



NEWSFLASH



Pine Sawn Timber Update

May 14, 2010

APP Timber estimates that Chile used to export at least 15% of the world's total demand of internationally traded pine sawn timber. This excludes any pulp or woodchips intended for paper production. It probably made Chile the 4th largest pulp exporter world-wide. Most of the exports of pulp and sawn timber from Chile stopped in March this year due to the earthquake and it has not yet fully recovered also due to the local demand of sawn timber to repair damaged structures. So what is the result of this?

Chile's regular buyers all over the world have been looking for new suppliers and the prime substitutes are other South American countries (Brazil, Argentina, Uruguay), as well as New Zealand and some European countries. Investments especially in paper mills are huge financial undertakings, so no paper mill can afford to stand still. Accordingly they are willing to pay higher prices for woodchips and logs so the mill can continue to run – at least on a temporary basis. The result is that countries such as New Zealand have seen huge increased log exports and many sawmills either have insufficient logs (as most of them buy in the “open” market) or are faced with increased log prices. So even if they can get logs they are not so interested to fulfill contracts signed in February, March and April 2010 at today's log costs. It would appear that in fact they would prefer first to supply new contracts at higher selling prices.

Canada is also an unknown factor in this equation, because it appears less SPF timber is exported due to increasing costs – with many sawmills closing - and partly due to less logs being available. In the light of this global situation. Pine suppliers are widely reported to be raising prices sharply as supplies become tighter. For example the USA, a large importer of South American pine sawn timber and mouldings, reportedly is paying up to 30% higher prices compared to late 2009!

APP Timber is experiencing this situation with all its suppliers and there is little that the company can do, except by reacting fast whenever we get an offer as well to explain the above situation to our customers. We also need to be pro-active in convincing our customers to accept the new prices or risk ending up without ANY pine volumes.



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