

## **Press release – For Immediate Release**

Seattle, USA. April 2009

**Wood fiber costs fell in the US South and the US Northwest in the 1Q/09 as pulpmills were taking extensive downtime, reports WRI.**

*Wood fiber costs have diminished in all regions of the US this year as the decline in fiber demand by the pulp industry has been greater than the reduction of residual chips supply from the sawmilling sector. The past six months, pulpwood costs have fallen about 10% in the US South and 20% in the US Northwest, according to the North American Wood Fiber Review.*

Pulpmills and sawmills took a great deal of market-related downtime in the 4Q/08 and 1Q/09 with no region of North America being immune to the deteriorating markets for most forest products. Market pulp production in North America was 29% lower in December 2008 than in the same month in 2007. The operating rate was a record-low 69% in December, which can be compared to 87% in Europe and 85% worldwide.

Lumber production, and residual chip supply, was also much lower this winter than last year. In the 4Q/08, lumber production was down 23% in the US as compared to the same quarter in 2007. Production continued down in 2009, and sawmills in western US reported 35% lower output in January 2009 than in 2008.

With both market pulp producers and integrated pulp and paper companies curtailing production, demand for wood fiber has fallen considerably this winter. The good news for pulp manufacturers is that wood costs, which typically account for about 45% of the manufacturing costs, have fallen substantially since last fall.

Wood chip and pulpwood prices were lower in all regions of the US in the 1Q/09. The biggest declines occurred in the US Northwest and the US Northeast where prices have fallen 20% for softwood and 42% for hardwood, respectively in the past six months. In the states of Maine, pulplog prices have fallen substantially but despite the recent decline, hardwood fiber costs are still the highest in North America. The high wood costs have caused a majority of the pulpmills in that state to reduce production this winter.

In the US South, wood costs have been surprisingly stable the past few years but even in this region, prices for wood chips and pulpwood started to slide in the 1Q. In the South Central states, roundwood costs fell 10% to the lowest level in over a year as wood fiber demand was in decline. The major pulp producers were all taking downtime or have planned reduced operating rates later in the spring which will further reduce the demand for wood chips and pulpwood in the second quarter.

*Pulpwood and wood chip market updates are included in the 24-page publication North American Wood Fiber Review. The report, established in 1982 and with readers in most of the large forest companies in North America, tracks wood chip and pulpwood prices in 15 key markets of the US and Canada.*

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