

# UNDERSTANDING THE Timber Market Survey



The Timber Market Survey (TMS) provides the only regular, comprehensive monitoring of timber price and market trends in Australia. TMS price data is collected each quarter from a broad range of timber market wholesalers across Australia, by asking participants the average price that they purchased timber in the previous quarter. The TMS Quarterly Report presents a selection of results from the TMS and is published on a three monthly basis. It contains price indexes for a range of timber products, and additional information on timber market drivers and trends.

## History of the Timber Market Survey

In 1995, Forests NSW developed the TMS to provide a reliable reference for monitoring wholesale prices of sawn timber. The TMS results were a valuable source of market data for the price indexation mechanisms of log supply agreements between forest growers and their sawmill customers. Under Forests NSW the use and funding of the TMS expanded over time 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 (FWPA), agreed that the TMS should evolve further to become the primary source of timber market data in Australia with the aims of:

1. Enhancing the availability of timber market information, through the publication of a TMS Quarterly Report;
2. Enhancing the integrity, independence and reliability of TMS data; and
3. Reducing the 'single person' risks associated with data collation and Quarterly Report production by engaging an external consultancy.

With the support of FWPA, the TMS project was developed into an information source for the broader industry whilst retaining its original purpose of contributing timber market data for log price indexation.

## The Timber Market Survey today

Under current arrangements, the TMS is funded by 10 members: FWPA, 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 (URS) was appointed as the independent industry consultancy to deliver the project in 2008. URS is an operating division of URS Corporation – a professional services firm providing engineering and environmental expertise to businesses and communities within Asia-Pacific and around the globe. URS has over 30 years experience in providing consulting services for all components of the forest product supply chain, including market intelligence for forest and timber products.

URS's objectives and work on the TMS are guided by the TMS Steering Committee, which comprises seven of the 10 funding members. The Committee meets on a quarterly basis to review the TMS results and Quarterly Report. The Committee also considers project development and administration, including feedback from stakeholders, and provides oversight and strategic guidance to the work conducted by URS.

## The Timber Market Survey process

### Products surveyed by the TMS

The TMS includes over 100 timber products, most of which have been surveyed since before 2000 as part of the original TMS. Product groupings include softwood and hardwood sawn timber products, panel products and engineered wood products. Figure 1 provides examples of the products surveyed by the TMS within each of these categories.

Figure 1: Timber Market Survey product groupings and product examples

<b>Softwood timber</b> <ul style="list-style-type: none"><li>– MGP10 (70x35, 90x35)</li><li>– MGP12 (70x35, 90x35)</li><li>– Treated F7</li></ul>	<b>Hardwood timber</b> <ul style="list-style-type: none"><li>– F8, F11, F17, F27</li><li>– Flooring (e.g. Blackbutt)</li><li>– Sawn &amp; dressed boards</li></ul>
<b>Panel products</b> <ul style="list-style-type: none"><li>– Plywood</li><li>– Particleboard</li><li>– MDF</li></ul>	<b>Engineered wood products</b> <ul style="list-style-type: none"><li>– LVL</li><li>– I-joist products</li></ul>

TMS product groupings are split into individual products, dimensions and grades (including treated and non-treated timber products). The majority of products have remained unchanged over time and as a result the TMS project has an extensive price history. A guiding principle for the TMS is to minimise change in the product range surveyed, and target consistently high volume products that exhibit unique market trends. However, products can be added or removed to keep up with changes in the market.

The products included in the TMS encompass the main hardwood and softwood products in Australian markets. The TMS also incorporates prices for some imported products, where these are reported by TMS participants. This is most common with the major structural softwood timber grades. The inclusion of imported product prices ensures that the data collected reflects the prevailing price trends in the Australian market for timber products.

## Data collection and management

The TMS comprises a sample of businesses (participants) in the wood products industry in Victoria, NSW and Queensland. To date the TMS has focussed on these three eastern mainland states due to the majority of Australia's timber volume being traded on the eastern seaboard. The expansion of TMS coverage to other states, including Western Australia and Tasmania, has been considered and could be developed further with the major forest growers in those states.

Participants include timber wholesalers, wood product manufacturers (e.g. truss and frame producers) and hybrid businesses (e.g. home and hardware) that generally purchase timber products directly from timber producers (i.e. sawmills).

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

URS uses independent sub-consultants to survey TMS participants. These sub-consultants have an in-depth understanding of the timber industry and well established relationships with participants. TMS surveyors scrutinise TMS data as it is received from participants and are able to make additional enquiries to check the accuracy and completeness of quarterly survey returns.

Price questions included in the survey are differentiated by product type, species and product dimensions. The survey asks participants to report the weighted average delivered price paid for particular products over the quarter or six month period. The participants only provide responses to price questions when they have purchased products through the period surveyed. Participants may sometimes purchase discounted wood products through suppliers. By collecting the weighted average price for each product, the TMS accounts to some extent, for price discounting. Price rebates may be associated with quarterly timber purchases of TMS participants. Where the rebate is not paid during the period surveyed, it may not be fully factored into the weighted average price calculated for that period.

To ensure the integrity of the TMS data, it is important that the price point (i.e. price delivered to the wholesale business) and the method of measurement are comparable from one survey period to the next. URS ensures that its surveyors confirm the accuracy and consistency of information provided and follow-up on any anomalies or irregularities in the survey results.

The price data provided by individual survey participants are treated as strictly confidential. Price data are aggregated to state and combined state levels, 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 URS and incorporated into the TMS Quarterly Report.

## Survey size and representativeness

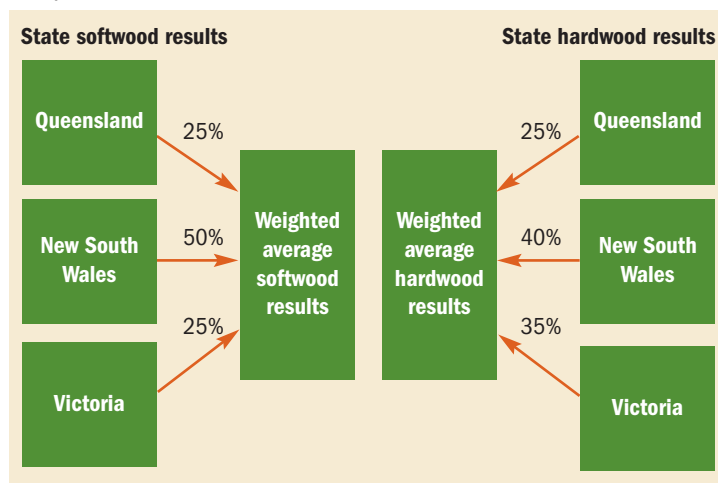
To ensure TMS price trends are reliable and representative, it is important that a survey sample of sufficient size and relevance is maintained on an ongoing basis. Survey representativeness needs to be considered in the context of the wider market, including the total number of businesses and the market share of each business. URS is responsible for ensuring the representativeness of TMS data and works with the TMS Steering Committee and TMS surveyors to maintain the integrity of the survey. In cases where the sample of price data received for a particular product does not meet a minimum number of participants, URS will withhold these results from being published.

## Data analysis

The data collected through quarterly TMS surveys are analysed by URS to develop the timber price indexes. The first step in the data analysis is to calculate the change in the average price paid for each product by each participant between the current and previous quarters. The second step is to apply a weighting to each price change based on the 'relative purchase volume' of each TMS participant. If a participant has a large share of the timber market, then their reported price change for the quarter should reflect their scale and the volume they are likely to purchase at that price. The TMS applies a larger weighting to participants with a larger throughput of timber products, and vice versa for participants with smaller throughput. URS estimates the relative purchase volume of participants through a combination of market research and the expertise of the TMS surveyors, who have an excellent understanding of the timber wholesaling sector.

The final step in developing the TMS price indexes is to aggregate the weighted price changes to state level and to an average for the three eastern mainland states. State price data are weighted based on an estimated geographical share of the wider timber market. Figure 2 outlines the price weightings currently used for each state. The weightings differ between softwood and hardwood products – this reflects the differing legacies of the softwood and hardwood national indexes. The TMS softwood index was developed early in the project whereas the TMS hardwood index was an initiative introduced in 2010.

Figure 2: Weighting applied for hardwood and softwood price movements across surveyed states



## Distribution of Timber Market Survey findings

The TMS Quarterly Report presents price trends and long term indexes for various products, representing weighted average price movements across states covered by the TMS. It also provides an analysis of the latest economic conditions affecting the timber market including a 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 Quarterly Report is available for download from the URS website at [www.urscorp.com.au/Sectors/Forestry](http://www.urscorp.com.au/Sectors/Forestry). Release notifications can be subscribed to through this website.

URS also produces a media summary of the Quarterly Report, to provide the media and industry commentators with a brief summary of the key quarterly results.



### Continuous improvement

The TMS project is managed to ensure reliable survey results are produced across a representative range of products in a format that is useful to the broader industry. The TMS Steering Committee regularly reviews these aspects of the project.

If you have any questions or would like to provide feedback on the TMS project, please address your correspondence to URS via the TMS website.

If you are interested in participating in the TMS by becoming a survey participant, please also contact URS via the TMS website.

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