

Wood costs for pulpmills in Sweden and Finland have fallen over 30 percent the past 12 months, according to the Wood Resource Quarterly

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Seattle, USA. July 2009. Pulpwood prices fell substantially in practically all markets in Europe in the 1Q/09. The biggest declines occurred in Sweden, Finland, France and Germany, where softwood and hardwood prices were down 11-18 % from the previous quarter. Pulpwood prices have fallen faster in Europe (in US dollar terms) than they have globally, according to WRQ.

The Finnish forest industry has been hard hit with many sawmills and pulpmills closing temporarily or permanently as a result of the combination of two factors: weak markets for forest products and high costs for wood raw-material. Even though pulplog and sawlog prices have fallen by about 30% in US dollar terms (and a modest 10% in Euro terms) the past 12 months, wood costs for the Finnish industry continues to be among the highest in the world, and maybe more importantly, higher than for its neighbor and major competitor in the west - Sweden. As a result of the lower prices for logs, the Finnish Forest Research Institute reported that log purchases from private landowners were down almost 70% the first six months this year as compared to the same period in 2008.

Pulpwood prices in Sweden have also fallen and they are currently down to the same level as three years ago. Despite a price decline of 33% the past year, pulpmills in Sweden still have some of the highest wood fiber costs in the world, according to the Wood Resource Quarterly. Currently, only Eastern Canada, Norway and Finland have higher softwood pulpwood prices.

An interesting development is under way in Sweden where a growing volume of small-diameter logs that typically would go to pulp mills are being sold to energy plants. With the demand and prices for pulpwood in decline and the usage of "energy wood" steadily expanding, competition for smaller logs has increased. One forest landowner association reported that approximately five percent of its "pulpwood" harvest will be sold to energy plants.

Recently, pulp companies in Sweden have introduced premiums of up to 10% for pulpwood deliveries in the coming months. This has mainly come as the result of reduced supply of sawmill residuals, increased competition for wood from the biomass industry and a reduction of pulpwood inventories. There are now signs that pulpwood prices have bottomed out and that they will increase in the coming months.

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 sawlog 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.

Wood Resources International LLC (WRI), an internationally recognized forest industry consulting firm established in 1987, publishes two quarterly timber price reports and have readers in over 25 countries. The Wood Resource Quarterly, established in 1988, is a 50-page market report and includes delivered sawlog prices, pulpwood and wood chip prices and market information from all major regions of the world, including Asia, North America, South America, Oceania and Europe.

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