

# Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

## Weaker pulp markets have resulted in lower wood chip and pulplogs prices worldwide, reports the Wood Resource Quarterly

*Wood fiber costs, which can account for up to 70 percent of the production costs for a pulpmill, fell in many markets during the 1Q/12, according to the Wood Resource Quarterly. The biggest declines were seen in Western Canada, Europe and Brazil, while Chile, Australia and New Zealand experienced some minor price increases for pulplogs and chips during the quarter.*

**Seattle, USA.** The global pulp market is mired in uncertainty: uncertainty when China will move into buying mode, uncertainty about where the European economy is heading and uncertainty if low spot prices for softwood market pulp will push pulp mills in Europe and North America to take market-related downtime.

In this environment, pulp mills are trying to squeeze their costs to remain competitive and to be able to run at full capacity. Because wood fiber costs currently account for between 52-71 percent of the total production costs depending on region of the world (source: Fisher International), the primary focus in the cost-cutting has been on reducing the price they pay for wood chip and pulpwood prices over the past six months.

This has created the situation in which many fiber suppliers have been forced to accept lower prices for their fiber. As a consequence, wood fiber prices fell throughout the world in the 1Q/12, according to the Wood Resource Quarterly, which caused the two global wood fiber price indices to decline to their lowest levels in over a year. The **Hardwood Wood Fiber Price Index (HFPI)** experienced the biggest decline, falling by 3.5 percent from the 4Q/11 to US\$109.67/odmt. Since its all-time high last fall, the HFPI has come down seven percent in just two quarters. Wood costs were down the most in Europe and Japan. The price premium for hardwood fiber over softwood fiber is currently the lowest since 1Q/11.

The **Softwood Wood Fiber Price Index (SFPI)** fell a more modest 0.4 percent from the previous quarter, which was four percent lower than in the spring of 2011. Softwood fiber price trends were mixed, with increases in Oceania, Chile and the US South and falling prices in Europe, Western Canada and Japan.

Softwood chip prices in British Columbia fell 25 percent from the previous quarter, according to the North American Wood Fiber Review, and are currently 18 percent lower than last fall when prices were at a 16-year high. In Europe, softwood pulplogs prices fell between one and six percent in the local currencies in the 1Q/12 as compared to the previous quarter, are now back down to price levels last seen in 2010.

With continued soft pulp and paper markets during the second quarter, wood fiber costs are likely to continue to weaken in many key markets around the world in the coming months.

*Global pulpwood and timber 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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