

A very delicate balance



TIMBER AUCTIONS MARKET REPORT
Oliver Combe
Timber Auctions

SOFTWOODS

The second half of 2017 has been characterised by a steady and consistent increase in demand for almost all UK produced timber products, this has finally led to upward movement in end product prices. Whilst this has not been dramatic, it has begun and at a time of year when processors are normally building stocks, winter 2017 has seen gaps in some mills inventories and even shortages of some key pallet board sizes.

The Achilles heel of the sawn timber market has for much of 2017 been the kiln dried and graded carcassing market which has stubbornly refused to accept price increases. However, Q4 of 2017 saw some aggressive pricing by Swedish and German producers who asked for a £20 per m³ increase, confident that volume not placed in the UK could be diverted to the USA or Asia. This gave the domestic mills a long awaited chance to increase their prices which they will be looking to capitalise on in spring 2018.

Whilst the exchange rate has helped domestic producers through most of 2017, the recent interest rate increase by the Bank of England has stabilised the pound and latterly led to modest increases.

The unseasoned market has seen a number of modest price increases through 2017 and the processors will be looking for further increase in spring 2018 provided demand continues.

So the trend for prices has started to move upward but there is a strong BUT here! The price increases have in no way compensated for the steady increase in log prices seen throughout 2017. Processors have been hit hard by two factors: firstly, the log prices increase has been running six

to nine months before the sawn timber increase began and secondly, log prices have risen faster than the sawn prices.

This has happened because supply has been out of balance with demand. Most of the larger processors have been steadily increasing their production in 2016 and 2017; despite some smaller mills closing the overall demand has increased. In addition, small roundwood demand has picked up in the second half of 2017 as Kronospan are back to full capacity, new capacity at Ashington comes on line and the Verdo plant at Grangemouth has started up under new ownership. All of this has occurred at the same as most of the established domestic

FACTORS IMPACTING ON SUPPLY

- 1 There appears to be less volume available in the South and Central England forcing mills there to look North and West for their supplies.
- 2 The shakeup of long-term contract arrangements in Wales has increased competition to buy on the open market at a time when private supplies have been sporadic.
- 3 North East England and Eastern Scotland have seen a continued shortage of good sawlog parcels leading to some very strong prices as mills seek to secure core volume.
- 4 Increased demand from the Irish mills in the west of Scotland has taken up the potential oversupply here from the increased private sector offerings.
- 5 Standing timber prices have been strong and some of the large institutional owners appear to have hit their budget income targets from selling less timber so have reduced their total felling volumes

producers are running at or near full capacity and the seasonal upturn in biomass demand kicks in. So overall demand is strong and appears to be increasing.

Demand has exceeded supply for most of 2017 leading to steadily increasing standing timber prices. Timber prices have now

>>

HARDWOODS

Sawlogs

The major talking point in the hardwood market has been the Europe-wide increase in oak sawlog prices finally having a pronounced impact on the UK market. It is well documented that for the last three years, oak prices have been increasing throughout Europe but 2017 has seen very strong prices and shortages of supply.

Croatia has banned the export of round oak logs to try and stimulate its domestic processing sector, EUTR regulations appears to have reduced supplies from the Ukraine whilst a number of factors appear to have reduced overall supplies from Germany, France and the lowlands. At the same time, whilst demand for oak across Europe relentlessly increase, there is improving demand from China, Vietnam, Malaya and other Asian countries for all grades and qualities with particular demand for good planking oak.

In the UK, there is good demand for oak at a time when there is less material available from Europe, the price is increasing and the quality is variable. With increased interest from end users in 'English oak', there is now really strong demand for home-grown oak parcels. There has been a strong increase in prices during Q2 and Q3 of 2017 which has carried on into the winter.

As of end of November 2017, prices for oak are very strong and a quick summary of recent sale prices is shown below (all prices per hoppus foot at roadside)

- Good planking logs: £6 -9
- Planking/beam oak: £5 - 8
- Beam oak: £4 - 6
- Fencing/landscaping oak: £3.50 - 5.

The market for other species remains subdued at the moment, but there are reasons for longer term optimism as increased global demand for legal, sustainable and ethical temperate hardwoods should improve the market for species other than oak.

Ash has seen increased domestic interest for good quality white planking ash of 15 mid-quarter girth and larger, whilst the export market remains interested in both white and olive second quality ash where quantities and access make container loading viable.

Beech has also seen a slight increase in domestic demand and also some interest from the export market although the overall volumes required are small relative to oak and ash.



The export demand for poplar has slowed down in 2017 and currently there is little demand for poplar so owners advised to hold onto parcels until the market improves.

The market for sycamore remains quiet, with the closing of Nidd Valley sawmills there is little domestic demand except for a few mills looking for high quality figured logs. The export market for figured sycamore was also quiet last year and there is currently little sign that it will improve

significantly although there are still exceptional prices being paid for very high quality figured logs. A 4.5 m³ figured sycamore log (80cm+ diameter x 8.5m long) recently sold at auction in France for over 60,000 Euros to a German buyer. At today's prices, this is about £12,000 per m³, at roadside.

Firewood

The firewood market has been quietly improving over 2017, there does not appear to be the very high stock levels seen in 2015

and 2016 and demand appears to be quietly improving. There are still areas of local shortage although on the whole prices seem to have settled down at around £40 to £45 per tonne at roadside for first grade firewood with parcels with a high ash content reaching £50 per tonne in some areas.

There is less demand for oak firewood and this is usually between £5 and £10 per tonne cheaper than the first quality species (ash, beech, sycamore).

£ per tonne delivered to customers in Wales, central and south England

Product	Lower price	Upper price	Trend
Log 18	£62.50	£67.50	↑
Bar 14	£50.00	£55.00	↑
SRW	£35.00	£42.00	= ↑
Fencing	£48.00	£52.00	= ↑
H Wood firewood	£45.00	£50.00	↑

£ per tonne delivered to customers in north England and Scotland

Product	Lower price	Upper price	Trend
Log 18	£62.50	£67.50	↑
Bar / pallet 14	£42.50	£50.00	↑
SRW	£32.00	£38.00	= ↑
Fencing	£48.00	£52.00	= ↑
H Wood firewood	£40.00	£45.00	↑

These prices are for guidance purposes only and are based on historic market information.

>> equalised across the mainland and whereas the South and Wales had higher prices in the first half of the year and the North and Scotland lagged behind there now appears to be parity across the UK.

The net result is that particularly sawmills have seen a serious erosion of their margin between sawn timber prices and log costs which has seriously reduced their profitability.

As we now enter the seasonal slowdown in demand, processors will be looking very carefully at their costs, cash flow and capacity. There are already mutterings that if the situation does not improve then capacity will have to be taken out of the market in the winter of 2017/18.

Normally, this is done by working a shorter week, ending overtime and extending maintenance shutdowns, all of which reduce the demand for roundwood and so lead to a stabilising of log prices.

The situation in 2017 is unique in my experience in that capacity restriction is being talked about when sawn stocks are low and demand is relatively good, this could actually lead to shortages of some key products

and may just accelerate the price increases.

The desired effect for the processors would be a stabilising of roundwood prices and further increases in finished product prices allowing them to restore profitability and continue to invest in process efficiency and product development.

Hopefully a period of stability over the next six months would allow the market to take stock of the situation (sawn timber prices, domestic demand, interest rates, Brexit) and adjust accordingly and be sustainable in the long term.

TIMBER AUCTIONS



Timber Auctions will be holding scheduled online timber tender and auction sales throughout 2018, all sales will be advertised on www.timberauctions.co.uk

If you wish to discuss parcels of timber you would like to discuss or for further information contact Oliver Combe on 07771 958975, oliver.combe@timberauctions.co.uk for free independent marketing advice

GLOBAL TRENDS



Global consumption of softwood timber has increased with almost all the major markets increasing their demand.

China continues to be the major influence on the global markets; increasing wealth and rapid urbanisation are leading to increased softwood consumption, whilst domestic supplies are becoming increasingly constrained. To feed this insatiable demand, increasing volumes are drawn from the rest of the world. Historically, Russia and Asia were key suppliers but we now see increasing volumes from Canada, Asia, the Pacific Rim and recently Western European producers.

Russia's sawmill capacity steadily increases, following a period of heavy investment in new processing capacity, particularly in Siberia and the North West. Much of this volume heads east to China with the balance being absorbed by the domestic market.

The North American market remains strong and has seen record sawn timber prices over the last couple of months, as short-term demand for hurricane rebuilding and the longer-term impact of the US tariffs on Canadian timber have come into effect.

The USA has in 2017 become a very

attractive market for European mills whilst the Canadian mills have focused their efforts on China.

Europe is steadily improving, however, North Africa continues to be difficult due to civil unrest and lack of finance; fortunately the North American and Asian markets have more than compensated for the North African shortfall.

Overall, whilst supply has increased, demand has increased further which has led to rising finished product prices and increasing log prices in some areas where supplies are keenly contested. There is still uncertainty in the UK due to Brexit, rising interest rates and latterly increases in timber prices. So whilst demand and volumes have been increasing, there are now concerns that higher prices and increased costs will stagnate or even reduce overall demand next year. If the pound remains weak and other global markets continue to develop then the importers will look to move surplus volume elsewhere so although UK demand may slacken one would hope that prices will remain stable.

GiB harnesses power of social media

Social media activity, including a Thunderclap (joint Tweeting campaign), the launch of an e-postcards series, and posts on and from multiple Grown in Britain Week events, culminated in the campaign gaining over 2.5m 'impressions' - opportunities to view its messages promoting British-grown wood - during the annual celebration from 9-15 October.

Grown in Britain Week was welcomed in by Parliamentary Under Secretary of State for Biosecurity & Rural Affairs, Lord Gardiner of Kimble, in Westminster. This was followed by a joint conference to demonstrate the commercial value of woodlands, staged by Grown in Britain, the Forestry Commission, and the Country Land & Business Association. Running parallel but at Timber Expo, Grown in Britain partnered the British Woodworking Federation to demonstrate the use of British-grown hardwood and softwood in two exemplar timber windows. Grown in Britain licence-holders held their own events and promotions, adding to the week's activities.

Grown in Britain CEO Dougal Driver comments: "We now plan to keep up the momentum with our weekly 'Old Chestnuts' e-postcards, a newsletter, further partnerships and media activities, to maintain and expand the good wood business represented by timber that's Grown in Britain."



Pictured: Lord Gardiner of Kimble (right) in Westminster with Dougal Driver, CEO of Grown in Britain.

Another sound year in the forest property market



PROPERTY MARKET 2017 REVIEW

Fenning Welstead,
John Clegg & Co

We have reached that time when we gather together the evidence of market activity over the previous year. Our records indicate that over £110m of forestry property was sold on the open market. That's an uplift of about 40% on 2016. The overall area of forestry sold has remained remarkably constant, at about 17,500ha. However, the reason for value increasing is that in 2016, the properties presented to the market were generally in lower value parts of the country, whereas 2017 has seen a return to the more competitive, higher quality forestry properties. In addition there has been a relatively high degree of off-market activity which, by its nature, is difficult to record - but we would expect something in the region of £20m of woodlands to have changed hands by negotiation.

Scotland

On the commercial forestry front, the sale of the Stellar portfolio of ten forests, generated considerable interest and was successfully sold as a complete portfolio. The total area of approximately 1500ha achieved a sale price of £12.5m. The ten forests were of varying character and location, from Inverness-shire to the Scottish Borders, and the range of woodlands offered excellent quality commercial crops alongside a mixture of amenity and long-term woodland features.

Perhaps the strongest indicator of the level of interest in commercial forestry in the Scottish Borders was the sale of Letham, The Hass and Broombaulks. This forest is of high quality, planted between 1987

and 1995, and extending in total to 783ha. These substantial blocks of commercial conifer crops approaching harvesting, were complemented by mixed broad-leaved woodlands, rivers, small lochans and a ruined cottage. The property achieved a sale price of just under £15,000 per conifer hectare. One of the noticeable features of the closing date was the range of offers. This appears to be a feature of the current marketplace where bid prices can vary widely.

Another Border forest sale was Polmoodie near Moffat. Planted in the early 1970s and with 200ha of mature timber to exploit this is a well located property. However, there are some steep slopes to contend with and the market understandably took this into account. The sale was completed at a figure of around £11,500 per hectare.

The Scottish Government's objective of forest expansion is beginning to work through the system and there have been several farmland properties traded through the year where the buyer is intent on afforestation. There follows a potentially lengthy application process of consultation leading to planting approval - with no guarantee of success. It takes a degree of confidence to make these investments in land. Not only is this an issue for the investor but the forest nursery and contracting businesses have to second guess their workload and demand for trees years in advance.

Clearly specific sites have their own development issues and may need substantial investment in roads and fencing. As a broad range there have been land purchases at comfortably over £3000 per hectare with forestry as the objective. There is little evidence of market activity of land with planting approval but anecdotally it can be at much higher figures to reflect the security of having an approved scheme. Could we see a return to the days when farmers secured planting approval before marketing the land?

Wales

There has been little of note, or scale in Wales over the last year. At 92ha Cefn Creuan Isaf in Gwynedd contained a significant proportion of Sitka spruce dating from 1978. In combination with some attractive broad leaves and an area of ground without replanting obligation, this sold for well in excess of guide of £10,000 per hectare. Off-market it is rumoured that 129ha of pure 1983 spruce sold for a price in the region of £11,600 per hectare. However, in comparing this with Scottish Border results, one needs to bear in mind that there was a requirement for major investment in the external and internal roading.

The smaller woodland market has also seen a lack of product for buyers. Prices per hectare achieved have varied considerably. Well stocked spruce continues to >>



Jed Water flowing through Letham, The Hass and Broombaulks

>> attract good interest. Broadleaved restocking sites have proved less appealing to purchasers unless they are in small packages. The spread of deer across Wales is beginning to hurt the prospects of young broadleaved woods where protection from browsing may be inadequate and potentially expensive to remedy.

England

The market through England now appears to be much more sensitive to location. Strong public access in woods is a notable deterrent for many purchasers. Pull out Woodlands that have become almost public parks in terms of walkers, horse riders, mountain bikers, etc, struggle to sell. At the quality end of the market things are different. Redleaf Wood, 21.7ha and The Grove, 19.8ha, near Tunbridge, Kent achieved over £20,000 per hectare. The woods had been in the same family ownership for over a century. Almost 50 years ago these woods were noted "to be beauties of a well-managed forestry enterprise, predominantly conifer, but with just the right ingredients of old hardwoods, coppice and mixtures, to be a continuous pleasure to both humans and birds".

Moving into Kent, the Leeds Castle woodlands saw an offering of ten woods ranging from 5.4ha to 49.6ha. These were mainly broadleaved in content, with strong areas of productive coppice. All of these woods attracted good offers, with prices generally between £9000 and £12000 per hectare. It is interesting to note the difference in market value between the woods at Redleaf and The Grove and the Leeds Castle results. The historic records for the former show that mid-way through the twentieth century, the plan for the woodlands was "to convert the oak standards and chestnut coppice, to conifer plantations embellished with many deciduous species". Readers may draw their own conclusions as to the results of that policy change.

Counties to the north and west of London have seen some eye-watering prices achieved for woods in the "right" location. Prices from £25,000 to over £40,000 per hectare in prized areas of Hertfordshire and Buckinghamshire, have been achieved. These prices are well in excess of other woods in apparently similar locations, but not quite the right "hot spot".

The effect and desire to be invested in the right location, was reflected in the sale

of Dunster Estate in Somerset. These woodlands were offered for sale by the Crown Estate. A total area of 341ha was sold at a price in the region of £15,500 per hectare.

SUMMARY

We see the forestry market to be in good shape. There is still strong interest in acquiring woodland assets. As you will read elsewhere in this edition, timber prices have strengthened, and we are beginning to see a resurgence in new planting proposals which at last appear to have political support across all three countries. There is a dawning realisation that we have to plant more trees if we are to meet not only the demand for timber, but also our climate change and diversity targets. It is a very encouraging picture.

FTN WEB RESOURCES



Download the full Forest Market Report 2017 at www.confor.org.uk



Barle Valley Forestry

Unlocking the potential of woodlands

Forest Surveys & Inventories

GIS Mapping & Data Collection

Woodland Estate Management

Timber Harvesting & Marketing



Barle Valley Forestry Ltd

07548 532523
contact@barleforestry.co.uk
www.barleforestry.co.uk
@barleforestry



Portable Saw Mills

- ▶ 6", 8" & 10" capacity mills available
- ▶ Swing blade cuts up to 10"x 20" beams
- ▶ Dedicated slabbing mill options
- ▶ Quick set-up time on any terrain
- ▶ Weatherboard & planing attachment options



FUELWOOD

FTN5-17
Fuelwood (Warwick) Ltd
www.fuelwood.co.uk
t: 01926 484673

Encouraging prices but caution advised



TIMBER MARKET REPORT
Graeme Ralph
 Euroforest

As the chart below illustrates, the UK Construction Purchasing Managers Index is still in positive territory although it did dip below 50 earlier this year. Any number above 50 indicates growth in the sector with a current number of 50.8, up from 48.1 in September. This index is a measure of all construction projects and while new build housing is sustaining momentum there has been a noticeable drop off in major new projects feeding through. We await announcements in the November budget that might stimulate new house building projects.

What the chart above does illustrate very well is the fact that, compared with the last time that our industry benefitted from high standing timber prices, our market is currently in a much more fragile state. Demand for logs remains very high, which is driving prices to record levels, but the sawlog to sawn timber ratio, which reflects the potential for our sawmillers to make some profit, is currently too high. This means that log prices are unsustainable without a rise in sawn timber prices, and looking at the chart it is obvious that this is going to be a struggle unless demand rises from current levels. The message to you as a grower is that there is strong log demand, prices are as good as they have been, so whilst it might be tempting to hold off for better prices, now really is the time to get your

timber on the market to support our industry, as some mills are already being forced to take out production to meet availability, rather than pay even more than they already are for logs, which would take them further into unprofitable territory, which would not be good news for any of us in the long term.

In the small roundwood sector demand is good, and as sawmills reduce capacity the co-product volumes they produce will fall, meaning higher small roundwood demand to replace it. Kronospan are back up and running again at normal levels after their problems earlier in the year. Kent Renewable Energy are currently on target for opening in early 2018 which will provide a welcome new market for the hardwood which has not had a market for many years and has been difficult to manage commercially as a result. Verdo have sold their plants to German company Entrade and both have now reopened producing pellets and briquettes. In Scotland Norbord have successfully commissioned their new OSB

line at Inverness, and with the construction equipment now departed, are keen to fill their new log yard before the onset of the Highland winter. Supplies are now being delivered here from across Scotland including regular cargoes by sea from the west coast. Although the new gasification plant at Killin, north of Stirling is slightly behind schedule this will be another new small roundwood outlet which will come on stream in 2018. In addition, the new CHP plant at Cramlington is in the commissioning phase, and will come into full production early next year. Add to this good demand from all of the existing markets and overall the small roundwood picture is good.

So overall the timber market message is one of good demand for raw material from industry, with all the signs being of continued cautious optimism for 2018. Best wishes for a Happy Christmas, and a busy and prosperous New Year!

www.euroforest.co.uk



New whistleblower' platform aims to expose illegal timber trade

A new initiative called 'Timberleaks' was launched this autumn by Earthsight, a UK-based non-profit.

Timberleaks will be regularly exposing cases of suspect wood in international supply chains, especially products imported and sold in the US and Europe. Both the US and EU have laws which make it an offence to import wood which was illegally sourced overseas. Most consumers also expect their wood to have been produced sustainably and without violating human rights. At pre-

sent, these laws and these consumers are not being respected. Contrary to their public statements, many companies continue to import and sell wood which they should not. By doing so, they are undercutting their competitors.

If you are aware of or suspect wrongdoing by your own company or a competitor, we encourage you to come forward. The Timberleaks website provides a means to do this securely and anonymously.

www.timberleaks.org/contact

