Woodchip markets and prices



Market Report 8

June 1999

Primarily for small scale forest growers

• Supported by the Joint Venture Agroforestry Program • In association with Australian Forest Growers

A considerable proportion of Australia's total commercial log output is first converted into woodchips. Hence it is useful for growers to stay informed on woodchip issues. This report outlines woodchip markets and trends in woodchip export prices. It also gives stumpage recently received by small scale growers for a variety of logs.

Woodchip markets

Pulplogs and sawmill residue (offcuts of saw and veneer logs) constitute raw material for woodchips. The predominant use of woodchips is for making paper and wood based panels such as medium density fibreboard.

At present, there is market for only a part of the total volume of pulplogs and sawmill residue available in Australia. The available volume is expected to increase with expansion of plantations and softwood sawmilling.

According to ABARE, Australia harvests 10 million cubic metres of pulplogs and processes 3 million tonnes of sawmill residue a year. Forty per cent of the pulpwood is sold domestically for making pulp for paper and wood panels and 60 per cent is exported mainly as woodchips.

The production capacity of pulp and wood panel mills in Australia puts an upper limit on the domestic market for pulpwood. Events such as the closure of the pulp mill in Burnie reduce the domestic market for pulpwood. But nationally, the reduction will be more than offset by developments such as the proposed pulp and paper mill in Tumut. Despite such expansions, the latest ABARE projections by Graham Love and colleagues suggest that Australia will continue to have a growing surplus of pulpwood for export, chiefly as woodchips.

Ninety-nine per cent of Australia's total woodchip exports go to Japan—the world's largest importer of woodchips. During 1996 to 1998, average annual imports of woodchips by Japan, from all countries, totalled approximately 7.3 million tonnes (green) for softwood chips and 20.7 million tonnes (green) for hardwood chips.



Jan Feb Mar AprMay Jun Jul Aug Sep OctNov Dec

Australia's share of the Japanese softwood chip import market increased from 25 per cent in 1996 to 35 per cent in 1998. Australia also gained market share in the hardwood chip segment, increasing from 25 per cent in 1996 to 29 per cent in 1998. Scope exists for further increases in Australia's share of the market.

Woodchip export prices

Based on ABS data, figures A and B present monthly 'free on board' (f.o.b.) prices of Australian woodchip exports. They show hardwood chip prices were above the softwood chip prices. Average price in 1998 was \$69/t (green) for softwood chips and \$78/t (green) for hardwood chips.

The export prices have trended downwards recently. Between the last quarter of 1998 and the first quarter of 1999, the quarterly average prices fell by 6.5 per cent for softwood chips and 1.3 per cent for hardwood chips. The fall in prices would, however, vary regionally.

The export volumes and prices in 1999 may remain below the 1998 levels. This is because, first, there has been a build up of stocks of paper in Japan; and second, the Japanese consumption of paper in 1999 may stay low due to the country's continued depressed economy. Assuming woodchip export prices partly determine stumpage, then the growers who sell pulplogs to export chip mills in 1999 may also receive low stumpage. (Stumpage means the price of wood in a standing tree.)

Stumpage case studies

Based on the data collected by ANU Forestry, table 1 presents actual stumpage received by small scale growers for various types of logs. As the information is insufficient for deriving averages and trends, it is presented in a case study format. Growers should exercise due care in using it for assessing stumpage for their particular situations.





| State/ Region | Period | Log type | Stumpage | Comments |
|------------------------|---------------------------|--|--|---|
| 8 | 1998 | - J F - | | |
| Victoria | February to September | Pine pulplogs | \$15/cu. m | 1st thinnings; age 15; 50 ha; 4,700 cu. m; 47 km to mill |
| Victoria, Latrobe | July to September | Hardwood sawlogs: | | Private property native forest, silvertop; 105 km to mill: |
| Valley | September | B grade | \$75/cu. m * | 5 cu. m |
| | | C grade | \$65/cu. m * | 120 cu. m |
| | | D grade | \$45/cu. m * | 25 cu. m |
| South | July to | Pine: | | |
| Australia, Green | December | Sawlogs A grade | \$36.65/cu. m | Stumpage range \$29–\$45/cu. m; 11,500 cu m; 35 km to mill |
| Triangle | | Sawlogs D grade | \$19.70/cu. m | 1,500 cu. m, from break (edge) trees; 45 kr to mill |
| | | Preservation logs | \$18.40/cu. m | 1,600 cu. m; 35 km to mill |
| | | Pulplogs | \$18.15/cu. m | 15,200 cu. m; 60 km to mill |
| South | July to | Pine: | | |
| Australia, | December | Sawlogs | \$40/t | 200 t, 4th thinnings; 100 km to mill |
| Mt Lofty Ranges | | Sawlogs Preservation logs | \$15/t \$15/t | 500 t, 1st thinnings; 90 km to mill 250 t; 250 km to mill |
| Western Australia | January to December | Hardwood pulplogs | \$16/t | Thinnings; mixed species; bark-on mill doo price \$41/t; 55 km to mill |
| Western | January to | Pine: | | |
| Australia | December | Sawlogs Preservation logs Pulplogs | \$30.93/cu. m \$25.30/cu. m \$8.63/t | 2,342 cu. m; 63 km to mill; \$61.23/cu. m 1,051 cu. m; 40 km to mill; \$86.00/cu. m 1,753 cu. m; 75 km to mill; \$38.53/t * |
| | 1998-99 | | | |
| Western | April to | Pine: | \$25.05/ | Clear felling and thinnings; age 27-28: |
| Australia S-W | January | Sawlogs Preservation logs | \$25.05/cu. m \$22.56/cu. m | 857 cu. m; 82 km to mill 43 cu. m; 79 km to mill |
| | | Pulplogs | \$7.83/cu. m | 2,222 cu. m; 81 km to mill |
| Tasmania | July to March | Pine pulplogs Native forest eucalypts: | \$10/t | 3,400 t; 65 km to mill |
| | | Sawlogs | \$22/cu. m | 1,500 cu. m; 150 km to mill |
| | | Pulplogs | \$10.50/t | 10,000 t; 150 km to mill |
| NSW, | 1999 January to | Pine pulplogs | \$7/t | 18,000 t; in-forest chipping for board |
| Macquarie | February | r me purpiogs | Ψ / / ι | products |
| Victoria, Gippsland | February to | Pine: | | 2nd thinnings; age 20; 70 ha; good access t |
| | April | D 1 1 | ¢10 - = - | site, easy extraction: |
| | | Pulplogs | \$13.67/cu. m | 6,475 cu. m; 60 km to mill |
| * Mill door | | Preservation logs | \$19.50/cu. m | 235 cu. m |

* Mill door price.

This market report is a trial initiative of ANU Forestry. Comments and suggestions on the initiative and the report are welcome. Also welcome is stumpage information from growers and those who work with growers for future issues of the market report. Please address them to Dr U.N. Bhati, Department of Forestry, The Australian National University, Canberra ACT 0200; alternatively, fax them on (02) 6249 0746 or email un.bhati@anu.edu.au. Previous market reports can be found on ANU Forestry's web site: http:// www.anu.edu.au/Forestry/info/marketreport/index.html.