

The expansion of pulp production in China continues and the lack of domestic wood fiber sources has resulted in record imports of wood chips in 2011

Chinese pulp mills increasingly have to rely on imported wood chips for their wood fiber needs. In 2011, record volumes are being imported mainly from hardwood plantations in Vietnam, Thailand and Indonesia. Imported wood chip costs from Vietnam have gone up 40 percent in two years and are closing in on costs for chips shipped to Japan, according to the Wood Resource Quarterly.

Seattle, USA. With the lack of sufficient quality and quantity of domestic wood fiber supply, new pulp mills in China are looking to expand importation of wood chips from plantation-rich countries in Southeast Asia to meet their growing fiber needs. In the 3Q/11, Vietnam, Thailand and Indonesia were the major suppliers to China, together accounting for about 88 percent of all imports of hardwood chips, as reported in the Wood Resource Quarterly.

Malaysia, Cambodia, Chile and Brazil are few of the recent and still small suppliers of hardwood chips to China. These countries, which all supply wood chips from fast-growing Eucalyptus and Acacia plantations, are likely to expand their shipments in the coming years when Chinese pulp mills continue to diversify their supply sources.

The wood chip imports in the first ten months of 2011 already equal more than the total volume of imports in all of 2010. This year's imports will reach around seven million tons, or 37 percent higher than in 2010. This upward trend is expected to continue in 2012 and 2013 because the Chinese pulp industry is in an expansion mode.

Pulpmills in China consume practically only hardwood fiber, so imports of softwood chips were negligible up until last year when a few shipments started to enter Chinese ports from Australia, Russia, the US and New Zealand. This year, total softwood imports may reach just above 300,000 tons, or four percent of total chip imports.

The average value for imported wood chips has steadily increased, reaching \$180/ton in the 3Q/11, or about 22 percent higher than the same quarter last year, as reported in the Wood Resource Quarterly. Vietnam is the lowest-cost supplier, while the cost for Eucalyptus chips from Australia were at the high-end in the 3Q.

The costs chips imported from the major supplying country Vietnam, have gone up almost 40 percent over the past two years. Vietnam is also shipping large chip volumes to Japanese pulp mills and it is interesting to note how the price discrepancy between chips exported to Japan and China has declined from almost \$60/ton premium for Japanese-bound chips in 2009 to only \$14/ton in the 3Q/11.

*Global timber market reporting is included in the 52-page quarterly publication Wood Resource Quarterly (WRQ). The report, established in 1988 and with subscribers in over 25 countries, tracks sawlog, pulpwood, lumber and pellet prices and market developments in most key regions around the world. **To subscribe to the WRQ, please go to www.woodprices.com***