ANU FORESTRY

Trends in sawnwood market

Market Report 9 **September 1999**

Primarily for small scale forest growers

• Supported by the Joint Venture Agroforestry Program and the Private Forestry Council Victoria
• In association with Australian Forest Growers

First part of this report presents trends in the domestic market for sawnwood in Australia. The trends will be of interest to forest growers because stumpage prices for their sawlogs are partly determined by sawnwood prices. According to studies such as ‘Cost competitiveness of Australia’s wood products industries’ by Jaakko Poyry, the cost of logs has a share of 34 to 47 per cent or higher in the total cost of producing sawnwood, and this share is likely to get bigger. Forest growers therefore have an important stake in the sawnwood market.

The second part of the report presents stumpage recently received by small scale forest growers. (Stumpage means the price of wood in a standing tree.)

Trends in Australian domestic market

Consumption of sawnwood in Australia has fluctuated between four and five million cubic metres a year. The fluctuations occur mainly with annual changes in the number of new houses built and other construction work.

There are indicators pointing to a rapid change in the domestic market. Table 1 shows that production and consumption of sawn hardwood have been declining. In contrast, production of sawn softwood has increased substantially. With softwood replacing hardwood in many uses, the share of softwood in total sawnwood consumption now stands at 69 per cent, up from 61 per cent ten years ago. Net imports of both hardwood and softwood sawnwood have fallen significantly. An overall result is that Australia’s self-sufficiency in consumption of sawnwood has increased from 66 per cent some ten years ago to over 80 per cent at present. One may ask: When will Australia become fully self-sufficient or a net exporter of sawnwood? An answer is in a recent ABARE study by Graham Love and colleagues. The study suggests Australia is likely to achieve that status between 2005 and 2010.

1: Consumption of sawnwood, Australia

	1988-89 ‘000 cu. m	1998-99 a ‘000 cu. m	Change %
Hardwood			
Production	1,672	1,250	– 25
Net imports	297	84	– 72
Consumption	1,969	1,334	– 32
Softwood			
Production	1,643	2,290	+ 39
Net imports	1,409	641	– 54
Consumption	3,052	2,931	– 4
Total			
Production	3,315	3,540	+ 7
Net imports	1,706	725	– 57
Consumption	5,021	4,265	– 15

a, ANU Forestry estimate. Net imports = imports – exports. Consumption = production + net imports. Source: ABARE.

Price trends

Data published by Australian Bureau of Statistics, or ABS, are used here for looking at trends in sawnwood prices. The trends are for structural timber; that is, the timber used in the structural framework of a building eg for scantlings, trusses and frames. According to some sources, roughly 70 per cent of the total sawnwood used in Australia is structural timber.

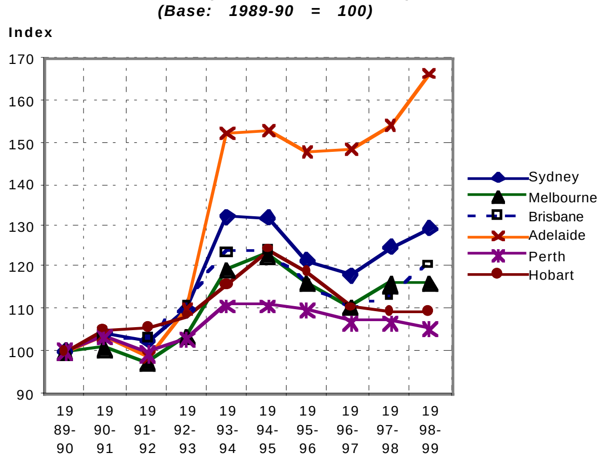
ABS collects data on actual transaction prices paid by building contractors or subcontractors for structural timber delivered on building sites. The data are for the six State capital cities of Australia. ABS collects the prices in dollar values; however, it publishes them as an index. For the base year 1989-90, ABS has given the prices in all capital cities a value of 100 index points. If in the next period the transaction price increases, by say 5 per cent in a given city, then the price index for that city rises by the same percentage. In this manner ABS constructs timber price indexes for each capital city. The capital city index combines prices of both softwood and hardwood timbers in a single index.

ABS also constructs weighted average price index of the six cities. This index is thankfully available separately for hardwood and softwood timbers, representing changes in their prices for whole Australia.

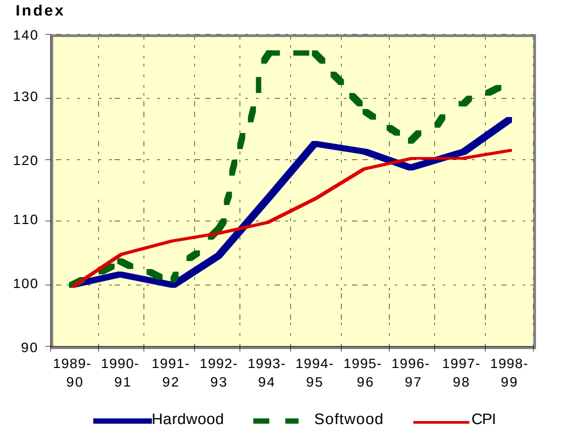
The combined index for 1989-90 to 1998-99 for each capital city is in figure A. It shows that over the period, timber prices have generally increased in every city. But in relative terms the increase was largest in Adelaide and smallest in Perth. The huge inter-city differences in prices are hard to explain, as there has been no research yet on the subject.

The figure also shows that prices in all cities rose sharply in 1993-94 and stayed high for around two years. The price rise appears to be an influence of the world market, triggered by the US judicial and government decisions at the time. The decisions were made to protect

: Structural timber price index, State capital cities (Base: 1989-90 = 100)



B: Structural timber price index, Australia (Base: 1989-90 = 100)



the environmental values by drastically reducing harvesting of logs from forests in the United States. The result was a spike in timber prices across the Asia-Pacific region, including Australia.

Figure B presents the price indexes for hardwood and softwood structural timbers. It also presents the consumer price index or CPI—an indicator of general price inflation in the economy. The figure shows the price of softwood timber increased relatively more than that of hardwood timber and that the prices of both timbers have generally increased in real terms since 1993.

Outlook for sawnwood prices

Reliable price outlook for the Australian domestic sawnwood market is not available for this report. However, projections in a recent FAO study imply that sawnwood prices in the world market could rise in real terms at an average rate of 0.36 per cent a year till 2010. It represents a positive outlook for sawnwood and log producers.

Stumpage prices

ANU Forestry collected information on actual stumpage recently received by small scale growers. As the information was insufficient for deriving averages and trends, it is presented in a case study format in table 2. Users should exercise due care in using it for assessing stumpage for particular situations.

2: Stumpage case studies

State/ Region	**Period**	**Log type**	**Stumpage**	**Comments**
	1999			
Western Australia, S-W	February to March	Planted eucalypt pulplogs:		1st thinnings; age 6.5; dbhub 120–200 mm; 70 km to mill:
		Globulus	$16.70/t	353 t
		Saligna, grandis	$13.80/t	809 t
NSW, Central tablelands	May	Pine:		2nd thinnings; age 26:
		Preservation logs	$13.53/cu. m	40 km to mill
		Pulplogs	$7/t	280 t; 20 km to mill
		Case logs	$9.15/cu. m	40 km to mill
		Sawlogs class 2	$15.38/cu. m	191 t; 20 km to mill
		Sawlogs class 2/3	$25.27/cu. m	160 t; 20 km to mill
		Sawlogs class 3	$35.16/cu. m	20 km to mill
		Pine:		40–80 km to mills:
		Sawlogs	*	100 cu. m
		Preservation logs	*	400 cu. m
		Pulplogs	*	400 cu. m
Tasmania	May to July	Pine pulplogs	$2/t	Unmanaged thinnings; 2,400 t; 126 km to mill
			$6.40/t	Windthrown, clearfell; 400 t; 75 km to mill
		Native forest eucalypt sawlogs:		
		Category 1	$30/cu. m	800 cu. m; 40 km to mill; $60/cu. m#
		Category 2	$24/cu. m	1,200 cu. m; 40 km to mill; $50/cu. m#
		Category 8	$20/cu. m	600 cu. m; 65 km to mill, $50/cu.m#
		Planted eucalypt pulplogs	$10/t	500 t; age 17; steep terrain; clearfell; 60 km to mill

dbhub, Diameter (of standing tree's trunk at) breast hight under bark. * Logs cut, stacked and ready to load at the plantation. None of the mills in the region wants to buy except one who will take the logs if given away free. If you can make a better offer, contact U.N. Bhati (see contact details below) who will put you in touch with the grower. # Mill door price.

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