

Press Release – For Immediate Release

Pulpmills in the US South had some of the lowest wood fiber costs in the world in the 2Q/2009, reports the Wood Resource Quarterly

The US South has the largest pulp industry in the world and this industry has enjoyed low wood raw-material costs for a very long time. This trend continued in 2009, with wood chip and pulpwood costs that were substantially lower than global average costs, according to the Wood Resource Quarterly.

Seattle, USA. July 2009. Weak pulp markets and reduced demand for wood fiber resulted in lower costs for wood chips and pulpwood in practically all regions of North America in the 2Q/09. This is the fourth consecutive quarter that wood fiber prices have fallen, with the biggest reductions occurring in Western US and Western Canada. In the US South, which is the biggest wood fiber consumer in the world, pulpmills have only experienced minor downward price adjustments in recent months.

The wet spring in the US South resulted in reduced logging and many pulpmills have seen their log inventories fall to unusually low levels. Fortunately for timber buyers, demand for logs from sawmills, OSB mills and pulpmills has been lower than usual and there has not been much upward price pressure on logs so far this year. Many sawmills and OSB mills have chosen to reduce production rather than pay more for logs to be able to run at high operating rates. Pine pulpwood fell seven percent in the 2Q as compared to the previous quarter and the average hardwood pulpwood prices were down about 10%, as reported in the North American Wood Fiber Review.

In the 2Q/09, the Southeastern US (the Atlantic States) had the lowest conifer wood fiber prices in North America. This region has consistently had among the lowest wood costs in North America during the past 15 years. Currently, softwood pulp producers in the states of Georgia, North and South Carolina have some of the lowest wood fiber costs in the world, according to the Wood Resource Quarterly. This is one reason why there have been fewer pulpmill closures and less market related downtime in the Southeast as compared to regions with higher wood costs such as Eastern Canada, the Lake States and the US Northeast.

Softwood fiber prices in Southern US are currently almost 20% lower than the Global Average Softwood Price Index, while hardwood fiber prices are nearly 30% below the Global Average Hardwood Price Index. With no signs of a imminent improvement in the markets for lumber, pulp or paper, it is not expected that wood fiber costs will increase much, if at all, during the remainder of this year.

Global timber market reporting is included in the 50-page publication Wood Resource Quarterly. The report, established in 1988 and with readers in over 25 countries, tracks sawlog and pulpwood prices in most regions around the world and also includes regular updates of the latest developments in international timber, pulp, lumber and biomass markets.

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