

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

Pulpmills in Eastern Canada have become more competitive following sharply declining wood costs the past four years. In fact, wood costs reached their lowest levels in 15 years in the 1Q/16, according to the North American Wood Fiber Review

Wood costs for pulp mills in Eastern Canada have fallen dramatically the past four years, and the region has some of the lowest wood fiber costs in North America, according to the North American Wood Fiber Review. In 2012, pulp mills in Ontario and Quebec had some of the highest wood fiber costs on the continent.

Seattle, USA. Softwood fiber prices in Eastern Canada have been in steady decline for over four years, and in the 1Q/16 were at their lowest levels in almost 15 years. The shrinking pulp industry in Ontario and Quebec has become more competitive with fiber costs matching many other regions of North America in early 2016, as reported in the North American Wood Fiber Review (NAWFR). In US dollar terms, softwood chips and pulplogs costs were down 37% and 27%, respectively in the 1Q/16 as compared to the 1Q/12.

Although much of the decline can be contributed to a stronger US dollar, wood chip prices have also fallen substantially in Canadian dollar terms. Softwood chip prices in Canadian dollars were 16% below 2012 levels, and they are actually at their lowest levels since NAWFR started tracking wood fiber prices in Eastern Canada in 1988.

Chip prices in Quebec and Eastern Ontario are currently on par with prices in Western Canada and the US South, and they are substantially lower than in the US Northwest, the Lake States and the US Northeast. This has been quite a remarkable turn-around from four years ago when the region's pulp mills had some of the highest wood fiber costs in North America.

Pulpwood prices (in Canadian dollar terms) in the Maritime Provinces fell in the 1Q/16 for the second consecutive quarter, according to the NAWFR (www.woodprices.com). The primary reasons for the recent price declines were full fiber inventories at the region's pulp mills, and good access to the forests which resulted in a healthy flow of logs to the manufacturing plants. The collapse of the softwood log market in neighboring Maine has also had an impact on fiber prices in Eastern Canada over the past six months.

The hardwood pulplog price eased modestly in early 2016 due to healthy fiber inventories. Despite the fact that there has been a plentiful supply of logs over the past winter, hardwood log prices have not come down as much as have softwood logs, and are still near their highest levels in 20 years (in Canadian dollar terms).

*The North American Wood Fiber Review has tracked wood fiber markets in the US and Canada for over 25 years and it is the **only publication** that includes prices for sawlogs, pulpwood, wood chips and biomass in North America. The 32-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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