

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

Wood fiber costs for the pulp industry have trended upward in most regions of North America throughout 2017 and 2018, with the biggest increases occurred in British Columbia and US Northwest, according to the North American Wood Fiber Review

Pulpmills in five of the nine major pulp-producing regions of North America have seen their wood fiber costs go up over the past year, reports the NAWFR. In the 3Q/18, average market prices for wood chips and pulplogs were highest in Interior BC and US Northwest, while pulpmills in the US South, Quebec, and the Maritime provinces had the lowest wood costs.

Seattle, USA. Wood fiber costs for pulpmills in North America remained generally unchanged from the 2Q/18 to the 3Q/18 but were higher than in the 3Q/17, according to the latest issue of the North American Wood Fiber Review. The biggest increases year-over-year came in British Columbia and the western US where prices for wood chips (the major fiber source for the two regions' pulp industry) increased by 25% and 23%, respectively.

US South

Prices for hardwood chips and pulplogs in the **South Central** sub-region were up about five percent quarter-over-quarter in the 3Q/18, while the price increases were more modest in the **Southeastern** region. Low inventories and reduced harvests of hardwood stands have contributed to record high hardwood chip prices and hardwood pulplog prices being close to their highest levels in two years.

Softwood chip prices have remained practically unchanged for more than a year throughout the South due to increasing supply of residuals from the region's sawmills. Prices for sawmill chips in both South Central and Southeast are currently among the lowest in North America.

US Northwest

There was an uptick in the price of Douglas-fir and hardwood pulplogs in the 3Q/18 in coastal **Washington** and **Oregon**, with the price for Douglas-fir reaching a high last seen in the 1Q/12. The current price equals the price of hemlock/fir, which was unchanged from

the 2Q/18.

There was a noticeable decrease in residual chip prices due to multiple factors, including plentiful residual supplies at the region's sawmills, log buyers building sawlog and pulplog inventories because the forests remained opened in spite of the wildfire threat, and more logs becoming available for domestic mills due to US-China trade tensions. The average softwood chip price in the 3Q/18 was down 25% from the same quarter in 2017.

US Lake States

Dry summer weather resulted in log contractors maintaining full production schedules and a robust supply of fiber for the region's pulpmills. In the 3Q/18, softwood and hardwood roundwood prices were unchanged from the previous quarter.

Although there remains an oversupply of softwood logs, prices have remained stable throughout most of 2017 and 2018, while prices for hardwood logs have inched downward.

Sawmill chips were plentiful, but suppliers reported little to no difficulty in moving their residuals. However, this plentiful supply did result in the price of softwood chips dipping slightly from their 2Q/18 levels.

US Northeast

There was no change in softwood pulplog prices from the second to the third quarter, marking the third consecutive quarter with steady pricing. Hardwood roundwood prices edged downward slightly due to the cessation of a temporary price increase which was in place for the first half of the year. Although hardwood-consuming pulpmills in **Maine** reported low fiber inventories during the summer, by late August, the inventory levels had recovered.

Canada West

The price for chips rose across all regions of **British Columbia** in the 3Q/18. In the Northern Interior, residual chip pricing increased significantly based on increases of the NBSK pulp prices to which they are linked. Prices in Canadian dollar terms have gone up for four consecutive quarters to reach their highest levels since the 1Q/96.

Sourcing fiber to meet demand remains a concern for most of British Columbia, particularly for the Coastal region. High prices continued due to the imbalance between supply and demand. Lack of wood supply on the coast resulted in fiber buyers reaching

into the Interior of the province or sourcing fiber from the US Northwest to supplement their fiber inventories.

Alberta saw a slight increase in residual chip prices in the 3Q/18, a continuation of an upward trend that started in the 2Q/17.

Canada East

In Eastern Canada, growing lumber production has created ample supplies of residual chips while demand for the fiber has stagnated. The imbalance, building over the past 18 months, resulted in significant price declines when 2018 annual price negotiations were concluded earlier this year. Eastern **Ontario** and **Quebec** now have the lowest softwood chip prices in North America. In contrast to the plunge in softwood residual chip pricing, hardwood roundwood pricing in Eastern Ontario/Quebec has remained flat for all of 2018.

Hardwood and softwood pulplog prices in the **Maritime provinces** were unchanged in the 3Q/18 at levels similar to price levels seen earlier in 2018.

***About the North American Wood Fiber Review:** The 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. **To subscribe to the NAWFR**, please go to www.WoodPrices.com*

Contact Information

Wood Resources International LLC

Hakan Ekstrom

Seattle, USA

info@woodprices.com

www.WoodPrices.com