

Forest Products Market Update

- a news brief from Wood Resources International LLC

Woody biomass prices in the US increased in the 3Q/10 after having trended downward since early 2009, reports the North American Wood Fiber Review

Prices of wood fiber used for energy declined during most of the recession, partly as a result of the low cost of fossil fuels, which can serve as an alternative source for many industrial energy consumers. However, in the 3Q, biomass prices were up in the South, the Northwest and Southwest, according to the North American Wood Fiber Review. This trend break occurred mainly because of reduced fiber supply and generally lower biomass inventories.

Seattle, USA. September 2010. Prices for woody biomass, whether it was sawmill byproducts, forest residues or urban wood waste, were higher in the 3Q/10 than the previous quarter in most regions throughout the US. The Northwest saw the biggest increase; forest biomass prices (delivered) were up 19 percent from the 2Q/10, according to the North American Wood Fiber Review (NAWFR).

Over the past few years there has been an expansion of the biomass-consuming sector in the Northwest both of stand-alone facilities and for energy plants in conjunction with pulp mills and sawmills. This development has resulted in a decline in open-market volumes of sawmill biomass (bark and wood fiber residues) and there is starting to be an increased need to source additional volumes of higher-cost forest biomass and even urban recycled wood from the larger metropolitan areas in both Oregon and Washington.

As a result of low prices for fossil fuels, there has not yet been a dramatic increase in the consumption of biomass in the Northwest, and prices for both mill and forest biomass were actually lower in the 3Q/10 as compared to the same quarter in 2008 and 2009. This picture may very well change over the next two years if the plans for six new energy facilities in Western Washington materialize, as this would increase the demand for wood fiber.

California, home to the largest concentration of stand-alone biomass plants in North America, was one of the few states where BCAP (the Biomass Crop Assistance Program) money seemed to function as intended earlier this year, namely to bring out additional volumes of forest residues. With the absence of the BCAP incentives, average woody biomass prices in the 3Q returned to pre-BCAP levels of 2009.

In the US Northeast, the 3Q found biomass plants receiving lower income due to relatively low demand for power in the region. Prices for feedstock, in reaction, drifted lower in part also due to plentiful inventories left over from 2Q. Forest biomass prices have trended downward since early 2009 and are currently 22 percent below the 1Q/09, reports the NAWFR.

Demand for woody biomass in the US South has slowly increased the past few years as more energy plants have decided to add green energy to their portfolio of alternative energy sources. As a result, biomass prices have trended upward the past four years and were almost 50 percent higher in the 3Q this year as compared to early 2007. This trend is likely to continue because of the expansion of biomass plants that is expected in the region in the coming years.

Biomass and wood chip market updates are included in the 32-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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