

Press Release – For Immediate Release

Seattle, USA. January 21, 2009

Gloomy pulp markets results in falling wood fiber prices in the US, reports WRI

The fourth quarter was a gloomy quarter for the forest industry in North America. Every price indicator pointed downward, including prices of pulp, lumber, wood chip, pulpwood and biomass, as reported in the latest issue of the North American Wood Fiber Review.

Seattle, January 2009. As a result of weakening markets for lumber and pulp, many US forest companies announced temporary, and even some permanent plant closures this past fall. There are no signs that the pulp market will turn around in the first quarter, so with continued slow demand for wood raw-material it is likely that pulpwood and wood chip prices will continue to fall in many markets in 2009. The biggest price decline for wood fiber in the US in the 4Q/08, occurred in the **Northwest**, where softwood chips and pulpwood prices fell by over 10%. The price decline has been dramatic the past six months with prices down as much as 30% from the 13-year high in the 2Q 2008.

Demand for wood fiber declined dramatically in 2008, with consumption during the 4Q being the lowest ever recorded in the US Northwest. So, instead of an expected scarcity of wood fiber, there has been a glut, with most pulpmills having inventories they have not had since the record year 1995. Wood fiber inventories were just over 50 days in November, obviously a very costly and undesirable position to be in when financial times are tough. Some wood chips are now being burnt rather than consumed by pulpmills or board plants as a result of the reduced demand for wood fiber. There is now even a concern by lumber producers that they will have to reduce production because of the difficulty in finding users of the by-products from their plants.

Prices have also declined this fall in the **US South**, where wood fiber prices typically are less volatile than in western US. The biggest decline occurred in softwood pulpwood in the South Central states, which was almost five percent lower in the 4Q. There has been plenty of pulpwood available throughout the South as many pulpmills were taking market-related downtime or reducing production through rolling machine outages. Demand for smaller logs from sawmills and OSB mills has also diminished this fall, leaving lots of logs for any pulpmill that was short of sawmill residuals. In many regions, loggers have stopped sorting smaller logs for pulp, OSB and chip-n-saw grades and are instead sending all logs to the pulpmills.

The reduced demand for wood fiber from all sectors of the forest industry together with increased log supply as a result of favourable logging conditions in the fall created large log inventories throughout the South. Although log prices have not fallen as much as in many other regions of the US, it can be expected that they will continue to slide in the coming months.

Wood fiber market updates are included in the 24-page publication North American Wood Fiber Review. The report, established in 1982 and with readers in most of the large forest companies in North America, tracks wood chips and pulpwood prices in 15 key markets of the US and Canada.

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