

Forest Products Market Update

- a news brief from Wood Resources International LLC

Eucalyptus log prices in Brazil have gone up 25% the past year, almost reaching the global average hardwood fiber price index in the 1Q/2010, reports the Wood Resource Quarterly

The supply and demand for Eucalyptus logs in Brazil has been in balance the past year, which has resulted in stable log prices in the local currency, according to the Wood Resource Quarterly. As a result of the strengthening Real, log costs have gone up in US dollar terms and were 25 percent higher in the 1Q/10 than in early 2009.

Seattle, USA. June, 2010. Eucalyptus pulplog prices in Brazil have been very stable in the local currency and they have hardly changed at all since 2006, as reported in the Wood Resource Quarterly. In US dollar terms, on the other hand, wood fiber costs have increased substantially because of the strengthening of the Brazilian Real.

Five years ago, Brazil had some of the lowest wood fiber costs in the world in US dollar terms, but since that time the Real has appreciated against the dollar with the result that costs for pulpwood traded in the open market in Brazil now are close to the global average hardwood fiber price index (HFPI). Eucalyptus fiber prices in the 1Q/10 were about 25% higher in US dollar terms than the same quarter last year, and 60 percent higher than five years ago.

Demand for Eucalyptus logs has increased in some regions of Brazil not only from pulp and panel manufacturers, but also from some sawmills that are producing lumber from both pine and Eucalyptus for the construction market. The increased demand for logs has not changed stumpage prices much in the local currency, and it is not expected that they will increase much in the coming years because of the additional supply of wood that will be available from recently established plantations. During the past five years, the area of Eucalyptus plantations has expanded by over seven percent annually.

The pulp industry consumes about 45% of harvested Eucalyptus logs, while an estimated 48% is used for fuelwood and for making charcoal for the steel industry. A growing, but still small consumer of Eucalyptus is the sawmilling sector that last year used approximately four percent of the total harvest of logs.

There is still not much interest in utilizing Eucalyptus fiber for the manufacturing of wood pellets in Brazil, neither for domestic nor for export markets. Investments in pellet plants have been limited and are not likely to grow unless prices for wood pellets in the major export markets in Europe improves.

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 and biomass markets.

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