

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

Wood fiber costs for the global pulp industry reach new highs in 2011 with the biggest increases seen in Russia, Finland and Western US, reports the Wood Resource Quarterly

Wood costs account for about 60 percent of the production costs when manufacturing pulp for paper. According to the Wood Resource Quarterly, wood fiber costs have gone up about 25 percent since early 2009, reaching record levels in the 2Q/2011.

Seattle, USA. Wood fiber costs continued to go up for the global pulp industry in the 2Q/11, having trended upward since early 2009, according to the market report Wood Resource Quarterly (WRQ). The **Softwood Wood Fiber Price Index (SFPI)** reached US\$109.52 per oven-dry metric ton (odmt) in the 2Q/11, a 3.7 percent increase from the previous quarter and 23 percent higher than two years ago. In local currencies, wood chip and pulplog prices have increased the most in the US Northwest, Western Canada, Russia and Finland. The weakening US dollar against most global currencies in the 2Q resulted in higher fiber prices in all 18 regions covered by the WRQ.

The **Hardwood Wood Fiber Price Index (HFPI)** reached a new all-time-high in the 2Q at \$116.44/odmt, which was 5.5 percent higher than 1Q/11 and almost 27 percent higher than in early 2009. Recently, hardwood prices have gone up the most in Indonesia, Finland, Russia and Brazil.

Wood fiber prices, which currently are at or close to record highs, have fluctuated quite substantially the past 24 years the WRQ has tracked global forest industry markets. Prices trended downward during most of the 1990's and early 2000 when they were 60 percent below current levels. This was followed by a substantial increase from 2002 to 2008 with wood costs reaching record levels in early 2008, only to plummet almost 20 percent in late 2008 with the onset of the global recession. In 2009 and 2010, wood fiber markets have strengthened as a result of higher prices for market pulp, limited availability of wood chips from sawmills worldwide and a weakening US dollar against most currencies.

It is interesting to note that the SFPI index has been higher for most of the past 24 years; it was not until 2009 that the hardwood price index surpassed the SFPI. In the 2Q/11, the global hardwood fiber price was 6.3 percent higher than the softwood fiber price as reported in the WRQ.

Wood costs have gone up not only in real terms but also as a percentage of the total production costs when manufacturing pulp. The global average wood cost share of the total cash cost has increased from 52 percent in 2005 to 60.9 percent in the 1Q/2011, according to Fisher International. The wood cost percentage varies from around 50 percent in New Zealand and Canada to over 70 percent in China, Indonesia and Brazil.

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