This report begins with a discussion of the important issue of the outlook for stumpage prices. It next presents recent market trends for selected forest products, and stumpage received by small-scale growers in Australia.

**Stumpage prices in future**

The outlook for stumpage prices is vitally important information for the forest industry. But there is no authoritative, detailed, outlook information for Australia in the public domain.

The global outlook on stumpage may, however, provide a useful clue to the situation in Australia. This is because, first, the Australian forest industry in the future is likely to be even more closely involved with global markets than it is now. Second, because the Australian industry will remain small in the global context, global markets will influence the Australian industry more than will the Australian industry influence them. Consequently, stumpage in global markets and in Australia can be expected to exhibit generally similar trends. So it is useful to look for and present here a reliable global outlook.

Almost every participant in the industry has an opinion on the global outlook for stumpage. But the intention here is to present recent assessment of the outlook by international organisations such as FAO and the World Bank; or by analysts of outstanding reputation for their objectivity and depth of knowledge on the global situation; or rigorous studies published in peer refereed journals of learned professional societies and organisations.

To find such an outlook analysis, a search was mounted for public domain reports, studies, and articles. Based on the search, six studies were selected for the purpose of this article. Each of the six studies has one or more of the attributes mentioned above. Table 1 has a brief description of those studies.

The findings outlined in the last column of the table show that, according to some studies, global stumpage prices would rise in real terms. But according to other studies the prices would fall, or fall for specific log grades but not for others. It shows that there is no single objectively determined unanimous view on the global outlook.

### I: Global outlook for stumpage prices: selected studies

<table>
<thead>
<tr>
<th>Authors</th>
<th>Scope, model, methods, projection period</th>
<th>The price outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sohngen, Mendelsohn and Sedjo, 1999</td>
<td>Quantitative, dynamic, global model; timber demand and supply, by global regions; projections of timber market clearing prices and quantities; base line and a dozen alternative scenarios for demand, costs, forest management, interest rates, and other factors; projections to 2135</td>
<td>Global timber [log] price will rise in real terms; for the base line scenario, average annual rise will be only 0.4% for the full projection period, but the rate of rise will be greater than 0.4% in the early part of the period</td>
</tr>
<tr>
<td>World Bank, 2001</td>
<td>Model and methods used not mentioned; timber price projections for 2001–2015</td>
<td>Timber [tropical logs and sawnwood] price projected to rise in real terms at an average annual rate of 1.8% during 2001–2015</td>
</tr>
<tr>
<td>Zhu, Tomberlin and Buonagioro, 1999</td>
<td>Quantitative, dynamic, global forest products model; covers all countries, regions and main forest products; projections of market clearing prices and quantities for each product and country/regional markets; projections to 2010</td>
<td>Average annual rise in price in real terms: industrial roundwood 0.6%, sawnwood 1%, veneer and plywood 0.4%, particleboard 0.8%, fibreboard 0.6%; newsprint 0%, printing and writing paper 0.06%</td>
</tr>
<tr>
<td>Clark, 2001</td>
<td>Non-quantitative (qualitative, descriptive) approach</td>
<td>Real prices for wood (logs and particles of wood) likely to continue to fall. [The degree of fall in prices not stated.]</td>
</tr>
<tr>
<td>Leslie, 2001</td>
<td>Non-quantitative (qualitative, descriptive) approach; projection period to 2050</td>
<td>Stumpage prices of industrial roundwood will be low and perhaps falling. [The degree of price fall not stated.]</td>
</tr>
<tr>
<td>Morell, 2001</td>
<td>Delphi approach to summarise opinions of 12 staff members of Forestry Department of FAO, drawn from its headquarter and regional offices; projection period to 2050</td>
<td>Price of commodity wood to be similar to or lower than present price in real terms; price of high quality tropical hardwood to be very high; price of pulplogs to fall. [The degrees of price fall and rise not stated.]</td>
</tr>
</tbody>
</table>

This means, of course, that no single objective view can be taken for granted for Australia as well. The prognosis is a serious problem for anyone looking for a definitive unanimous answer.

Not knowing what the next 10, 20, 30... years hold adds significantly to the problem of large risks inherent in the decade(s) long activity of forestry. Regrettably, there is no simple solution for the problem, but there are some options, which can help.

One is to bring together some of the experts who have come to opposite conclusions in open public debate and discussion. Such debate and discussion can help the Australian industry to more fully understand the reasons why the experts have come to different conclusions. Enhanced understanding will empower industry—especially its small to medium scale enterprises—to make more informed choices amongst the various outlooks. While such public good debates and discussions cost money, the sum of public and private benefits may outweigh the cost.

Such debates and discussions have been a feature of various national forums in the past—for example, the forestry sessions at ABARE’s Outlook Conference, or similar events such as ANU Forestry’s Research Colloquium.

Another option is to invest more in public good market intelligence research. National and regional industry forums organised recently by Australia’s Forest and Wood Products Research and Development Corporation (FWPRDC) have identified market development/ intelligence research as among the top research and development priorities.

In response, FWPRDC has commissioned the Australian National University and the University of Melbourne to investigate and report on models for enhanced market intelligence research for the Australian forest industry. The universities are collaborating with ABARE, AFFA, industry organisations and other interested parties, and will submit a report to FWPRDC in November 2002.

Main points
• The global long term outlook for stumpage prices may reflect the likely outlook for Australia.
• Independent experts, however, do not have a unanimous view on the global outlook, and by inference, on the outlook for Australia also.
• Greater investment in market intelligence research and public debates on outlook should be helpful to the Australian forest industry.

Market trends for selected forest products

ForestrySA: pine sawlog stumpage
ForestrySA manages the state owned forest resource in South Australia; it is the largest supplier of softwood logs to processing industry there. Table 2 shows ForestrySA stumpage for pine sawlogs for the Green Triangle region. The stumpage set for 2002-03 is 3.36 per cent above the stumpage set for 2001-02. It represents an increase in stumpage in real terms, as consumer price index for Adelaide, for the year ending June 2002, rose by only 2.8 per.

Indicative ForestrySA average pulpwood stumpage for 2002-03 in the region is $8 a tonne, with a range of $2 to $17 a tonne.

The stumpage for small-scale growers in the region may, however, differ from the ForestrySA stumpage.

New Zealand radiata pine log prices
NZ is a leading world producer and exporter of radiata pine logs. Hence, for Australian radiata pine growers, the NZ export and domestic log market prices are a window on the world market situation.

The NZ Ministry of Agriculture and Forestry (NZMAF) collects the NZ price data from major NZ log suppliers and releases them quarterly as a range for each grade of logs. Export prices are per Japanese Agricultural Standard (JAS) cubic metre on a free on board (FOB) basis. Domestic prices are per tonne delivered at mill door. The prices are indicative.

The prices were originally in NZ dollars. They have been converted here into Australian dollars, using the exchange rates published by Reserve Bank of Australia. Average exchange rate for the June quarter 2002 was NZ$1.1796 = $1.00.

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Based on the NZMAF data, table 3 gives the June quarter 2002 prices. The numbers in brackets in the table are small end diameters (SED) of logs. SED and other features of a log jointly determine its grade. (U.N. Bhati has more information on NZ log grades. His contact details are at the end of the report.)

Figures A and B, respectively, show trends in the export and domestic prices for selected grades of logs. The period covers 30 quarters, from March quarter 1995 to June quarter 2002. The trend line for each grade is based on the middle points of its quarterly price range.

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**Stumpage for small-scale growers**

ANU Forestry has collected information on actual stumpage prices recently received by small-scale growers in various regions of Australia. As the collected information was insufficient for deriving averages and trends, it is presented in case study format in table 4.

Users should exercise due care in using it for assessing stumpage for a particular situation.

### 4: Stumpage case studies

<table>
<thead>
<tr>
<th>Region/State</th>
<th>Period</th>
<th>Type of log</th>
<th>Stumpage</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central tablelands, NSW</td>
<td>May 2001–June 2002</td>
<td>Pine: Sawlogs</td>
<td>$10.67/t</td>
<td>10,583 t; 25–170 km to mill</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Preservation logs</td>
<td>$5.03/t</td>
<td>2,648 t; 70 km to mill</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pulplogs</td>
<td>$2.41/t</td>
<td>6,228 t; 25 km to mill</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Stumpage is net of harvest management costs such as building roads and supervision. Sawlogs were a blend of low to salvage grade logs.</td>
</tr>
<tr>
<td>Gippsland, Victoria</td>
<td>May–June 2002</td>
<td>Pine sawlogs: A grade large</td>
<td>$45/t</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>B grade large</td>
<td>$25/t</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>A grade medium</td>
<td>$32.28/cu. m</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pine pulpwood</td>
<td>$15/cu. m</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hardwood pulpwood</td>
<td>$18.54/cu. m</td>
<td>Thinnings</td>
</tr>
<tr>
<td>Central Victoria</td>
<td>2001-02</td>
<td>Native forest box and iron bark</td>
<td>$42/cu. m</td>
<td>250 cu. m; thinnings/ residual; 100 km to mill</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Planted sugar gum</td>
<td>$50/cu. m</td>
<td>100 cu. m; B grade sawlogs; clear fell; 50 km to mill</td>
</tr>
</tbody>
</table>
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In association with Australian Forest Growers

School of Resources, Environment & Society

THE AUSTRALIAN NATIONAL UNIVERSITY

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