

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

Market pulp producers saw higher profits in the 1Q/18 as pulp prices jump to record high levels, while production costs increased only slightly, reports the Wood Resource Quarterly

Pulp prices reached record highs in early 2018 following a 16-month period of increasing prices. Wood fiber costs, the largest cost component when manufacturing pulp, have gone up much more slowly than pulp prices during the past year, resulting in substantial increases in earnings for the international pulp industry.

Seattle, USA. Strong pulp markets and record high prices for both softwood and hardwood market pulp resulted in upward price pressures on wood fiber throughout the world in the 1Q/18, reports the Wood Resource Quarterly (WRQ). The **Global Softwood Fiber Price Index (SFPI)** was up by 3.4% from the 4Q/17 to the 1Q/18, the second highest quarter-to-quarter increase in seven years. Softwood prices rose in all 20 regions covered by the WRQ with the exception of Eastern Canada, where chip prices fell 16% q-o-q (in US dollars).

Hardwood pulplogs saw a more modest price increase than softwood pulplogs, with prices rising the most in Russia, Spain and Finland. The **Global Hardwood Fiber Price Index (HFPI)** reached a three-year high in the 1Q/18 and was 8.0% higher than in the 1Q/17.

Profit margins continued to improve for pulp companies in the 1Q/18 as pulp prices increased faster than the wood fiber costs. Northern Bleached Softwood Kraft Pulp (NBSK) pulp prices jumped in the 1Q/18 to new record highs, while the crucial wood costs were only slightly higher. This resulted in a record low wood fiber cost percentage of 22.5% of the pulp price. With the wood fiber costs accounting for 40-60% of the total manufacturing costs, market producers can expect healthy returns in 2018.

The wood costs share for Southern Bleached Softwood Kraft Pulp (SBSK) price was also down, dropping to 16.2%. This is the lowest it has been in 25 years, and is mainly due to sharply increasing pulp prices. The SBSK pulp is produced in the US South, Iberia, Latin America and Oceania.

For Eucalyptus Bleached Kraft Pulp (EBK), the wood fiber share fell to 16.1% in the 1Q/18, the lowest cost share since 2003, according to the WRQ. As with the other major pulp grades, it was mostly the result of higher pulp prices rather any substantial changes in wood costs.

*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