

Forest Products Market Update

- a news brief from Wood Resources International LLC

Wood fiber price trends were mixed in the US in the 1Q/2010; up in the South and the Lake States, but falling in the Northwest, reports NAWFR

Wood fiber costs rose in the US South and in the Lake States during the 1Q because of improved pulp markets and a tight wood fiber supply. In Northwestern US, the picture was different, with reduced production of pulp and paper resulting in declining fiber consumption and lower prices for both wood chips and pulplogs, according to the North American Wood Fiber Review.

Seattle, USA. April 2010. The balance between wood fiber demand and supply varied throughout the US in the 1Q/10, reported the North American Wood Fiber Review. The fiber market in the South has become much tighter as a consequence of high fiber demand coupled with historically low sawmill residual supply. Many pulpmills producing market pulp have been running close to full capacity through the first months of the year because they wanted to take advantage of record-high prices for both NBSK and HBKP market pulp.

The South experienced an unusually wet first quarter, resulting in access to the forests being extremely difficult. Many logging companies were forced to search further away from consuming mills for harvestable areas. There were even shipments of Eucalyptus chips from Brazil coming into the region as a supplement to the domestic hardwood fiber sources. As a result of the improved pulp markets and difficult logging conditions, fiber prices have risen dramatically, particularly in the South Central states where softwood fiber prices were up 12% from a year ago and hardwood fiber prices up 16% from the 1Q/09.

For over five years, pulp mills in the U.S. South have had lower wood fiber costs than most plants in the other major pulp-producing region the US, the Northwest. This condition changed in the 1Q/10 when wood costs in the South Central region were practically the same as in the Northwest, and it is even conceivable that pulp mills in the West may have lower wood fiber costs than plants in the South later this year.

The closure of two large pulp mills in Oregon and Montana is expected to reduce the demand for wood fiber by almost 15% in the Northwest. As a result of the closures, a number of pulp mills will be less reliant on chips manufactured from roundwood in the future and will consume a larger share of less expensive residual chips. The weighted average Douglas-fir fiber prices for the Northwest fell nine percent in the first quarter, according to the North American Wood Fiber Review. Wood fiber costs have trended downward for almost two years and are currently almost 40% lower than in 2008.

In the Lake States, softwood prices were moving up in the 1Q, while hardwood prices

have stayed flat the past 12 months. Pulp mills in the region have passed through the winter season with stable supply and no dramatic changes in fiber demand. Softwood fiber prices, which have generally been more volatile than hardwood prices, have gone up the past year and are currently the highest in the US.

Pulpwood and biomass 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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