

Australian Pine Log Price Index

Australian Pine Log Price Index is an initiative of a group of Australian softwood plantations growers. ANU Forestry Market Report reported the index in its March 2004 issue. But due to lack of space its coverage was brief. This issue of the market report provides a more detailed coverage.

KPMG Assurance & Advisory compiles the index based on data supplied by the following large-scale commercial Australian growers: State Forests of New South Wales, Hancock Victorian Plantations, Queensland DPI Forestry, Forestry SA, and ACT Forests. The regions covered are Bathurst and Tumut in NSW; Ballarat, LaTrobe, NE and SW of Victoria; SE Queensland; Lofty Ranges, Green Triangle and Mid North of South Australia; and the Australian Capital Territory. The softwood species are primarily radiata pine for the southern States and ACT, and slash and hoop pines for Queensland.

KPMG aggregates the data so that no individual grower or region is identifiable in the published information. The published information includes quantities of softwood plantation logs sold by the growers to domestic processors, minimum-maximum stumpage prices received by the growers for their logs, and weighted average stumpage prices, with quantities of logs as the weights. It also includes a price index, with average stumpage price for January-June 1998 as the base. It is this index that is referred to as the Australian Pine Log Price Index.

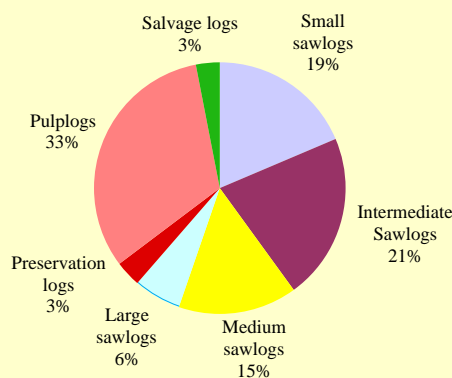
KPMG reports the information for seven classes of logs on a half-yearly basis: January to June and July to December. The first reported period is January-June 1995 and, at the time of writing, the last period is July-December 2003.

Between 1995 and 2003, the total quantity of all logs sold by the growers to domestic processors increased 38 per cent. And, the average quantity sold was 3.2 million cubic metres per half-year. Chart A shows shares of the seven classes of logs in the total average quantity.

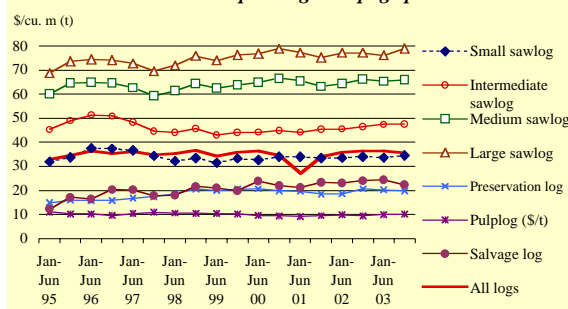
Chart B presents trends in average half-yearly stumpage prices for the full period, and table 1 gives the latest minimum-maximum range and average stumpage prices, by class of logs.

Chart B and table 1 also have an 'all logs' class. The ANU Forestry Market Report created the 'all logs' class and calculated the price for 'all logs', which represents a composite price of the seven classes of logs. The price of 'all logs' is a weighted average, with the quantities of each of the seven classes of logs as the weights. The calculation also required converting pulplog quantities from tonnes to cubic metres. The conversion was made using the rule of thumb that a tonne of these logs has a volume of one cubic metre.

A: Composition of total pine logs sold to domestic processors



B: Australian pine log stumpage prices



I: Australian pine log stumpage prices: July-December 2003

Class of log	Range	Average
Sawlog:		
Large (>439 mm)	52.54–113.05	79.01
Medium (319–439 mm)	39.05–91.21	65.91
Intermed. (240–319 mm)	13.74–65.71	47.63
Small (<240 mm)	7.24–40.79	34.52
Salvage log	15.86–27.86	22.35
Preservation log	10.64–28.57	19.85
Pulplog	0.85–19.14	10.07
All logs	-	35.70

Note: The numbers in brackets are small end diameters of logs under bark.

For the last six and a half years, KPMG has also published the quantities of softwood plantation logs sold by the growers for exports. The average quantities sold for export per half-year were 90,200 cubic metres of sawlogs and 143,700 tonnes of pulplogs. The published information, however, does not provide prices of export logs.

Tasmania and Western Australia do not feature in Australian Pine Log Price Index. It is a major shortcoming in the index. Nevertheless, the index does fill a part of the huge gap in publicly available information on log prices in Australia.

The eight years spanned by the index is a short period in plantation forestry. Hence it is risky to draw firm conclusions about price trends from chart B. Tentatively, however, the price of 'all logs' in the chart suggests that the log prices have generally remained unchanged. But if the prices are adjusted for inflation (consumer price index for Australia increased at an average rate of 2.6 per cent a year during the eight-year span), then the log prices have fallen. To look at the prices in chart B from another angle, consider the ABARE index of prices paid by

Australian farmers for inputs and services, which has gone up at an average rate of 2.9 per cent a year over the same period. If prices of inputs and services used by the pine plantation growers have also increased similarly, while the stumpage prices remained generally unchanged, then the growers have suffered an adverse terms of trade or a 'cost-price' squeeze.

These tentative findings point to the continuing need for growers to strive for productivity improvements to offset the fall in real prices of logs and in the terms of trade. They also question financial analyses of plantation forestry that assume constant terms of trade or log prices increasing in real terms.

For long-term trends in pine log prices, see ANU Forestry Market Report 15 on South Australia and 22 on Tasmania.

Stumpage prices received by small-scale growers

The ANU Forestry Market Report project has collected information on actual stumpage prices received by five small-scale growers. As the information was insufficient for deriving averages and trends, it is presented in case study format in

table 2. Please exercise care in using this information for assessing stumpage for a particular situation, and note that stumpage is not the sole indicator of profitability.

2: Stumpage case studies

Region	Period	Type of log	Stumpage	Comments
N-E Vic	Dec 2003 - Jan 2004	Pine: Veneer log Sawlog Case log	 \$38/t \$30/t \$30/t \$13.25/t	Age 25-28; 3rd thinning; good quality: 244 t; 150 km to mill; \$80/t at mill door 450 t; 150 km to mill; \$70/t at mill door 1412 t; 85 km to mill; \$65/t at mil door 1,187 t; 75 km to mill
Coo- loola Shire, S-E Qld	Apr 2004	Private native forest: Veneer log Compulsory log Salvage log	 \$180/cu. m \$85/cu. m \$31.50/cu. m	Stumpage excludes GST; 25 km to mill; main species: spotted gum, white mahogany, narrow leaved red ironbark
S-W WA	Jan- Apr 2004	Pine: Sawlog, medium diameter Sawlog, grade 3 Export sawlog, K grade Pulplog Salvage log	 \$28.01/cu. m \$24.35/cu. m \$24.35/t \$8/cu. m \$4/t	Stumpage excludes GST: 1,540 cu. m 219 cu. m 762 t 1,212 cu. m 29 t
S-W WA	May- July 2004	Planted forest: <i>E. globulus</i> pulplog	 \$33/t \$37/t	All prices exclude GST; 2nd thinning; age 14: 5,700 t; 15 km to chip mill; mill door \$58/t 34 t; a trial container load to China, peeling for plywood; 90 km to port; port gate \$70/t
Can- berra region	May 2004	Pine: High grade structural sawlog Tile baton log Case log Rough log for sleepers Preservation log Pulplog	At mill door: \$63/t \$55/t \$50/t \$42/t \$50-\$60/t \$28.50-\$41/t	4.9-6.1 m long; small end diameter 20 cm 3.7 m long; small end diameter 15 cm Depending on location

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