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## **Forest2Market Publishes First Transaction-Based Wood Price Report for Sweden, Finland, the Baltic States and Northwest Russia**

Posted by [Forest2Market](#) on May 11, 2017

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*1Q2017 Baltic Rim Index brings transparency about wood raw material prices to region's forest products, forestry and bioenergy industries.*

Forest2Market has published the first installment of its Baltic Rim Wood Price Index, a transaction-based wood raw material price benchmark for the forest products, forestry and bioenergy industries in Scandinavia (Sweden and Finland), the Baltic States (Estonia, Latvia and Lithuania) and Northwest Russia. The results for 1Q2017 show that, among other trends, there are significant differences in delivered wood costs (roadside wood costs plus transportation costs to mill) for both pulp producers and sawmills in Sweden.

- Pulp producers: the highest-cost mill paid 26 per cent more for conifer pulpwood than the lowest-cost mill. Annualized, the cost savings potential for the highest-cost mill exceeds 250 million SEK (26 million EUR). If a mill consuming 2.5 million cubic meters (m<sup>3</sup>) of pulpwood annually could reduce its costs to the market average, a savings of 43 SEK/m<sup>3</sup> (4.5 EUR/m<sup>3</sup>), the total savings would exceed 100 million SEK (10.4 million EUR).
- Sawmills consuming pine sawlogs: the highest-cost mill paid 20 per cent more for conifer sawlogs than the lowest-cost mill. Annualized, the cost savings potential for the highest-cost mill exceeds 65 million SEK (6.8 million EUR). If a mill consuming 500,000 m<sup>3</sup> of logs annually could reduce its costs to the market average, a savings of 67 SEK/m<sup>3</sup> (7 EUR/m<sup>3</sup>), the total savings would exceed 33 million SEK (3.4 million EUR).
- Sawmills consuming spruce sawlogs: the highest-cost mill paid 34 per cent more for conifer sawlogs than the lowest-cost mill. Annualized, the cost savings potential for the highest-cost mill exceeds 125 million SEK (13 million EUR). If a mill consuming 500,000 m<sup>3</sup> of logs annually could reduce its costs to the market average, a savings of 151 SEK/m<sup>3</sup> (15.7 EUR/m<sup>3</sup>), the total savings would exceed 75 million SEK (7.8 million EUR).



8 June 2017



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With this newest addition to its product line, Forest2Market now provides market price reports, performance benchmarks and custom analytics to major wood markets across North America, Brazil, Scandinavia, the Baltic States and Russia.

With the Baltic Rim Wood Price Index, timber buyers and sellers will be able to clearly and confidently compare their performance to market, accurately assess market prices and build strong partner relationships, as well as define, measure and adjust strategic decisions based on actual and actionable data. While high-cost mills can use the Index to lower their costs, low-cost mills can use the data to demonstrate to stakeholders that they are extracting as much value as possible from the supply chain.

This level of market transparency comes at a critical time for the region's industry. "Now that the United States has instituted tariffs on softwood lumber coming from Canada," said Pete Stewart, President and founder of Forest2Market, "Sweden's sawmills will have an opportunity to export more softwood lumber to the US. But they'll only have that opportunity if they are cost-competitive. Using the Index to manage costs provides a strategic advantage in this environment."

Antti Kämäräinen, Director of Forest2Market's Scandinavian business, sees a similar utility for the Index in Finland: "Currently, container freight in Finland is painfully high. The Index will allow sawmills to reduce their costs at the front of the value chain as they are buying wood. This will mitigate the overall effect of high freight costs on profitability. With the new demand that will come on line in Finland in 3Q2017, this will be especially important."

Russian mills also have a reason to manage their costs. "Over the last few years, domestic wood raw material costs have increased annually over 10 per cent in local currency," said Vasylysa Hänninen, Director of Forest2Market's Baltic States and Russia business. "The weak ruble has masked the effect of rapidly increasing wood costs, making mills seem more competitive and profitable on the global market than they really are. Over the last year, however, the ruble has been strengthening. As the exchange rate stabilizes, the mask will be removed and profitability will drop. With the Index, mills can pay less for wood raw materials, securing their competitive advantage in the international market."

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