



Azeus Machinery Co.ltd

Email: info@azeuspelletmill.com

Website: www.azeuspelletmill.com

Add: SOKEYUFA Building, NO.26 Jingliu Road,Zhengzhou,CHINA

keywords

wood pellet price, wood pellet demand,wood pellet supply,wood pellet making,wood pellet mill

Factors Influencing Wood Pellets Price

1. Abstract

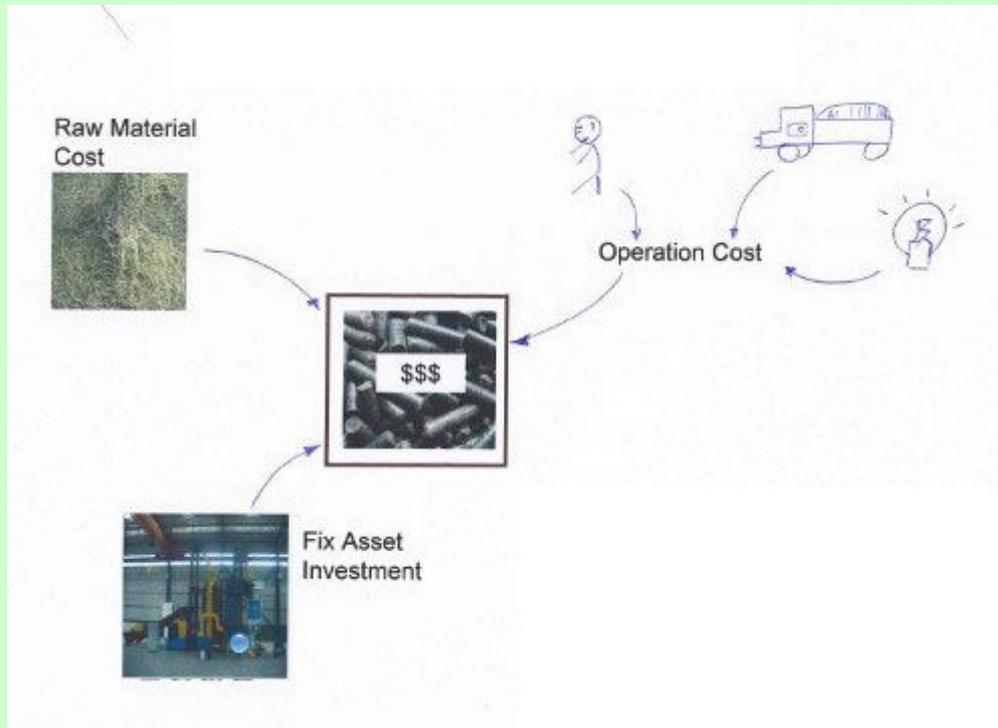
Wood pellet is becoming more and more popular, the price of wood pellet is also developing, this report shows that the several elements affect the wood pellet price, they are cost, demand, supply, freight, weather, increased competition and some other factors.

2. Introduction

The future price of wood pellets is an important consideration when you are thinking of installing a biomass system. The price of wood pellets will inevitably fluctuate, so you should make an informed judgment to forest the future wood pellets prices. However, what factors determine wood pellet price changes.

3. Factors influencing the wood pellet price

The cost of wood pellets consists of local raw material costs, production costs, packaging costs, ocean freight and labor costs etc. If these costs change, the wood pellet costs will change too. There are some main factors impacting the wood pellet pricing.



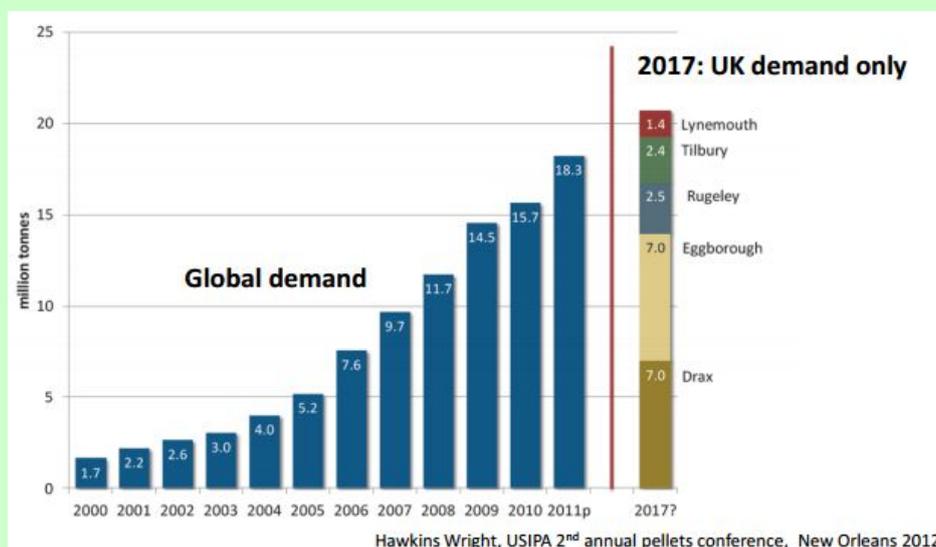
3.1 Cost

As the industry has grown, the demand for raw materials to make pellets has gone way up. Normally, this would drive up the costs for those materials considerably, but luckily we have the Internet to thank for keeping the cost increases due to raw materials mostly in check. As the economy moves to electronic communications and away from paper, there is less demand for wood products from paper mills, which has (mostly) balanced out the increased demand from the [pellet mills](#). Another factor that drives prices of wood pellets is the cost of fossil fuels - for two reasons. First, most pellet mills are still powered by electricity and traditional fuels to make the pellets themselves. Second, the cost to transport pellets via trains and trucks from the mills to people's homes is mostly dependent on diesel fuel. This still results in a lower overall environmental impact than using fossil fuels for heating, but it still affects the price of wood pellet production.



3.2. Demand

We all know that short supply will drive prices up. The demand is determined by political decisions, it is the significant impact on demand. The political decisions include taxation and subsidies, regulations and law, renewable energy action plans (EU-27) and national initiatives such as Renewable Energy Obligation Certificates (UK) and i.e. 40 GBP/t CO₂ in UK (boost of pellet firing expected 20 million tons/y for 2017, UK only).



It shows that the demand of wood pellets is increasing when the political decisions made. Another impact on demand is technological developments, if the alternative technologies for renewable energy is high the price will be high too.

3.3. Supply

Supply and demand is the factor that make the price of wood pellets fluctuate. When supply exceeds demand the price of [wood pellets](#) will fall. There are some factors influence the supply, the first is alternative use of raw materials for example the paper industry, the second is potential limits for sustainable production of biomass, the third is competitive use of biomass and land. There are also some other factors such as indirect land use change (ILUC) (sustainability issue), global economy, food price and ecological aspects. In addition to this, the potential barriers affect the supply include large investments and logistics. The large investments consist feed stock harvest and collection, pellet mill, infrastructure, storage facilities (silo) and power plant modification (mill, conveyors, burners etc...). The logistics (oversea transport, storage and handling) contain feed stock collection (difficult to access, long distance, bulk), oversea transport (shipping cost), storage (pellet silos) and handling (dust, risk of fire).



3.4 Transportation

There are three principal ways to deliver wood pellets from a plant to a port: truck, rail and barge. Road transportation is a very common method to deliver wood products. However, considering the truck's larger greenhouse gas and community impacts as well as cost compared to other two alternatives, wood pellet producers

shift transportation modes to reduce the carbon footprint. From an economic standpoint, pellet transportation might become unprofitable when exceeding a trucking distance of 60~100 km. Due to the cost and environmental concerns, several large pellet producers use rails and barge instead. For example, Green Circle uses trains to deliver pellet from plant to the Panama City Port at a contract rail rate as low as \$7/tonne (Norris, April 2011). Georgia Biomass is also shipping the wood pellets by rail car to the Savannah port. If situated along major inland waterway, transporting by barge is easy, efficient and environmental friendly. Under the scenario of transporting by truck, the delivery cost would range from \$7.5~\$15/tonne pellet when the distance of transportation changes from 50~100 miles.



3.5. Weather

Nowadays more and more Occident countries pay much attention to the biomass fuel. Last year purchasing agents from Europe increased the purchase quantity. However, the weather in Europe was not very cold, the consumption of wood pellets is less than purchasing which lead the most of wholesalers still selling the last year's inventory, therefore it makes this years prices fell sharply.

3.6. Increased competition

More and more Russia and some Eastern Europe countries' wholesalers begin to build their plants in their own countries, also because of their geographical advantage the convenient transportation and low transportation cost which make Europe consumers go to these places to purchase wood pellets.

3.7. Other factors

The need for residential wood pellet heating supply has increased overall, as well as in the short-term, as we saw most dramatically during pellet shortage in late February and early March of 2014. The customer necessity is also the factor affecting the wood pellet price. In addition the pellet quality also influence the price,the best pellets take the best raw materials and the most exacting manufacturing process. Even in cases when the other factors may not be changing on average, one or more of these factors may change specific to a particular product. For example, the highest heat output and lowest ash pellets are made exclusively from Douglas Fir. If the price of Douglas Fir changes, the price of pellets made of Douglas Fir will also change.

4. Conclusion

According to the factors listed above, we know that many factors can affect the wood pellet price. So when you decide to sell or purchase the wood pellets, you should consider these factors carefully

Azeus Machinery Co.ltd

Email: info@azeuspelletmill.com

Website: www.azeuspelletmill.com

Add: SOKEYUFA Building, NO.26 Jingliu Road,Zhengzhou,CHINA