

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

Wood pellet exports from North America to Europe were up over 70% in the 3Q/12 year-over-year, reports the North American Wood Fiber Review

Rapid expansion of wood pellet production in both the US South and British Columbia has dramatically increased pellet exports from North America to Europe the past year, according to the North American Wood Fiber Review. In the 3Q/12, total shipments were up 70 percent year-over-year to 860,000 tons. The growth is expected to continue with numerous plans for adding capacity, particularly in the US South.

Seattle, USA. Pellet exports from the two primary pellet-producing regions on the North American continent, the US South and British Columbia, continued to increase in the 3Q/12 and reached a new record of 860,000 tons. Shipments in the 3Q/12 were over 70 percent higher than the same quarter in 2011, according to the North American Wood Fiber Review (www.woodprices.com), which compiles and publishes pellet trade based on customs data and surveys of pellet exporters each quarter. Pellet exports from the US South have skyrocketed the past two years with a quadrupling to 485,000 tons from the 3Q/10 to 3Q/12 to the 485,000 tons. Canadian exports have also gone up the past few years, but at a slower pace.

Beyond the trade statistics tracking the rise of pellet export volumes, another spate of export pellet plant announcements – detailed in the NAWFR – emphasized the quickly growing trade relations that are being established between European power utilities and US pellet producers. The most striking announcement came in mid-December when Drax, a United Kingdom power company, stated its intention to build two 450,000 tons pellet plants, one in the state of Louisiana and one in Mississippi. Most other export-oriented pellet plants, while invested in by European utilities, are separate US-based entities, with supply agreements and MOU's defining the business relationship.

The three major European pellet import countries remain the UK, the Netherlands, and Belgium, while Italy, Denmark and Sweden are notably involved in pellet imports from North America, but on a much smaller scale. Denmark's Dong Energy utility, however, announced its intentions to switch to woody biomass at three of its coal plants, an action likely to add demand from the US Southeast.

Announced US South pellet export plants increased sharply in the 2nd half of 2012. Export pellet facilities, which are under construction, conversion or redesigned will add an additional 1.7 million tons of capacity during 2013, as reported in the NAWFR. In addition to these plants that are already under construction, five additional plants have been announced, and if they are actually built on the disclosed sites, they would bring another 2.3 million tons of capacity into play by the end of 2014.

*The North American Wood Fiber Review has tracked wood fiber markets in the US and Canada for over 20 years and it is the **only publication** that includes prices for sawlogs, pulpwood, wood chips and biomass in North America. The 36-page quarterly report includes wood market updates for 15 regions on the continent in addition to the latest export statistics for sawlogs, wood pellets and wood chips.*

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