

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

Pulpwood costs have fallen substantially worldwide with the softwood and hardwood pulpwood price indices in the 4Q/15 being at their lowest levels in over ten years, reports the Wood Resource Quarterly

The largest cost component when manufacturing wood pulp is the cost of wood fiber. This cost has declined substantially in US dollar terms the past few years with the Global Price Indices being down almost ten percent in 12 months, according to the Wood Resource Quarterly.

Seattle, USA. Wood cost is the factor that often determines the competitiveness of a pulp manufacturing plant or region, because it is the largest cost component when producing wood pulp. During the past few years, this cost has varied between 45% and 70% of the total cash cost, depending on product grade and the costs of other components such as chemicals, energy and labor.

Hardwood fiber prices continued to fall in most of the major pulp-producing countries in the world in the 4Q/15. The biggest declines were seen in Brazil, Chile, Russia, France, Germany and Indonesia. In most regions, the price adjustments occurred in both in the local currencies and in US dollar terms. The **hardwood price index (HFPI)** fell over two percent from the 3Q/15 to a level that was almost 10% lower than in the 4Q/14.

Russian pulp mills have substantially lower wood fiber costs than most competitors around the world thanks to the weak Ruble. Prices for hardwood pulplogs were less than half of the average prices in Brazil and Chile in the 4Q/15, according to the latest issue of the Wood Resource Quarterly. In US dollar terms, current price levels are also half of what they were two years ago. Pulplog prices throughout Europe have also fallen quite substantially the past few years but remain among the highest in the world.

With the exception of the US South and New Zealand, softwood fiber prices were also down throughout the world in the 4Q/15. The declines ranged between two to ten percent from the previous quarter. The **softwood price index (SFPI)** was US\$88.46/odmt, a reduction of 1.4% from the previous quarter and 7.5% lower than the same quarter in 2014. Both the SFPI and HFPI are currently at the lowest levels in over ten years.

***Note.** The Global Wood Fiber Price Index is a weighted average of delivered wood fiber prices for the pulp industry in all regions tracked by the publication **Wood Resource Quarterly**. These regions together account for 85-90% of the world's wood-based pulp production capacity. The price is based on current quarter average prices, and country/regional wood fiber consumption data. The global average price for softwood and hardwood is calculated in nominal US\$ per oven-dried metric ton of wood fiber.*

*Global pulpwood and timber market reporting is included in the 52-page quarterly publication **Wood Resource Quarterly (WRQ)**. The report, which was established in 1988 and has subscribers in over 30 countries, tracks sawlog, pulpwood, lumber and pellet prices, trade 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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