

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

**Wood fiber costs are rising for wood pellets manufacturers in Europe because the industry is expanding rapidly, reports the Wood Resource Quarterly**

*The expanding wood pellet industry in Europe is increasingly relying on pulpwood and wood chips for its raw-material needs, as the supply of lower-cost sawdust cannot meet the fast rise in demand for wood fiber. The biomass sector is now competing with both the wood-based panel manufacturers and pulpmills for wood residues and logs, reports the Wood Resource Quarterly.*

**Seattle, USA. June 2009.** The competition for wood raw-material in Europe has been intensifying the past few years as sawmills, wood-panel manufacturers, pulpmills and bio-energy facilities expanded capacity during 2006 and 2007 and therefore increased the usage of roundwood and wood residues. Lately, the pulp market has weakened resulting in lower demand and prices for pulpwood in all countries in Europe. However, the decline has been less pronounced in markets where the pellet industry has a strong presence.

The increased demand for biomass from the energy sector has not only had an impact on prices of residual chips from sawmills (wood chips, sawdust and shavings) but also of small-diameter logs, which have increasingly been utilized for energy generation. These developments have been particularly prominent in Germany and Sweden the past year. In Germany, prices for sawdust, wood chips and hardwood logs have converged during 2008 and 2009, and were in the first quarter practically the same (measured in dry tons), as reported in the Wood Resource Quarterly.

In Sweden, small logs that would typically go to pulpmills have in recent months been sold to energy plants. With the demand and prices for pulpwood being in decline and the consumption of “energy wood” steadily rising, competition for smaller logs has intensified and it is expected that volumes of wood chips and logs bound for energy facilities will increase, thus potentially decreasing that going to pulpmills in the future. The rise in demand for forest biomass, including branches, stumps and tops will encourage more intensive management schemes with higher utilization of the forest resources not only in Sweden but in the rest of Europe as well.

With the energy sector emerging as a new and aggressive market player, floor prices for wood chips and pulplogs are not expected to ever return to the low levels of the late 1990’s again. The increased competition for raw-material between the biomass sector, the composite board manufacturers and the pulp industry will result in relatively high fiber costs even in weak markets for forest products in the future. The recent evolution of the wood raw-material market in Europe is not unique to this continent but can be expected to take place in North America as well in the coming years.

*Global timber market reporting is included in the 50-page publication Wood Resource Quarterly. The report, established in 1988 and with readers in over 25 countries, tracks*

*wood chips and pulpwood prices in most regions around the world and also includes regular updates of the latest developments in international timber, pulp, lumber and biomass markets.*

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