

# The rise and rise of timber



TIMBER MARKET  
REPORT  
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As I reach the end of another working week not having set one foot out of the house for several days, realisation has dawned that life has become one long Teams or Zoom meeting. So, as I write this, I am dressed in my running kit that all looks a bit old and faded (but not much worn) and I have every intention that when I have finished off what I am currently doing, I shall go and run (slowly) round the block. It's not meant to be a spectator sport but does at least have the bonus of embarrassing my teenage daughters. On a serious note, however, it also allows me time to reflect on what strange old times we are currently living in.

If ever there was an industry that was counter-cyclical it must be forestry. The worse things seem to get at home and abroad with the economy, the better we as an industry seem to do, and things don't get much more difficult to deal with than Brexit and Covid do they? Not that I am expressing a view on Brexit I hasten to add. And yet the forestry sector continues to thrive. Strong standing timber prices, record prices for forest properties and as much new planting as we had at the very beginning of my career (a long time ago). All of it brings its own challenges but it is exciting to be part of an expanding and

increasingly successful sector.

As described above the market for most forest products remains buoyant. Sawn timber in particular. Construction timber is more and more an internationally traded product and we are increasingly being affected by these international trends. The incoming Biden administration has announced that there will be a \$1.9Tn stimulus into the US economy to mitigate the effects of Covid-19. This will certainly keep things buzzing along in America!

The US demand for sawn timber has already been pulling strong volumes of product from Scandinavia. Indeed, there are tales of cargos destined for Britain that have instead ended up across the other side of the Atlantic as boats have literally been rerouted in transit with gazumping on price to attract them.

## Panel products

Similarly, panel products, particularly OSB, are in strong demand across the pond too. If you have ever seen a picture of a US house being built, they are often timber framed with OSB. Back in Europe, Chipboard is also experiencing very strong demand and all plants report impressive order books. Even MDF, traditionally something of a Cinderella product, is seeing improving demand.

The biofuel sector is not having such a good spell and is showing patchy demand. The recent cold spell has meant that demand from the domestic biomass sector has been strong but industrial use is less consistent.

The paper sector is still weak, and

plants continue to take production outages. It will take us all to be going on holiday and travelling through airports and buying magazines for the sector to really to improve.

So, what of the next few months? Demand for standing timber will remain. Levels of finished goods within the supply chain for the spring rush are low and, as described earlier, there is strong demand elsewhere in the world that will impede imports.

It is almost inevitable that we will continue to see shortages of finished material through the first quarter of the year. Even if increasingly tighter measures to suppress Covid-19 resulted in a reduction in demand, this would only defer the demand to later in the year.

The market for standing timber will remain buoyant particularly for quality parcels with high sawlog content. Sawmills are increasingly flexing their specification to secure more timber from standing parcels.

Inevitably, this reduces the amount of small roundwood produced from a stand but also increases the co-products on the market. Small roundwood stocks are now close to normal levels and there is some evidence of the larger users re-entering into the standing market.

So, expect demand for standing timber to remain strong for the first part of 2021, oh and happy New Year by the way, as I finally escape from behind my home office desk in anticipation of my jog round the block, much to my collective family's horror!



# New record highs



TIMBER AUCTIONS  
MARKET REPORT  
**Oliver Combe**  
Timber Auctions

## Global outlook

After a brief market correction in October 2020 the US market raced ahead in November and December 2020 and now, in mid-January 2021, is sitting at new record levels. Strong demand and shortage of supply have emptied yards and led to four to six weeks lead times in at present and, although prices appear to have now plateaued, there remains optimism that prices will remain strong.

Supply and demand now appear to be in balance as the purchasers come to terms with the producers' asking prices and moderate their demand accordingly. With empty stock yards and strong order books the producers are in a strong position to hold onto their hard won gains as we head towards the spring upsurge in demand!

The scale of the upsurge seen in the second half of 2020 is unprecedented and has seen prices of some products virtually treble in a year.

June 2018 was seen as the peak of the last US price surge and the table below shows the scale of the increase seen now and the last market peak in June 2018.

With both China and the US drawing in

large amounts of prime softwood lumber from elsewhere, the forecast oversupply of sawn whitewood in Europe has not yet materialised. Whilst the Czech Republic is forecasting another 30m m<sup>3</sup> of damaged timber to be harvested in 2021, German forest production has dipped due to the Forest Damage Compensation Law, whilst at the same time sawmill demand has increased putting upwards pressure on sawlog prices. Scandinavian producers are also seeing strong demand and asking for 18-20 Euros per m<sup>3</sup> price increases for Quarter 1 2021 orders.

January 2021 has seen reports of a sudden fall in softwood sawlog stocks in China with reports of a 30% reduction in stock over the last two months as incoming shipments have not kept up with increasing demand. This has led to a sudden surge in softwood sawlog prices for import to China as well as increased demand for sawn timber which should continue to draw large amounts of both raw material and finished product away from Central Europe and Scandinavia.

In summary, this is a truly unique situation with unprecedented price levels in the key global softwood markets and abnormally low stock levels in the supply chain for the time of year.

They key question is to what extent will the high price levels regulate demand and to what extent can the producers increase demand as a change in either of these could upset the new equilibrium!

## UK softwood market

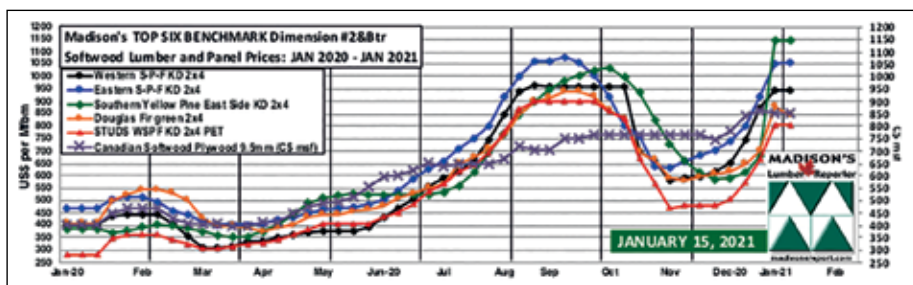
Since my last market report in December 2020 the UK market has strengthened further as the global increases in softwood timber prices and shortages of supply continue to impact positively on the UK market.

The UK market has been driven by softwood sawlog prices and demand. The UK market is still predominantly an import driven market and even modest changes in import volumes and prices have a significant impact on UK producers.

In January 2021 we are seeing reduced availability of imported timber and significant price increases for what is available. The net effect is that enquiries to UK mills have increased substantially and this has translated into increased sales at increased prices on the back of strong sales for the last six months.

With very low yard stocks of sawn timber the producers have been able to take a bullish view on pricing new enquiries and have consistently achieved price increases on new orders.

So, whilst the demand side remains very positive, the supply of timber to the market appears to have been reduced especially in the south of England and Wales and the north of Scotland. Whilst in the Borders and northern England the supply has been slightly higher but standing timber prices have still surged over the last



Benchmark 2x4 Dimension Lumber Prices: Current Compared to Recent and Historical Highs, and to Recent Lows							
2015 to 2021							
R/L in US\$ per thousand board feet (net FOB sawmill)	Current: 1/15/2021	Recent High: Sept 2020	% Change	Previous High: June 2018	% Change: Current vs. Previous	Previous Low: Sept 2015	% Change
SYP East Side KD #2 & Btr	\$ 1,145	\$ 985	16.2%	\$ 460	148.9%	\$ 311	268.2%
WSPF KD #2 & Btr	\$ 944	\$ 960	-1.7%	\$ 443	113.1%	\$ 249	279.1%
ESPF KD #2 & Btr	\$ 1,055	\$ 1,080	-2.3%	\$ 529	99.4%	\$ 350	201.4%
Douglas fir Green	\$ 845	\$ 940	-10.1%	\$ 500	69.0%	\$ 302	179.8%
WSPF 2x4 STUDS (PET)	\$ 806	\$ 900	-10.4%	\$ 445	81.1%	\$ 230	250.4%

## Tips for marketing timber in the current market situation

- Understand that the market demand is for 'sawlog' crops so market these, it can be from clear fells or thinning.
- Understand that the demand is for spruce, Douglas fir, pine and larch in the next six months.
- Make sure the parcel is ready to go: this means licences and approvals in place, infrastructure in place, third party agreements sorted out, crop measured and maps complete.
- Go to the open market: the situation is very volatile, different processors are looking for different products and have different pricing strategies, local shortages are forcing buyers to purchase off their home patch.
- Get professional advice to prepare and manage the sale: this will reduce the risk to both the buyer and seller.

three months.

Competition to buy standing timber with a high sawlog content is intense and prices reflect the strong demand and high ability to pay of the sawmills. Prices for crops with a high small round wood content have not

Prices are now at or above the peaks seen in late 2018, which is fantastic for the grower, however, it is a very volatile market and in the past these price spikes have been followed by market corrections.

Buyers are focusing on strategic parcels which they can buy, harvest and deliver to the yard with minimum risk and varying the prices offered to suit their own particular requirements and markets.

### UK hardwood market

The UK hardwood market remains much quieter than the softwood market. Although the sawmills are busy they currently seem to have supplies, and the supply and demand situation remains very much in balance.

Since Christmas there has been a noticeable increase in demand for firewood in the north of England and stretching down into the Midlands, with little stock at roadside in the north. This will hopefully start to pull material from the south midlands and central England where there appears to be plenty of roadside stock at the moment.

The main hardwood activity this year appears to be felling of diseased ash, the export market for this product remains good and there are some domestic markets for the very best quality.



### Ash felling

Now that the felling of diseased ash has been underway for a few years it is worth highlighting a few of the key lessons learned so far:

- Plan your forestry operations to include removal of diseased ash: be pro-active and think through how you can heavily thin or fell all your ash woodlands.
- Prioritise your felling to manage risk: identify roadside ash trees as a priority, high access woodlands, and mature crops and stressed crops as medium risk and then younger trees as a lower risk except where there is high public access.
- Act quickly: it is now evident that crops degrade significantly from three years after first signs of infection and after five years you will get significant degrade of both sawlogs and firewood. Fell whilst there is still value in the trees.
- Think safety: as the trees decline through ash dieback they become much more dangerous to fell as the branches become brittle and there is evidence that the felling hinge weakens when chainsaw felling. Plan for mechanised harvesting.
- Delaying costs money and increases risk!

### £ per tonne delivered to customers in Wales, central and south England (Jan 2021)

Product	Lower price	Upper price	Trend
Log 18	£90.00	£105.00	▲
Bar 14	£70.00	£80.00	▲
SRW	£50.00	£55.00	=
Fencing	£65.00	£75.00	=▲
H Wood firewood	£55.00	£60.00	=

### £ per tonne delivered to customers in north England and Scotland (Jan 2021)

Product	Lower price	Upper price	Trend
Log 16	£90.00	£100.00	=▲
Bar / pallet 14	£65.00	£75.00	=▲
SRW	£45.00	£55.00	=
Fencing	£60.00	£65.00	=▲
H Wood firewood	£50.00	£65.00	=

### Roadside hardwood prices (£ hft) January 2021

	Oak planking	Oak beam	Oak fencing	Export ash & beech	White ash sawlogs	Export sycamore	Large Douglas fir and Larch
High price	£12.00	£9.00	£5.00	£3.25	£4.00	£5.00	£4.00
Mid price	£10.00	£7.50	£4.00	£2.75	£3.50	£4.00	£3.00
Low price	£8.00	£6.00	£3.00	£2.00	£3.25	£3.00	£2.50

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

### TIMBER AUCTIONS



If you wish to discuss parcels of timber you would like to market, please contact Oliver Combe on 07771 958975, [oliver.combe@timberauctions.co.uk](mailto:oliver.combe@timberauctions.co.uk) for free independent marketing advice.