North American Wood Fiber Review

September, 2010

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The Pulpwood and Biomass Market This Quarter

July – September, 2010

Healthy pulp and paper production drives wood fiber prices upward in the West

Market pulp and linerboard product lines continued to command high prices, nudging fiber costs higher in the West in the 3Q, for two main but different reasons. In the Pacific Northwest, where pulpmills have historically relied on ample residual sawmill chips, lumber production was once again been curtailed, drying up a brief surge in residual chips, and signaling fiber buyers that they will have to increase the whole log chip component as 4Q and 1Q/2011 loom.

In Western Canada, wood fiber prices continued to rise for a fundamentally distinct reason. Due to formula agreements where residual chip prices are tied to prices for market pulp, prices for wood chips in Alberta and British Columbia have risen over 30% from 3Q/09.

In addition the large fiber cost increases seen in Western Canada have brought Ontario and Quebec wood fiber prices much closer in parity. The differential, normally over C$25/green ton higher, has shrunk to within C$5-10/green ton, a dramatically change in the norm.

U.S. housing starts continue to languish

Lumber production remains a critical first level process for the entire North American forest products industry. For pulpmills, the sawmill sector provides a less expensive residual chip supply, and “come along” pulpwood logs derived from sawlog production. Western pulpmills in particular have been built around an abundant residual chip supply, and many integrated Eastern Canadian forest products companies have relied on their sawmill facilities to fuel their pulpmills. Sawdust and shavings are the raw fiber of choice for the composite board and domestic pellet sectors.

Unfortunately, U.S. housing starts, at the heart of both Canadian and U.S. lumber operations, continued at an annualized pace of just over ½ million units in 2010. Housing sales recorded a near record low of 276,000 annualized in July. A recent report regarding the unsold inventory of foreclosed houses stated that the foreclosure rate in the U.S. lead by the states of Nevada and Florida was a record for three of the previous five months. With “home seizures,” “default notices,” “foreclosure auctions” and “price depreciation” the apparent new lexicon for the housing industry, most sawmills across the continent have once again curtailed operations to levels found early in 2010.

Lumber export to China and other Pacific Rim countries emerges as a small but positive alternative

With British Columbia leading the way, both West Coast U.S. and Canadian lumber shipments have increased in 2010. Increased shipments to China and Japan pushed BC lumber production up over 20% this year compared to last, and Pacific Northwest mills up over 12%. In comparison, Southern U.S. lumber production was down a little under 4% from a year ago.

Southern U.S. wood fiber supply and demand return towards balance

The U.S. South balance of pulp fiber supply and demand has re-emerged, leading toward more traditional wood fiber prices after strong shortages in the first half of the year. Once again, fiber costs in the U.S. South are the lowest on the continent.

Biomass markets work through surplus supplies

In spite of an over abundance of woody biomass at the beginning of 3Q, left over from the largely BCAP-driven operations in the first half of the year, prices in most regions are stabilizing at pre-BCAP levels. New wood-to-energy projects at existing forest industry facilities continue to expand woody biomass utilization which has implications for future prices.

North American Wood Forest Industry Update

July – September, 2010

China log exports and mill acquisitions continue on the West Coast

Log exports from Canadian and U.S. West Coast ports continued strongly in the 3Q, providing some helpful cash flow to forestland owners and contractors, as well as creating some additional pulplog supplies for domestic use.

Sinar Mas, through its subsidiary Paper Excellence has announced the anticipated acquisition of one pulpmill in coastal British Columbia, and started up an earlier acquisition in BC's northern interior. In both cases, much of the finished pulp products are headed back across the Pacific for domestic Chinese utilization.

Sinar Mas has also opened up a North American headquarters office in Virginia, from where its subsidiary Mercury Paper will operate. The East Coast announcement has proved controversial, as the company's operations in various parts of the world have been criticized for their environmental impacts. In British Columbia, the new ownership has been met positively. These continued moves into North America signal, some observe, a coordinated effort to improve the company's image, standing, and practices.

Pulp and Paper companies continue restructuring

In the 3Q, Smurfit Stone emerged from bankruptcy; Abitibibowater borrowed funds to emerge from bankruptcy; and White Birch Paper was searching for buyers and investors to emerge from the same.

Two pulpmills in Ontario, St Mary's Paper and Terrace Bay are promising to restart; Tembec's lone mill in Manitoba was shuttered, and Patriarch Partners was observed eying Katahdin Paper Co. LLC mills in Millinocket and East Millinocket, Maine. Brooksfield Asset Management, with headquarters in Toronto and the parent company of Patriarch Partners, is an example of the growing number of REITs owning substantial manufacturing facilities. With Weyerhaeuser anticipated to become a REIT by the end of this year or early next, one of the final large publicly held companies with timberlands will have made the transition. These companies' primarily timber-based perspective will strengthen a favorable perspective towards the potential of new wood consuming customers from the wood-to-energy sector.

Along California's North Coast, efforts to revive the lone remaining California pulpmill were heartened early in 3Q, when Freshwater Tissue Company (FTC) in Samoa received a crucial water quality permit in late July. Yet by early September, the local newspaper reported that the search for investors was not proving successful, and that a future restart was increasingly unlikely. Remaining North Coast sawmills are concerned how to value and market residuals if this closure is permanent.

The Weyerhaeuser pulp mill in Cosmopolis Washington, closed since 2005, was acquired in mid September by a private equity firm, The Gores Group, LLC. The dissolving wood pulp mill, producing viscose and acetate as its primary products, will operate under the name of Cosmo Specialty Fibers, Inc. The mill consumed an approximate 400mbdts annually when last operated.

LEED under increasing pressure to recognize additional credible certification standards

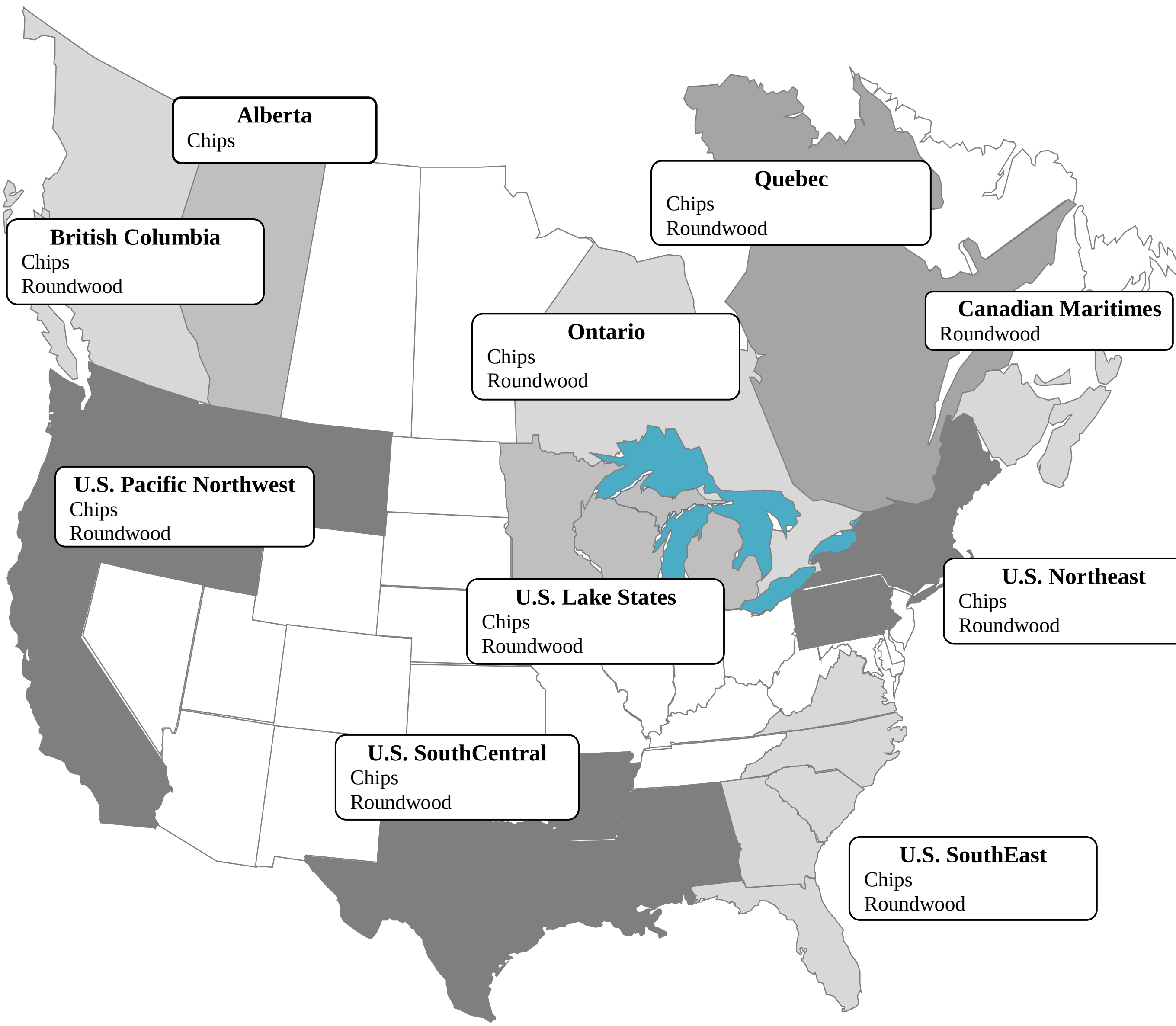
In a development with significant potential impact for North American timberland owners, 79 U.S. Congressional members and 10 Governors have written to the US Green Building Council, urging the organization to recognize additional forest certification systems - SFI, PEFC, ATFS, and CSA. The apparent campaign to pressure the USGBC to recognize systems besides FSC, also elicited wide support from international forestry groups.

Three quarters of certified forests in NA are certified to standards not recognized by USGBC.

North American Wood Fiber Review

Softwood Fiber Costs in North America

Third Quarter 2010



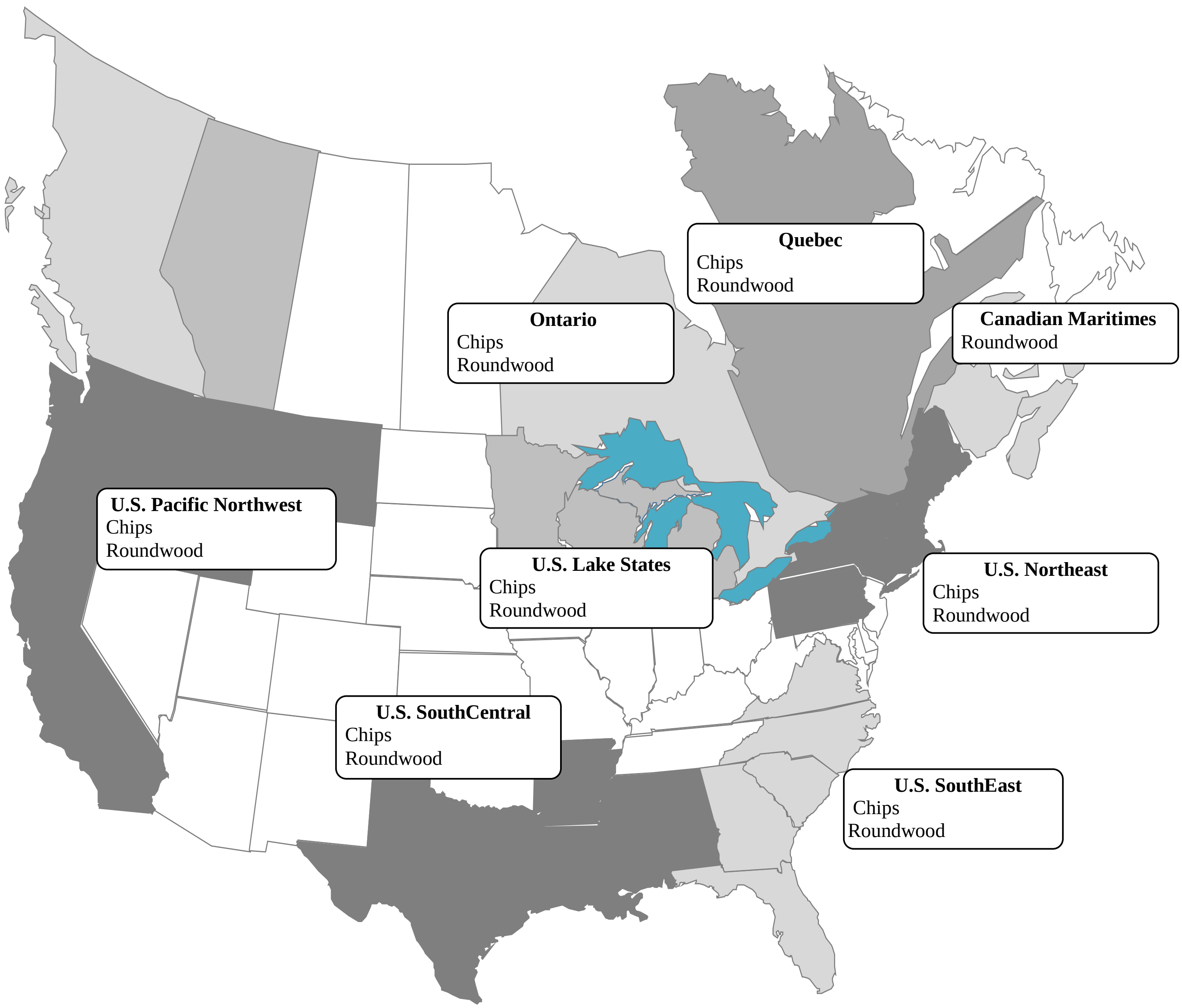
Notes:
Units in US$/odmt (delivered). 1odmt (oven-dry metric ton) equal to 1.102 short tons or 2204 lb.
Roundwood prices are delivered to pulpmill or chipping facility.
Chip prices are for residual chips and do not include chips manufactured by roundwood
Exchange rate: Can$1.04/US$ (Average 3Q/2010)

Sources:

US – Lake States	WRI sources and the Timber-Mart North published by Prentiss & Carlisle Management Co.
All other regions	Data collected by Wood Resources International and WRQ sources.

Hardwood Fiber Costs in North America

Third Quarter 2010



Notes:
Units in US$/odmt (delivered). 1odmt (oven-dry metric ton) equal to 1.102 short tons or 2204 lb.
Roundwood prices are delivered to pulpmill or chipping facility.
Chip prices are for residual chips and do not include chips manufactured by roundwood
Exchange rate: Can$1.04/US$ (Average 3Q/2010)

Sources:

US – Lake States	WRI sources and the Timber-Mart North published by Prentiss & Carlisle Management Co.
All other regions	Data collected by Wood Resources International and WRQ sources.

Wood Fiber Costs in North America

Third Quarter 2010

	Wood Chips			Roundwood		
	Avg	Min	Max	Avg	Min	Max
	US$/odmt (delivered)			US$/odmt (delivered)		
Softwood						
U.S.						
Northwest						
Lake States						
Northeast						
South East						
South Central						
Canada						
British Columbia						
Alberta						
Ontario						
Quebec						
Maritimes						
Hardwood						
U.S.						
Northwest						
Lake States						
Northeast						
South East						
South Central						
Canada						
Ontario						
Quebec						
Maritimes						

Notes:
All prices in US dollars in US$/odmt (oven-dry metric ton). 1 odmt equal to 1.102 short tons (dry weight) or 2204 lb.
Roundwood prices are delivered to pulpmill or chipping facility.
Chip prices are for residual chips and do not include chips manufactured from roundwood.
Exchange rate: Can$1.04/US$ (Average 3Q/2010)

Sources:

U.S. – Lake States	WRI sources and the Timber Mart-North published by Prentiss & Carlisle Management Co.
All other regions	Data collected by North American Wood Fiber Review and Wood Resource Quarterly.

Wood Fiber Costs in North America

3Q/09 - 3Q/10

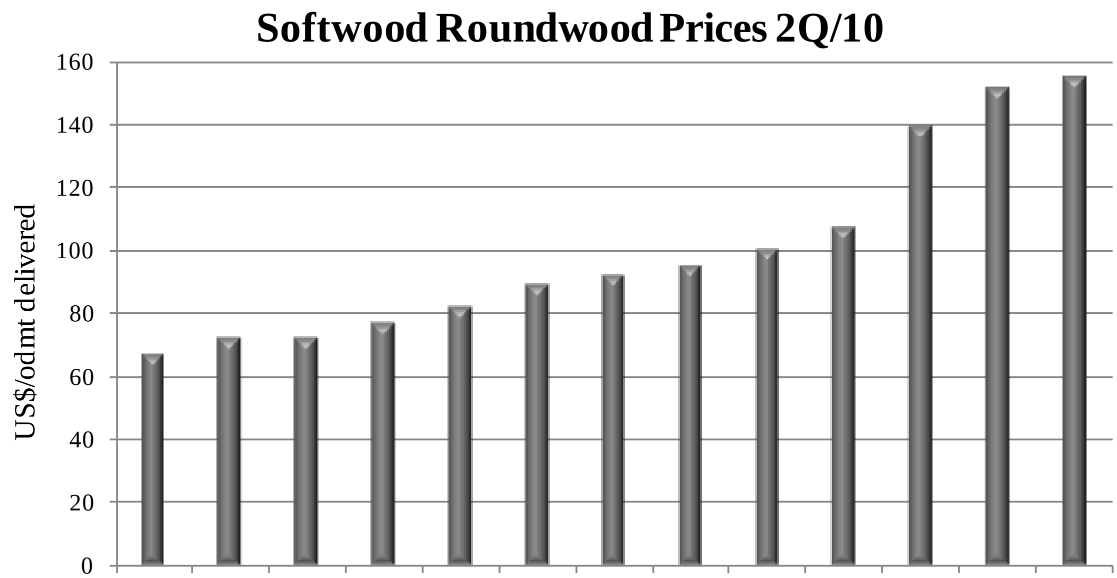
	Wood Chips US$/green tons (delivered)						**Roundwood** US$/green tons ob (delivered)					
	3Q/09	4Q/09	1Q/10	2Q/10	**3Q/10**	**Change** y/y (%)	3Q/09	4Q/09	1Q/10	2Q/10	**3Q/10**	**Change** y/y (%)
Softwood												
U.S.												
Northwest												7
Lake States												10
Northeast												-4
South East												7
South Central												8
Canada												
British Columbia												7
Alberta												na
Ontario												-2
Quebec												3
Maritimes												4
Hardwood												
U.S.												
Northwest												3
Lake States												4
Northeast												19
South East												4
South Central												4
Canada												
Ontario												4
Quebec												3
Maritimes	.											11

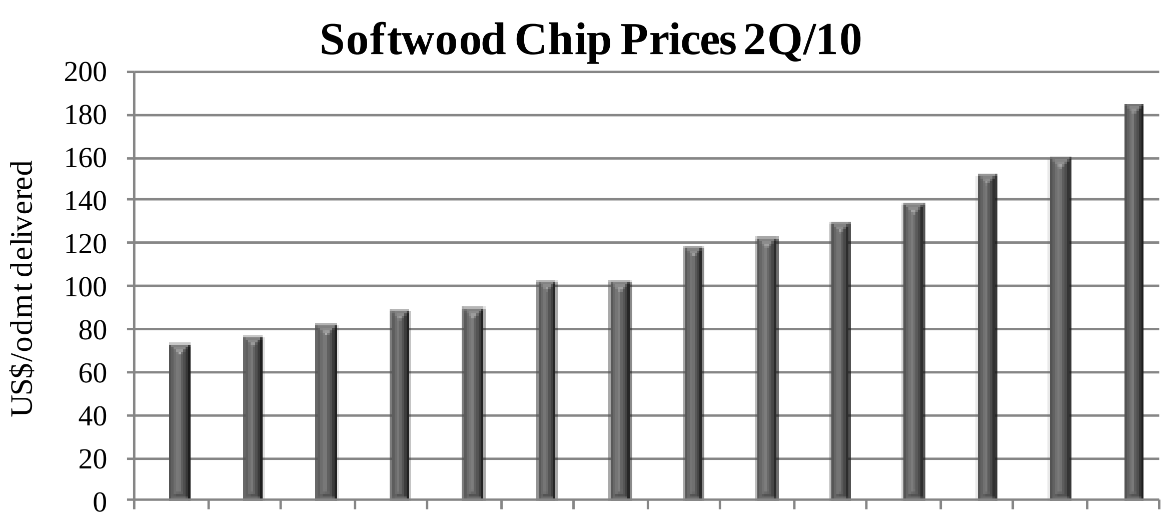
Notes:
All prices in U.S. dollars per green tons (2000 lbs) or equal to 0.907 metric tonnes
Roundwood prices are delivered to pulpmill or chipping facility.
Chip prices are for residual chips and do not include chips manufactured from roundwood.
Exchange rate: Can$ 1.04/US$ (average 3Q/2010).

Sources:

U.S.-Lake States	WRI sources and the Timber Mart-North published by Prentiss & Carlisle Management Co.
All other regions	Data collected by North American Wood Fiber Review and Wood Resource Quarterly.

Regional and National Roundwood Pricing





Sources:
Data collected by North American Wood Fiber Review and Wood Resource Quarterly

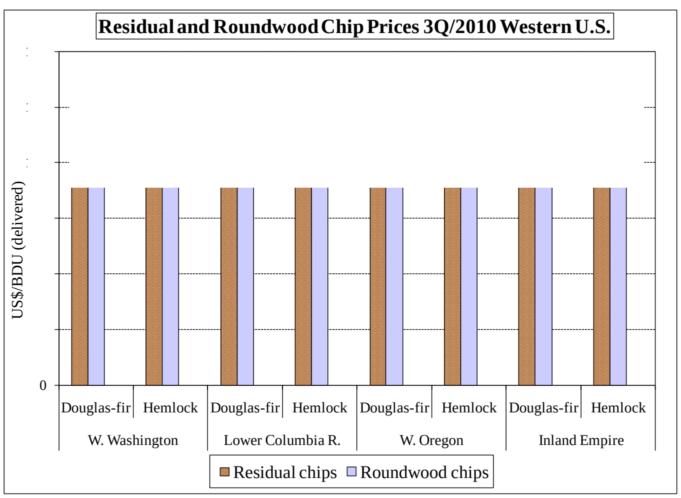
Western US Wood Fiber Market Update

July – September, 2010

Average wood fiber prices beginning to climb as residual chips dry up

After the 2Q surge in lumber production, the pipeline of inventory needs apparently filled up, and a realism of the fundamentals returned: a housing market mired in high foreclosure rates, high unemployment, and depressed home prices keeping millions of homeowners in their "underwater" mortgage condition. One newspaper account stated that sawmills were facing a "depression" – a once in a century situation – that has few bright linings in the near future. While perhaps overstated, most sawmills have returned to a disciplined, minimal production strategy, which has resulted in a shrinkage of the briefly healthy supply of residual wood chips.

Residual chip prices as a result rose five % from 2Q while whole log chips rose seven % as buyers look towards winter needs.



As the 3Q drew to a close, fiber buyers were beginning to seriously review and revise their strategies for obtaining adequate fiber supplies in 4Q, and the 1st quarter of 2011. Western inventory levels are 38% lower than 1 year ago, and with sawlog demand low from the sawmill sector, any significant volume of pulplogs produced along with sawlogs will be scarce. As a result, buyers are wondering how exactly sufficient pulplogs will be produced over the next six months to counter what will likely be an increase in the percentage of whole log chips needed in order to meet the needs of a continuing healthy pulp and paper market.

The search for adequate fiber supplies for the next quarter also begins from an unusually low regional inventory. WRI's quarterly inventory figures show a 38% drop from 3Q-09. The average days of inventory shown on FRA's inventory graph is only possible due to very low consumption during the 3Q due to various outages, and a number of newsprint mills in various levels of market stress.

Pellet and composite board industry segments continue facing challenging markets

Pellet plants returned to the market in the 3Q providing some baseline support for sawdust in most sub-regions. Sawdust prices on average were up $4/BDT from 2Q. However, there seemed to be subdued enthusiasm for the upcoming winter season with natural gas prices still low, and new pellet facilities coming on line.

The composite board industry, another normal outlet for sawmill residuals, continued in disarray hurt by the low level of housing construction. Shavings were down from 2Q by nearly $5/BDT. The result of both of these segments mired in difficult market circumstances was several reports of sawdust and shavings being fed to the boilers as hogfuel in specific localities.

China log exports provide some positive activity

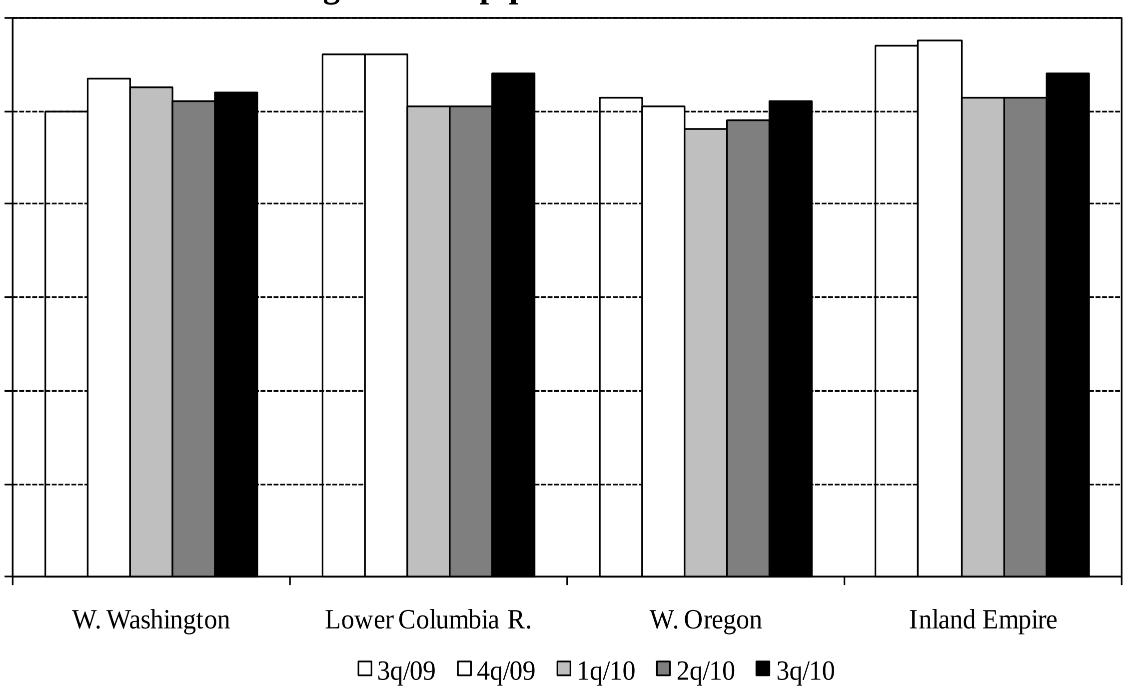
In spite of the drop off in log demand for the Western sawmills, Chinese demand for low to modest quality logs continued, providing a noticeable alternative cash flow to forest timberland owners. The demand for export logs headed to China reached as far south as California's north coast, with one load being developed at the Port at Humboldt Bay.

Wood Chip Prices - Western U.S.

July – September, 2010

	Douglas-Fir		Hemlock		Cedar		Hardwood	
	Ave	Range	Ave	Range	Ave	Range	Ave	Range
Washington								
Northwest (Puget Sound)								
Lower Columbia River								
(SW WA + NW OR)								
Oregon								
(Willamette Valley)								
Inland Empire								
(E. Washington, Idaho)								
US West, weighted average								

Douglas-fir chip prices in Western U.S.

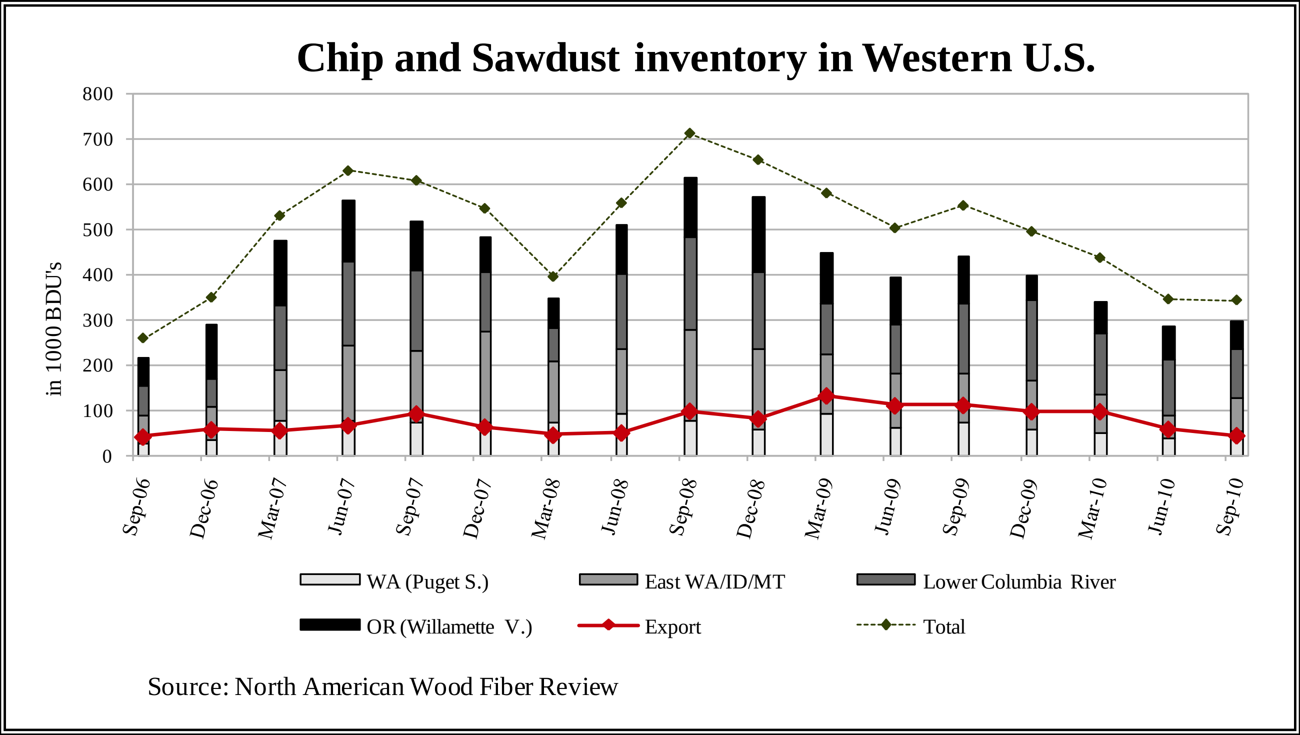


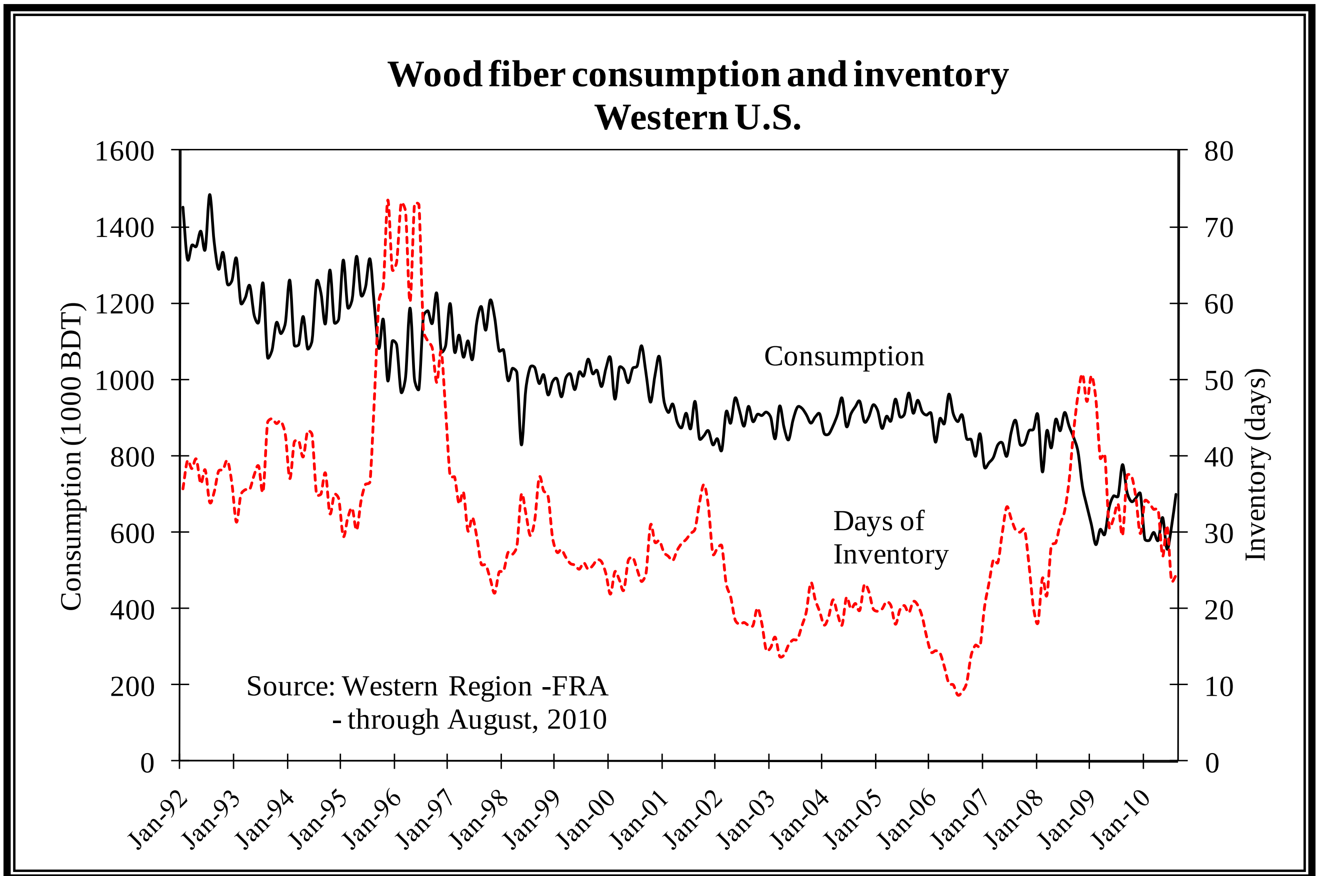
Notes:
Wood chip prices in above table and graph include both residual chips and chips manufactured from roundwood.
Prices are in US$/BDU delivered to domestic pulpmills. 1 BDU = 2400 lb. = 1.09 metric ton (dry weight)
1 BDU = 1.2 BDT

Western US Wood Chip Inventories

Company	Location	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10
Blue Heron Paper Co.	Oregon City, Or					
Boise Cascade Corp.	Wallula, Wa					
Cascade Pacific Pulp LLC	Halsey, Or					
Clearwater Paper Corp.	Lewiston, Id					
Georgia Pacific Corp.	Camas, Wa/Wauna, Or Toledo, Or Coos Bay, Or					
Inland Empire Paper Co.	Spokane, Wa					
International Paper	*Albany, Or* Springfield, Or					
Kimberly Clark	Everett, Wa					
Longview Fibre Co.	Longview, Wa					
Nippon Paper Industries	Port Angeles, Wa					
Oregon Chip Terminal	Coos Bay, Or					
Ponderay Newsprint Co.	Usk, Wa					
Port Townsend Paper	Pt Townsend, Wa					
Roseburg Forest Products	Coos Bay, Or					
Simpson Paper Co.	Tacoma, Wa					
Smurfit-Stone Container	*Missoula, Mt*					
SP Newsprint Co.	Newberg, Or					
Weyerhaeuser Co.	Longview, Wa					
TOTAL Western U.S.	**(in 1000 BDU)**	**552**	**494**	**436**	**344**	**342**
Change Y/Y (%)		-23	-24	-24	-32	-38

Note: Inventories in the above table include both chips and sawdust


Chip and Sawdust inventory in Western U.S.
in 1000 BDU's
0
100
200
300
400
500
600
700
800
Sep-06
Dec-06
Mar-07
Jun-07
Sep-07
Dec-07
Mar-08
Jun-08
Sep-08
Dec-08
Mar-09
Jun-09
Sep-09
Dec-09
Mar-10
Jun-10
Sep-10
WA (Puget S.)
East WA/ID/MT
Lower Columbia River
OR (Willamette V.)
Export
Total
Source: North American Wood Fiber Review


Wood fiber consumption and inventory
Western U.S.
Consumption (1000 BDT)
Inventory (days)
0
200
400
600
800
1000
1200
1400
1600
0
10
20
30
40
50
60
70
80
Consumption
Days of
Inventory
Source: Western Region -FRA
- through August, 2010
Jan-92
Jan-93
Jan-94
Jan-95
Jan-96
Jan-97
Jan-98
Jan-99
Jan-00
Jan-01
Jan-02
Jan-03
Jan-04
Jan-05
Jan-06
Jan-07
Jan-08
Jan-09
Jan-10

UTILITY LOG PRICES – Western U.S.
July – September 2010

US$/green ton (delivered)

	Douglas-fir		Hem-fir		Hardwood	
	Ave	Range	Ave	Range	Ave	Range
Washington, West						
Lower Columbia River (SW WA + NW OR)						
Oregon, West						
Inland Empire						
Weighted Average						

RESIDUE and BIOENERGY PRICES – Western U.S
July - September 2010

US$/BDT (delivered)

	Sawmill				Woody Biomass			
	Shavings		Sawdust		Mill		Forest	
	Ave	Range	Ave	Range	Ave	Range	Ave	Range
Washington, West								
Lower Columbia River (SW WA + NW OR)								
Oregon, West								
Northern California								
Inland Empire								
Weighted Average								

Note:
1BDT equivalent to 2000 lb or .907 metric ton

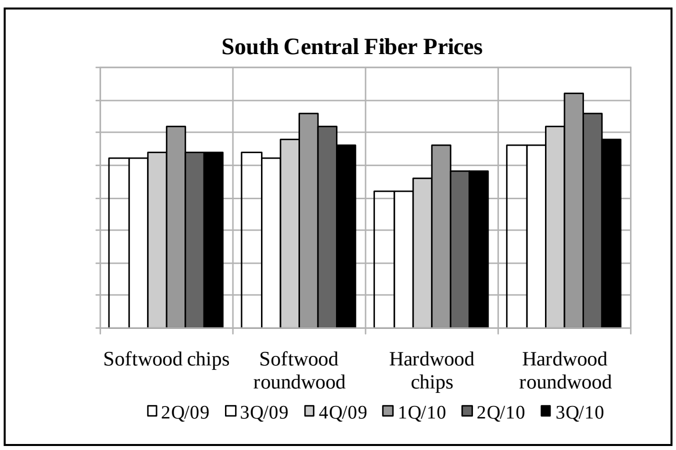
US South Wood Fiber Market Update

July – September, 2010

Wood fiber prices drop back towards "normal"

Across the U.S. South, wood fiber prices have generally returned to historical norms after the 1Q spike due to wet conditions, along with a lingering affect into the 2Q. However, logging capacity continues as a debatable issue. For some mill woody buyers, the perception of a shortage in capacity has resulted in a change in attitude. And as a consequence an early buildup of inventories is being noted among mills not wanting a repeat of shortages experienced last year. At the same time, other mills discount any repercussions, observing that if a shortage truly develops, new capacity will likely fill the vacuum.

Both softwood and hardwood fiber prices have fallen in the South Central this year but are still higher than the same quarter last year (See graph). Softwood chip prices averaged $ /ton in the 3Q/10, down from $ /ton in the 1Q/10. Pulplog prices, both softwood and hardwood, having fallen substantially the past nine months were almost 20 percent lower in the 3Q than early in the year.



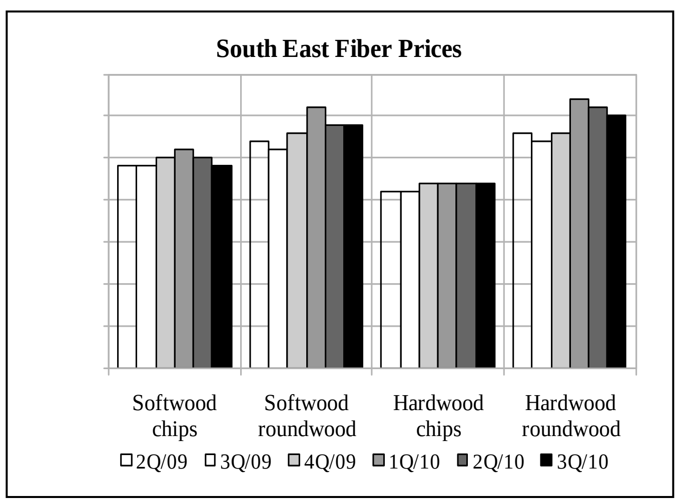
Commercial timberland acreage being closely watched

The fundamental component of the South's vibrant forest products industry – its timberland base – surfaced in the news in early September. Alabama's Forestry Commission issued a report, Forests at the Crossroads, concluding that the state may be at a tipping point between losing acres to urban development and acres being regained from agricultural lands reverting to timber. The report shows that Alabama lost 225,000 net acres of forest between 2000 and 2008 (it does not take into account the recent economic slowdown).

New wood fiber consumption for Mississippi

While there is no immediate impact on South Central wood fiber prices, nevertheless two new ventures in Mississippi are worth noting. KiOR, based in Pasadena, Texas, announced plans in August to open several production plants in the state, converting wood to a "renewable crude oil." Bluefire Ethanol, based in Irving, California, received word from the U.S. Department of Energy that it had passed the requirements to receive a loan on top of a grant already given. Its plant in Fulton MS is being designed to produce 19 million gallons of ethanol each year using woody biomass, mill residues and other cellulosic waste.

In the Southeast, softwood roundwood prices have not fallen in many regions, as they would typically duel in the 3Q. One reason is the expected increase from new wood fiber consumers in the region. Softwood roundwood remained at $ /ton, up from $ /ton a year ago.



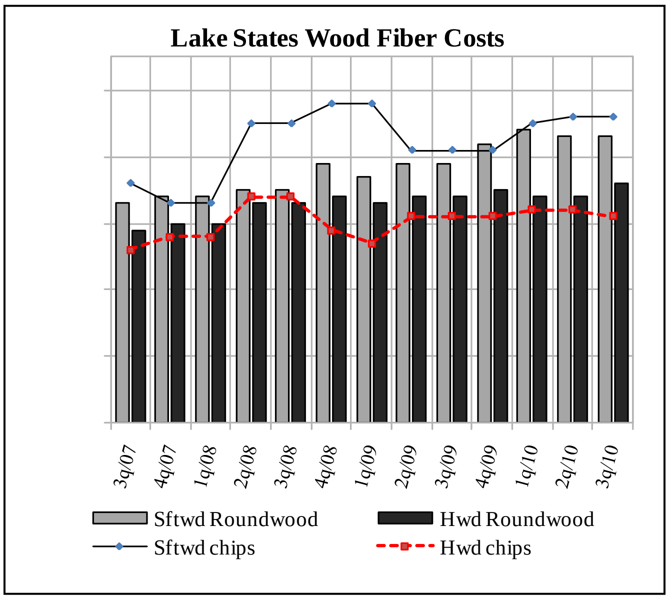
Lake States - Northeast Wood Fiber Market Update

July – September, 2010

Relatively stable, balanced fiber supply and demand this summer in the Lake States

A return to a more normal wetter summer in Lake States – in contrast to the previous dry seasons – put some pressure on hardwood supplies, but overall not significant enough to generate concerns for most fiber buyers.

Hardwood stands were a little more difficult to access due to the wetter conditions, raising hardwood roundwood prices 1$/ton from 2Q. However, in most cases, the rise in averages was due to a larger average distance and higher delivered costs rather than contract increases. Still, hardwood inventories are reported low overall at pulpmills as fall approaches.

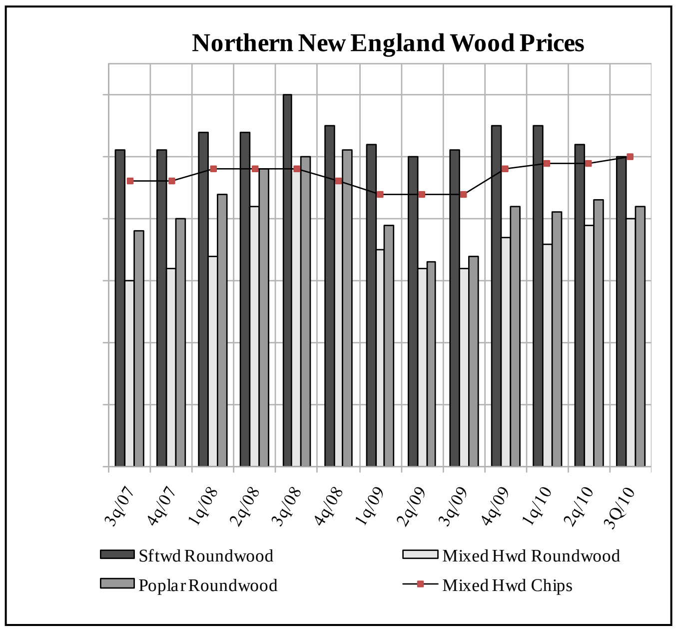


OSB plants in the Lake States, under pressure from poor home construction rates, were not pushing hardwood rates upwards themselves.

One significant change of private timberland ownership occurred this quarter with the sale of approximately 29,000 acres owned by Potlatch to RMK Timberlands, a smaller, though significant U.S. TIMO based out of North Carolina.

Northeast experiences excellent summer harvesting conditions

In contrast to the Lake States, the Northeast effectively ended its regional 2Q shortage and concern over hardwood supplies with what most fiber buyers and contractors called an excellent summer operating season. Good access to all sites, allowed hardwood supplies to regain balance after earlier shortage. Indeed, some hardwood fiber buyers were coping with more hardwood than needed, allowing them to contemplate pushing prices down. Pulpwood harvesting activities in New York, Pennsylvania – a unique subregion of the Northeast – returned as well to normal, low volume production levels.



Nevertheless, there has been some interest noted among mills for increasing their softwood consumption if possible, noting the decreasing discrepancy between hardwood and softwood pricing.

The 3Q story of Northeast OSB plants and pellet mills, as in the Lake States, is one of wrestling with poor markets and reduced production rates, surviving until another day.

Canadian Wood Fiber Market Update

July – September, 2010

Western Canada chip prices continue climb due to ties to pulp product prices

BC and Alberta wood chip prices increased again in the 3Q, due to their formulae ties to high pulp prices, though not as dramatically on a quarter to quarter basis as that from 1Q to 2Q. Softwood chip prices increased another $1/green ton in BC, and $5/green ton in Alberta in 3Q, bringing prices up 38% and 37% higher than one year ago respectively. With NBSK pulp prices now beginning their descent, softwood chip prices will follow after the formula lag in timing. Most formulae tieing the two are based on a rolling average of the previous three months of pulp prices, or some variation of the previous quarter. While thus being a lagging indicator, the formula provides a stabilizing influence of where wood fiber prices will go in the near future.

Interior BC mills – inventory and pricing typically without formula

A noticeable gap in wood chip pricing has developed across BC, primarily due to the Southern interior mills orientation to market valuation of chips, and their ability to reach into the U.S. West for supplies. Hem/fir wood chips are C$ /BDU lower from either the northern interior or the Coast itself, and actually dropped $C6/BDU for SPF from 2Q, perhaps influenced to some degree by the lingering readjustment in Western Montana, Eastern Washington, and Northern Idaho from the 1Q closure of Smurfit Stone's mill in Montana.

BC Coast wood fiber prices climb more slowly

Chip prices on the BC Coast continued to climb, albeit at a slower pace than earlier quarters. The cost of hem/fir chips, at $C /BDU at the bin, is 25% higher than one year ago. The price puts particular pressure on those mills whose primary product is not NBSK market pulp, but who have to pay wood fiber market rates regardless.

Wood chip exports price negotiations extended

3Q pricing for exported softwood chips (all around the Pacific Rim) had not been settled by mid September, from all sellers along the West Coast. The absence of settlements reflects pricing fluidity due to exchange rates, uncertain economic growth in Japan, and the still to be deciphered impact of Chinese demand. Notwithstanding the small matter of price, export volumes continue at a healthy rate compared to 2009.

Eastern Canada continues to work through with mill closures and uncertain restarts

The forest products industry in Ontario and Quebec continues to work through older mill closures, though two re-starts at St Mary's Paper and Terrace Bay Pulp in Ontario may be signaling a new competitive balance has been reached in that Province. If both restarts are successful, they would create an additional 700,000 odmt of demand back into the market equation.

Also in Ontario, EACOM with its seven sawmills, equity in an eighth, and remanufacturing facilities introduces a new dynamic of independence into the market at one time dominated by integrated companies operating in Ontario. The sawmills have an annual production capacity of approximately 890 million board feet and an annual allowable cut of 3.5 million cubic metres of timber.

Average softwood fiber prices continued to fall in the 3Q, chips down $US4/green ton from 4Q 2009, and $US3/green ton in roundwood. Quebec softwood fiber prices, also fell, $US6/green ton for chips, with a $US1/green ton for roundwood. Hardwood prices in both provinces remained steady.

Maritime pricing drifts lower

Maritime softwood roundwood prices have dropped $2/green ton from their peak in 1Q 2010, and hardwood roundwood prices have held steady the past two quarters.

Canadian Forest Industry Update

July – September, 2010

BC continues growth of Pacific Rim trade

Recent reports on the growing BC-China forest products trade have often concentrated on the large volumes of lower grade logs being exported. However, lumber volumes too have grown, in fact nearly quadrupling over the past four years. Now, higher value lumber is increasingly in the mix, brightening the outlook for sawmill profitability and continued production. The original catalyst was the large amount of relatively low value lumber available in the Interior which filled China's needs for construction forms in particular, and that material remains the dominant product category.

The orientation to China and other Pacific Rim markets includes converting machinery and software to metric measurements, rather than feet and inches in the U.S. market. Several mills have made the conversion and others are likely. The longer term dynamic is that the lumber does not enter the U.S. market contributing to supplies not needed, while at the same time, chip and other residuals become available for other uses.

Chinese acquisition of Western pulpmills

Two pulpmills in Western Canada are now owned by Sinar Mas subsidiaries (the Meadow Lake pulp mill in Saskatchewan, and the newly reopened MacKenzie mill in British Columbia's interior), and a third is on the way, with the announced acquisition of Howe Sound Paper on the BC coast. The expectations are that more companies in Asia will show interest in the acquisitions of processing plants not only in British Columbia but also in other regions of North America.

Interior BC faces further restructuring

A July report by Central 1 Credit Union predicted up to another 11,000 forest industry jobs in BC's interior could be lost over the next 16-18 years, as fiber loss due to decay continues, and gaps open up in merchantable size classes from salvaged stands.

The BC forest minister challenged that analysis in early August, noting that infestation rates were lower around the margins of the epicenter, that the "shelf life" of dead timber was proving to be longer than first feared, and that by readjusting economical truck cycle times to the mill along with counting hectares with lighter volumes, extra fiber supplies could be factored in. In either case, further significant changes in lumber and pulp yields lie ahead, as well as shifts in allowable cuts.

Wildfire-related harvest curtailments and concerns end in the West as rains return

On BC's Vancouver Island, loggers returned to a normal work week in the woods as the primary wildfire season came to an end with early September rains. BC's interior regions, very exposed to catastrophic wildfire due to the dominance of dead timber stands, were also pleased to see the return of fall rains as vigorous salvage operations continue. As it was, the BC interior experienced above average wildfire activity, creating a seriousness to each summer season.

Maritime Provinces examine forestry issues

In Nova Scotia, a final report of forest management guidelines found the province's forests as "stressed by unsustainable practices," and recommended significant regulatory changes to restore ecological health. However, the overall finding was divided, as experts producing the report could not agree, and ended up issuing their own dissenting versions.

In New Brunswick, the shrinking forest products industry has become an issue in the province's elections set for September 27. How to deliver support, and how much exactly are being debated.

In both cases, political uncertainties, promises, and expectations "cool" the climate for strong investment, even though Maritime roundwood prices, both hardwood and softwood, are the lowest of all Canadian provinces by significant margins.

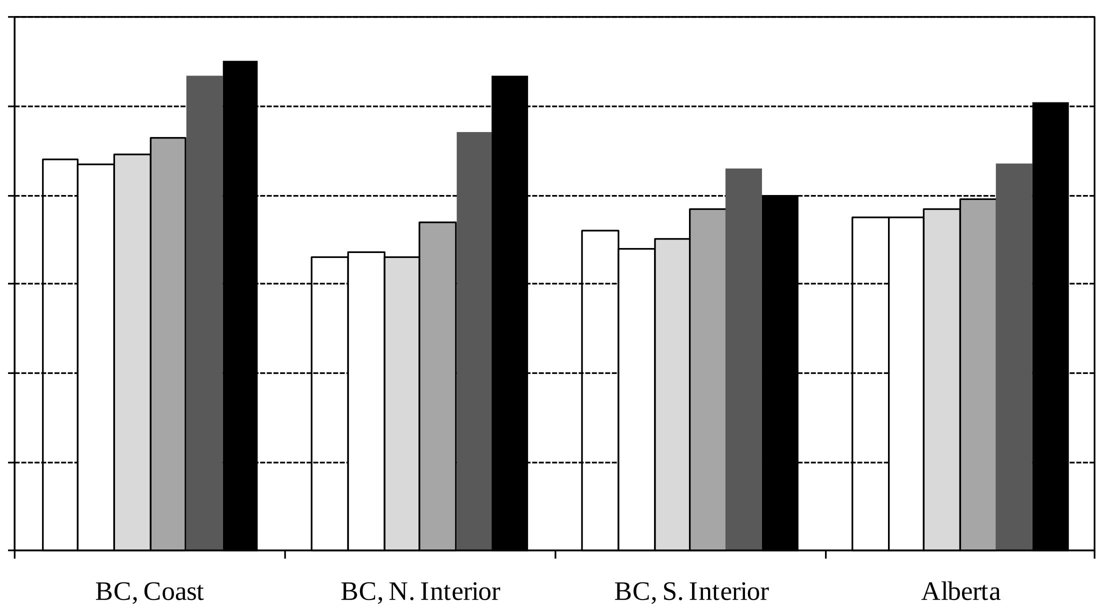
Wood Chip Prices - Western Canada
July – September, 2010

RESIDUAL WOOD CHIP

Can$/BDU (FOB sawmill)

	Douglas-Fir		Hem-fir		Spruce/pine/fir		Cedar	
	Ave	Range	Ave	Range	Ave	Range	Ave	Range
British Columbia								
North Interior								
South Interior								
Coast								
Alberta								
British Columb								
North Interior								
South Interior								
Coast								

RESIDUAL WOOD CHIP PRICES - Western Canada



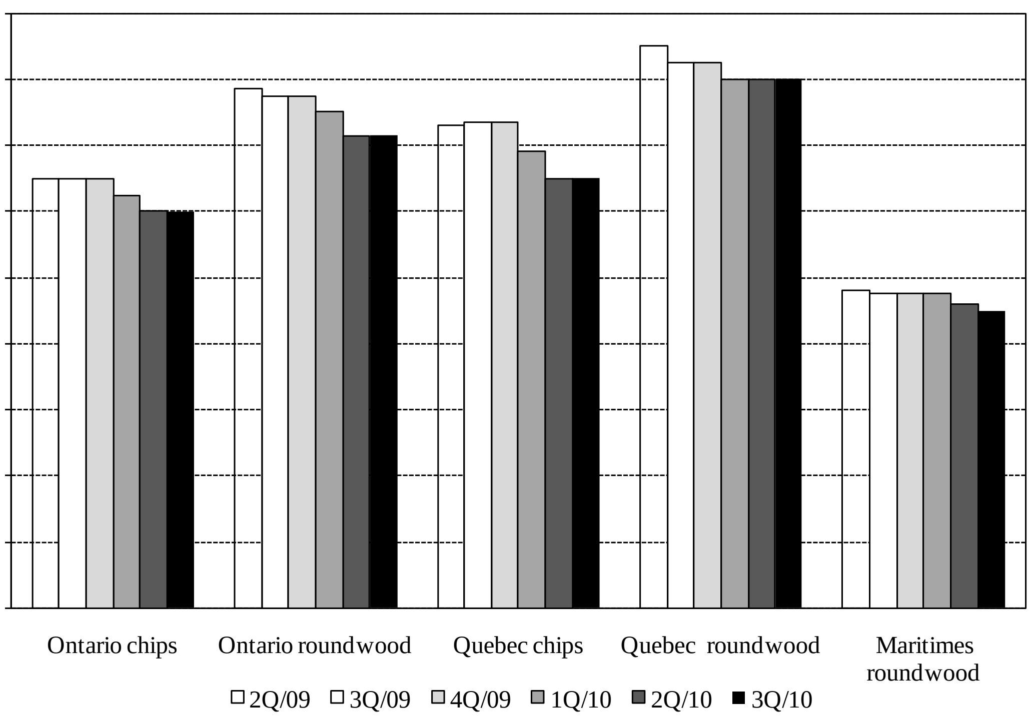
Notes.
Domestic residual chips in Can$ per BDU at sawmill
Domestic log prices in Can$ per m3 (delivered to pulpmill or sawmill)
1BDU = 2400 Lb. = 1.09 metric ton (dry weight)
Exchange rate: Can$ 1.04/US$ (Average 3Q/2010)

Wood Chip Prices - Eastern Canada

July - September 2010

	WOOD CHIPS Can$/odmt				ROUNDWOOD Can$/odmt			
	Softwood		Hardwood		Softwood		Hardwood	
	Ave	Range	Ave	Range	Ave	Range	Ave	Range
Ontario								
Quebec								
Maritime Prov.								

SOFTWOOD FIBER PRICES - Eastern Canada



Notes.
Domestic residual chip and log prices in Can$ per odmt (delivered to pulp mill or chip plant)
1odmt (dry weight) = 1.102 short tons (dry weight) = 2204 lb
Exchange rate: Can$ 1.04/US$ (Average 3Q/2010)
Sources: Industry contacts and the Wood Resource Quarterly

Woody Biomass Policies and Issues Update

July – September, 2010

U.S. Climate Change Legislation is dropped

In the U.S., the big news of the second quarter, 2010, was the rather unexpected collapse of pending national climate change legislation. Even with the Gulf Oil spill as background, Democratic leadership in the U.S. Senate was unable to pull together a package of energy legislation revolving around carbon emissions and climate change mitigation measures that could be passed and then reconciled with the legislation already voted on, and passed narrowly (219-212) in the U.S. House of Representatives.

The upcoming mid-term elections and potentially significant changes in the U.S. Congressional makeup will determine any further steps in 2011for sweeping federal legislation on these issues. However, in late August, Senate Majority Leader Harry Reid (D-Nev.) said he was not giving up on some energy legislation this year - possibly in a lame-duck session after the November elections and before the new Congress takes its seat. While capping carbon emissions was unlikely, Reid said a federal renewable electricity standard (RES), is “absolutely” in the mix of a narrower energy bill.

The uncertain future of climate change legislation in the U.S. has impacts in Canada as well. National legislation regarding climate change is much less likely in Canada in the absence of a U.S. framework, but at the same time, a regional bi-nation cap and trade system is progressing.

The Western Climate Initiative issued its comprehensive strategy, the Design for the WCI Regional Program, that impose a system of caps on large industrial emitters starting as early as January, 2012. Canada’s three largest provinces, Ontario, Quebec and British Columbia will join with California and New Mexico to implement this program, with other states and provinces not yet signing on. The decision by the three provinces and two states comes a week after a similar plan was abandoned by the U.S. Senate.

EPA issues mixed regulations on woody biomass utilization

Two major actions by the U.S. Environmental Protection Agency over the 2Q sent mixed policy and regulatory signals to the woody biomass business sector.

In what has become known as the EPA tailoring rule, the agency set out a more detailed timeline, and scope of which greenhouse gases ought to be regulated under the Clean Air Act. Published in the Federal Register on June 3, this final rule determined that greenhouse gas regulations for stationary sources will apply beginning in January, 2011, and cover new and existing emitters over 100,000 tons of CO2 annually (at least in an initial phase). The 'subject to regulation' clause was quickly challenged by the Sierra Club, and the Center for Biological Diversity, both seeking a lower limit for facilities that should be regulated.

More surprising however, was EPA’s perspective on the burning of woody biomass. The EPA has said it is still evaluating how its climate regulations will treat biomass, but the tailoring rule as published treats biomass emissions the same as emissions from fossil fuels.

Several groups quickly questioned this lack of exemption, among them the National Alliance of Forest Owners, the American Forest and Paper Association, and the Biomass Power Association. A sizeable number of advocates want EPA to exempt biomass emissions from the regulation because they argue the energy source is "carbon neutral." Unlike burning fossil fuels -- which releases carbon that had been trapped underground -- burning tree limbs, wood pellets and other organic materials are part of a natural cycle of growth and decomposition.

Other environmental groups supported EPA regulating woody biomass, believing that while burning woody materials, grasses and other biomass

Woody Biomass Issues Update *continued*

July – September, 2010

can help the U.S. move from fossil fuels, it should only be allowed if the biomass is sourced and accounted for properly so that the carbon emitted when biomass is burned equals or is less than the carbon taken up by new plant growth.

In mid June, Senator Susan Collins (R-Maine) challenged the EPA rulings from a jurisdictional perspective, saying "While I support regulating greenhouse gas emissions, I have reservations about the sweeping approach EPA is pursuing. I also have serious concerns about unelected government officials at the EPA taking on this complicated issue instead of Congress. It is Congress that should establish the framework for regulation of greenhouse gas emissions. … This reverses years of EPA considering biomass carbon-neutral."

By the end of 2010, the EPA will either provide an exemption for woody biomass from greenhouse gas regulations, or leave standing its ruling that flies in the face of what is considered a given in the environmentally conscious European Union member states and other signatories to the Kyoto Protocol.

EPA's proposed MACT rule could cost biomass-using facilities millions

In a more technical ruling on boiler emissions, the EPA in June proposed rules on boiler technology, particulate and GHG limits, popularly known as MACT rules (Maximum Achievable Control Technology), that were also surprising for their stringency. Essentially, EPA outlined hazardous air pollutants (HAP), and best available technology to limit these pollutants to a level where many existing stand-alone biomass plants, and other facilities using woody biomass would have to invest millions into each plant to continue operations.

The proposed rule also addresses controversial definitions of material that if burned would change the status of boilers to that of incinerators, in turn regulated under stricter Commercial and Industrial Solid Waste Incineration (CISWI) rules. The use of urban-recycled wood in particular, under the proposed definition, would trigger that status change. As a result, mills who have carefully established urban recycling fiber sources as part of their feedstock mix are reviewing their exposure to further regulation.

The proposed rule is open for comment until late in 2010, and will have further impact on the growth of woody biomass as a renewable energy. The only apparent common observation that can be made regarding the EPA's two actions is that propellers and panels have a bright green light as preferred renewable energy forms, and at the expense of renewable energy coming from anything resembling a smokestack.

Dovetailing this preference for propellers and panels, environmental groups pushed the findings of Maine's Manomet Center, which stated biomass carbon emissions (assuming a total draw of feedstocks from growing forests) would initially introduce more carbon into the atmosphere due to the reduction in the forest storing carbon. Only after 20-30 years would a re-growing forest sequester more carbon than initially lost and a net CO2 emissions reduction come into play.

These findings were criticized on several fronts, noting that the scenario of forests clearcut for biomass power was the most unlikely of all, and contrary to the clear pattern of preference demonstrated by existing biomass plants, who search for wood scraps and residues from mills, woody biomass left over after harvesting for other purposes, and even urban recycled wood in that order. Nevertheless, Massachusetts plans to draft new regulations that would impose stricter standards for biomass projects, such as providing "significant near-term greenhouse gas dividends," clear definitions of "residues" and "waste wood," and careful carbon accounting rules for biomass power.

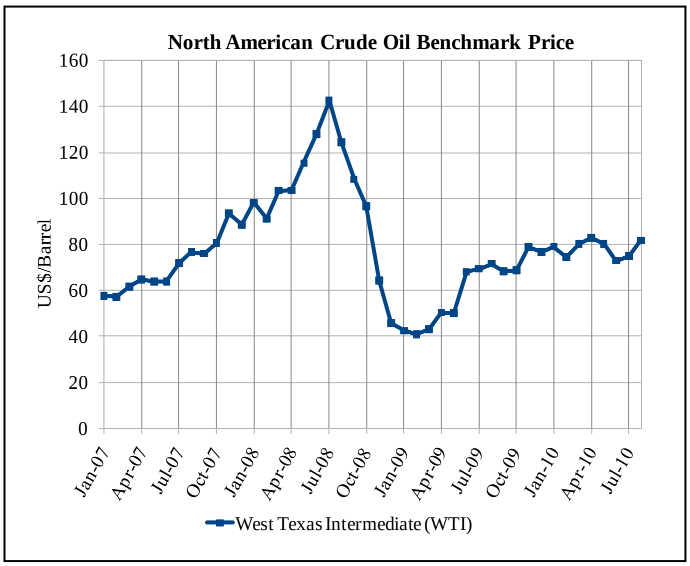
As this edition is published, the regulations expected from the Massachusetts DER are due any time.

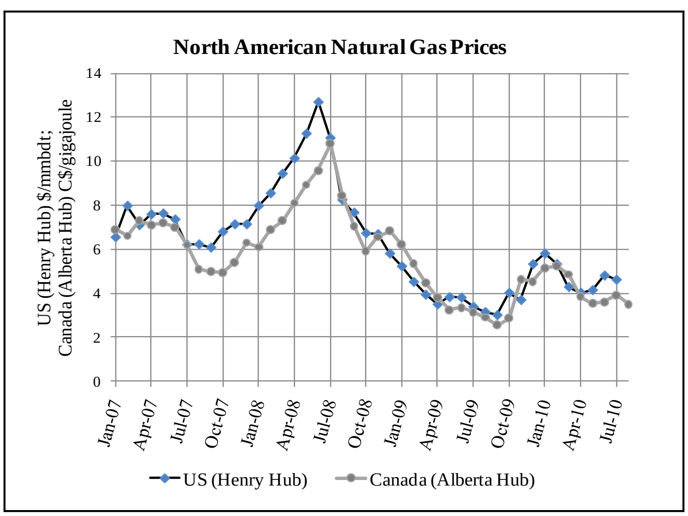
Woody Biomass Industry Update

July – September, 2010

Fossil Fuel prices stay steady and attractive

Even as policy initiatives move forward, fossil fuel price continue trading at low and attractive prices. The West Texas Intermediate oil price continued to drift, while natural gas prices at the two major hubs in Canada and the U.S. slid further, encouraging further use of fossil fuels by both residential and industrial customers. With neither fossil fuel providing strong economic market signals for additional renewable fuels expansion, such expansion continues to rely on clear policy and regulatory incentives. However, at least for woody biomass, these policy and regulatory signals have yet to show clarity.





Biomass Crop Assistance Program (BCAP)

The final rules are likely to be issued in late September with a period of Congressional review following. If that timetable holds, the program in its new form could be reactivated in the 4Q. While very little has been made public as to new guidelines, most observers believe a smaller $/ton incentive will be available, as well as tighter restrictions on what constitutes "eligible material.

With a less than encouraging economic recovery nationwide, and deficit spending a more defined problem, the momentum for a vigorous "BCAP II" has slowed, along with prospects for a generous appropriation.

Specific biomass utilization projects continue

In spite of all the mixed U.S. regulatory and policy signals, specific projects continue to incorporate woody biomass into feedstock plans. One of the more notable actions is in regards to a large coal fired utility plant in Ohio. In early August, the Public Utilities Commission of Ohio certified the R. E. Burger power plant in Shadyside, on the Ohio River, as a renewable energy facility. The action opened the door for the company, First Energy, to renovate Burger's boilers to be able to burn a mixture, according to newspaper and press releases, of green wood chips, wood pellets and briquettes, "mixed with low sulfur western coal at the ratio of 80 percent biomass to 20 percent coal".

In late June, Verso Paper announced a $43 million Quinnesec Renewable Energy Project at its northern Michigan mill. Upon completion, the facility would generate 95% of its energy needs from woody biomass. Similarly, Verso's Bucksport ME mill is moving forward with a $46 million woody biomass boiler conversion project of its own.

Enviva, a manufacturer of wood pellets and processed biomass in the US and Europe, announced late August that it secured a long-term wood pellet supply contract from Electrabel, a subsidiary of GDF Suez Group, for Electrabel's biomass power generating facilities in Belgium. The impact for this continent is that the company is looking to expand its pellet production capacity at its existing facility in Mississippi, as well as explore further sites in the U.S. South. The plant, in Amory MS (recently acquired from CKS Energy Inc.), will now have its capacity increased from 50,000 tons to more than 100,000 tons a year.

Canadian woody biomass activities continue vigorously

In one of the more significant regulatory actions, the province of Ontario, having earlier set a goal of eliminating all coal-fired power generation in the province, gave the go ahead to the Ontario Power Authority to negotiate an agreement with Ontario Power Generation to buy the power generated in its Atikokan plant when it converts to 100% woody biomass. The conversion, as reported in newspaper articles, is a three-year process, including the construction of a nearby pellet plant that would provide the biomass to the generating plant itself.

In northern Ontario, White River Forest Products made news by announcing its interest in the dynamics of district heating, by touring bio-heat, power and pellet facilities in Austria and northern Italy in May. According to newspaper accounts, White River Forest Products President is looking to secure more 550,000 cubic meters of Crown fibre supply to restart a former Domtar mill as part of a $90-million value-added, wood pellet and co-generation plant. The company is a three-way partnership between Butler, the Town of White River's economic development department and the Pic Mobert First Nation.

The specific project described, emphasizes a relatively small segment of future biomass use – the community scale approach – that is nevertheless gaining momentum in regions of North America, such as in the U.S. West and Northeast. Anywhere where relative isolation and high transportation costs reduce the value for more commercial ventures, these small scale approaches hold promise.

In another very new segment of the woody biomass industry, Global Bio-Coal Energy, touting torrefaction, has partnered up with a First Nations group, Coast Tsimshian Resources, announcing plans to construct and operate a 25-tonne-per-hour biocoal production facility on Coast Tsimshian's Porier sort yard in Terrace, BC. It is another example of the range of potential woody biomass uses being tested in relatively isolated locations. Global Bio-Coal Energy is based itself in the heart of BC's forest products coastal industry in Vancouver, and represents another larger dynamic of companies establishing partnerships on a global scale (in this case using a UK-based torrefaction microwave process) to improve new woody biomass utilization on an economically viable commercial scale.

Operational Ups and Downs

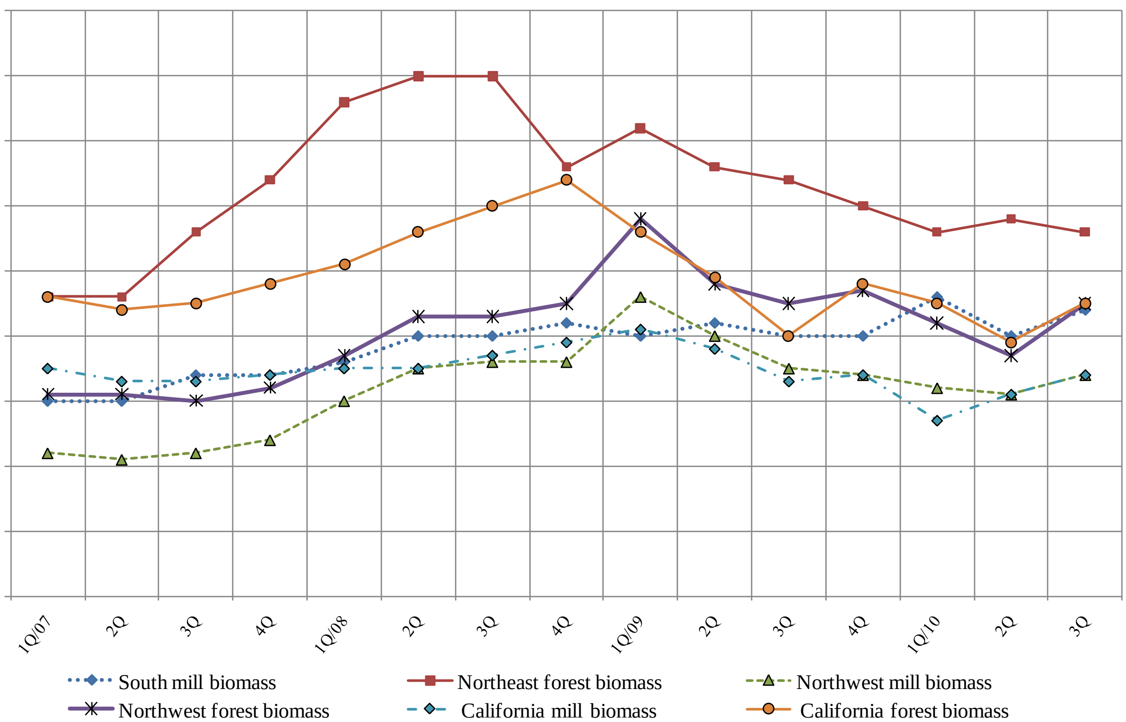
Returning from the lofty heights of establishing new models of community-scale woody biomass utilization and microwaved torrefaction, the mundane operational details of woody biomass utilization remain. For example, hogfuel pile management remains a significant issue. Tolko's sawmill complex in Armstrong, BC, experienced a fire likely started spontaneously in its hogfuel pile, creating big, albeit brief news for the local media.

In Nova Scotia, one of the province's largest pellet plants caught on fire in Upper Musquodoboit. The plant, owned by Enligna, is one of the few in Eastern Canada already shipping product to the European power market. In Miramichi, NB government support was given for upgrading the Port of Miramichi's capacity, with an eye towards an expanded wood pellet export capability.

North American
Wood Fiber
Review

Woody Biomass Regional Price Comparison

September, 2010



Woody Biomass prices in the US

Unit: US$/BDT

	1Q/09	2Q/09	3Q/09	4Q/09	1Q/10	2Q/10	3Q/10	Change (%) Q/Q	Change (%) Y/Y
South, mill									
Northeast, forest									
Northwest, mill									
Northwest, forest									
Southwest, forest									
Southwest, mill									

Notes.
Southwest equals Northern California

Source:
North American Wood Fiber Review

Woody Biomass Regional Updates

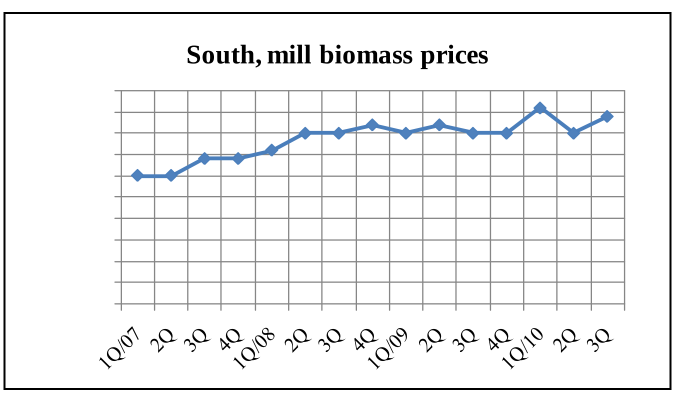
July – September, 2010

South Georgia, North Florida, and Southeast Alabama

In this concentration of new woody biomass utilization, two developments are worth mentioning. RWE's construction of its pellet facility in Waycross Georgia is on a schedule, with pellet production planned to begin in early 2011. Fiber procurement for the plant is anticipated to begin in the 4Q. Green Circle Bioenergy, located in Florida's panhandle, announced it had reached its planned capacity of approximately 560 thousand tons of pellets/year production over the summer which translates to about 1 million green tons of wood fiber feedstock.

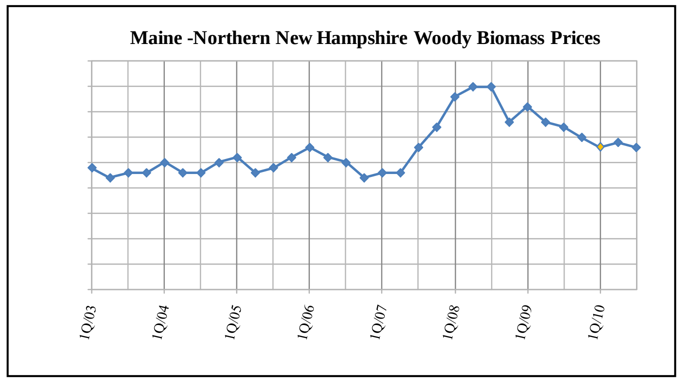
Range Fuels in Soperton, Georgia, has begun its startup phase, producing methanol. The operational phase has been delayed approximately two years from its original timetable, and the product itself has moved from ethanol to methanol. Regardless, the plant is on line, and over the course of the next several months, a refining process of its operations will be underway. A ramp-up of production is likely further ahead as kinks are worked out.

We will be tracking woody biomass prices in the South in our NAWFR publication but WRI is also watching how stumpage prices play out in this region as new pellet facilities come on line.



Northern New England

In the three states of Maine, New Hampshire, and Vermont, the 3Q found biomass plants receiving lower income due to relatively low demand for power in the region. Prices for feedstock, in reaction, drifted lower in part due to plentiful inventories left over from 2Q.



A Spanish company, Gestamp Corporation, has established Gestamp Biomass, headquartered in Concord New Hampshire. Working with its partner, Clean Power Development, the two companies announced plans this summer to jointly develop a 29MW cogeneration project in Berlin, New Hampshire, which would use over 400 thousand green tons of woody biomass.

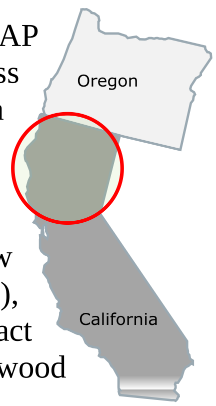
Clean Power Development LLC also emphasized in remarks at a Boston Massachusetts conference over the summer that it was seeking out community scale opportunities – district heating, nurseries, schools – within a distributed generation business model, in contrast to a larger industrial scale plant. The emphasis on district heating and community scale applications finds a particularly warm welcome in Vermont, long oriented away from large industrial businesses. A current emphasis of the Biomass Thermal Efficiency Council (BTEC), thermal heating finds considerable sympathy in the Northeast as a whole, as much of the U.S. use of heating oil occurs there, subject to historically high costs.

Woody Biomass Regional Updates *continued*

July - September 2010

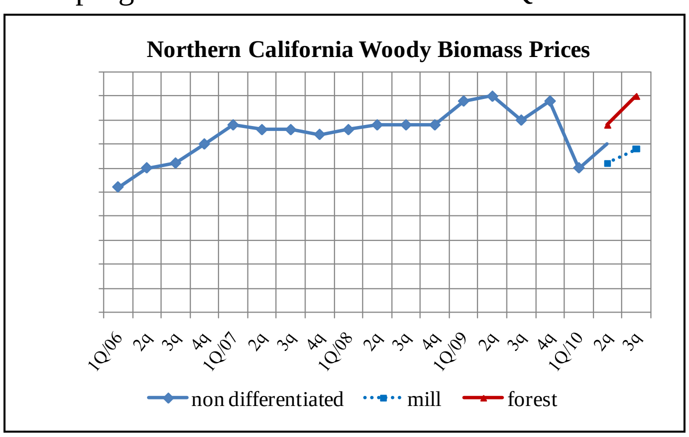
The push for replacing this heating fuel with a local biomass alternative was strengthened this summer when the New Hampshire PUC announced a rebate program for home pellet boiler systems to heat entire homes. Using federal stimulus funds, the PUC will rebate up to $6,000, or 30 percent of the total system and installation cost of a system, which can run $25,000 or so, if an existing system is replaced.

Northern California biomass prices edge upward



With the absence of the BCAP incentives, average woody biomass prices in Northern California returned to their pre-BCAP levels. Woody biomass buyers at most of the state's biomass plants were uneasy with the impact of the new EPA MACT rules (see page 21), especially due to the possible impact on their use of urban recycled wood supplies.

At the same time, some orchard managers seem to be quietly rescheduling orchard removals into another quarter or next season, in order to capture any BCAP benefits that might resurface from the new program scheduled to resume in 4Q 2010.



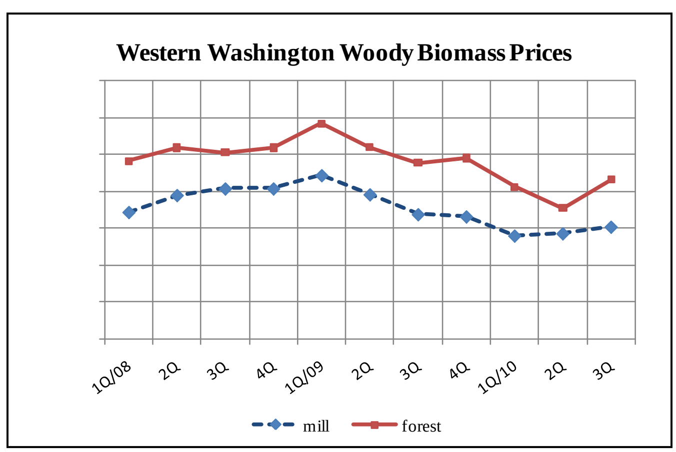
Western Washington

In this newest regional concentration of biomass markets tracked by NAWFR, six facilities are moving forward with plans to utilize additional volumes of woody biomass over the next two years, adding to a healthy utilization already in place.

Nippon Paper Industries USA, Port Angeles, is adding a co-gen plant selling 20MW to the market; Port Townsend Paper Company, Port Townsend, is increasing its co-gen plant generating capacity from 4 to 28MW though most would be used internally; Longview Fibre, Longview, has plans to increase its 25MW co-gen to 67MW though the timetable appears to be pushed back; and in two Shelton locations, Simpson Lumber is adding a 29MW co-gen plant at its sawmill as well as Adage with its announced stand-alone 55MW biomass plant.

These are all in addition to sizeable biomass or co-gen plants already operating. Weyerhaeuser has a 52MW plant in Longview; Grays Harbor Paper operates its paper mill in Hoquiam with woody biomass; Sierra Pacific Industries has sizeable co-gen plants at its Aberdeen and Burlington sawmills; and Simpson Tacoma Kraft in Tacoma operates a 50+MW plant built just last year.

The following chart shows historic pricing for both sawmill woody biomass and that sourced from the forests. Urban recycled wood, a significant source, is also being considered for appropriate price tracking in future NAWFR editions.



North American Wood Fiber Trade

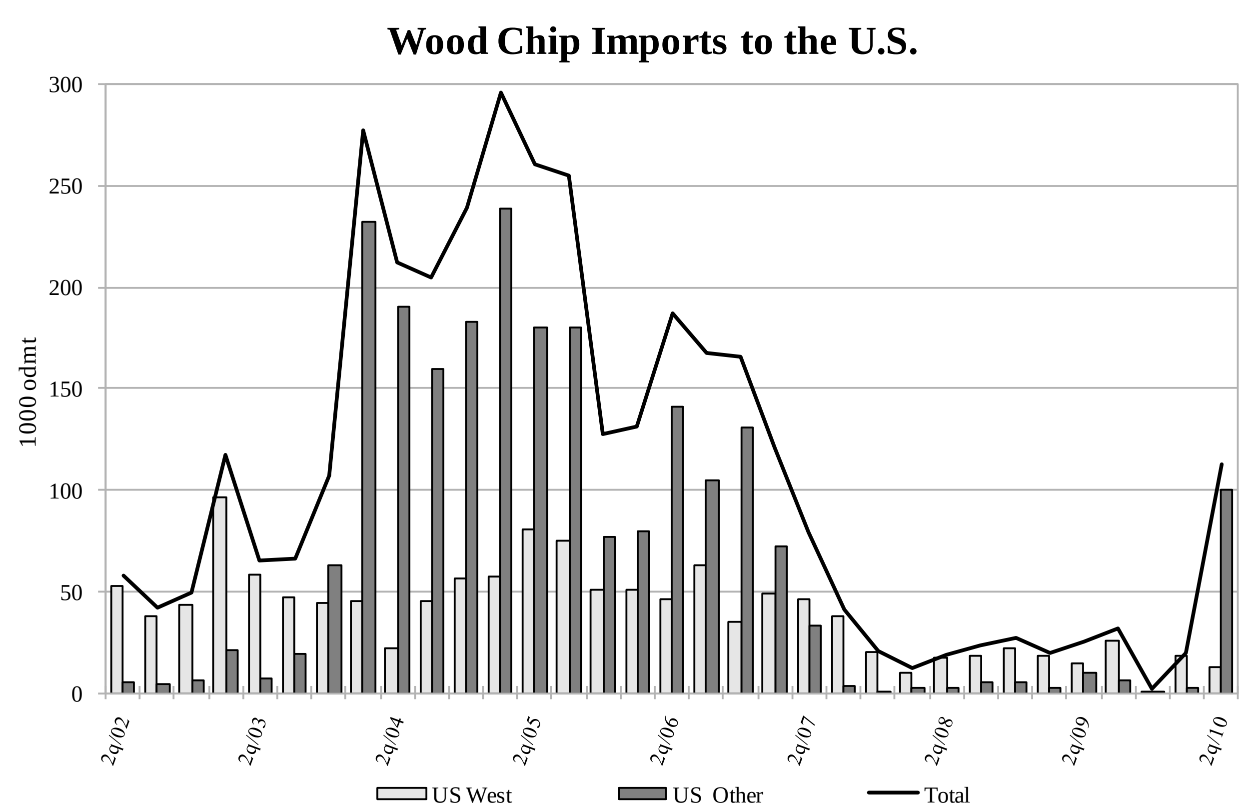
Canada and the U.S. together represent approximately 24 percent of world trade in softwood chips. The following four pages capture wood chip trade within North America, as well as individual country trading activity with the rest of the world. Substantial analysis of world chip and fiber trade can be read in our sister publication, the *Wood Resource Quarterly*.

The significant 2Q U.S. wood chip import news was clearly the substantial volume brought to the South Central region from South America, due to the wet weather across the South.

Export wood chip prices from the West Coast were not settled for the 3Q at time of publication.

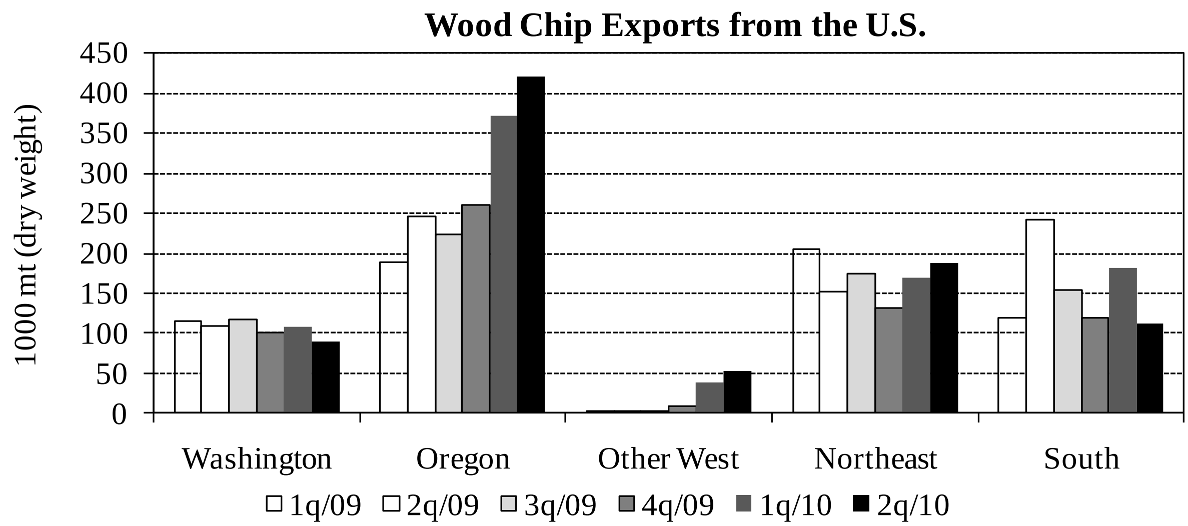
U.S. Wood Chip Imports

Origin 1000 odmt	**1q/08**	**2q/08**	**3q/08**	**4q/08**	**1q/09**	**2q/09**	**3q/09**	**4q/09**	**1q/10**	**2q/10**	**Change (%)** Q/Q	Y/Y
Canada, BC	10	17	18	22	18	15	26	1	18 r	13	-28	-13
Canada other	2	2	5	5	2	10	6	1	2	1	-50	-90
Other	0	0	0	0	0	0	0	0	0	100	100	100
Total	**12**	**19**	**23**	**27**	**20**	**25**	**32**	**2**	**20**	**114**	470	356
Change Q/Q (%)	-43	54	24	15	-25	25	28	-94	900	470		



North American Wood Fiber Trade *continued*

U.S. Wood Chip Exports



							Change (%)	
2Q 2010	WA	OR	Other West	North	South	Total, U.S.	Q/Q	Y/Y
Conifer Chips								
Japan	0	420	0	0	0	420	13	70
Canada	90	0	52	145	0	287	21	86
Other	0	0	0	0	112	112	-35	-43
Total	**90**	**420**	**52**	**145**	**112**	**819**	5	37
Change Q/Q (%)	-17	13	79	45	-35	5		
Non-Conifer Chips								
Japan	0	0	0	0	0	0	na	-100
Canada	0	0	0	42	0	42	-48	-62
Other	0	0	0	0	0	0	-100	-100
Total	**0**	**0**	**0**	**42**	**0**	**42**	-53	-73
Change Q/Q (%)	na	na	na	-40	na	-53		
TOTAL	**90**	**420**	**52**	**187**	**112**	**861**	-1	14

Prices for softwood chips exported to Japan 2Q/2010 (US$/BDU, FOB):

Douglas fir, U.S.	**$133.00**	**133.50 (1Q/10)**
SPF, Canada	**$161.00**	**149 (1Q/10)**

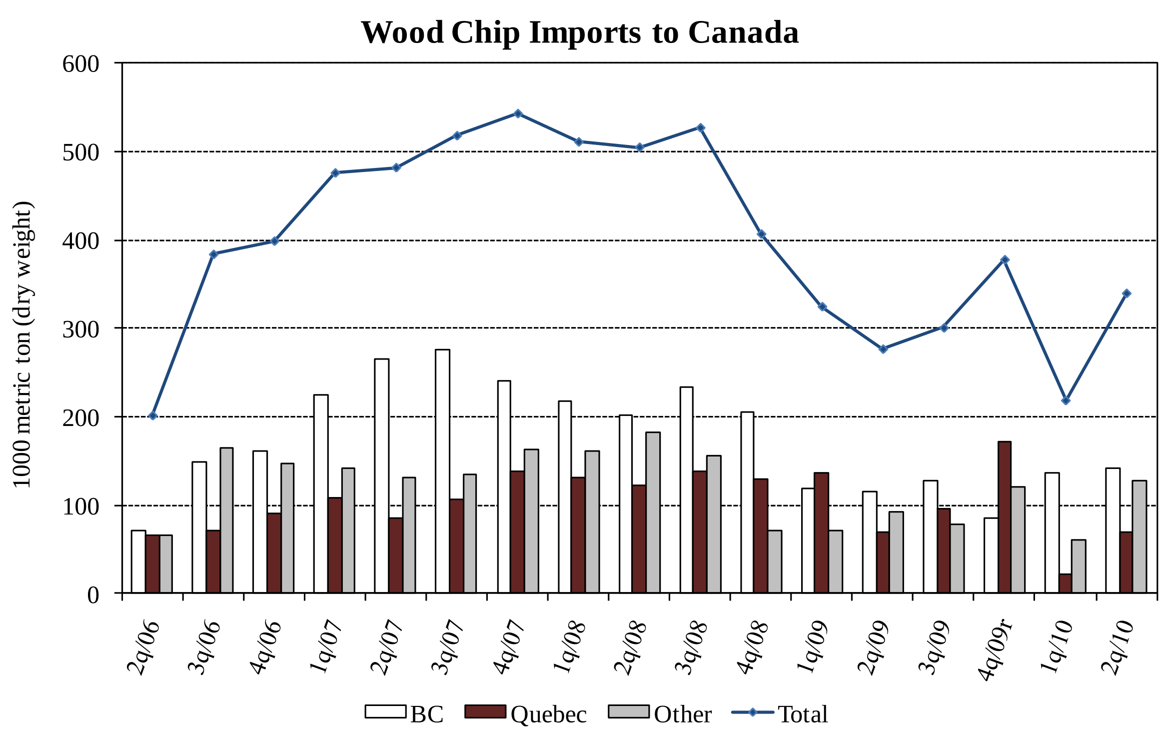
As of mid-September 2010, 3Q prices had not been established

North American Wood Fiber Trade *continued*

Canadian Wood Chip Imports

Wood Chip Imports to Canada

Destination	British Columbia			Ontario	Quebec	Other	Total
Origin	WA	Other	Total	Total	Total	Total	Total
2Q/09	114	2	116	36	69	57	278
3Q/09	116	10	126	33	95	47	301
4Q/09r	77	9	86	35	171	86	378
1Q/10	109	27	136	35	21	27	219
2Q/10	90	52	142	40	70	88	340
Change, Q/Q (%)	-17	93	4	14	233	226	55
Change, Y/Y (%)	-21	2500	22	11	1	54	22

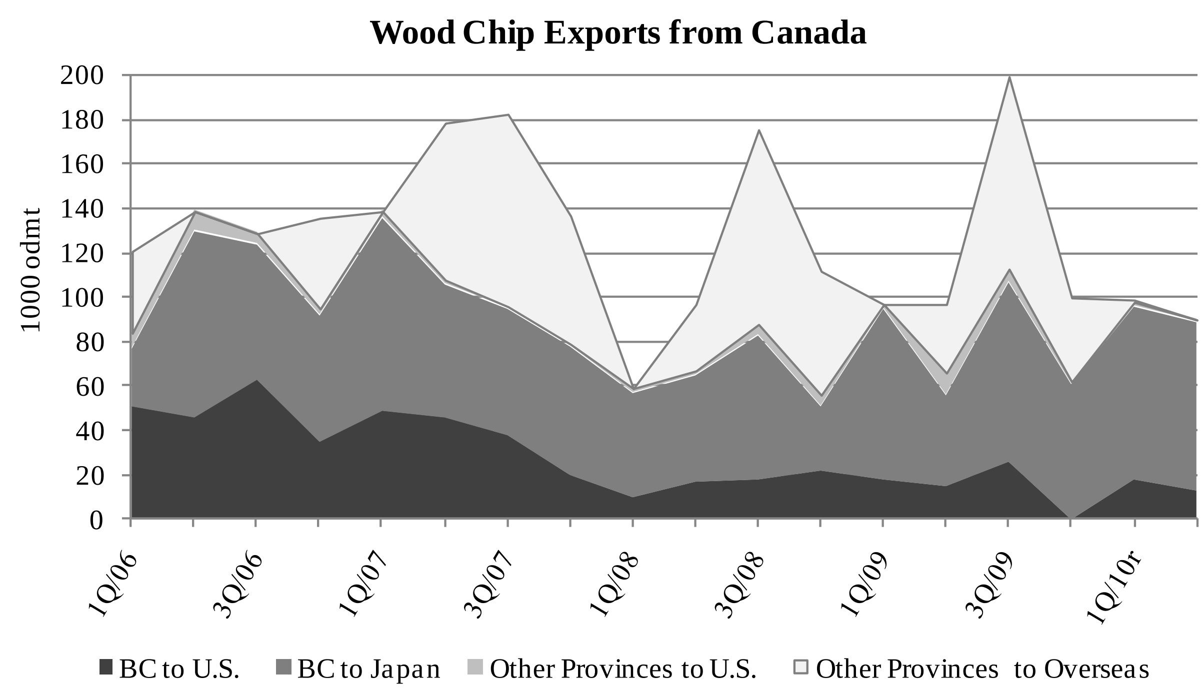


North American Wood Fiber Trade *continued*

Canadian Wood Chip Exports

Wood Chip Exports from Canada

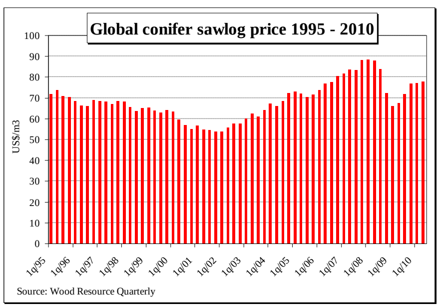
Origin	**British Columbia**			**Other Provinces**				**Total**
Destination	U.S.	Japan	Total	US	Turkey	Other	Total	All
4Q/08	22	29	51	5	28	28	61	112
1Q/09	18	77	95	2	0	0	2	97
2Q/09	15	41	56	10	0	31	41	97
3Q/09	26	81	107	6	0	87	93	200
4Q/09	0	61	61	1	38	0	39	100
1Q/10r	18	78	96	2	0	1	3	99
2Q/10	13	76	89	1	0	0	1	90
Change, Q/Q (%)	-28	-3	-7	-50	na	-100	-67	-9
Change, Y/Y (%)	-13	85	59	-90	na	-100	-98	-7



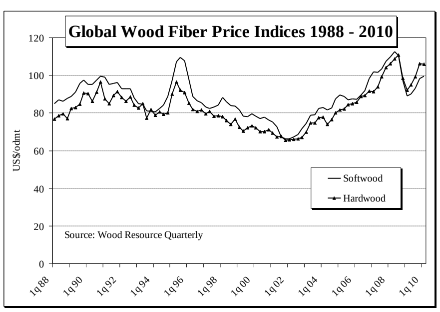
The Global Forest Industry in 2Q, 2010

Global timber markets

The **Global Sawlog Price** Index (GSPI) has increased for five consecutive quarters, reaching US$77.68/m3 in the 2Q/10. The Index, went up almost 18 percent in 15 months. Much of the increase has been the result of a weaker US dollar, but sawlog costs have also gone up in local currencies in many markets, including Finland, Sweden, Germany, Latvia, Russia and New Zealand.



Global pulpwood price



The **Softwood Wood Fiber Price** Index (SFPI) fell in the 2Q for the first time since early 2009. The SFPI was US$98.29/odmt, which was down 1.2 % from the previous quarter but 9.1% higher than the 2Q/09.

Softwood fiber prices fell the most in the US, Eastern Canada, Germany and the Nordic countries, while prices were higher Quarter-over-Quarter in Western Canada, Russian and New Zealand.

Global **hardwood fiber prices** trended downward in US dollar terms in most regions covered by the WRQ. The biggest declines occurred in the US, Australia and most countries in Europe. As a result, the Hardwood Wood Fiber Price Index (HFPI) was down 2.3% from the previous quarter to US$103.37/odmt, but was still nine percent higher than 12 months ago.

Global pulp markets

Worldwide market **pulp production** has increased eight percent during the first five months this year. The biggest increases have been in Western Europe and selected countries in Eastern Europe, Russia, Indonesia, Thailand and Taiwan.

Global pulp markets started to soften in July after having strengthening for almost 12 straight months. Actual transaction prices, if not list prices, have leveled off and market observers believe the peak has been reached for now and that prices will be lower in the fall.

Global lumber markets

Demand for lumber has slowed in some markets in **Europe** and there is great uncertainty about the strength of the lumber market going forward.

Lumber prices in the **Nordic** countries (in US dollar terms) started to decline early in the year and have fallen back to the same levels as last spring

The **U.S.** lumber market started to weaken in the spring after having had a good run during the winter months. The Southern pine prices fell from US$252/m3 in April to US$172/m3 in June

Prices for softwood lumber in **Canada** (spruce-pine-fir) reached their highest level since 2006 earlier in April. During May and June, lumber shipments increased to take advantage the zero export tax and prices fell through the roof.

There has been a six percent increase in wooden housing starts in **Japan** during the first five months of 2010 as compared to last year.

Imported and domestic softwood lumber prices have moved up slightly in Japan in 2010, both in Yen and US dollar terms.

Global biomass markets

The spring is typically a slow season for wood pellet consumption in Europe and this year was no exception. Pellet prices fell in both **Germany and Austria** in the 2Q. Despite the declines from the previous quarter, prices were the highest ever recorded for a second quarter.

Prices in **Sweden**, which is the largest market in Europe, were practically unchanged in the local currency in the 2Q. The prices for pellets imported to Rotterdam, the Netherlands, fell during the summer months to the lowest levels since in late 2008.

Subscription information

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