

Press release – For Immediate Release

Seattle, USA. January 12, 2009

Sawlog prices fell 5-12% worldwide in the 3Q/08 as lumber markets weakened, reports WRQ

Reduced consumption of lumber in North America and Europe in the 3Q/08 resulted in lower demand for sawlogs and declining prices for softwood timber, according to the Wood Resource Quarterly (WRQ). Because wood costs account for 65-75% of the production costs when producing softwood lumber, they are the key factor determining a regions or company's competitiveness.

The **WRQ Global Conifer Sawlog Price**, based on sawlog prices in 19 key regions worldwide, fell 5.8 percent to US\$85.92/m³ in the 3Q/08, the lowest level since the 1Q/07. The recent price decrease is one of the biggest quarterly declines seen since the Index was first published in 1995. The major reason for the lower log costs was the weakening of lumber markets in most regions around the world. The biggest declines in log prices occurred in Western Canada, Sweden, Germany, the Baltic States and New Zealand. In the US, prices were down about five percent from the 2Q/08, while log costs in Brazil and Chile were practically unchanged.

The sawmill sector has been hit hard in Canada as a result of a sharp decline in housing constructions in the important US market. Housing starts in the US have fallen from 1.5 million units in early 2007 to 625,000 units in November 2008. The biggest decline in sawlog prices came in coastal British Columbia, where Douglas-fir and hemlock log prices fell about 10% from the previous quarter (in US dollar terms) and were more than 20% lower than a year ago. Most sawmills have reduced production temporarily and there have also been permanent closures. Lumber production in BC was 24% lower in the 3Q/08 compared the same quarter in 2007.

Sawlog prices fell in most regions of Europe in the 3Q as the demand for lumber declined not only in Europe but also in the US and Japan, both important overseas markets for sawmills particularly in the Nordic countries and Germany. Log prices fell the most in the Nordic countries where average costs were between 5-10% lower than in the 2Q. Despite this decline, wood costs for sawmills in Sweden and Finland are still among the highest in the world and substantially higher than they were two years ago.

Global pulpwood and sawlog market updates are included in the 50-page publication Wood Resource Quarterly. The report, established in 1988 and with readers in over 20 countries, tracks wood prices in most regions around the world and also includes regular updates of international timber, pulp, lumber and biomass markets.

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