

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

Wood costs for the world's pulp industry continued downward in the 2Q/12 with the biggest declines in Brazil, Russia, Australia and Europe, reports the Wood Resource Quarterly

The costs of wood fiber for many pulp mills throughout the world continued to fall in the 2Q/12 and were at their lowest levels in over a year, according to the Wood Resource Quarterly. The greatest declines were seen in Brazil, Australia, Russia, Spain and US northwest, and Eastern Canada.

Seattle, USA. Wood fiber costs for the world's pulp mills were down again in the 2Q/2012. Prices for wood chips and pulplogs in both local currencies and in US dollars fell in most of the 17 regions tracked by the Wood Resource Quarterly.

Uncertainty in demand for pulp, lower pulp and paper prices, reduced market pulp production and a healthy supply of sawmill residuals were all factors that put downward pressure on wood fiber prices this spring and early summer. The **Softwood Wood Fiber Price Index (SFPI)** fell by 4.1 percent from the 1Q/12 to \$100.54 per oven-dry ton (odmt). This was the biggest quarter-to-quarter drop since 2008. The biggest price declines for hardwood fiber from the 1Q/12 to 2Q/12 occurred in Brazil, the US Northwest, Australia and Eastern Canada.

Hardwood fiber prices have fallen even more than softwood fiber prices this year. The **Hardwood Wood Fiber Price Index (HFPI)** was down 4.4 percent to \$104.88/odmt from the previous quarter. The HFPI has now fallen for three consecutive quarters since the all-time high in the 3Q/11, and in the 2Q/12 was at the lowest level in two years. The largest price reductions from the 1Q/12 occurred in Brazil, Russia and Australia.

Although Brazilian pulplog prices have not changed much in the local currency, they have fallen dramatically in US dollar terms as the Real has weakened the past year. Eucalyptus pulplog prices in the 2Q/12 were down 28 percent from the same quarter in 2011, while pine pulplog prices declined 26 percent from a year ago. The recent dramatic price reductions of pulplogs have resulted in Brazilian pulpmills enjoying among the lowest wood costs of all regions tracked by the WRQ, despite being above the global average as recent as 12 months ago.

Wood fiber costs were also down throughout Europe in the 2Q, with the smallest declines (in US dollars) in Finland (-1.3%) and Norway (-3.6%) and the biggest reductions in Spain (-15%) and France (-7.7%). In most markets, wood fiber prices have come back down to where they were in 2010.

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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