



UNDERSTANDING THE Timber Market Survey



The Timber Market Survey (TMS) provides the only regular, comprehensive publication of timber prices and timber market trends in Australia. The TMS report is published quarterly and contains national price indexes for a range of timber products, and additional information on timber market drivers and trends. TMS price data is collected quarterly from a representative sample of timber market wholesalers across Australia.

The URS Forestry Group is contracted to deliver the TMS project. The URS Forestry Group is an operating business entity of URS Corporation, one of the largest multi-disciplinary consulting firms worldwide, with environmental, forestry, engineering, construction and international development experience. The URS Forestry Group has over 30 years of experience in providing consulting services to the forest and forest products sectors in the Asia Pacific region.

History of the Timber Market Survey

In 1999, Forests NSW first developed the TMS to provide a reliable reference for monitoring wholesale selling prices of sawn timber. Under Forests NSW the use and funding of the TMS expanded over the following nine years to include many of Australia's largest forest growers. In 2008 these forest growers, in partnership with other forestry organisations including Forest and Wood Products Australia, agreed that the TMS should further evolve as the primary source of timber market data in Australia with the aims of:

1. Improving the integrity, independence and reliability of TMS data;
2. Improving the availability of timber market information, through the publication of quarterly reports;
3. Extending the TMS to incorporate Western Australia; and
4. Reducing the single person risks associated with data collation and report production by engaging an external consultancy.

The TMS is now funded by the following groups: Forest and Wood Products Australia, Forests NSW, HVP Plantations, Forest Products Commission of Western Australia, VicForests, Forestry Plantations Queensland, Timber Queensland, Department of Environment and Resource Management Queensland, Forestry SA and Forestry Tasmania.

The URS Forestry Group was selected as the independent industry consultancy to deliver the project. The URS Forestry Group's objectives and work are governed and authorised by the TMS Steering Committee, which is made up of a selection of representatives from the above TMS funding groups.

The Timber Market Survey process

Data collection and management

The TMS surveys a sample of businesses (participants) in the wood products industry in Victoria, NSW and Queensland, soon to be expanded to include WA businesses. The survey includes timber wholesalers, some manufacturers (e.g. truss and frame) and hybrid businesses (e.g. home and hardware). At the end of each financial quarter, all participants complete a pricing survey. Softwood timber prices are surveyed each quarter and hardwood timber prices every six months. The March and September TMS

reports cover softwood timber, panel and engineered wood products and the June and December quarters also cover hardwood timber products.

Pricing questions included in the survey cover product type, species and product dimensions. Supplementary non-price questions addressing key themes relevant to timber markets are included in the June and December quarter surveys. Themes include issues such as imports, product substitutes, certification or other relevant issues.

The URS Forestry Group uses independent sub-consultants to survey market participants. These sub-consultants have an in-depth understanding of the timber industry and well established relationships with participants.

The survey asks participants to indicate the current (as at the end of the quarter) weighted average price that they pay for particular products delivered to their yard. The participants only provide prices for the products that they have purchased during the quarter.

In order to ensure the integrity of the TMS data, it is important that the price point (i.e. price delivered to yard) and method of measurement are comparable from one quarter to the next. The URS Forestry Group ensures that the sub-consultants undertaking the surveying confirm the accuracy and consistency of information provided and immediately follow-up on any anomalies or irregularities in the survey results.

The data provided by individual survey participants each quarter are treated as strictly confidential by the URS Forestry Group. Price data are aggregated to state and national levels, as discussed below, to protect the confidentiality of the participant's prices.

Supplementary data regarding economic and construction activity, import and export activity and other key market trends and statistics are collated and analysed by the URS Forestry Group and incorporated into the TMS reports.

Survey sample size and representativeness

To ensure TMS price trends are reliable and representative, it is important that a sample of sufficient size and relevance is maintained on an ongoing basis. Survey representativeness needs to be considered in the context of the wider market, including the total number of businesses and the market share of each business. The URS Forestry Group is responsible for ensuring the representativeness of TMS data and will work with the TMS Steering Committee and timber market participants to ensure the survey remains representative over time.

Data analysis

The data collected through the quarterly price surveys are analysed by the URS Forestry Group to develop the timber price indexes. The first step in the data analysis is to calculate the change in the price paid for each product by each respondent between the current and previous quarters. The second step is to apply a weighting estimate to each price change based on the

timber market share of each TMS respondent. For example, if a respondent has a large share of the timber market, then their reported price change for the quarter receives a large weighting, relative to other respondents. This is a conventional method for ensuring that larger timber buyers have a proportionally larger influence on the average market price. The URS Forestry Group is currently reviewing these weightings and may make some alterations in the future, based on market research, to ensure the market is accurately represented.

The final step in developing the price indexes is to aggregate the weighted price changes to state and national level. Currently, state price indexes are developed for Victoria, NSW and Queensland, however only national level indexes, which are derived from the three states, are available publicly in the quarterly reports. The national level indexes give different weightings to the states based on their share of the national timber market.

Distribution of results

In addition to presenting the national level indexes the quarterly TMS reports provide an analysis of the latest economic conditions affecting the timber market including commentary on regional housing and construction markets. The June and December quarters also report on additional non-price trends and issues investigated through the surveys.

The TMS reports are available for download from the URS website at: www.urscorp.com.au/Sectors/Forestry

TMS funding bodies receive state price indexes and also have access to an extended range of product indexes.

Where to go for additional information

If you have any questions regarding the TMS process or if you are interested in having your timber business included in the TMS by becoming a survey respondent, please contact the URS Forestry Group. You may also wish to suggest timber market trends or issues that you would like us to investigate through the survey.

Duncan MacLeod, Senior Consultant

Email: duncan_macleod@urscorp.com

Tel: (03) 8699 7583

Blair Freeman, Principal Consultant

Email: blair_freeman@urscorp.com

Tel: (08) 8699 7626



Funding provided by:



The Timber Market Survey (TMS) was prepared with funding from Forest and Wood Products Australia, Forests NSW, Timber Queensland, VicForests, HVP Plantations, Forestry Plantations Queensland, the Department of Environment and Resource Management Queensland, Forestry Tasmania, ForestrySA and the Forest Products Commission Western Australia ('the funding bodies').

URS Australia Pty Ltd (URS) has prepared this report in accordance with the usual care and thoroughness of the consulting profession for the use of the funding bodies. It is based on generally accepted practices and standards at the time it was prepared. No other warranty, expressed or implied, is made as to the professional advice included in this report. It is prepared in accordance with the scope of work and for the purpose outlined in the Agreement for Provision of Consulting Services dated 1 March 2009. The methodology adopted and sources of information used by URS are outlined in this report. URS has made no independent verification of this information beyond the agreed scope of works and URS assumes no responsibility for any inaccuracies or omissions. No indications were found during our investigations that information contained in this report as provided to URS was false.

This report was prepared between 1 July 2009 and 15 August 2009 and is based on the conditions encountered and information reviewed at the time of preparation. URS disclaims responsibility for any changes that may have occurred after this time. This report should be read in full. No responsibility is accepted for use of any part of this report in any other context or for any other purpose or by third parties.