

PRESS RELEASE

A 'Super-Cycle' of soaring lumber prices is expected in the next few years as North American timber supplies tighten in conjunction with rising Chinese demand

Speakers and delegates at WOOD MARKETS' Global Wood Products Conference agree that the mid-term outlook looks spectacular, but the short term will continue to face weak demand and over-supply

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Factors that will create a 'bull market' in logs and wood products with dramatically higher prices appear to be falling into place. According to speakers at the May 10 **Global Wood Products: Industry and Markets Conference** in Vancouver that was planned and organized by International WOOD MARKETS Group, North American log and lumber supplies could be falling by the middle of the decade just as U.S. wood products demand is spiking from a rebound in housing starts with China still expected to be a huge importer.

While near term improvements in the North America and European markets were not expected to create much of a ripple due to weak demand prospects, it is the 2013-15 period that speakers identified as the break out period where an imbalance in supply and demand will create much higher log and lumber prices. The mountain pine beetle epidemic in B.C as well as many western U.S. states coupled with reduced harvests in Quebec and Ontario and the role of timber investment management organizations (TIMOs) will all create log supply constraints by the middle of the decade. The mid-term outlook for OSB and plywood was considered to be more subdued, but increasing demand in the mid-term will allow for more curtailed OSB mills to start up with improving prices a foregone conclusion.

Every speaker mentioned or addressed the role of China as one of the major stimuli in increasing global exports and creating higher log and lumber prices. China's growing appetite for logs and lumber will continue to increase exports from supplying countries around the world. As the U.S. and European markets start to significantly improve in 2013, the issue of which country will pay the highest price to get the wood appears inevitable; according to many speakers, there could be a collision course ahead. With the reality that China will need to import huge raw material volumes, the potential that China could pay close to world market prices for some grades or products as wood prices move dramatically higher was voiced by one speaker. The role of China is expected to continue to make logs and lumber a tight commodity as the super-cycle heats up – this is in stark contrast to market conditions over the last five years and for what is expected in 2011 and perhaps even 2012!

One of the most listened to sessions was a presentation about the current state of the Russian forest industry, and especially its fit as a potential supplier to China as well other world markets. From his extensive travels, Gerry Van Leeuwen of WOOD MARKETS has one of the best perspectives on the Siberian and Russian Far East log and lumber sector and how it will impact global markets. In contrast to many speculators that think Eastern Russia can rapidly expand its log exports to China and other Asian markets, this was heavily discounted in Mr. Van Leeuwen's presentation. Drawing from previous reports in *WOOD MARKETS Monthly* and *The China Book – Outlook to 2015* as well as a recent trip to Russia, Mr. Van Leeuwen identified many issues that will limit Siberian log production and why it will take a number of years for Eastern Russia to increase its log exports even marginally, if/when its log export tax is reduced as part of its WTO acceptance. This is in contrast to some recent news reports that are alluding to a 40% increase in total Russian softwood and hardwood log exports in the first few months of 2011 vs. the same period in 2010 and where "much of this increase in shipments has been to China, Finland and Japan." Any increase in Russian log exports are not going to China, as Chinese imports of Russian logs are up only 2.7% for the first three months of 2011 (totaling 3.6 million m3) , as reported by China Customs and summarized in WOOD MARKETS' Monthly *China Bulletin*. Similarly, Japan imports show Russian log exports increasing by 25%, but this is from record low volumes where the two month incremental volume is up by a mere 16,000 m3. As a result, delegates were able to obtain a much clearer view about future Russian log supply scenarios and why China will still be log import constrained over the next few years.

The Global Conference featured 11 speakers as well as another eight speakers in two Panel Sessions that covered all continents in terms of major issues and trends impacting the supply, demand and trade of logs, lumber and other wood products. Almost 200 delegates from 20 countries contributed to the conference with strategic questions to the speakers.

Global Conference Proceedings featuring 16 presentations are now available from WOOD MARKETS (US\$295).

The 2012 WOOD MARKETS Global Conference is already scheduled for May 9, 2012 at the Hyatt Regency Hotel, Vancouver BC. It will once again be held in conjunction with the PwC annual Global Forest & Paper Conference (May 10, 2012) and the Pulp and Paper Producers Council annual meeting (May 6-9).

For further information, please contact:

International WOOD Markets Group –	(+1) 604-801-5996 or e-mail:
Russell Taylor	retaylor@woodmarkets.com
Gerry Van Leeuwen	gvl@woodmarkets.com

For further information, please contact info@woodmarkets.com or visit <http://www.woodmarkets.com/>