

Press Release – For Immediate Release

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Higher wood chip export prices in Australia in 2008 as wood supply tightens around the Pacific Rim

Seattle (USA) July 11, 2008. Export prices for both pine and Eucalyptus wood chips have gone up substantially in 2008 in Australia as a result of increased demand in Japan and a tighter supply of wood chips throughout the Pacific Rim region, according to the Wood Resource Quarterly.

Australia has become the world's largest exporter of wood chips, shipping a record of over 6 million oven-dry metric tons (odmt) in 2007, with 2008 promising to be another strong year. Eucalyptus chip, most of which is still from native forests, is by far the most common species exported, accounting for approximately 70% of the total exports in 2007. The remaining 30% is predominantly residual chips from sawmills using plantation-based radiata pine.

Japan has been the major destination for Australian chips, with occasional vessels going to South Korea, Taiwan, Indonesia and China. The country has been the top supplier of both softwood and hardwood chips to the Japanese pulp industry since the 1990's and will most likely continue to be so for many years to come. The future market share will depend to a large extent on the domestic demand for wood fiber in Australia, as the pulp sector is planning to expand.

Australian Eucalyptus chip export prices have more than doubled the past six years and are currently US\$167/odmt FOB vessel in Tasmania for native species and about US\$187/odmt for plantation wood chips. Australia, which is the major supplier of hardwood chips to Japan, currently supplies 34% of the Japanese total import volume. The two other large Eucalyptus chip suppliers, Chile and South Africa, have also substantially increased their prices since early 2000. Just since last year, prices have increased 19% in Chile and 14% in South Africa.

For the first half of 2008, Australian export prices for softwood chips to Japan ranged between US\$147-151/odmt. These prices are 45% higher than in late 2006, and almost a doubling since 2003. This upward price trend has been slower than in the US, which is the second largest chip supplier to Japan. Since Japanese pulp companies have a limited number of suppliers to choose from, it is likely that they will have to get used to high wood fiber costs in 2008 and 2009.

The increasing costs for Australian wood chips, which are perceived to be of lower quality than North American species by some pulp companies in Japan, have resulted in a reduction of market share for Australian suppliers from 46% to 41% between 4Q/06 and 4Q/07. US suppliers, on the other hand, increased their market presence from 25% to 32% of the total imports during the same time period. Despite the preference for

Douglas-fir chips from the US, Japanese pulp manufacturers may be forced to use more chips from Australia, New Zealand and Canada as availability is limited in the US.

Global pulpwood and sawlog market updates are included in the 50-page publication Wood Resource Quarterly. The report, established in 1988 and with readers in over 20 countries, tracks wood prices in most regions around the world and also includes regular updates of international pulp, lumber and biomass markets.

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