Understanding the Timber Market Survey

The Timber Market Survey (TMS) provides the only regular, comprehensive monitoring of timber price trends in Australia. TMS price movement data is collected each quarter from a broad range of timber market wholesalers across Australia, by asking survey participants the average price that they purchased timber in both the current and previous survey period. The resulting TMS Quarterly Report presents nominal price indexes for a range of timber products.

History of the Timber Market Survey

In 1995, Forests NSW (now called Forestry Corporation of NSW) developed the TMS to provide a reliable reference for monitoring wholesale prices of sawn timber. The TMS price indexes became a valuable source of market data and sales trends for sawn timber in eastern Australia. Over time, other forest growers joined the project as funding partners. Various forest growers now use the TMS as a component of price indexation mechanisms for log supply agreements with their customers.

In 2008, these forest growers, in partnership with other forestry organisations including Forest and Wood Products Australia (FWPA), agreed the TMS should evolve further to become a primary source of timber market data in Australia with the aims of:

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

In keeping with these objectives, and with support from the FWPA, a third party consultancy (URS Forestry) was engaged to manage the TMS Project in 2009. The TMS Project was developed into an information source for the broader timber industry whilst retaining its role of contributing market data for log price indexation.

In 2015, Indufor took over the management of the TMS Project. Indufor is a leading independent forest sector consultancy with extensive expertise in market intelligence; forest policy and strategic planning; and technical forest services. Indufor provides professional advice to forest investors; sector industrialists; governments; civil society organisations and development agencies around the Pacific Rim. Indufor in Australia is an operating division of the global Indufor Group, one of the world's leading forest consulting service providers.

The Timber Market Survey today

Under current contractual arrangements, the TMS is funded by seven organisations: Forestry Corporation of NSW; VicForests; HVP Plantations; Queensland Government Department of Agriculture and Fisheries; HQPlantations; OneFortyOne Plantations; and Green Triangle Forest Products - collectively, the 'funding bodies'.

TMS Project Steering Committee

With the transfer of TMS management to an external consultancy in 2009, a TMS Project Steering Committee was established to provide governance over the TMS process. The TMS Project Steering Committee is comprised of one representative from each of the TMS funding bodies.

Membership

Organisations within Australia that are forest managers or growers are generally eligible to become TMS funding bodies (signatories to the TMS contract) and consequently, if they wish, TMS Project Steering Committee members. Membership positions also exist for organisations that are timber processors, representatives of timber processors or representatives of the broader timber industry and timber product markets. For organisations such as these, membership is available for up to two organisations representing the hardwood/native forest sector, and two organisations representing the softwood plantation sector.

The Terms of Reference of the Steering Committee constrain the actions of members of the Steering Committee to ensure consistency with the original objectives of the TMS Project, and the role that the TMS plays in price indexation for many forest managers and growers.

Roles and responsibilities

The primary function of the TMS Project Steering Committee is to provide oversight and strategic direction for the TMS process. The TMS Project Steering Committee also considers project development and administration including: feedback from...
Understanding the Timber Market Survey

The Timber Market Survey Process

Products surveyed by the TMS

The TMS includes over 100 timber products, many 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

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 indexation history. A guiding principle for the TMS is to minimise change in the product range surveyed, and target consistently high volume products to enable monitoring of key timber 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 price movements for some imported products, where these are reported by TMS survey participants. This is most common with the major structural softwood timber grades. The inclusion of imported product price movements 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. frame and truss producers) and hybrid businesses (e.g. home and hardware) that generally purchase timber products directly from mills producing sawn timber, plywood, particleboard, MDF and so on.

Survey participants complete a pricing survey for softwood timber prices 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.

Surveying

Indufor uses experienced independent sub-consultants to survey TMS participants. These surveyors have an in-depth understanding of the timber industry and well established relationships with survey participants.

TMS surveyors work independently of each other, often within the same or overlapping market areas. Each surveyor provides price movement data to Indufor which is blind to the responses being provided by other surveyors for the same products at the same point in time. TMS surveyors scrutinise this data as it is received from participants and are able to make additional enquiries to check the accuracy and completeness of quarterly survey returns. This approach allows for the testing of data that appears to be inconsistent compared with the broader dataset for that survey period.

The surveying process outlined above helps ensure price movements captured by the TMS are an accurate representation of timber markets within the relevant time period.

Price point

The TMS monitors the movement in prices paid by wholesale businesses for timber products delivered to their door. This is
Step 2: State level aggregation

State level price movements are then aggregated to a weighted average across three eastern mainland states using state specific TMS weightings.

Historically, state weightings were based on an estimated geographical share of the wider timber market. The weightings differed between softwood and hardwood products - reflecting 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.

Today state weightings are still derived separately for softwood and hardwood timber products; however, the methods in use have changed. For softwood products, the relative market share in each state is approximated using Australian Bureau of Statistics (ABS) housing construction statistics. A large proportion of softwood products are consumed by the housing construction industry, and there is strong correlation between the level of housing construction activity and the demand for a range of key softwood timber products surveyed by the TMS.

TMS state weightings for hardwood timber markets are derived using ABS ‘Alteration and Addition’ statistics. The value of Alteration and Addition work in each state relates to the size of home renovation and improvement markets, where a higher proportion of hardwood timber is used (e.g. floorboards, decking, and landscaping).

For both softwood and hardwood TMS state weightings, the proportion of related market activity (as described above) in Victoria, NSW and Queensland is determined for the current and two previous years. These results are then averaged to derive the TMS state weightings.

Figure 2 outlines the state weightings currently in use for each state. State weightings will be updated every three years (or earlier if required). The last update occurred in the December quarter of 2016.

Step 3: Multi-state level aggregation

State level price movements are then aggregated to a weighted average across three eastern mainland states using state specific TMS weightings.

Historically, state weightings were based on an estimated geographical share of the wider timber market. The weightings differed between softwood and hardwood products - reflecting 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.

Today state weightings are still derived separately for softwood and hardwood timber products; however, the methods in use have changed. For softwood products, the relative market share in each state is approximated using Australian Bureau of Statistics (ABS) housing construction statistics. A large proportion of softwood products are consumed by the housing construction industry, and there is strong correlation between the level of housing construction activity and the demand for a range of key softwood timber products surveyed by the TMS.

TMS state weightings for hardwood timber markets are derived using ABS ‘Alteration and Addition’ statistics. The value of Alteration and Addition work in each state relates to the size of home renovation and improvement markets, where a higher proportion of hardwood timber is used (e.g. floorboards, decking, and landscaping).

For both softwood and hardwood TMS state weightings, the proportion of related market activity (as described above) in Victoria, NSW and Queensland is determined for the current and two previous years. These results are then averaged to derive the TMS state weightings.

Figure 2 outlines the state weightings currently in use for each state. State weightings will be updated every three years (or earlier if required). The last update occurred in the December quarter of 2016.

Step 3: Multi-state level aggregation

State level price movements are then aggregated to a weighted average across three eastern mainland states using state specific TMS weightings.

Historically, state weightings were based on an estimated geographical share of the wider timber market. The weightings differed between softwood and hardwood products - reflecting 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.

Today state weightings are still derived separately for softwood and hardwood timber products; however, the methods in use have changed. For softwood products, the relative market share in each state is approximated using Australian Bureau of Statistics (ABS) housing construction statistics. A large proportion of softwood products are consumed by the housing construction industry, and there is strong correlation between the level of housing construction activity and the demand for a range of key softwood timber products surveyed by the TMS.

TMS state weightings for hardwood timber markets are derived using ABS ‘Alteration and Addition’ statistics. The value of Alteration and Addition work in each state relates to the size of home renovation and improvement markets, where a higher proportion of hardwood timber is used (e.g. floorboards, decking, and landscaping).

For both softwood and hardwood TMS state weightings, the proportion of related market activity (as described above) in Victoria, NSW and Queensland is determined for the current and two previous years. These results are then averaged to derive the TMS state weightings.

Figure 2 outlines the state weightings currently in use for each state. State weightings will be updated every three years (or earlier if required). The last update occurred in the December quarter of 2016.

Step 3: Multi-state level aggregation

State level price movements are then aggregated to a weighted average across three eastern mainland states using state specific TMS weightings.

Historically, state weightings were based on an estimated geographical share of the wider timber market. The weightings differed between softwood and hardwood products - reflecting 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.

Today state weightings are still derived separately for softwood and hardwood timber products; however, the methods in use have changed. For softwood products, the relative market share in each state is approximated using Australian Bureau of Statistics (ABS) housing construction statistics. A large proportion of softwood products are consumed by the housing construction industry, and there is strong correlation between the level of housing construction activity and the demand for a range of key softwood timber products surveyed by the TMS.

TMS state weightings for hardwood timber markets are derived using ABS ‘Alteration and Addition’ statistics. The value of Alteration and Addition work in each state relates to the size of home renovation and improvement markets, where a higher proportion of hardwood timber is used (e.g. floorboards, decking, and landscaping).

For both softwood and hardwood TMS state weightings, the proportion of related market activity (as described above) in Victoria, NSW and Queensland is determined for the current and two previous years. These results are then averaged to derive the TMS state weightings.

Figure 2 outlines the state weightings currently in use for each state. State weightings will be updated every three years (or earlier if required). The last update occurred in the December quarter of 2016.
The methods used for deriving state weightings may change in the future as part of a process of continual improvement.

In addition to restrictions in place for funding organisations, all TMS surveyors are bound to confidentiality agreements with regards to the companies they survey and the data they collect.

**Indexation**

The aggregated state and three state price movement results are applied to a basis point index, with the initial period being assigned a value of 100. The TMS report features long term nominal price index series for key softwood and hardwood products dating back to 2004 and 2008 respectively.

Monitoring price movements in percentage terms, as previously described, provides for accurate tracking of price trends under TMS surveying conditions, where participants may change over time and the number of responses for each product may vary from one survey period to the next.

**Data confidentiality**

Protecting the confidentiality of TMS data is fundamentally important to the TMS process and the integrity of TMS results. As previously mentioned, the Project Steering Committee does not have access to the raw TMS data or to the identities of the businesses participating in the survey.

All TMS data is aggregated to state or combined state levels before release to the Project Steering Committee or any external party. This ensures the confidentiality of individual TMS participants and provides for the confidentiality of commercially sensitive information. All TMS funding organisations are signatories to a Data Usage Agreement outlining TMS data use protocols including but not limited to the provisions mentioned above.

**Distribution of Timber Market Survey findings**

The TMS Quarterly Report presents nominal price trends and long term indexes for various products, representing weighted average price movements across states covered by the TMS.

The TMS Quarterly Report is available for download from the Indufor website

(Download the latest TMS Quarterly Report here)

Release notifications can be subscribed to through this website also.

**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 Project 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 Indufor via the undersigned project contact.

If you are interested in contributing to the TMS Project by becoming a survey participant, please contact Indufor via the undersigned project contact.
Understanding the Timber Market Survey

Project Contact
Con Psiroukis, Consultant
Email: con.psiroukis@indufor-ap.com
Tel (+61) 3 9639 1472

Funding provided by: