

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

Wood costs for the hardwood pulp producers have fallen substantially worldwide the past three years, while softwood fiber costs have remained stable over the same period, reports the Wood Resource Quarterly

Manufacturers of hardwood pulp have seen their wood fiber costs decline the past three years from a record high in 2011, according to the Wood Resource Quarterly. In contrast, producers of softwood pulp have had fairly stable fiber costs with the SFPI index hovering around \$100/odmt the past two years (2012-2014).

Seattle, USA. Wood fiber costs, the major cost component when manufacturing wood pulp, have developed quite differently the past few years for pulp mills manufacturing softwood pulp compared to companies producing hardwood-based pulp. Softwood fiber prices remained relatively stable on a global basis during 2012 and early 2013 when the **Softwood Fiber Price Index (SFPI)** fell to its lowest level in four years, according to the Wood Resource Quarterly (WRQ). Since the 2Q/13, the SFPI has increased about three percent to just over \$100/odmt in the 2Q/14.

Much of the world's softwood pulp production occurs in the Northern Hemisphere where residuals from the sawmilling sector commonly account for a fairly large share of the pulp industry's fiber supply. Strong lumber markets are often good news for the pulp industry in North America and Europe because high lumber production results in an abundance of a relatively inexpensive fiber source.

Wood chips prices have fallen substantially since 2012 in four of the regions of the world where sawmill chips account for a majority of the fiber supply, Japan, Western US, Western and Eastern Canada, resulting in improved competitiveness of the pulp and paper industry in those regions.

Contrary to the trend for softwood fiber prices, hardwood fiber prices have fallen dramatically the past three years, with the **Hardwood Fiber Price Index (HFPI)** coming down from a record high of almost \$118/odmt in 2011 to \$97.01/odmt in the 1Q/14, followed by an increase of 1.8% in the 2Q/14. Some of the biggest price declines have been seen plantation logs in Latin America and Asia.

Eucalyptus pulplog prices in Brazil were slightly higher in Real terms in the 2Q as compared the 1Q/14 because of a hike in labor costs (higher minimum wage) and increased demand for wood fiber. Pulp production in May of this year was 7.6% more than in May 2013. As a result of the weakening US dollar in the 2Q/14, Eucalyptus log prices in dollar terms were up almost 10 percent from the 1Q/14, reports the WRQ (www.woodprices.com). This price increase was the biggest price adjustment in the 2Q/14 of all the WRQ regions producing hardwood pulp.

*Global pulpwood and timber market reporting is included in the 52-page quarterly publication Wood Resource Quarterly (WRQ). The report, which was established in 1988 and has subscribers in over 30 countries, tracks sawlog, pulpwood, lumber and pellet prices, trade and market developments in most key regions around the world. **To subscribe to the WRQ**, please go to www.woodprices.com*

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