The Lumber Market

There is an urgent global need for commercial reforestation programs to replace the rapidly diminishing supply of rainforest timbers, which supply more than 75% of the worlds trade in hardwood logs, over 50% of the trade in sawn hardwood and a significant portion of panels and pulp.

It is widely acknowledged that areas of old-growth forest available for logging are nearing exhaustion, and the associated environmental impact with some traditional forestry methods have far reaching and damaging effects. Plantation forests such as those implemented by the ECO2 Forestry Plan must become the major source for commercial use of lumber. At present, hardwood sawlog plantations are almost non-existent. Most plantings thus far have focused on the market for pulpwood. Prices for hardwood have jumped considerably in the last few years because of supply constraints.

The 7-year growth-to-harvest cycle of the Kiri Tree and subsequent regeneration from the stump, as opposed to the 20-plus years and subsequent replanting for traditional hardwood plantations, affords a significant competitive advantage to the Forestry Plan to meet market demand and achieve considerable market share.

Production and Consumption of Lumber

The production and consumption of key wood products and wood energy are expected to rise from the present to 2030, largely following historical trends of 1-2% increases per annum. The primary factors to an on-going increase in demand for lumber globally are:

- An increasing population to 7.5 billion in 2020 and 8.2 billion in 2030 (current population 6.8 billion)
- Global GDP projected to grow from US$16 trillion in 2005 to almost US$100 trillion by 2030
- Rapid growth of developing countries, particularly in Asia
- Environmental policies reduce the amount of old growth forests marked for wood production.

As outlined in the table below, global production is projected to increase dramatically and in-line with consumption requirements. Industrial roundwood, derived from growth in demand for end products – sawn wood, wood-based panels and paperboard, is expected to increase by more than 40 percent up to 2030. Industrial roundwood will be increasingly likely to come from planted forests in the future as factors outlined above continue to drive overall lumber demand.

Global production and Consumption of Lumber

		ACTUAL (million m^3)	PROJECTED (million m^3)	
		2005	**2020**	**2030**
Roundwood	Production	1668	2166	2457
	Consumption	1682	2165	2436
Sawnwood	Production	417	520	603
	Consumption	421	515	594
Wood based panels	Production	234	388	521
	Consumption	241	391	521
Paper/Paperboard	Production	363	568	743
	Consumption	365	571	747

Source: Food and Agriculture Organization of the United Nations, State of the World's Forests 2009

While significant markets exist for Kiri lumber, particularly in China and Japan, the greatest potential for Kiri Lumber is to replace products currently imported from rainforests around the world including Asia and South America, old growth forests, and other severely depleted hardwood species. Supply of such species has recently dropped dramatically and is expected to become even harder to procure on world markets within the next decade or so due to tightening of logging regulations and the literal near exhaustion of these rainforests. Equally dramatic price rises have accompanied the fall in supply.