

Forest Products Market Update

- a news brief from Wood Resources International LLC

Energy companies in Europe show increased interest in sourcing biomass from the US South, reports the North American Wood Fiber Review

Woody biomass in the US South is attracting interest from European energy companies in their search for long-term, reliable and competitively priced supply sources, reports the North American Wood Fiber Review. The increased competition for wood fiber has pushed pine pulpwood prices upward in the Southeastern states this past year.

Seattle, USA. July, 2010. Demand for woody biomass, in the form of wood chips, wood pellets and torrefied pellets will increase substantially in Europe over the next ten years, exactly how much though, is unclear as the size of the increase depends on policies and subsidies implemented by governments in individual countries within the European Union. The cost of locally sourced biomass on the continent has gone up for many energy plants, resulting in increase interest in importation of wood chips and pellets from neighboring countries or from overseas.

The US South is on the top of the list as a long-term biomass supply source for a number of energy companies. This is because the region has a stable supply of pulpwood, a well-functioning infrastructure, and competitive wood fiber costs as compared to most other markets in the world. According to the Wood Resource Quarterly, only Chile and the Western US had lower softwood pulpwood prices than the US South during the 1Q/2010. Hardwood wood fiber prices were well below the global average hardwood price index (GHPI).

One region in the US South that has drawn much attention lately is the tri-state area of Southern Georgia, Southeast Alabama, and northern Florida, a wood fiber hotspot profiled in the latest issue of the North American Wood Fiber Review. Within this area, a significant number of new wood-to-energy facilities have been announced with one major pellet plant already operating. Sited in Northern Florida, Green Circle Bioenergy began operations in early 2008 and is exporting the entire production to energy plants in Europe.

Two additional large-scale, export-oriented pellet plants are on the drawing boards. The German company RWE plant in southern Georgia is under construction with plans to commence production in the 3Q of 2011, and Magnolia Biopower has announced plans for its own pellet export plant to also be sited in Southern Georgia.

This expanding green energy sector is situated within a stronghold of the traditional southern pulp industry with seven pulpmills within this Southeastern sub-region. The high concentration of wood fiber consumers within a fairly limited area has pushed wood costs higher the past few years. Pine stumpage prices have increased faster in this region

than the average price across the South. In the 2Q/2010, prices were more than 50 percent higher than two years ago. With the expected increase in wood consumption by the energy sector in this sub-region it is likely that pulpwood costs will continue to be higher in this sub-region than the average for the US South.

Biomass, wood chip and pulpwood market updates are included in the 24-page publication North American Wood Fiber Review. The report, established in 1982 and with readers in a large number of forest and energy companies in North America and Europe, tracks wood fiber prices in 15 key markets of the US and Canada.

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