

Forest Products Market Update

- a news brief from Wood Resources International LLC

Hardwood fiber costs for the global pulp industry increased over 15% in 2009, reports the Wood Resource Quarterly

Wood fiber costs for pulp mills worldwide increased for the fourth consecutive quarter in the 4Q/09. During 2009, the Hardwood Wood Fiber Price Index (HFPI) moved up 15.4%, while the Softwood Wood Fiber Price Index (SFPI) was up 10.5%, according to the Wood Resource Quarterly.

Seattle, USA. February 2010. Pulp markets have been remarkably strong during 2009 despite the global financial crisis. From April through December, the softwood market pulp price (NBSK) jumped 45%. Strong pulp markets and a tight wood fiber supply pushed wood fiber costs upward last year.

The WRQ Global Wood Fiber Price Indices (both softwood and hardwood) have gone up for four consecutive quarters. The Hardwood Wood Fiber Price Index (HFPI) reached US\$106.19/odmt in the 4Q, which was up 7% from the previous quarter. The HFPI increased 15.4% during 2009, which was the third highest level since the launching of the Index in 1988.

The biggest price increases in US dollar terms during the 4Q occurred in Germany, Finland, Spain and Australia. Those four countries also had the highest delivered wood costs of all countries tracked by the Wood Resource Quarterly. Prices in both Spain and Australia were close to their all-time highs.

The Global Average Wood Fiber Price Index is a weighted average of delivered wood fiber prices for the pulp industry in 17 regions tracked by the publication Wood Resource Quarterly. These regions together account for 85-90% of the world's wood-based pulp production capacity. The price is based on current quarter average prices, and country/regional wood fiber consumption data.

The Softwood Wood Fiber Price Index (SFPI) also went up last quarter. The SFPI increased 5.6% to US\$98.34/odmt mainly as a result of higher wood fiber costs in Sweden, Finland, the US, Spain and Chile. The SFPI is now US\$7.85/odmt lower than HFPI, which is the biggest difference ever recorded. Just three years ago the circumstances were reversed; the SFPI being more than \$10/odmt higher than the HFPI. Historically, softwood fiber costs have always been higher than hardwood fiber costs, but the year of 2009 was a trend breaker.

Higher costs for Eucalyptus logs, reduced fiber consumption in regions with high softwood fiber costs, and exchange rate adjustments were all factors that transformed the global wood fiber market in 2009.

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, pulpwood, lumber and pellet prices in key 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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