

Forest Products Market Update

- a news brief from Wood Resources International LLC

Hardwood fiber costs for the global pulp industry have surpassed the cost for softwood fiber in 2009 as demand for hardwood pulp rose, reports the Wood Resource Quarterly

Higher hardwood pulpwood costs in Brazil, Australia, Russia and Sweden pushed the 3Q/09 Global Hardwood Fiber Price Index (HFPI) to the highest level in 12 months, reports the Wood Resource Quarterly. The HFPI was over six percent higher than the Global Softwood Fiber Price Index (SFPI), the biggest difference in 21 years.

Seattle, USA. December, 2009. The hardwood fiber costs for the global pulp industry have risen faster than softwood fiber costs in 2009. Over the past 20 years, the Global Softwood Fiber Price Index (SFPI) has typically ranged between US\$5-10/odmt higher than the Global Hardwood Fiber Price Index (HFPI). This relationship changed this year because hardwood fiber costs have increased more than softwood costs.

The Global Wood Fiber Indices are weighted global average delivered wood fiber prices for the pulp industry in the regions tracked by the publication Wood Resource Quarterly. The regions included in the Indices together account for 85-90% of the world's wood-based pulp production capacity. The prices are based on the quarterly average prices, and country/regional wood fiber consumption data.

The HFPI was up \$4.23/odmt, reaching US\$99.15/odmt in the 3Q/09 as compared to the 2Q. This was mainly a result of higher wood costs in Brazil, Australia, Russia and Sweden. The global average hardwood fiber price is now over six dollars higher as that of softwood fiber, a historical first.

The SFPI jumped three dollars per odmt in the 3Q to US\$93.12/odmt. Much of the increase occurred because the US dollar weakened against all 14 currencies in the countries included in the Index. The biggest increases were seen in Germany, Brazil, New Zealand and Australia.

The SFPI Index, which predominantly includes countries with natural conifer species in the Northern Hemisphere, and the HFPI Index, which largely consists of wood fiber prices in non-conifer plantation forests, are calculated in nominal US dollars per oven-dried metric ton (odmt) of wood fiber.

During the past two decades, global wood fiber prices declined during most of the 1990's and early 2000, and then climbed from 2002 to 2008, according to Wood Resource Quarterly. Wood costs reached record levels in early 2008, but then fell rapidly for 12 months until the recent increase in early 2009.

Pulpwood and wood chip 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 chip and pulpwood prices in 15 key markets of the US and Canada.

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