

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

Wood costs for the global pulp industry have increased 17 percent the past two years; only the US South has bucked the trend, reports the Wood Resource Quarterly

Global market pulp production increased by seven percent in 2010, which increased demand for wood raw-material. As a result, prices for wood chips and pulplogs were up in most regions of the world, according to the Wood Resource Quarterly. The Softwood Wood Fiber Price Index (SFPI) has increased 16.5 percent the past two years, while the Hardwood Wood Fiber Price Index (HFPI) went up 17.7 percent.

Seattle, USA. Global pulp production in the second half of 2010 was higher than many had anticipated, and pulp markets were better than they had been the first six months of the year. The total production of chemical market pulp last year reached an estimated 45 million tons, which was about seven percent more than was produced in 2009. North America and Western Europe increased production by 10 percent and 12 percent, respectively, while Latin America/NZ reduced production slightly. Other regions including Asia, Africa and Russia also raised production in 2010.

High demand for wood raw-material by the pulp industry pushed the costs for wood fiber upward in the second half 2010, as reported in the Wood Resource Quarterly. Softwood chips and softwood pulplog prices were higher in most key markets around the world in the 4Q/10. As a consequence, the Softwood Wood Fiber Price Index (SFPI) increased for the third consecutive quarter. The Index reached US\$103.60/odmt, which was the highest level since the beginning of the financial crisis, and the SFPI is now 16 percent above the 1Q/09 price. The biggest price increases in the 4Q/10 occurred in the US Northwest, Sweden, Spain and Brazil.

The Hardwood Wood Fiber Price Index (HFPI) has gone up faster than the SFPI since early 2009. The 4Q/10 Index was US\$108.28, which was up 3.4 percent from the previous quarter and almost 18 percent higher than 1Q/09. The HFPI has only been higher twice since its inception over 20 years ago. Pulp mills in Germany, Spain, France and Brazil all had to pay more for hardwood logs in their local currencies. In addition, the US dollar weakened against most currencies and therefore contributed to a higher Price Index

One of the few regions that experienced reductions in wood fiber costs in 2010 was the US South, with 4Q prices being about 10 percent lower than in the 1Q. Wood prices in the South were the lowest in all of North America in the 4Q/10, and pulp mills in this region have benefited from some of the lowest wood fiber costs in the world.

Global timber market reporting is included in the 52-page quarterly publication Wood Resource Quarterly. 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.

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