

Structural Timber Prices

The ANU Forestry market report is primarily intended for small scale tree growers in Australia who are seeking information on prices of logs and wood products.

This issue of the market report focuses on structural timber prices. Timber prices to some extent reflect log prices. In addition, they could be of direct interest to growers who are sawing or intend to saw their logs into timber for sale.

It is recognised that many small scale growers need log price information. However, at present, very little information is publicly available on log prices. Attempts are being made to collect reliable price information and to provide it in due course.

Prices: source & specification

The Australian Bureau of Statistics (ABS) is the sole source of price data for this report. ABS defines structural timber as any timber — such as scantlings, trusses and frames — used in the structural framework of a building.

Prices are actual transaction prices paid by building contractors or subcontractors for structural timber delivered on building sites.

ABS collects price data at the mid-point of every month in each State capital city of Australia. It publishes prices as indexes for each capital city and their weighted average. The weighted average index could be regarded as the price index for Australia as a whole. Current base year for the index is 1989-90, with a value of 100 index points.

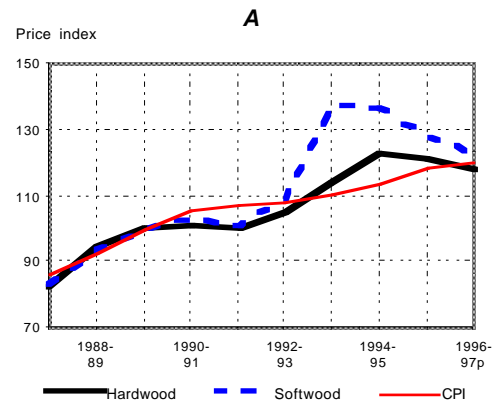
At present, ABS publishes separate price indexes for hardwood and softwood structural timbers for Australia as a whole. For the capital cities, it publishes a single combined index of hardwood and softwood timbers.

The price indexes do not allow discovery of the timber prices in dollars. Hence, it is not possible to measure differences in prices between the cities and between hardwood-softwood timber types. However, a rise or fall in the index represents an increase or decrease in the underlying prices. It is therefore possible to compare relative changes in prices between cities and types of timber over time.

Prices in Australia

Figure A presents price indexes of hardwood and softwood structural timbers in Australia. It covers the ten year period to 1996-97. The figure also presents consumer price index (CPI). CPI is a measure of price inflation in

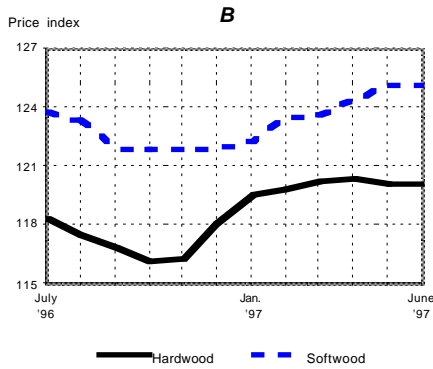
Australia and has the same base year as timber prices. Comparison of timber price index with CPI can reveal how timber prices have changed in real terms.



Main points arising from figure A are as follows.

- Over the past ten years, structural timber prices have tended to rise in nominal terms and have generally maintained their value in real terms.
- Prices rose steadily until 1990-91 but they fell slightly in 1991-92. Immediately afterwards they rose sharply until around 1994-95. (There are several reasons for the sharp rise in prices. Two main reasons among them are: a major upturn in timber prices in North America at the time; and a growing demand for timber in Australia due to a recovery in house construction that peaked in 1994-95.)
- After 1994-95 the prices began to return to the general trend level. (Timber prices in the world markets and the housing activity in Australia eased after 1994-95.)
- Over the ten year period, softwood timber prices have tended to rise relatively faster than hardwood prices.

Having investigated the medium to long term price changes, we now look at the short term picture. Figure B presents monthly timber price indexes for 1996-97. It shows a slight recovery in prices during the year, with prices in the last few months being higher than those in earlier months of the year.



Prices in capital cities

It was noticed earlier in figure A that timber prices had declined nationally after 1994-95. To find out how far the prices fell in each State capital city, changes in structural timber price indexes were calculated. Total percentage changes for the two years to 1996-97 turned out as follows:

Sydney	-14.1
Melbourne	-12.9
Brisbane	-10.7
Adelaide	-21.9
Perth	-5.6
Hobart	-11.8

These percentage changes confirm the decline in prices nationally. They also show that the price decline occurred in all capital cities. However, there was considerable variation among the cities; Adelaide had the largest price decline and Perth the smallest.

Outlook

The Housing Industry Association has recently released its forecasts of construction activity in Australia for calendar 1997 and 1998. According to the forecasts there will be an upturn in construction of new houses, renovations of existing houses and non-housing construction during the two years. To the extent the upturn occurs, it will have the effects of lifting the demand for structural timber and stemming further fall in timber prices.

Key points

- In the last ten years, timber prices have generally maintained their value in real terms.
- Softwood timber prices have increased relatively more.
- Price levels have moderated in the last two years.

This market report attempts to fill a market information gap for small scale tree growers. After consultations with the AFG and other groups, it is a trial initiative of the Department of Forestry at ANU. Continuation of the report beyond a trial period of between one to two years will depend on support for the initiative.

The Department invites comments and suggestions on the initiative and the report. Please address them to Dr U.N. Bhati, Department of Forestry, The Australian National University, Canberra ACT 0200; alternatively, fax them on (06) 249 0746 or email un.bhati@anu.edu.au.