

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

Wood costs for pulp manufacturers worldwide are on the rise : The Global Wood Fiber Price Index in the 1Q/11 is now 20 percent higher than two years ago, reports the Wood Resource Quarterly

Wood costs, which account for up to 70 percent of production costs when manufacturing pulp, have gone up worldwide the past two years, according to the market report Wood Resource Quarterly. The Global Wood Fiber Price Indices were back to pre-financial crises levels in the 1Q/11.

Seattle, USA. The cost of manufacturing pulp has trended upward in most regions of the world the past two years. Much of the increase has been the result of higher wood fiber costs which, depending on pulp grade and region, currently vary between 48 percent and 72 percent of the total variable production costs, according to Fisher International. The cost of wood is the cost component that often decides a pulp mill's competitive advantage in the global market place. Wood fiber costs (in US dollar terms) have gone up because of high demand due to strong pulp markets, tight supplies of sawmill residues and a weakening US dollar against most other currencies.

Global pulp markets have bucked the trend forecasted by many analysts a year ago. Rather than the predicted retraction in market pulp prices this spring, prices stayed strong and actually increased to record-high levels of over \$1000 per ton for softwood market pulp (NBSK) in the month of April.

The **Softwood Wood Fiber Price Index (SFPI)** increased 1.9 percent in the 1Q/11, reaching US\$105.60/odmt, the highest level since 3Q/08 just before the financial crises. The SFPI is a weighted average of delivered wood fiber prices for the pulp industry in all 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 US Northwest, Europe, Chile, Australia and New Zealand markets saw the biggest softwood fiber price increases in the 1Q/11, while there were only modest price changes in the US South, Canada and Brazil.

The **Hardwood Wood Fiber Price Index (HFPI)** was also up 1.9 percent from the 4Q/10, and is now close to an all-time high of US\$110.33. Fiber prices were up in many of the same markets as those for softwood fiber, with the highest increases in Europe, Australia and Chile, and only small upward price adjustments in Canada and Russia. Hardwood fiber costs even declined in the US South. Both the SFPI and HFPI were almost 20 percent higher than two years ago.

During most of the past 23 years since the launching of the wood fiber indices in the Wood Resource Quarterly in 1988, the softwood price index has been higher than the hardwood price. This relationship reversed in late 2008, and the hardwood price index is

now 4.5 percent higher than the softwood price index.

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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