

## **Press Release – For Immediate Release**

**Wood costs were 53% of the total production costs for pulp mills worldwide in the 1Q/09, reports the Wood Resource Quarterly.**

*The largest cost component when manufacturing wood pulp is the cost of wood fiber. In the 1Q/09, this cost was 53% of the total production cost worldwide. Both the relative and nominal cost of wood have declined the past year; wood fiber costs in the 2Q/09 were at their lowest levels in over two years, according to the Wood Resource Quarterly.*

**Seattle, USA. August 2009.** Wood cost is the factor that often determines the competitiveness of a pulp manufacturing plant. This cost typically varies between 40-65% of the total cash cost depending on product grade and the costs of other components such as chemicals, energy and labour.

In the 1Q/09, the worldwide average cost of wood as a percentage of total manufacturing cost was 53%, according to Fisher International's database. This database includes information about cost and equipment information for over 640 wood pulp-producing facilities worldwide (both market and integrated pulp manufacturers). The countries with the lowest wood cost component (as a percentage of total manufacturing cost) were New Zealand, Russia and Western Canada. Japan, China and Finland had the highest wood cost percentages (see historical trends for each country in the current issue of the WRQ).

Fisher International also ranks every pulp mill's competitiveness using a Viability Index which indicates a plant's risk of closure. This Index is based on the status of individual plant's capital requirements, production costs, size and technical age. In the 1Q/09, pulp mills in Indonesia and Chile were ranked with the lowest risk of closures while Japan, Spain and France were regions with the least competitive pulp plants.

A further analysis of the data behind the Viability Index shows that even in low-risk countries, individual plants were in the high-risk category. For example in Australia and Germany, 29% and 14% of the mills, respectively, fell within this category in the 1Q/09. Japan stands out with 2/3 of the country's pulp-producing plants being classified as high-risk plants.

The average wood fiber costs for pulp manufacturers worldwide has fallen by about 15% the past 12 months, according to the Wood Resource Quarterly. The Global Conifer Wood Fiber Index (GCFI) was at US\$90.01/odmt and the Global Non-Conifer Wood Fiber Index (GNCFI) was US\$94.92/odmt in the 2Q/09. The biggest price decline for conifer fiber occurred in Finland, Germany and Russia, while non-conifer wood costs have fallen the most in France, Japan, Germany and Finland. It is expected that wood fiber costs have bottom-out in many markets and that they will start increasing later in the 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 and pulpwood prices in most 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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