

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

The fiber costs for pellet plants in North America have trended downward the past year with the US and Canadian Pellet Feedstock Price Indices reaching their lowest levels in over four years in the 2Q/17, according to the North American Wood Fiber Review

With the feed stock shifting towards lower cost fiber, including industry and forest residues, total wood costs for pellet manufacturers fell during 2016 and early 2017, according to the North American Wood Fiber Review. The PFPI price indices for the US and Canada have fallen 16% and 26%, respectively since 2013.

Seattle, USA. Wood pellet manufacturers in North America consume wood fiber from a variety of sources with different price levels, trends and cost drivers. The WRI pellet feedstock price indices for Canada and the US (PFPI-US and PFPI-CA), which were launched in 2013, show a quarterly volume-weighted price for the fiber consumed by each country's pellet sector. Each individual facility's estimated mix of fiber (roundwood, sawdust, shavings, microchips, etc.) are calculated using local fiber pricing to determine a weighted price, which is further combined with production capacity and operating rate to calculate the final regional index price.

The price indices for both the US and Canada have trended downward the past few years and reached record lows in both countries in the 2Q/17. The PFPI-US has fallen 15% from its peak in the 3Q/13 to the 2Q/17. Slightly declining roundwood prices, plummeting sawdust costs, and a change in the feedstock mix towards lower cost residuals in both the Gulf States and the Atlantic States were the major reasons behind the decline in the PFPI-US Index the past year.

A snapshot of the various feedstocks currently being used by the US export pellet sector shows 50 percent was roundwood in the 2Q/17, followed by significant volumes of sawdust and shavings, and an increasing supply of forest microchips.

The Canadian price index, PFPI-CA, which combines the larger Western export pellet sector primarily in BC with the smaller Eastern sector found in Ontario, Quebec, New Brunswick and Nova Scotia, has fallen more than the US index (in US dollar terms), mostly because of the weaker Canadian dollar. However, wood fiber costs for pellet manufacturers have also fallen slightly in Canadian dollar terms because of lower costs for logs the past few years. From its record high in early 2013 to the 2Q/17, the PFPI-CA

declined 26%. The lower indexed price in the 2Q/17 primarily reflected the falling costs of sawdust and shavings and incremental increases in the usage of these feedstock forms over higher cost roundwood.

*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.*

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