

# Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

## **Wood costs for pulp mills and sawmills in Brazil have fallen the past year and are currently among the lowest in the world, reports the Wood Resource Quarterly**

*Pulp mills and sawmills in Brazil became more competitive in 2012, because the costs for the wood raw-material, which accounts for about 70 percent of the production costs, have declined by over 20 percent since 2011, according to the Wood Resource Quarterly.*

**Seattle, USA.** Pulp mills and sawmills in Brazil became more competitive in 2012 mostly thanks to a weakening Brazilian Real. Pine sawlog prices in Brazil, in US dollar terms, fell 22 percent in just one year, and prices in the 2Q/12 have been at a level below where they were just before the financial crisis that hit in 2008, according to the Wood Resource Quarterly ([www.woodprices.com](http://www.woodprices.com)).

In the local currency on the other hand, prices have actually increased steadily and in the 2Q/12 were at their highest levels in over four years. Domestic demand for wood products has been a key driver for the higher log costs. In 2010 and 2011, the local lumber market was strong because of major investments in the housing construction sector in Brazil. This market slowed in 2012, and instead, lumber and plywood exports have slowly picked up steam as those sectors have benefited from the weakening Brazilian Real and the Brazilian forest industry became more competitive in the international market.

With the Real expected to continue to stay weak against the US dollar, market participants are hoping for increased exports of lumber, plywood and value-added products in the coming months. If this scenario actually comes to fruition, demand for sawlogs may go up and log prices will likely move up in both Real and dollar terms.

Although Brazilian pulplog prices have not changed much in the local currency, they have fallen dramatically in US dollar terms as the Real weakened this past year. Eucalyptus pulplog prices in the 2Q/12 were down 28 percent from the same quarter in 2011, while pine pulplog prices declined 26 percent from a year ago, according to the Wood Resource Quarterly (WRQ).

The recent dramatic price reductions of pulpwood have had the result that the wood costs for Brazilian pulpmill now are among the lowest of all regions tracked by the WRQ, as compared to a year ago when wood fiber costs in Brazil were above the Global Wood Fiber Price Indices (SFPI and HFPI). Since wood fiber costs accounted for about 70 percent of the production costs for pulp mills in Brazil in the 2Q/12, the substantial reduction in pulpwood prices has made the country's pulp mills more competitive in 2012 relative to other pulp producers around the world.

*Global timber, pulpwood and biomass 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](http://www.woodprices.com)***

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