

Global Timber and Wood Products Market Update

- a news brief excerpt from North American Wood Fiber Review

As wood fiber costs have fallen substantially in the West the past year, pulp mills in the Western US are becoming more competitive with Southern mills, reports the North American Wood Fiber Review

During much of the past seven years, wood costs have been substantially higher for pulp mills in Western US than they have for pulpmills in the Southern states, according to the North American Wood Fiber Review. However, sharply falling wood chip prices in the West during 2012 and 2013 have improved the competitiveness of the region's pulp mills.

Seattle, USA. Wood costs account for between 50-55 percent of the production costs for pulp mills in the US. Historically these costs have often been substantially lower in the Southern states than in the Northwest, the two major pulp-producing regions of the country. However, this has been changing with the most dramatic regional price movements in North America happening in the US Northwest, where prices for softwood chips, the major fiber source for the region's pulp mills, have fallen for five consecutive quarters. Chip prices in the 2Q/13 were down by a third from early 2012, according to the North American Wood Fiber Review (www.woodprices.com). In contrast, softwood residual chip prices in the US South have remained practically unchanged for over three years, even though the supply of wood chips has increased as the result of higher lumber production in the region.

Wood chip prices in the US South are still lower than in the Western states, but pulp mills in the Southern states are consuming a higher percentage of higher-cost wood fiber in the form of roundwood, making the total average fiber costs in the South only slightly lower than in the West. Just a few years ago, the average softwood fiber costs for pulp mills in the West were more than 50 percent higher than those in the South.

Southern prices for both softwood and hardwood pulplogs in the 2Q/13 were unchanged from the previous quarter, after isolated price spikes during the always volatile winter season, as reported in NAWFR. However, pulpmills typically take spring maintenance outages, which reduces demand for wood fiber, resulting in downward prices pressure on logs. The fact that both softwood and hardwood roundwood prices remained unchanged this spring indicates additional demand is being felt from other sources, ie. pellet and OSB mills in some regions, and that harvest levels have picked up after the housing recession.

Prices for pulplogs, which are the major fiber source for pulp mills in the South, have slowly trended upward the past two years and are expected to continue this trend during the rest of 2013. Since June, heavy amounts of rainfall have begun to cause challenges for wood supply deliveries, and there are early indications that wood prices in the South are climbing in the 3Q.

*The North American Wood Fiber Review (NAWFR) has tracked wood fiber markets in the US and Canada for over 20 years and it is the **only publication** that includes prices for sawlogs, pulpwood, wood chips and biomass in North America. The 36-page quarterly report includes wood market updates for 15 regions on the continent in addition to the latest export statistics for sawlogs, wood pellets and wood chips.*

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