

WOOD MARKETS



HIGHLIGHTS

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Featuring Lumber, Panels and Wood Products Analysis

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Wood Pellet Markets/Trends

Growth of the Global Wood Pellet Industry

The global wood biomass energy industry is being driven mainly by non-market forces (i.e., government policies and subsidies). Most industrialized countries have set very aggressive targets for the displacement of non-replaceable fossil fuels (oil, gas, coal, etc.) with renewable forms of energy during the next 10–15 years. Wood fibre is considered a significant renewable energy source.

WHAT IS DRIVING THE WOOD BIOMASS ENERGY INDUSTRY?

Four key variables are driving the economics of wood biofuel production:

- The price of non-renewable oil, natural gas and/or coal (the main substitutes);
- The delivered cost of wood biomass feedstock;
- Availability of proven conversion processing technology; and
- Government energy and green/renewable resource policies and subsidies.

These four variables are in a constant state of flux, so the assessment of business opportunities at any given time can vary considerably depending on the alignment of these items.

GOVERNMENT ENERGY INITIATIVES

There are many government energy initiatives affecting the evolution of the wood biofuel industry, among which are the following:

- **EU-25:** Renewable energy sources must make up 20% of total energy consumption by 2020 (currently about 7%–8%).
- **EU:** Renewable fuel content in transport fuel must reach 5.75% by 2010 (non-binding) and 10% (binding) target by 2020.
- **U.K.:** 15% of energy consumption must be from forms of renewable energy by 2020 (versus approximately 1% in 2007). Electricity supply must be 35% from renewable sources by 2020, in comparison to about 5% in 2007.
- **U.S.:** The U.S. government is targeting 36 billion gallons of renewable fuels by 2022, including 21 billion gallons of “advanced” (non-cornstarch) biofuels. More than 65 major new wood energy projects have been identified, with the bulk being cogeneration, wood pellets and cellulosic ethanol.
- **U.S.:** The newly introduced (December 2009) Biomass Crop Assistance Program (BCAP) will provide a US\$514 million subsidy in 2010 to foster the diversification of America’s fuel supply, with an emphasis on renewable biomass alternatives. This subsidy (with matching payments up to US\$45/ton for the sale and delivery of eligible material) applies to residual wood (wood chips, sawdust, shavings, hog fuel) already being used for higher-value applications, and is now a direct threat to the historical raw material supply for the pulp and paper/composite panelboard industries.

...continued

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Global Statistics

GLOBAL PRICE TRENDS

International WOOD MARKETS Group Inc. 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.

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WHAT'S NEW:

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Wood Pellet Markets/Trends

Growth of the Global Wood Pellet Industry *cont'd*

Although the targets for conversion to renewable energy are likely too optimistic, achieving just 60% of these by 2010 is expected to have enormous revenue-stream implications for available forestland wood waste and mill wood residues.

Wood pellets are by far the largest volume of wood-based fuel used today in non-wood product manufacturing-related applications. Global pellet production capacity in 2008 was estimated at 13.9 million oven-dry tonnes (ODT), with Europe

producing 71%. The global market demand was estimated at 11.3 million ODT in 2008. Demand is projected to rise to more than 22 million ODT by 2014.

The aggressive “green” energy targets set by Europe and North America will ensure that conversion from fossil fuels to renewable energy sources will occur at an accelerated pace over next ten years.

Pulp producers will have to consider importing from lower-cost raw material regions/countries. ■

(Detailed wood pellet graphs and information can be viewed in the full report.)

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China: Wood Market Trends

Strong Rebound from Short Downturn in 2009

It is expected that China's total wood fibre demand on a roundwood equivalent basis (RWE) will reach 350 million m³ by 2015. Domestic output should be about 200 million m³, leaving a “gap” of 150 million m³ from imports.

Log imports, which declined in 2008, rose starting in February 2009, averaging 2.5 million m³ per month. With the increase in the Russian log export tax looming, the main beneficiary of increased log imports has been New Zealand.

Lumber imports have risen enormously (+40%), with the largest benefits going to Canada, Russia and New Zealand.

Only wood products exports from China have slumped over the past two years, due mainly higher log import prices. However, Chinese wood-product manufacturers have a great ability to change/morph into whatever the market requires. In fact, many manufacturers believe their businesses change every five years. The acceptance of change allows these companies to succeed. ■

(The full China: Wood Market Trends article details the changing wood business.)

B.C. INTERIOR: MOUNTAIN PINE BEETLE ATTACK Impact and Outlook on B.C. Timber Availability and Wood Products Production

- A proprietary modeling of B.C. timber fibre availability and production and the impact on supply/demand.
- An annual projection of supply of wood residuals (for pulp, MDF, particleboard, bioenergy and wood pellets).
- Order form and pricing details can be viewed at http://www.woodmarkets.com/p_specialreports.html.

GLOBAL LUMBER COST BENCHMARKING • 2008–09

- Benchmarking timber/sawmill costs, and lumber and residual prices, plus margins (top-quartile and average mills), in 29 major countries/regions.
- For further information, contact us to receive a free 50-page sample report. Go to http://www.woodmarkets.com/p_globalreport.html.

GLOBAL WOOD BOOK Trends & Statistics • 2nd Edition

- Coverage of softwood/hardwood production and consumption trends in timber harvest, lumber (sawnwood), plywood, OSB, MDF & particleboard.
- Full brochure is available at http://www.woodmarkets.com/p_globalwoodbook.html.

WOOD MARKETS 2010 • The Solid Wood Products Outlook, 2010–2014

- Five-year outlook for supply, demand and prices.
- Six chapters organized into three parts or one complete report (softwood lumber, OSB/plywood, MDF/PB).
- Condensed format, more focused, with key assumptions, analysis and five-year forecasts.
- Full brochure is available at http://www.woodmarkets.com/p_wm2006.html.

CLEARWOOD (PINE) MOULDINGS

U.S. Market Outlook, 2010–2014

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- U.S. shop & better lumber supply/demand/prices.
- U.S. moulding market supply/demand/prices.
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