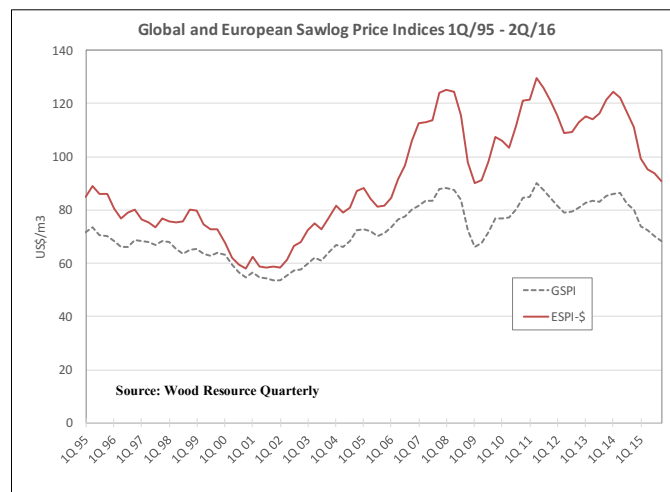


The Global Forest Industry in the 2Q/2016

Excerpts from the Wood Resource Quarterly (www.woodprices.com)

Global Timber Markets

- The **Global Sawlog Price Index (GSPI)** was up 4.2% in the 2Q/16 to \$71.18/m³, the highest quarter-over-quarter increase since the 2Q/11. Sawlog prices increased in 16 of the 19 regions tracked by the WRQ.

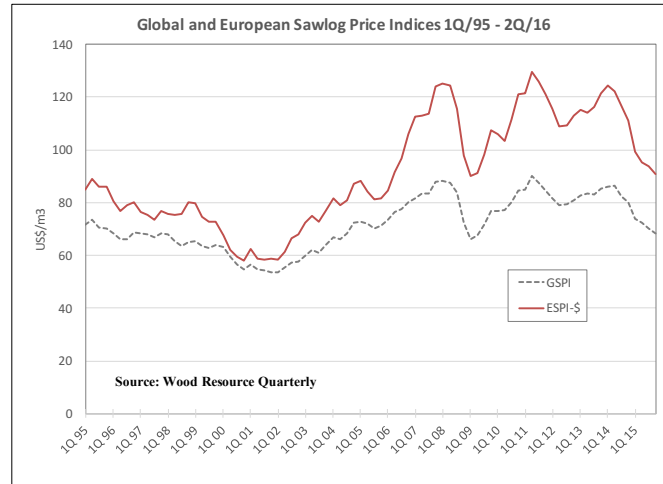


- The **Euro-based European Sawlog Price Index (ESPI-€)** has declined six percent over the past two years after a period when the Index was fairly stable from 2010 to 2014. The ESPI-€ was €83.84/m³ in the 2Q/16, up 1.8% from the previous quarter.

Global Pulpwood Prices

- Both **wood fiber price indices** jumped in the 2Q/16 because price increases were seen for both wood chips and pulplogs in practically every major market around the world.
- The **Softwood Wood Fiber Price Index (SFPI)** was up 2.3% from the 1Q/16 to US\$89.63/odmt. This was the first quarter-over-quarter increase since early 2014. A combination of a weaker US dollar and higher wood fiber prices in the local currencies in Western Canada, France, Brazil and Germany were the main reasons for the higher SFPI this quarter.

- The **Hardwood Wood Fiber Price Index (HFPI)** was up 3.7% from the 1Q/16, which was also the first increase in two years. The biggest price increases (in US dollars) occurred in Russia, Brazil, Chile, Australia and Eastern Canada.



Global Pulp Markets

- On a global basis, market **pulp production** increased 4.8% year-over-year with the biggest increases in Western Europe, Latin America and Russia.
- Global **trade of pulp** went up by about five percent during the first five months of 2016 as compared to the same period in 2015. China stood out by increasing imports in July this year at a record high level.
- The high **inventories of pulp** have put downward pressure on prices, with spot prices being lower in the 3Q/16 than earlier in the year, and list prices likely to weaken in September and October.

Global Lumber Markets

- Demand for softwood lumber has gone up in many markets around the world in 2016, resulting in a substantial increase in **global lumber trade**. By far the two largest importing countries are the US and China, with the US being on pace to reach its highest import volumes in ten years and China likely to import the biggest yearly volume on record for the country.
- Demand for **softwood lumber in the US** has continually expanded so far in 2016. During the first five months of 2016, lumber consumption was 14.2% higher than

during the same period in 2015.

- Weaker currencies in the **Nordic countries** have resulted in more competitive prices for lumber in 2015 and 2016. Prices in 2016 are among the lowest they have been since 2005. Finland is on pace to increase export volumes for the seventh consecutive year in 2016.
- Lumber import prices to **China** from the two major supplying countries, Russia and Canada, have converged during 2016 and were practically on par in July.
- With the strengthening Japanese currency, lumber prices in dollar terms have rapidly gone up since the beginning of the year. Finnish and Swedish lumber prices in **Japan** have gone up by about 21% so far this year, while pine from Russia increased 19% from January to August.

Global Biomass Markets

- North American overseas **pellet exports** declined in the 1Q/16 for the first time in a year, falling four percent from the previous quarter. This was still 25% higher than shipments one year ago.
- The **United Kingdom** was by far the largest importer of wood pellets in the world. In the 2Q/16, the country imported record high volumes; 21% more than in the 2Q/15.

*Global timber and wood market reporting is included in the 52-page quarterly publication **Wood Resource Quarterly**. The report, established in 1988 and with subscribers in over 30 countries, tracks sawlog, pulpwood, lumber and pellet prices and trade, and market developments in most key regions around the world. **To subscribe to the WRQ, please go to www.woodprices.com***

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