



Greenwood  
Management ApS

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January 2011 edition

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## Is Timber the New Oil?



There is optimism over prospects for timber prices, which has been growing steadily for some months and recent amendments to the Chinese construction industry turn out to be positive. According to Barclays Capital Analysts, the good news is that if timber is on the verge of becoming a new bullish market, then the shortest upswing for lumber since 1900 lasted 12 years.

Peter Ruschmeier of Barclays Capital Analysts mentions that lumber futures surged noticeably between October and November 2009. In China, a breakthrough in building regulations in Shanghai, where local government issued a comprehensive code for new wood-frame structures and the predicted mass urbanisation of China could see timber prices increase by over 300 percent.

China is running massively short on the supply of timber, and analysts see no signs of the trend changing at the level of about 160 million cubic metres per year for at least another 10 years. According to forestry analysts, China's consumption of timber products are already well above world average.

John Chu, an analyst with Research Capital Canada, says. "China's insatiable appetite for wood products is driven by its growing population, strong economic growth and growing export markets for the wood it produces,"

Some suggest that the lumber price could trend towards a high of more than 300 percent above its 2009 low. As Peter Ruschmeier said, "While this is not our forecast we believe it offers food for thought,"

In future, China is predicted to become the world's largest economy, overtaking the U.S. China's biggest trading partner is Brazil, where relations between the two developing countries helped to establish an solid economic force while the West was suffering during the financial crisis. Trade between the two nations remained strong.





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## World Bank's 2011 Predictions



The report released by the World Bank, *Global Economic Prospects 2011*, predicts the world economy is moving from a post-crisis bounce back phrase of recovery to a slower but solid growth this and next year, with developing countries contributing to almost half of global growth.

Growth in the world economy is expected to recede in 2011, but developing countries will continue to expand at very strong rates, while the western economies remain at a positive but much slower path.

The World Bank estimates that global GDP, which expanded by 3.9% in 2010, will slow to 3.3% in 2011, before it reaches 3.6% in 2012.

Developing countries are estimated to grow by 7% in 2010, 6% in 2011 and 6.1% in 2012. They will continue to outstrip growth in high income countries, which is projected at 2.8% in 2010, 2.4% in 2011 and 2.7% in 2012.

In most developing countries, GDP has regained levels that would have prevailed had there not been a boom-bust cycle. While steady growth is projected through to 2012, the recovery in several economies in emerging Europe and Central Asia and in some high-income countries is cautious. Without corrective domestic policies, high household debt and unemployment, and weak housing and banking sectors are likely to mute the recovery.

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## Steel Production Sees Biggest Increase in 55 Years

The world's steel output rose last year by 15% as demand for the commodity soared in the aftermath of the economic crisis. This is the biggest annual increase for more than half a century.

According to data published by the World Steel Association (WSA), the rise came after a decline of 7.8% in 2009, when the industry was one of the sectors worst hit by the global recession.

The year-on-year jump on world production in 2010 was last surpassed in 1955, when output rose 20.2% to 270 million tonnes.

The output of 1.4 billion tonnes was comfortably above the previous record production figure registered in 2007 of 1.3 billion tonnes.

Experts believe that the world output is likely to show another rise this year, but by a much lower amount than last year.

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Strength of demand allied to large rises in the costs of raw materials such as iron ore and coke are contributing to a market rise in steel prices, which have risen by a third in the past two months.

There are fears in the industry that the scale of the price increases may deter some buyers, particularly in countries where the economy is still fragile.

Iron ore prices hit an all time high this month, above \$175 a tonne, excluding freight. The price of coking coal has surged in the spot market to \$350 a tonne, approaching the \$400 a tonne record of 2008.

The strength of the rise in world production in the past 12 months has surprised analysts, who at the start of last year were predicting a rise of about 11%.

In the last forecast in October, the WSA said steel demand, which normally follows a similar pattern to output, was likely to be up by 13% in 2010.

During the world recession steel production suffered large falls in output as customers in construction, car-making and engineering industries made cut back in purchases. Now demand is returning to the markets and growths are visible world wide.

The increase in production last year was led by the U.S., where the increase was 38%, while output in Japan rose by a quarter. China, the world's biggest steel producing and consuming country was responsible for 44% of all global output last year. Steel output in Germany rose 34%, while India, a strong performer in recent years, are also seeing an increase in steel production.

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## January's Video News Highlights



[Brazil Remains Very Attractive To International Investors](#) - 27/01/2011

Foreign investors are still seeing Brazil as one of the best nations in which to put their money, a survey by financial services firm, KPMG, has shown. [\[more\]](#)

[Finance Ministry Predicts Robust But Steady Brazilian GDP Growth](#) - 21/01/2011  
Brazil's Finance Ministry has predicted that the national economy will grow by five per cent in 2011. [\[more\]](#)

[Brazilian Steel Making Unaffected By Landslides](#) - 20/01/2011

Steelmakers in Brazil have said that production in the ore-rich area around Rio de Janeiro has been unaffected by the devastating landslide and floods that have claimed the lives of hundreds of people in the region. [\[more\]](#)





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[Petrobras Posts Record Oil Demand Jump](#) - 19/01/2011

Brazilian state oil company, Petrobras, has announced that its gasoline and jet fuel sales jumped by 17.8 per cent in 2010, owing to the country's increasingly demanding economic expansion. [\[more\]](#)

[Area Of Forest In Brazil Grows, According To Report](#) - 13/01/2011

The area of planted forests in Brazil increased by more than 200,000 hectares in 2008 and 2009, according to a recently published report from the South American nation's Forest Service. [\[more\]](#)

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## We Need New Sales Agents in Asia



Greenwood Management is searching for Sales Agents to promote our forestry investments. We require further agents based in particular: Hong Kong, Japan, Malaysia, Singapore, Indonesia, Israel, Dubai, Qatar or Bahrain.

Join our team and help us spread the word about our forestry investments, while you expand and diversify your investment portfolio.

For further information and to apply please email:  
[relations@greenwood-management.com](mailto:relations@greenwood-management.com)

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