



The Black Liquor Tax Credit in the US Has Limited the Fall of Wood Chip and Pulpwood Prices in the 2Q/09, Reports the North American Wood Fiber Review

In 2008, US pulp companies started to take advantage of a loophole in the US tax law, which will result in an influx of billions of dollars to a struggling industry. As a consequence, prices for wood chips and pulpwood in the US have not fallen as much as they would have without the subsidy, reports the North American Wood Fiber Review

Seattle, WA, July 09, 2009 --(PR.com)-- A substantial tax credit for black liquor, a by-product when producing wood pulp, has been a timely injection to the US pulp and paper industry and has changed how many pulpmills have been running their plants the past six months.

The tax credit was originally introduced in 2005 to encourage the use of alternative fuel over fossil fuel for cars and trucks. However, since late 2008, chemical pulp producing mills started to take advantage of the credit that it is worth somewhere between US\$150-200 per ton of pulp. These additional funds to the US pulp and paper industry, which is estimated to be valued between three to eight billion dollars total in 2009, has been particularly helpful this year because many mills have been running with very low, if any, profit margins.

Without a doubt, many paper companies would have reduced their production of pulp this year had it not been for the black liquor tax credit. As a consequence of such circumstances, there would have been less demand for wood raw-material and wood fiber prices would probably have been lower in most regions of the US than they actually are.

In the 2Q/09, wood chips and pulpwood prices have fallen between 5-8 percent in the US, with the highest decline in the Northeast, according to the North American Wood Fiber Review. This is the fourth consecutive quarter that wood fiber prices have fallen in the US, with the biggest reductions occurring in Western US. In the US South, which is the biggest wood fiber consumer in the world, pulpmills have only experienced minor downward price adjustments in recent months.

It is still uncertain how much longer the tax credit, or subsidy, will be in place. The US administration and a number of senators would like to see the program ended as soon as possible. Therefore, it may very well be that from October 1st 2009, US pulpmills will have to run without the support of the US taxpayers.

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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