

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

WRI's global wood fiber prices indices reached four-year highs in the 4Q/18 as the costs for wood chips and pulplogs have moved upward in most of the 19 world regions tracked by the Wood Resource Quarterly

Global wood fiber prices have trended upward for much of the period 2014 to 2018, with wood costs going up the most for pulpmills in Western North America, Europe, Indonesia and China. Only pulpmills in Brazil and Eastern Canada have seen their wood costs go down during this period.

Seattle, USA. Wood fiber costs ranged between 45% and 70% of the cash costs for the production of pulp around the world in the 4Q/18. The costs for wood chips and pulplogs were generally higher worldwide in 2018 than in 2017 with both the **Softwood Fiber Price Index (SFPI)** and the **Hardwood Fiber Price Index (HFPI)** reaching their highest levels in four years. From the 4Q/16 to the 4Q/18, the SFPI and the HFPI increased by 6.4% and 4.6%, respectively.

Over the past two years, softwood fiber prices were up over 20% in the US Northwest, Western Canada, the Nordic countries and Germany, according to the Wood Resource Quarterly (WRQ). The only regions where fiber costs have fallen since the 4Q/16 were Eastern Canada and Brazil. In Eastern Canada, fiber costs have declined primarily because of an oversupply of wood chips and in Brazil due to a weakening Brazilian Real. In Ontario and Quebec, growing lumber production has created ample supplies of residual chips while demand for wood fiber has stagnated. As a consequence, wood chip prices have fallen by almost 50% in six years and some sawmills are struggling to find buyers for all their chip volumes.

During the past two years, the costs for hardwood pulplogs have gone up in 15 of the 16 countries tracked by the WRQ. Pulpmills in some of the major hardwood pulp-producing regions, including China, Finland, Indonesia and Spain, have seen their fiber costs go up between 10-30% from the 4Q/16 to the 4Q/18.

Import prices for hardwood chips to China have gone up steadily from late 2017 to early 2019, predominantly because of increased prices for wood chips which have been sourced from the higher-cost countries of Australia and Chile. In late 2018 and early 2019, import prices for hardwood chips to China and Japan were practically the same. This is unlike in

the previous decade when prices for overseas chips delivered to Japan were between \$20-70/odmt higher than for those shipped to China.

*Global lumber, sawlog and pulpwood market reporting is included in the 56-page quarterly publication Wood Resource Quarterly (WRQ). The report, which was established in 1988 and has subscribers in over 30 countries, tracks sawlog, pulpwood, wood chip, lumber and pellet prices, trade and market developments in most key regions around the world. Please visit our website **WoodPrices.com** to learn more about our subscription services.*

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