

PRESS RELEASE

China's imports of logs and lumber increases in H1/2013

New Zealand now China's largest log supplier (over Russia);
Russia regains its position as China's largest lumber supplier (over Canada)

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The next issue of WOOD MARKETS' **China Bulletin** will highlight China's rebounding growth in log and lumber imports during the first half of 2013, continuing the trend of a steady recovery since the slowdown that occurred in the first half of 2012.

Lumber Markets:

Canada lost its lead to Russia as the largest lumber supplier to China (the total of softwood and hardwood) in H1/2013 but still holds a 28% import market share. The major lumber suppliers to China in H1/2013 were:

- Russia 3.26 million m3 (+8.0% over H1/2012)
- Canada 3.06 million m3 (-6.4% over H1/2012 but almost identical to H2/2012 results of 3.03 million m3)
- USA 1.18 million m3 (+6.9%)
- Thailand 0.84 million m3 (+15.2%)
- Others 2.60 million m3 (+26.7%)

Total Chinese lumber imports were 10.9 million m3 – an increase of 7.5% over H1/2012. Of the top seven major country lumber exporters to China, all gained in H1/2013 as compared to the first six months in 2012 with the exception of Canada (-6.4%).

A similar result occurred in softwood lumber exports to China in the first six months of 2013 as China's total softwood imports increased by 9.1% over the first half of 2012. Here, Canada held on to its lead as China's largest softwood supplier, but Russia is closing fast as mills owned by both Russians and Chinese increased softwood lumber output and exports to China.

- Canada 3.03 million m3 (-3.1%)
- Russia 2.94 million m3 (+11.7%)
- USA 0.380 million m3 (-8.4%)
- Chile 0.378 million m3 (+70.3%)
- New Zealand 0.245 million m3 (+20.7%)

Stronger demand in the U.S. market for both Canadian and U.S. softwood lumber was mainly responsible for lower exports from both countries. All other softwood exporting regions increased exports to offset reduced (and more expensive) North American softwood lumber exports. With a 70% increase in H1/2013 to 378,000 m3, Chile is very close to overtaking the U.S. (380,000 m3) as the third largest softwood lumber exporter to China.

Log Markets:

In the log trade, **total** Chinese softwood and hardwood log imports increased by 15.9% to 21.1 million m3 in the first half of 2013 as compared to the same period in 2012. New Zealand is now the largest log supplier to China with 5.14 million m3 - as of June 2013, its total exports to China surpassed Russia (5.13 million m3) for the first time. New Zealand was already the largest softwood log supplier, but now it leads both categories.

In the softwood log trade, Chinese imports advanced by 15.9% in the first half of 2013. All major supplying regions recorded increases with the exception of Russia:

- New Zealand was a big winner (+35.9%) with its lead over Russia expanding rapidly.
- USA exports soared in H1 with a 49.9% increase, assisted by rising Chinese log prices in Q1.
- Canada posted a modest gain of 5.5% in H1/2013 as compared with 2012.
- The largest increase came from the Ukraine with a 366% increase over 2012.

Russia was the big loser in softwood log exports yet again (-13.6% in H1/2013 vs. H1/2012) due to cost competitiveness issues and ongoing confusion over changes to its log export tax quota system. Reductions in Russia's log exports have been accurately predicted by WOOD MARKETS – against the consensus view that Russia's log exports would increase after the September 2012 changes to Russia's log export tax schedule. A complete analysis of Russia's competitiveness and export threat will be released next month in WOOD MARKETS' **Russia: Forest Industry Competitiveness and Export Outlook** report.

Against the background of healthy Chinese imports, there has been a spectacular softwood lumber price spike in Q4/2012 and Q1/2013 followed by a major crash in Q2/2013 in both North America and China. Volatile North American softwood lumber market conditions caused Chinese log and lumber importers to look for other suppliers as the approached record price levels in Q1/2013. Chinese lumber importers are now sitting on some very expensive inventory and are cautious in their buying strategy as they work down their inventories. With Canadian SPF lumber prices now coming off of their bottom in the North American market, an increase in Chinese buying is expected at much lower prices that should create a more balanced market condition in China later in Q3/2013.

WOOD MARKETS' **China Bulletin** is published monthly. The 30-page report provides price trends on logs, lumber and panels as well as import and export data and industry analysis.

International WOOD MARKETS Group (www.woodmarkets.com) provides wood products industry, market, business and strategic consulting services for industry clients in the wood products and timberland business. The firm maintains a global data-base and also offers numerous industry or market specific multi-client reports.

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