

Press release – For Immediate Release

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Global wood fiber prices in the 4Q/08 experienced the largest drop in over 20 years, according to the Wood Resource Quarterly

The WRQ Global Average Wood Fiber Price Indices recorded their sharpest quarterly decline since their inception in 1988, as wood fiber consumption by struggling pulp and paper industries decreased worldwide in the 4Q/08.

The Global Average Wood Fiber Price is a volume-weighted average of delivered wood fiber prices for the pulp industry in all 17 regions tracked by the publication Wood Resource Quarterly (WRQ). These regions together account for 85-90% of the world's wood-based pulp production capacity. As wood cost accounts for 40-50% of the total pulp production costs, it is often the predominant factor determining a company's or a region's competitiveness.

The average softwood fiber price fell 12 percent to \$97.32/odmt in the 4Q/08. This substantial reduction was both the result of a stronger US dollar against all currencies in the WRQ regions with the exception of Japan, and because of lower costs in the local currencies in western Canada, Sweden, France, Russia, Australia and Western US. Wood fiber costs in Western US have fallen by 22% in just six months.

The average hardwood fiber cost fell 11 percent in the 4Q/08 to US\$98.38/odmt, the lowest level since the 2Q/07. The biggest declines in the local currencies came in Western US, Chile, Japan, Russia and France. Eucalyptus pulplog prices in Chile have fallen almost 40% in 12 months (in US dollar terms) reaching their lowest levels in over four years. Pulpwood costs in Chile continue to be the lowest in all regions tracked by the WRQ.

The fourth quarter was a gloomy quarter for the global forest industry. Every price indicator pointed downward, including prices for pulp, paper, lumber and wood panels. Prices for sawlogs, pulpwood and wood chips also declined, which was good news for manufacturers but increased the reluctance by many landowners to harvest timber. The only wood-manufacturing sector that was able to keep prices up was the wood pellet producers as demand continued to be strong, particularly in Europe.

The continued decline in demand for pulp and paper worldwide will force additional capacity to close temporary or permanently and, with reduced competition for wood fiber, it can be expected that wood fiber costs will continue to slide in 2009.

Global pulpwood and sawlog market updates are included in the 50-page publication Wood Resource Quarterly. The report, established in 1988 and with readers in over 20 countries, tracks wood prices in most regions around the world and also includes regular updates of international timber, pulp, lumber and biomass markets.

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