

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

Wood fiber costs for the European pulp industry have fallen from the record highs of 2011, reports the Wood Resource Quarterly

Wood costs for many European pulp mills have fallen the past six months as the pulp market has weakened. In the Nordic countries, pulplog and wood chip prices have fallen 11-15 percent from last spring, according to the Wood Resource Quarterly. Despite the price decline, Europe continues to have some of the highest wood fiber costs in the world.

Seattle, USA. Wood fiber costs for pulp mills fell in practically all major markets of Europe in the 1Q/12 because of weaker pulp markets in late 2011 and early 2012. Last year, wood costs in many countries on the continent, including Sweden, Norway, France, Austria, Germany and Spain, reached record highs, but in all those markets, prices for pulplog and wood chips are now substantially lower, according to the Wood Resource Quarterly.

The financial instability in many economies in Europe is contributing to the increased uncertainty about the near future demand for pulp and paper on the continent and weakening pulp markets so many pulp mills are trying to cut production costs to stay profitable. Wood fiber costs have fallen more than other cost (energy, labor and chemicals) the past six months. Nevertheless, the wood costs are still by far the highest cost component when manufacturing pulp, ranging between 55-70% of total production costs for the major producers in Europe, according to Fisher International.

Because of the weaker pulp markets, many pulp mills in France and Germany reduced operating rates, resulting in lower demand for pulplogs last winter. This not only interrupted the almost two year trend of price increases, but actually contributed to a fall in prices, back to levels previously seen last summer. With the Euro weakening against the US dollar, wood prices in dollar terms have declined even more dramatically than in the local currency.

In Northern Europe, pulplog prices have fallen between 11-15 percent from last spring depending on country and species. It has been difficult to be a forest owner in Sweden the past year, as prices have declined for both sawlogs and pulplogs. In parts of Sweden, it is not likely that pulplog prices will decline much further as they are now reaching the same levels as those for energy logs.

Eucalyptus log prices in Spain have been on a steady decline for almost a year and the major fiber consumers have lowered the price they pay to landowners practically every month so far this year. In US dollar terms, the average cost for Eucalyptus log has declined by 21% since its all-time-high in the 2Q/11, according to the Wood Resource Quarterly.

Despite the recent decline in pulpwood and wood chip price, pulp mills in Europe still have higher wood costs than many of their competitors around the world.

*Global pulpwood and timber market reporting is included in the 52-page quarterly publication Wood Resource Quarterly (WRQ). The report, established in 1988 and with subscribers in over 25 countries, tracks sawlog, pulpwood, lumber and pellet prices and market developments in most key regions around the world. **To subscribe to the WRQ, please go to www.woodprices.com***

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