

Forest Products Market Update

- a news brief from Wood Resources International LLC

Wood fiber costs for the global pulp industry fell in the 2Q/10 after having increased for 18 months, reports the Wood Resource Quarterly

The global pulp industry benefited from lower wood fiber costs and higher product prices in the 2Q/10. Wood chip and pulpwood prices fell the most in the US, Sweden, Finland, Australia and Eastern Canada. Both the softwood and hardwood wood fiber price indices (SFPI and HFPI) fell for the first time since early 2009, according to the Wood Resource Quarterly.

Seattle, USA. August, 2010. Wood fiber cost, which is by far the largest cost component when manufacturing wood pulp, declined for many pulp producers worldwide in the 2Q/10 in US dollar terms. Hardwood fiber prices (in US dollar terms) fell in the US, Australia, and most countries in Europe. As a result, the Hardwood Wood Fiber Price Index (HFPI) was down 2.3% from the previous quarter to US\$103.37/odmt, but it was still nine percent higher than 12 months ago.

The Softwood Wood Fiber Price Index (SFPI) fell in the 2Q for the first time since early 2009. The SFPI was US\$98.29/odmt, which was down 1.2 % from the previous quarter, but 9.1% higher than the 2Q/09. Softwood fiber prices fell the most in the US, Eastern Canada, Germany, Spain and the Nordic countries, while prices were higher Quarter-over-Quarter in Western Canada, Russia and New Zealand.

The declining wood fiber indices were mostly the result of a strengthening US dollar against most other currencies in the 2Q. In the local currencies, prices of both wood chips and pulpwood actually increased in a majority of the 17 regions tracked by the Wood Resource Quarterly.

With higher pulp production in Western Canada, demand for wood fiber has increased. This has not had a direct impact on fiber costs because wood chip prices are often set based on a formula linked to the market pulp price. In the 2Q/10, chip prices jumped 20 percent from the previous quarter to their highest levels in two years, according to Wood Resources Quarterly. Despite the increase, British Columbia and Alberta wood chip prices are still the lowest in Canada, although the price discrepancy relative to the Eastern provinces is lower than it has been in a very long time.

In the US South, which is the largest consumer of softwood fiber for pulp production in the world, late winter rains caused forest access problems, subsequent wood shortages and price increases in the 1Q/10. However, just as quickly as prices spiked in the 1Q, they dropped in the 2Q when the logging conditions improved. The average price for softwood chip was down over six percent from its all-time high in the 1Q/10.

Global timber market reporting is included in the 52-page publication Wood Resource Quarterly. The report, established in 1988 and with readers in over 25 countries, tracks sawlog, pulpwood, lumber and pellet prices in key regions around the world and also includes regular updates of the latest developments in international timber, pulp, lumber and biomass markets.

Contact Information

Wood Resources International LLC

Hakan Ekstrom

info@wri-ltd.com

www.woodprices.com