

Press release – For Immediate Release

Seattle, USA. April 2009

New Zealand increased exports of sawlogs in 2008 thanks to its weak currency, reports WRQ

The forest industry in New Zealand has had few reasons to celebrate the past year. Domestic consumption of lumber has diminished and the export market for lumber and pulp has been in decline for most of 2008. The only bright spot has been the increase in radiata pine log exports, reports the Wood Resource Quarterly.

Seattle, USA. April, 2009. The lumber market in New Zealand continues to be weak, and many sawmills are running at reduced operating rates due to falling domestic housing activity and a weak property market. Housing starts have trended downwards with the total number of new dwellings at only about 60 percent of what they were just over a year ago.

In 2008, there were 24 sawmills that closed and it is expected that more plants will permanently shut down in 2009. Despite the reduced demand for sawlogs domestically, prices did not change much (in NZ dollars) as the log export market has been fairly strong. In US dollars, domestic radiata pine sawlog prices averaged US\$49/m³ in the 4Q/08, down from the 12-year high of US\$68/m³ in the 1Q/08, according to the Wood Resource Quarterly.

The exports of radiata pine sawlogs have been one of the few bright spots in the forest products sector the past year. Shipments to the two major destinations, China and Japan, were higher in 2008 than the previous two years and total exports reached a five-year record of 6.6 million m³ last year. In the 4Q/08, the New Zealand market share of imported logs to Japan was a record 17%, up from about 10 percent in 2006 and 2007. In China, New Zealand supplied 15 percent of imported softwood logs, an increase from about four percent in 2006. Log exporters have recently been benefiting from a weak NZ dollar, lower freight rates and higher prices for logs from Russia, the dominant supplier of logs to Asia.

The weak New Zealand dollar has made pulp and sawmills more competitive as they now have some of the lowest wood raw-material costs, in US dollar terms, in the world. This may sound like good news, but the problem is that demand for lumber and pulp in New Zealand's major export markets is in decline. Another obstacle is that due to the global credit crunch, many of the log buyers in Asia cannot obtain a letter of credit to purchase more products. So, despite the low wood costs in New Zealand, there are limited opportunities for exporters to increase shipments under the current market conditions.

Global timber market reporting is included in the 50-page publication Wood Resource Quarterly. The report, established in 1988 and with readers in over 20 countries, tracks sawlog and pulpwood prices in most regions around the world and also includes regular

updates of the latest developments in international timber, pulp, lumber and biomass markets.

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