Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

Almost 50% of the fiber feedstock for wood pellet plants in the US South was industry and forest residues in the 1Q/17, up from 33% five years ago, according to the North American Wood Fiber Review

Wood pellet manufacturers in both the US and Canada are increasingly diversifying their feedstock to reduce fiber costs and take advantage of less utilized fiber sources, according to analysis by Wood Resources International. The key fiber furnish in both countries are sawmill byproducts and forest residues, together accounting for over 80% of the total feedstock in British Columbia and almost 50% in the US South.

Seattle, USA. Over the past ten years, there has been a clear shift in fiber-sourcing for pellet manufacturers in the US South from logs to residues. In 2008, when the first large pellet plant was built, practically all fiber consumed by this plant was low-quality small-diameter logs from adjacent forests. This fiber source is a high-cost fiber furnish since it needs to be chipped, hammered and dried before it can be processed to pellets, which adds substantial cost to the manufacturing of pellets.

Increasingly, pellet plants throughout the southern states have turned to sawmill by-products and forest residues that in the past have been left at the harvesting sites. The North American Wood Fiber Review (NAWFR) has for the past five years tracked the fiber sources for the pellet industry each quarter in the two major producing regions of North America - British Columbia and the US South. There have been two clear trends:

- In British Columbia, pellet companies have moved from entirely relying on inexpensive sawdust from the local sawmills for its fiber furnish to increasingly supplementing its dominant fiber source with forest residues in the form of tree tops and branches left after harvest operations.
- In the US South, there has been an increase in the usage of residuals at the expense of roundwood.

In the 1Q/17, pellet plants in BC consumed just over 82% sawmill residues, while forest residues accounted for about 17%. With the expected reduction in lumber production in the province in the coming years, pellet plants will increasingly have to rely on forest residues and low-cost logs for their furnish since the available supply of sawmill by-products will diminish.

In the US South, the fiber sourcing trend is the opposite of British Columbia with expected increases in the usage of sawmill residues as the lumber production is likely to expand in the future. From the 1Q/13 to the 1Q/17, the usage of industry and forest residues increased from 33% to 47% of the total fiber furnish for the pellet industry, according to the NAWFR. This upward trend is expected to continue, especially in regards to the usage of sawdust and microchips (chips manufactured from tree tops, tree branches and small-diameter trees from forest thinnings).

*The North American Wood Fiber Review (NAWFR) has tracked wood fiber markets in the US and Canada for over 30 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, lumber, wood pellets and wood chips.*

Contact Information

Wood Resources International LLC
Hakan Ekstrom
Seattle, USA
info@woodprices.com
www.woodprices.com