

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

Pulpwood prices in Western US were up almost 50 percent in 2Q/11 compared to 2Q/10, while wood prices were unchanged in the US South, reports the North American Wood Fiber Review

Wood costs for pulp mills in Western US have increased over the past 12 months, reaching their highest level since early 2008 in the 2Q/11, reports the American Wood Fiber Review. Pulp mills in the US South have slightly lower wood costs than they did in 2010, and continue to have the lowest fiber costs in North America.

Seattle, USA. Pulp mills in the Western US have seen their wood costs go up for four consecutive quarters, and this region, together with Quebec, had the highest 2Q/11 wood fiber costs in North America, according to the North American Wood Fiber Review (NAWFR).

Douglas-fir and hemlock residual chip prices in the US Northwest were up 42 percent between 2Q/10 and 2Q/11, reaching their highest levels since early 2008. Pulplog prices have increased more than for wood chips, reaching a 16-year high in the 2Q/11. Historically, the region's pulp industry has relied on 70-80 percent sawmill residuals for its fiber furnish, but in 2011, softwood residuals accounted for approximately 55 percent of the softwood fiber receipts as reported by the Forest Products Association, with the remaining being chips manufactured from roundwood.

The current price surge in Western US has been the result of four primary factors: sawmill lumber production well below historical volumes, high pulpmill production due to strong product prices, a reopened pulpmill in the state of Washington, and strong Chinese demand for logs.

Violent storms in Mississippi and Alabama, flooding along the Mississippi River and wildfires primarily in Georgia and Texas interrupted the regular flow of wood fiber in the US South during the 2Q. The extreme conditions resulted in curtailments of a few pulpmills and chipping facilities and temporary reductions in fiber demand. To some extent, this balanced out the reduction in pulpwood production. While salvaging is difficult and more costly than ordinary timber harvesting, the sheer volume of wood that is under pressure to be brought in before it deteriorates will bring a surge of supply to the market.

Softwood and hardwood pulpwood prices in the 2Q were unchanged from the previous quarter, according to NAWFR, but can be expected to decline in the 3Q as a result of the large volume of damaged wood in the region. With other North American regions experiencing significant increases in wood costs in the 2Q, the South's low, stable wood prices continue to make the region's pulp industry very competitive.

Pulpwood, wood chip and biomass market updates are included in the 36-page publication North American Wood Fiber Review. The report, established in 1982 and with subscribers in a large number of forest and energy companies in North America, tracks wood fiber prices in 15 key markets of the US and Canada.

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