylor, President,
and Jane Guo, China Office Manager*

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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.

www.woodmarkets.com**WHAT'S NEW:****Page 2****Russian Log Export Tax**

A recent survey from a U.S. newsletter publisher showed that 65% of subscribers believe the expected reduction in the Russian log export tax from 25% to 12.5% would significantly impact the global softwood lumber markets and could acutely alter the global softwood landscape.

If Russian joins the WTO and reduces its log export tax by half, the actual reduction in export tax paid will be about US\$10–\$11/m³. The *WOOD MARKETS* article goes on to explain why we disagree with the results of the survey, based on our knowledge of Russia! ■

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

Page 3**Global MDF Capacity Expands**

Global MDF capacity topped 80 million m³ in 2010, an increase of almost 10%. China remained the world's largest MDF-producing country at 37.3 million m³ (83% of Asia's capacity; 47% of global capacity).

Almost seven million m³ in new capacity is planned for the next two years in South America and Asia, a significant slowdown from the torrid 40% annual growth pace seen between 1993 and 2010. ■

Pages 4–5**U.S. Housing Market Meltdown**

The U.S. population is growing by about 2.5 million per year, yet sales and rentals of homes have stagnated. Some estimates indicate a current excess of about three million homes. With housing starts at the lowest levels since the Second World War, why haven't all these vacant homes been absorbed?

The answer lies in the unprecedented change in household formations. Fewer new households were created between March 2007 and March 2010 than in 2006,

apparently due to high unemployment and lower immigration.

With an estimated 78 million "echo boomers" entering their peak household formation years, the trend toward "delayed adulthood" will create pent-up demand for housing. There is a direct correlation between employment and housing starts.

We believe the expected lumber "super cycle" is still real, but will be delayed until mid-decade before supply and demand achieve balance. ■

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

**COMING IN NOVEMBER:
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**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.

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.

**MARK YOUR CALENDAR:
2nd Global Wood Products
Industry & Market Conference
May 9, 2012**

- Hyatt Regency Hotel, Vancouver, BC.
- Visit www.woodmarkets.com/conf_conferences.html.

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