

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

Hardwood pulp manufacturers in Europe have the highest wood fiber costs in the world despite price declines the past six years, reports the Wood Resource Quarterly

The wood fiber costs for European hardwood pulp producers started to move upward in late 2017 after having trended downward for over six years, according to the Wood Resource Quarterly. Despite the long-term price decline for hardwood pulpwood, the continent's pulpmills still have some of the highest wood costs in the world.

Seattle, USA. Hardwood pulp manufacturers in Europe have some of the highest wood fiber costs in the world despite prices for hardwood pulplogs having trended downward in most key markets on the continent over the past six years. In the second half of 2017, this trend reversed, with fiber prices going up in both the local currencies and in US dollar terms. In the 4Q/17, prices for hardwood logs in Spain and Finland were the highest on the continent, while French and Swedish prices were on the lower end of the hardwood cost spectrum, according to the Wood Resource Quarterly.

Hardwood fiber supply in Sweden tightened in late 2017 because of an unusually wet and mild early winter season. The tight supply resulted in odd importations of Eucalyptus chips from both Brazil and Uruguay in late 2017 and early 2018 at prices reported to be that was substantially higher than those for domestically sourced wood fiber. The limited availability of logs resulted in higher prices for hardwood pulplogs during most of 2017 (after being at an 11-year low in the 4Q/16). Despite the recent price rise in the 4Q/17, birch pulplog costs were about 15% lower than their 10-year average (in US dollar terms).

Prices for softwood chips and pulplogs were also up in Sweden during 2017 because of an imbalance between domestic supply and demand. The higher domestic fiber prices resulted in an increase in importation of softwood chip to Sweden in 2017, which reached almost double the volume imported five years ago. In the last quarter of the year, imports reached the second highest quarterly volume on record.

Historically, most imported chips have been destined for the country's pulpmills, but over the past two years there has been an increase in imported chips to be used for energy. Latvia, Norway, Estonia and Finland, in ranking order, are the major suppliers of softwood chips, accounting for 95% of the total import volume in 2017. With a higher percentage of lower-cost energy chips over the past few years (predominantly from Norway), the average value

for imported chips has declined by about 40% 2013 to 2017, according to the WRQ in its 4Q/17 issue. Of the four major supplying countries, Finland supplied the highest cost chips, while Norway was the lowest cost supplier in 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*

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