

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

Modest increases in wood fiber costs and a substantial rise in market pulp prices have improved profitability for many market pulp manufacturers worldwide during the second half of 2017, reports the Wood Resource Quarterly

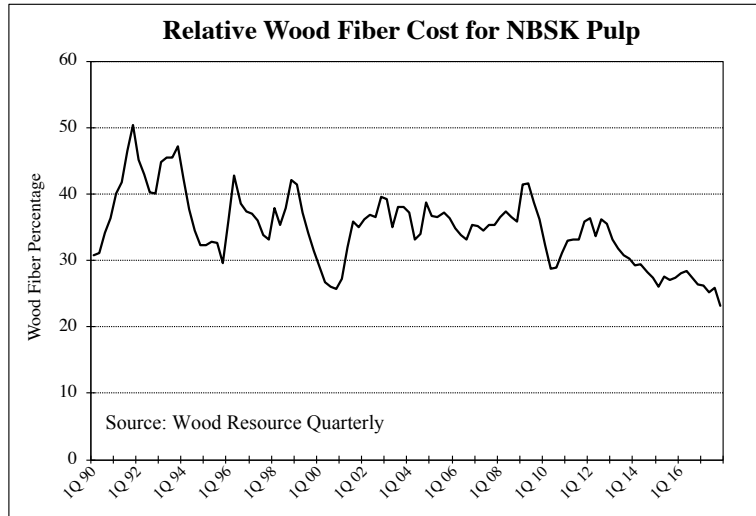
Pulp manufacturers in many countries have seen their wood fiber costs go up during 2017. In the 4Q/17, both the global softwood and hardwood fiber price indices reached their highest levels in over a year, according to the Wood Resource Quarterly. However, market pulp prices increased even faster, resulting in a period of increased earnings by the pulp industry.

Seattle, USA. Pulp manufacturers in many countries have seen their wood fiber costs go up during 2017, with the biggest increases in US dollar terms occurring in Western North America, Europe, Russia and Australia, according to the Wood Resource Quarterly (WRQ). The **Global Softwood Fiber Price Index** (SFPI) increased for the third consecutive quarter to reach \$89.08/odmt in the 4Q/17, 4.0% higher than in the same quarter in 2016.

Hardwood fiber prices have also trended upwards over the past year, with the **Global Hardwood Fiber Price Index** (HFPI) reaching its highest level in almost three years during the 4Q/17. In US dollar terms, hardwood fiber prices have gone up the most in Europe, Russia and Indonesia during 2017. The only region that has experienced a decline in wood fiber costs has been the US South, where hardwood pulplog prices were 2.3 % lower in the 4Q/17 than in the 4Q/16.

Wood fiber costs remain the single largest cost component in the manufacture of wood pulp, ranging between 40-60% of the total cash costs, depending on region and pulp grade. The wood fiber costs as a percentage of the price of Northern Bleached Softwood Kraft market pulp (NBSK) have been on a downward trajectory over the past eight years.

The substantial increases in market pulp prices during the 4Q/17 and only small upward price adjustments of pulpwood resulted in the wood fiber cost percentage reaching a record low of 23.2% in the last quarter of 2017 (down from 36% in 2012). Since wood fiber costs account for a majority of the pulp manufacturing costs, the low wood cost share has improved profitability for market pulp manufacturers throughout the world during 2017.



*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. **To subscribe to the WRQ**, please go to www.woodprices.com*

Contact Information

Wood Resources International LLC

Hakan Ekstrom

Seattle, USA

info@woodprices.com

www.woodprices.com