

# WOOD MARKETS



HIGHLIGHTS

MONTHLY INTERNATIONAL REPORT

VOLUME 13, NUMBER 7 ■ SEPTEMBER 2008

Featuring Lumber, Panels and Wood Products Analysis

## Wood Pellets and Biomass

### Forest Industry Opportunity — Or New Competitor?

**A**s has been partially discussed in this publication over the last year, a series of supply shocks is expected to create temporary or permanent wood shortages/dislocations, and therefore propel wood prices higher:

- The Russian export log tax, impacting 40% of the global log trade;
- Global warming, causing damage to forests from insects (e.g., pine beetle) and disease;
- Greater demand for sustainable forestry (reduction of illegal logging worldwide);
- Ongoing conservation withdrawals;
- Growing demand and fibre shortages in Asia (China, India, etc.);
- Closed wood processing capacity (the U.S./ Japan/Europe, due to cyclical downturns);
- Emerging markets for carbon/forest-related carbon credits and green construction; and
- Rapid expansion of the bio-energy sector.

This report addresses developments in bio-energy and shows how this new sector could create new competition for wood fibre, and be a new competitor for the forest products industry. Bio-energy and wood pellets, however, can also be considered a value-added opportunity for primary sawmills and plywood mills that have the right raw material for sale for a product that now offers two downstream customer types.

...continued on page 2

#### Celebrating our 100th Issue!

We are pleased to announce that the *WOOD MARKETS Monthly International Report* has turned 100 — or at least, 100 issues! *WOOD MARKETS'* first issue was published in July 1996 and started out as a strategic quarterly report. Subscribers' requests for more frequent national and international analysis encouraged us to move to a monthly format at the beginning of 2000.

The core team that started the *WOOD Markets International Report* is essentially unchanged and includes the following:

- Russ Taylor, publisher/editor;
- Peter Butzelaar, prices/analysis;
- Gerry Van Leeuwen, analysis;
- Chari Gimenez, statistics/analysis;
- Jane Keyes, managing editor/layout; and
- Barb MacDonald, subscriptions.

The strategic insights and analysis contained in *WOOD MARKETS* come out of extensive travels throughout North America, Europe, Asia and the Southern Hemisphere, with some special topics arising out of some of our client work (at least the macro-market part). While other newsletters look backward to report on what happened last week, we tend to start from the current situation and project forward our analysis of supply, demand, competition and prices.

We invite subscribers to make suggestions about specific or relevant topics to cover. We also welcome your questions or feedback! ■

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## GLOBAL PRICE TRENDS

International *WOOD MARKETS Group Inc.* (IWMRI & R.E. Taylor & Associates Ltd.) 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](mailto:info@woodmarkets.com), or visit [www.woodmarkets.com](http://www.woodmarkets.com).

[www.woodmarkets.com](http://www.woodmarkets.com)**WHAT'S NEW:**

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### Wood Pellets and Biomass

#### Forest Industry Opportunity — Or New Competitor? *cont'd*

As oil and other energy prices soar, energy costs are of increasing concern to forest products firms. As a percentage of total costs, energy costs range from 5% to 25% for these manufacturing companies.

Global pellet production was 9.5 million tonnes and the world trade between countries climbed to three million tonnes in 2007.

Increased energy production using wood as fuel requires an expanded supply

of wood, chips or residuals. This could threaten existing users of the same fibre with higher prices.

The forest industry is facing a fundamental change in how it values raw material costs, with new competition for raw materials from a growing biomass energy industry. However, the situation looks very positive for those sawmills and other plants that are selling wood waste materials. ■

(The full *WOOD MARKETS* article provides further details on forest products versus biomass.)

## Pages 4–5

### Middle East Markets Report — Part I

#### Rising Oil Revenues Fuel Construction Binge

Though many wood consuming regions of the world are in market turmoil, the Middle East is enjoying an unprecedented construction boom that requires growing amounts of imported wood from softwood lumber-producing countries.

The value of wood products imported by the four major GCC countries — the UAE, Saudi Arabia, Kuwait and Qatar — has increased by 53% over the last three years. The largest imported product was softwood lumber, which totaled 2.25 million m<sup>3</sup> in 2007. Wood products imports

are anticipated to rise to 4.5 million m<sup>3</sup> by 2010.

Middle Eastern wood product importers are very price-driven, so price is frequently a more important issue than quality. Freight rates to the Middle East definitely favour producers on the east coast of North America. As a result, import wood product producers able to offer competitively priced products and reasonable delivery times may enjoy a lucrative future (5–10 years). ■

(The complete *WOOD MARKETS* report provides further analysis of Middle Eastern lumber and wood products imports.)

### WOOD MARKETS CHINA BULLETIN

The tenth issue of our newest publication, *WOOD MARKETS China Bulletin*, is ready for viewing at <http://newsletter.woodmarkets.com.cn>.

The Bulletin includes Chinese industry trends, topics of interest, statistics and prices relevant to the wood industry. For an interim period, this publication will be a free service to subscribers. To join, visit [www.woodmarkets.com/china\\_products.html](http://www.woodmarkets.com/china_products.html).

### CLEARWOOD REPORT Pine Lumber, Moulding & Millwork Sector Outlook to 2012 4th Edition

IWMG has just released the 4th edition of its multi-client report on the supply/demand dynamics of:

- Global pine timber and appearance lumber;
- Mouldings: solidwood, finger-joint, MDF, & plastic (including five-year price forecasts); and
- Other millwork, including windows, doors, clear boards and other segments.

New to this edition is a cost benchmarking of finger-joint and MDF moulding producers from major producing regions, as well as updated analysis on the distribution channel for mouldings within the U.S.

This report provides our strategic insight of the current and anticipated trends in the clear pine lumber & moulding sector plus our analysis of the resulting downstream market implications. For information, please contact Peter Butzelaar ([peterb@woodmarkets.com](mailto:peterb@woodmarkets.com)).

### RUSSIA LOG EXPORT TAX Global Implications

Release of Summary Analysis: Oct. 6, 2008

Release of Final Report: Nov. 10, 2008

- How will this crippling 80% export tax impact your business or market?
- Assessment of countries impacted most and potential price increases/supply shortages
- Evaluation of outcome
- Business case proformas

Brochure with order form available at [www.woodmarkets.com/p\\_europerussia.html](http://www.woodmarkets.com/p_europerussia.html).

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