



Rapid Expansion of Wood Pellet Capacity in North America Drives Sawdust and Wood Chip Prices Upward, Reports the North American Wood Fiber Review

The wood pellet industry in North America has grown six-fold since 2004, reports the North American Wood Fiber Review. The dramatic expansion has resulted in higher costs for sawdust and wood chips in the regions with the greatest growth, including Western U.S. and Canada.

For Immediate Release

SEATTLE/EWORLDWIRE/Jan. 5, 2010 --- There has been a rapid expansion in wood pellet capacity in North America the past five years, from just over one million tons in 2004 to over six million tons in 2009, reports the North American Wood Fiber Review (<http://www.woodprices.com>). British Columbia was the first region to take advantage of inexpensive sawmill residues and to produce wood pellets for the fast growing European market.

Capacity in the western province of Canada has not grown much the past few years, so it made sense that in 2009 the U.S. South would take over as the leading pellet-producing region in North America. Much of the investment in pellet capacity in the U.S. South has been driven by the export market in Europe. On the other hand, the second largest producing region in North America, the Western U.S., has so far only sold pellets into the domestic market.

In 2004, the pellet industry was practically non-existent in the U.S. South and this sector has now grown and reached nearly two million tons in 2009. These capacity numbers may sound impressive - the actual operating rates have been surprisingly low in both the U.S. and Canada. In 2008, production was about 66 percent of capacity in the U.S. and 81 percent of capacity in Canada, estimates USDA-FS. Major reasons for the low rates include start-up problems for newly built plants, financial difficulties for some companies and a lack of affordable wood fiber supply.

With increased demand for wood fiber, pellet manufacturers have increasingly had to accept higher-cost wood fiber sources than the commonly used sawdust from local sawmills. More pellet companies are now using wood chips that traditionally have been used by the pulp industry. Partly as a result of the expansion of the biomass sector, wood chip prices, sawdust prices and woody biomass prices have moved up in the U.S.

In the U.S. Northwest, sawdust prices have gone up substantially the past five years. In 2004, average sawdust prices were US\$28/odmt; these prices reached a peak of US\$74/odmt in late 2008 and have since fallen, averaging US\$64/odmt in the third quarter of 2009. The price increases that have occurred in Western U.S. are likely to be seen in other regions experiencing rapid expansion of their pellet industries.

Pulpwood and biomass market updates are included in the 24-page publication North American Wood Fiber Review. The report, established in 1982, tracks pulpwood prices in 15 key markets of the U.S. and Canada.

Contact Information
Wood Resources International LLC
info@wri-ltd.com
'<http://www.woodprices.com>'

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CONTACT:

Hakan Ekstrom
Wood Resources International LLC
10654 NE 204th PI
Bothell, WA 98011
PHONE. 425-402-8809

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