



Sawn Timber in Australia 2012 – 2026

“Sawn timber production, consumption and prices are highly dependent on the building industry cycle. The initial stage of the upturn in the residential building cycle in 2008 was prematurely reversed in 2009 by the global financial and economic crisis. The beginnings of an upturn were established in 2010, followed by further uncertainties created by financial instability in Europe. Will Australia’s economy and building industry continue to strengthen? If so, how long will it last? Will domestic producers be competitive with a potential new wave of imports? When will export markets rebound? What are the long term prospects for production, consumption, trade and prices?”



FORESTRY

Sawn Timber in Australia: 2012 – 2026

BIS Shrapnel Forestry specialises in multi-client and private client studies specific to the forest industry and has expertise in forecasting, marketing and strategic advice.

Market opportunities, strategies and prospects for production, consumption, prices trade and investment.

The sawn timber industry is highly dependent on building construction, which in Australia is subject to significant cyclical fluctuations. Government interventions, such as the introduction of the goods and services tax (GST) and the first home buyers grant scheme (FHBGS), have in the past amplified the building cycle and led to wide fluctuations in demand for sawn timber. More recently the global financial and economic crisis has cut short an upturn in the building cycle. This instability has had a disruptive impact on both producers and consumers.

Following a three year downturn, the early stages of an upturn in 2008 was prematurely reversed in 2009 by the global financial and economic crisis which was followed by the early stages of an upturn in 2010 and instability in Europe in 2011. Following the resolution of the current instabilities producers will be in position to take advantage of an upturn in demand. How long will it last? How will it affect exports and imports? Will the industry turn to export markets over the long term or will imports penetrate the market?

The hardwood sector has endured the Regional Forest Agreement process, with decreasing access to native forest resources and increasing log prices.

This has resulted in many mill closures and driven many of the remaining producers to invest in new equipment to produce higher value added products, such as appearance grade and heavy structural products.

In contrast, the softwood sector has expanded rapidly with the increasing availability of plantation resources. It has become very competitive, with the upgrading of many existing facilities to increase mill throughput, efficiency and profitability. There has been a rationalization of the industry in the past five years.

The industry will be subject to even more changes over the next decade. Hardwood producers can expect further constraints on native forest hardwood supply, while softwood supply will need to continue to increase.

The industry will need to become more internationally competitive.

This study, the twelfth edition, has been produced bi-annually since 1984, with the exception of 2010. It assesses both cyclical and long term prospects for sawn timber demand and supply in Australia.



Opportunities in Australia

Resource availability in the native forest hardwood sector will continue to decline over the next decade. Hardwood producers are likely to gain advantage through the acquisition of competitors to increase their log allocation. Hardwood producers will also gain advantage by expanding value added production, through investment in kilns and planer mills, to maximise value extraction from their logs.

The softwood sector is expected to continue to experience strong growth over the next decade, on the assumption that the maturing plantation resource further increases log supply. Larger more efficient mills will gain the greatest advantage in the softwood sector over the next decade, and will need to continue to upgrade and improve efficiencies to maintain production and profitability.

The softwood sawn timber sector will face increasing competition from steel, engineered wood products, such as laminated veneer lumber, strand lumber and newly developed plastic wood composites. There is also an increasing threat of imports of lower cost softwood from South America and higher quality softwood from Europe. The softwood sector will need to increase efficiencies and be more quality and price competitive with imports and alternative products. It will also need to be assured of adequate long term supply of plantation sourced softwood logs.

Report Objectives

The aim of this report is to determine the future direction of sawn timber demand and supply, in Australia and each of the states, in view of the decreasing access to native hardwood resources, plantation softwood supplies and changing consumer preferences. Further objectives are to:

- identify the key driving factors;
- identify and quantify current and projected production, consumption, trade flows and competitive dynamics, over the next 15 years;
- Research and assess attitudes to the use of different species of timber in different applications; and
- Highlight the major developments and changes that the sawmilling industry will face over the next 15 years.

Contents of the Report

An executive summary highlighting the main conclusions.

An introduction explaining the methodology and approach.

An overview of global sawn timber markets, including data on world consumption and production, with a focus on key importing and exporting countries

Analysis and forecasts of the outlook for the Australian economy and the building industry over the next 15 years.

An overview of the sawn timber industry in Australia, discussing the structure of the industry, key drivers and current issues facing the industry.

Analysis and forecasts of the demand and supply of sawntimber by state and for Australia, over the next 15 years.

Analysis of the prospects for international trade, including a state by state assessment of export and import substitution capability.

Analysis and forecasts of sawn timber prices, over the next 5 years.

Discussion of key competitive products currently being substituted for sawn timber, including engineered wood products, and steel.

An assessment of sawn timber usage in new housing, home improvements, non-residential construction, furniture and other sectors, by application. Applications include framing, mouldings, external applications, windows and doors, furniture, fencing and other applications.

An assessment of the sawn timber distribution system, including species stocked, sources of supply, interstate trading, supply problems, sales by market segment and prices.

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Methodology

The general methodology used for this study is the product of 30 years of research and development by BIS Shrapnel. The study will utilise three basic sources of information:

- field research, which will include over 400 interviews with timber merchants, builders, owner builders, and furniture manufacturers, as well as informal discussions with major producers, government, research authorities and trade associations. This provides the basis for determining the extent of usage of various species of timber for specific applications, as well as changing attitudes towards the usage of various species of timber and timber substitutes;
- Published data and information from government and industry statistics organisations, periodicals, and industry journals, to provide an overview of the market for sawn timber.
- BIS Shrapnel's databases on the forest products industry, the building industry and the economy, which will provide a basis for forecasting sawn timber demand, supply and prices. Over 80% of demand for sawn timber is a consequence of activity in the building sector. BIS Shrapnel has an acknowledged reputation as a leader in macro-economic forecasting and building industry forecasting.

COST AND TIMING

BIS Shrapnel commenced the study in November 2011, with the final report to be delivered in April, 2012.

Price: AU \$24,200

NB: Prices include GST for Australian subscribers, All prices are in Australian dollars – AU\$



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