

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

Wood costs for the pulp and paper industry declined the past two years, with the 1Q/13 Wood Fiber Price Indices being down 10% from 2011, reports the Wood Resource Quarterly

Prices for wood chips and pulplogs have fallen worldwide the past two years, resulting in lower production costs for the world's pulp and paper industry, reports the Wood Resource Quarterly. Both the HFPI and SFPI price indices have fallen by over ten percent from their peaks in 2011. The biggest declines in wood fiber prices have occurred in Brazil, Canada, the US and Japan.

Seattle, USA. The costs of wood fiber for the world's pulp mills have trended downward the past two years because of reduced pulp and paper production, and in some regions, as a result of higher supply of lower-cost fiber. This trend continued in the 1Q/13 when the Hardwood Wood Fiber Price Index (HFPI) fell by 1.1 percent to \$103.66 per oven-dry metric ton (odmt), which was 12 percent below the all-time high in the 3Q/11, as reported by the Wood Resource Quarterly.

However, the price trends were mixed in the 1Q/13, with hardwood fiber prices lower in Asia and Eastern Canada and slightly higher in Europe and Latin America as compared to the 4Q/12. Eucalyptus pulpwood prices in Brazil have fallen more than in most other regions the past two years, with 1Q/13 prices being down over 30 percent since 2011. This dramatic decline has resulted in Brazilian pulp mills now enjoying the fourth lowest wood fiber costs in the world, behind Russia, the US South and Chile, respectively.

The **Softwood Wood Fiber Price Index (SFPI)** in the 1Q/13 was practically unchanged from the 4Q/12 at \$99.90/odmt. The SFPI has inched downward for seven consecutive quarters and is currently down 8.8 percent from the most recent peak in 2Q/11, according to the WRQ. The biggest changes in the 1Q/13 in US dollar terms were the declines in chip prices in Eastern Canada, Japan, Western Canada and the US Northwest. The biggest increases occurred in France and Germany.

There has been an increased supply of residual chips from the sawmilling sector that has turned up the production levels over the past six months. This is the major reason for the declining prices in Canada and the US. Prices for wood chips in Canada have fallen more than 15 percent in just over a year.

With improved markets for softwood lumber in the US, it is likely that the availability of lower-cost wood fiber for the pulp industry throughout North America will continue through the rest of 2013 and into 2014.

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

*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***

Contact Information

Wood Resources International LLC

Hakan Ekstrom

info@wri-ltd.com

www.woodprices.com