

Press Release – For Immediate Release

The Brazilian pulp industry increase production and pulpwood costs are going up in 2009, reports Wood Resource Quarterly

Brazil increased pulp production in 2008 by about eight percent. Wood fiber costs have remained unchanged in the local currency in the 2Q/09 but were eight percent higher in US dollar terms as compared to the previous quarter, according to the Wood Resource Quarterly.

Seattle, USA. August, 2009. There are signs that the Brazilian pulp industry is starting to recover from the weak global demand for pulp and paper products. In April, pulp exports equalled 766,000 tons, up 43 percent from the previous month and 140 percent higher than shipments a year earlier.

The Brazilian pulp companies have benefited from closures of pulpmills resulting in reduced production capacity in the Northern Hemisphere and an increase in demand for pulp in China. In the 1Q/09, shipments to China were 68 percent higher than the same quarter in 2008. This year, China increased imports from Brazil for two main reasons: many small domestic mills closed in China and there were reduced imports from Indonesian pulpmills, which have had wood fiber supply problems.

The pulp industry in Brazil had a record year last year regardless of the global financial crises and the declining demand for pulp and paper products. Production reached 12.8 million tons, which was up from 11.8 million tons in 2007. Before it was apparent how severe and long lasting the financial crises probably would be, the outlook for investments in the pulp and paper sector was about 11 billion dollars by 2011 and another 10 billion dollars by 2015. With the uncertainty about when the paper market will turn around, and the difficulty in financing some planned projects, a number of pulp projects have been postponed indefinitely.

Pulpwood and wood chip prices in Brazil fell slightly in the local currency but were higher in US dollars because of the strengthening of the Real. During the past five years, Eucalyptus roundwood prices have been remarkably stable in the local currency after the dramatic price increases in 2002-2005. In the 2Q, Eucalyptus and pine pulplog prices increased by about eight percent in US dollar terms, according to the Wood Resource Quarterly. Wood fiber costs, which accounted for 58% of the total cash cost in the 1Q were at their highest level in nine months. Prices for pulpwood traded in the open market are currently slightly lower than the global average price.

So far this year, there has been an oversupply of logs in the Brazilian market but it is expected that the situation will change in the second half of 2009 and 2010.

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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