

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

Wood fiber costs for pulp manufacturers declined in the 4Q/11 as pulp prices fell – with Global Wood Fiber Price Indices dropping 3.5%, reports the Wood Resource Quarterly

Global demand for pulp has declined and pulp prices fell during the second half of 2011. As a consequence, prices for wood fiber, the highest cost component when producing pulp, were down throughout the world, as reported by the Wood Resource Quarterly. The Global Wood Fiber Indices for softwood and hardwood fiber declined 3.5% from the 3Q/11.

Seattle, USA. Global pulp prices fell by about 20 percent from July to December last year. Weakening demand for pulp and lower product prices squeezed pulp company profit margins, so many companies tried to reduce their costs for wood fiber, which represents the largest cost component when manufacturing pulp.

There has been a long-term trend in the pulp industry of wood costs increasing as a percentage of the total production costs. In the 3Q/2011, this share had reached 63.5 percent on a worldwide basis, up from only 53 percent in 2005, according to Fisher International. However, this share can vary substantially, from a current low of 52 percent in Eastern Canada to as high as 73 percent in China. For this reason, tracking wood fiber prices over time has become more important when comparing competitiveness of different regions worldwide.

In the 4Q/11, the US dollar continued to strengthen against the local currencies of all of the countries covered by the Wood Resource Quarterly (WRQ) *except* Japan. This development, together with the downward price pressure on pulplog and wood chips in local currencies in practically all of the 18 regions in the world covered by the WRQ resulted in a decline of both global wood fiber indices. The **Softwood Wood Fiber Price Index** fell for the second straight quarter to US\$105.30 per oven-dry tons (odmt) in the 4Q/11. This was down 3.3 percent from the previous quarter, but 1.6 percent higher than 4Q/10. The biggest price declines took place in Western Canada, Brazil, Spain, Germany and Finland.

The **Hardwood Wood Fiber Price Index** fell by 3.6 percent from the 3Q/11 to US\$113.69/odmt. Despite this drop, this was still 5.0 percent higher than during the 4Q/10 and the third highest level ever recorded. The biggest 3rd and 4th quarter price reductions occurred in Spain, Finland, Brazil and Chile.

Wood fiber costs are likely to continue downward in a number of markets in 1Q/2012, particularly in the Nordic countries, Western Canada and the US as pulp prices continue to be substantially below the record-high levels from last summer.

*Global timber market reporting is included in the 52-page quarterly publication, **the 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. **To subscribe to the WRQ, please go to www.woodprices.com***

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