

Forest Products Market Update

- a news brief from Wood Resources International LLC

Global timber markets

Global sawlog prices have trended upward in almost all regions of the world for the past two years. The Global Sawlog Price Index (**GSPI**) reached \$80.88/m³ in the 3Q, which was the highest level since the beginning of the financial crisis in late 2008, according to the Wood Resource Quarterly (WRQ).

Western and Eastern Canada are the only two regions that currently have lower log costs in the local currency than a year ago. The biggest increases have been in US Northwest, Germany, Sweden and Northwest Russia.

Global pulpwood price

After a temporary drop in the 2Q, the Softwood Wood Fiber Price Index (**SFPI**) increased again in the 3Q to the highest level during the financial crises. The SFPI was US\$99.80/odmt in the 3Q, up US\$1.51/odmt from the previous quarter and US\$6.68/odmt from the same quarter in 2009. Prices went up not only because the US dollar weakened against most other currencies, but also because prices in the local currencies were up in Europe, Western US and Western Canada.

Global hardwood fiber prices also trended upward, both in local currencies and US dollar terms, in most regions covered by the WRQ. The biggest increases occurred in Europe, where prices were up 5-10 percent from the previous quarter. As a result, the Hardwood Wood Fiber Price Index (**HFPI**) was up US\$1.51/odmt to US\$104.88/odmt.

Global pulp markets

This year has been a very good year for the world's producers of market pulp. World production for the first eight months was eight percent higher than last year. During the 3Q, global production was close to the record high, and probably peaked in June or July. The market pulp producers in **Western Europe** have so far increased production by 18 percent as compared to last year. **Latin America** is still lagging because of the large production outages early in the year when the earthquake hit the country.

Global lumber markets

Lumber markets were mixed around the world, reports the WRQ. In **Sweden** and **Finland**, lumber prices trended downward during the first half of 2010. They picked up temporarily in the summer, but are expected to fall again in the coming months. In **the US**, lumber prices saw a dramatic decline as the result of continued weak demand for lumber in the domestic market, higher imports from Canada and limited opportunities for sawmills in the South to expand exports.

Canadian sawmills have had an eventful fall with very volatile price movements. In early October, lumber prices jumped eight percent in one week. Such large price adjustments are unusual in the fall. West coast spruce-pine-fir prices went up the most, and were 14 percent higher in September than in June.

Prices for softwood lumber imported to **Japan** have gone up during most of 2010, and in September, reached their highest levels since early 2009.

Global biomass markets

Woody biomass prices in **the US** peaked in late 2008 and early 2009 and have fallen until the 2Q this year when they probably bottomed out for this cycle. Currently, costs for biomass are the lowest in California and the US Northwest, averaging about US\$35/odmt for biomass sourced from the forest industry.

Demand for woody biomass in the **US South** has slowly increased and as a result, biomass prices have trended upward the past four years.

Pellet prices in **Sweden** have gone up every quarter since late 2008 and they are now substantially higher than in **Central Europe**.

Global timber market reporting is included in the 52-page publication Wood Resource Quarterly. The report, established in 1988 and with subscribers in over 25 countries, tracks sawlog, pulpwood, lumber and pellet prices in key regions around the world and also includes regular updates of the latest developments in international timber, pulp, lumber and biomass markets.

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