Forest Products Market Update

- a news brief from Wood Resources International LLC

Wood costs for sawmills and pulp mills in Sweden on the rise in 2010, reports the Wood Resource Quarterly

Continued healthy markets for lumber, pulp and paper has kept demand for logs at high levels in Sweden. As a result, log and wood chip prices have increased substantially the past 12 months, according to the Wood Resource Quarterly.

Seattle, USA. September, 2010. Despite slower lumber export sales, sawlog prices in Sweden continued upward in the 2Q, reaching their highest levels on record in local currency. Log prices have increased faster in the southern part of the country where both sawlogs and pulpwood prices are now higher than in the northern region. As a result, forest owners in Central and Northern Sweden are increasingly considering shipping logs southbound unless local log prices become more attractive.

Swedish sawmills continue to have lower wood costs than many of their competitors in Finland, Germany and Austria, as reported in the Wood Resource Quarterly. However, the cost discrepancy has declined substantially from last year. Sawmills in Eastern Europe and Northwest Russia, on the other hand, currently have 15-30 percent lower wood costs than Swedish mills with the Czech Republic being the only exception. The major reason for this disparity is the Czech's increasing log exports to neighboring Austria and Germany. So far this year, log shipments from the Czech Republic have gone up over 30 percent as compared to 2009.

Pulpwood costs, which account for about 60 percent of cash costs for Swedish pulp mills, were higher in the 2Q this year as compared to the same quarter last year. Average softwood and hardwood pulplogs costs have gone up 12 percent and 18 percent (in US dollar terms), respectively, in 12 months, according to the Wood Resource Quarterly. In the local currency, the increases have been slightly smaller.

With many sawmills reducing production this summer and fall and as a result, less availability of residual chips, the demand for pulplogs has increased. The pulp industry is very dependent on wood chips as this source is typically the lowest cost fiber. In 2009, just over 27 percent of the total softwood fiber consumption was bi-products from the country's sawmills. It is likely that this share will be slightly lower this year because of the continued high demand for fiber and a reduction in available supply of residual chips. As a result, there will continue to be strong demand for pulplogs in the coming months.

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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