

Forest Products Market Update

- a news brief from Wood Resources International LLC

Wood fiber prices for the global pulp industry rise 11%, reaching pre-financial crisis levels in the 1Q/2010, reports the Wood Resource Quarterly

The strong pulp market has pushed wood fiber costs upward in most regions around the world the past 12 months. Both the softwood and hardwood wood fiber price indices (SFPI and HFPI) have gone up the past year and were more than 11 percent higher in the 1Q/10 as compared to 1Q/09, reports the Wood Resource Quarterly.

Seattle, USA. May, 2010. Wood fiber costs for the global pulp industry have been in an upswing the past year and are currently at their highest levels since the beginning of the financial crises in late 2008. The cost of wood accounts for about 55 percent of the total production costs when manufacturing pulp, so it is the one cost component that often decides a pulp mills competitive advantage in the global market place.

The Softwood Wood Fiber Price Index (SFPI), which is based on wood costs in 16 regions in the world, increased for the fourth consecutive quarter reaching US\$99.55/odmt in the 1Q/10, as reported in the Wood Resource Quarterly (WRQ). The Index was up 1.2% from the previous quarter and 11.9 % higher than the same quarter last year. Softwood fiber price adjustments in individual markets were mixed, with the highest increases occurring in the US South, Western Canada, France and Russia, while prices fell the most in Finland, Spain, Chile and Brazil.

The strong pulp markets and difficult logging conditions pushed softwood roundwood prices in the US South up to a two year high. Wood chip prices reached their highest price since WRQ started tracking global wood costs in 1988. Wood chip prices in Western Canada have also gone up steadily the past 12 months and were 12 percent higher in the 1Q/10 than the same quarter in 2009. Even though prices have increased, pulp mills in the two regions currently have among the lowest softwood fiber costs in the world.

Global hardwood fiber markets were also mixed, with higher prices this quarter in the US South, Russia and Indonesia, while prices were down the most from the previous quarter in Sweden, Finland, Spain and Brazil. As a result, the Hardwood Wood Fiber Price Index (HFPI) was slightly lower this quarter to US\$105.90/odmt. Despite the small recent decline, the HFPI was 15% higher in the 1Q this year compared to the same quarter last year. Russia, Chile and Indonesia continue to have the lowest hardwood fiber costs in the world, with prices being less than half of what the high-cost regions of Europe have.

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, pulpwood, lumber and pellet prices in key regions around the world and also includes regular updates of the latest developments in international timber, pulp, lumber markets.

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