ANU Forestry Market Report

March 2003. Number 23 *Primarily for Australia's small-scale forest growers*

Exports of Australian forest products increasing fast

This report begins by examining aspects of Australia's international trade in forest products. It then presents market trends for selected products, followed by case studies of stumpage prices received by small-scale growers.

Exports of forest products

Total values of Australian exports and imports of forest products have been increasing steadily for decades. Also, the value of the imports has routinely exceeded the value of the exports. Hence a trade deficit has persisted in forest products for so long that the deficit looks like a permanent fixture of Australia's forest sector.

Furthermore, the size of the trade deficit has been rather large. Since the mid 1980s, the deficit has ranged between one and two billion dollars a year—it was $1.7 billion in 2001-02 (the dollar values are nominal throughout, that is, unadjusted for inflation).

In an open economy such as that of Australia, a trade deficit in a product or a group of products is not an economic calamity. Nor is it an adverse reflection on the current state of the forest industry or its prospects (indeed, the prospects look reasonably good). Even so, there is a widespread preference for the trade deficit to disappear or to turn into a trade surplus.

Given such a preference, it is well to invite attention to a silver lining shining behind the cloud of the persistent trade deficit. The silver lining is the long term declining trend in the ratio of total values of imports to exports. The declining trend implies that, over the years, Australia has been importing less for each dollar of exports. The ratio stood at 15 in 1959-60, 5 in 1974-75, and 2 in 2001-02. Figure A traces the ratio continuously for the recent 28 years. As a corollary of the declining trend, exports should be growing faster over time. Numbers confirm this: during the 28 years shown in figure A, the total value of imports increased at an annual average rate of 8.5 per cent but the growth in exports was even faster, that is, 11.2 per cent.

What products are behind the faster growth in exports? To answer the question, ABARE time series data on imports, exports, production and consumption for various forest products were analysed for the 28-year period. The analysis revealed a lot of information. In broad terms, the key changes that go some way towards answering the question were briefly as follows:

- Over the years, exports of roundwood (logs) tended to increase to the extent that Australia now has an expanding trade surplus in the product (table 1).

Figure A: Total value of imports and exports of forest products, and import/export ratio: Australia

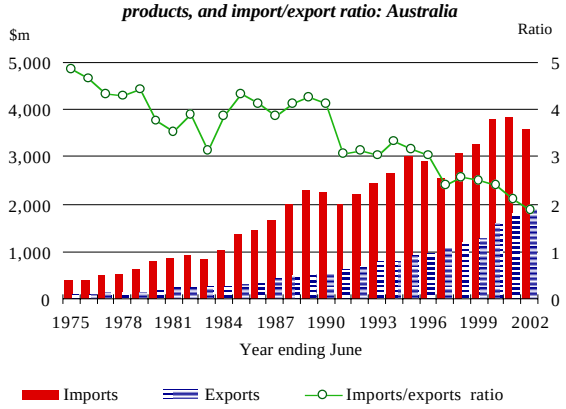


Table 1: Average annual exports and imports of forest products, Australia

Forest product group	1975 –1979* $m/yr	1998 –2002* $m/yr	Growth rate %/yr #
		Exports	
Roundwood	1	62	20
Sawnwood	10	58	8
Misc. forest products	6	64	11
Wood based panels	3	135	18
Paper & paperboard	14	469	16
Paper manufactures	5	61	11
Pulp & wastepaper	1	38	17
Woodchips	70	667	10
Total	110	1,554	12
		Imports	
Roundwood	2	1	-3
Sawnwood	127	452	6
Misc. forest products	31	443	12
Wood based panels	26	159	8
Paper & paperboard	217	1,876	10
Paper manufactures	26	354	12
Pulp & wastepaper	63	224	6
Total	492	3,508	9

***** Year ending June. **#** Average annual growth rate for the 1975–1979 to 1998–2002 period.

- A trade deficit persists in sawnwood. However, domestic production of sawnwood and sawnwood substitutes has been rising steadily, replacing imports in domestic consumption (for detail, see ANU Forestry Market Report Numbers 19 and 20). Consequently, net imports of sawnwood have been falling, especially in the last ten years. This has made a major contribution to restraining the total trade deficit.

- Wood based panels include products such as veneer, plywood and particleboard as well as a comparatively new product, medium density fibreboard (MDF) that had attracted large investments during 1980-90s in Australia. Among these products, exports of particleboard and MDF have accelerated rapidly to the extent that Australia now has a trade surplus in these two products. It is mainly because of this that, in the last couple of years, Australia has had a trade surplus in the wood based panels group as a whole.
- A huge trade deficit persists in the paper and paperboard group of products. This accounts for most of the total trade deficit in forest products. Nonetheless, exports of paper and paperboard have been growing steadily lately, with printing and writing paper and packaging and industrial paper categories featuring prominently in the export growth. This suggests recent large investments (such as Visy's new paper mill in Tumut) are having a significant impact. The export growth has been such that earnings from exports of paper and paperboard are now relatively more closely placed behind Australia's leading export forest product, namely, woodchips, than they were in the earlier years of the period.
- A trade deficit also continues in the pulp and wastepaper group of products. But, over time, the group has achieved a high growth rate in exports, which is almost solely due to exports of wastepaper. Besides contributing to export earnings, fibre from wastepaper makes up 62 per cent of total Australian paper and paperboard production, which is a major contribution. The total annual quantity of wastepaper collected in Australia in the early part of the 28-year period was about 0.5 million tonnes; now it is around 1.8 million tonnes. Of the total wastepaper collected, a large majority is used by the Australian paper and paperboard industry. This has reduced the industry's demand for imported pulp which, in turn, has acted to limit the total trade deficit.
- A steady growth in exports of woodchips has maintained the position of woodchips as Australia's leading export forest product. Without it, Australia's total trade deficit in forest products would have been much bigger.

These changes in trade and related aspects explain the faster growth in Australian exports of forest products than in its imports of those products.

Will the faster growth in exports continue? Although no one knows what the future holds, the probability of the trend to continue is high in the foreseeable future. This prognosis is based on the developments that are likely to occur within and outside the forest sector in Australia and in overseas markets. Examples of such developments in Australia are the continued growth of plantation estate, productivity growth in the forest sector and in other sectors that provide inputs and services to the sector (thus more cost-savings and competitiveness), expansion of log processing capacity (thus greater exports and import replacement), freer international trade, and the rise in import demand for forest products in overseas markets. Although these developments are likely to occur, it is important to work towards ensuring that they do occur to their fullest potential.

Main summary points

- Australia's exports of forest products have been growing faster than imports of these products.
- This has been due to the sustained exports of established forest products, a rise in export orientation of additional products, and an increase in replacement of imports with local products.
- Faster growth in exports is likely to continue in foreseeable future.

Market trends for selected forest products

New Zealand radiata pine log prices

NZ is a leading world producer and exporter of radiata pine logs. Hence, for Australian radiata pine growers, the NZ log market prices are a window on the world market situation.

The NZ Ministry of Agriculture and Forestry (NZMAF) collects the NZ price data from major NZ log suppliers and releases them quarterly as a range for each grade of logs.

The prices in NZ dollars have been converted here into Australian dollars, using the exchange rates published by Reserve Bank of Australia. The average exchange rate for the December quarter 2002 was NZ$1.117 = $1.00.

Export prices are per Japanese Agricultural Standard (JAS) cubic metre on a free on board (FOB) basis. Domestic prices are per tonne delivered at mill door. The prices are indicative.

2: NZ radiata pine log prices: December quarter 2002

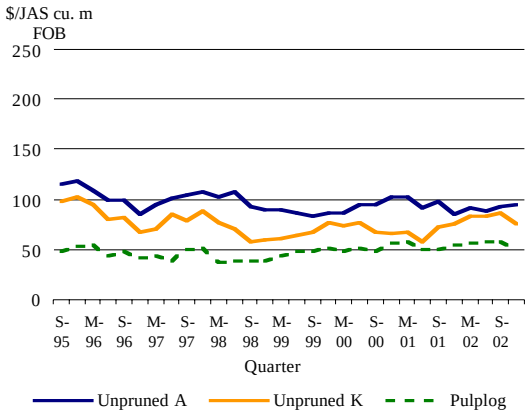
Export, FOB	**$/JAS cu. m**
Pruned peeler (300+ mm)	152–192
Unpruned A grade (200–340 mm)	81–108
Unpruned J grade (200–260 mm)	78–92
Unpruned K grade (200–260 mm)	72–81
Pulplog (100+ mm)	47–55
Domestic, mill door	**$/t**
P1 pruned (400+ mm)	153–170
P2 pruned (300–399 mm)	90–136
S1 unpruned (400+ mm)	74–90
S2 unpruned (300–399 mm)	78–86
L1 & L2 unpruned (300+ mm)	54–70
S3 & L3 pruned/ unpruned (200–299 mm)	NA
Pulplog (100 mm)	34–44

NA, Not available.

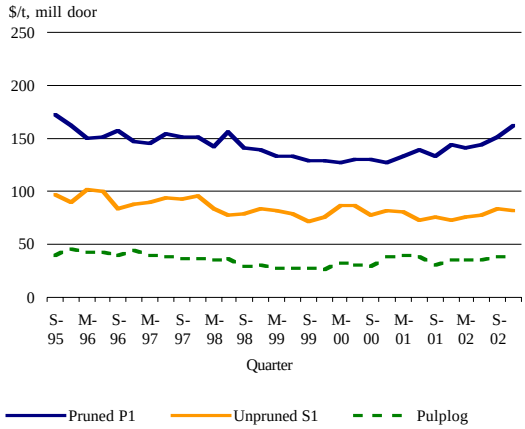
Based on the NZMAF data, table 2 shows the prices for December quarter 2002. The numbers in brackets in the table are small end diameters (SED) of logs. SED and other features of a log determine its grade. More information on NZ log grades is available from U.N. Bhati. His contact details are at the end of the report.

Figures B and C, respectively, show trends in the NZ export and domestic prices for selected grades of logs from September quarter 1995 to December quarter 2002. The trend line for each grade is based on the middle points of its quarterly price range.

B: Export prices of radiata pine logs, NZ



C: Domestic prices of radiata pine logs, NZ



Stumpage for small-scale growers

ANU Forestry has collected information on actual stumpage prices recently received by small-scale growers in various regions of Australia. As the collected information was insufficient for deriving averages and trends, it is presented in case study format in table 3.

Users should exercise due care in using it for assessing stumpage for a particular situation.

3: Stumpage case studies

Region/ State	Period 2002	Type of log	Stumpage	Comments
Central Tablelands, NSW	November-December	Pine:		Area harvested 9.6 hectares:
		Pulplogs	$6/t	383 t, 50 km to mill
		Salvage/ case logs	$18/cu. m	222 t, less than 20 km to mill
		Sawlogs sort 2 *	$19.26/t	104 t, 50 km to mill
		Sawlogs sort 3	$45.90/t	588 t, 50 km to mill
		Sawlogs sort 4	$62.81/t	233 t, 50 km to mill
		Sawlogs sort 5	$69.83/t	61 t, 50 km to mill
South Gippsland, Victoria	December	Pine:		
		Pulpwood	$13.40/cu. m	
		Post material	$20.40/ cu. m	
		Small sawlogs	$30.13/ cu. m	
		Medium sawlogs	$40.51/ cu. m	
		2nd grade sawlogs	$27.05/ cu. m	
Mt Compass, South Australia	September -November	Pine:		Age 32, fourth thinning, total volume about 1,000 cu. m
		Case logs	$22/cu. m	
		Sawlog class 2 #	$22/cu. m	
		Sawlog class 3	$30/cu. m	
		Sawlog class 4	$35/cu. m	
		Sawlog class 5	$45/cu. m	
		Sawlog class 6	$55/cu. m	
		Sawlog class 7	$60/cu. m	
		Sawlog class 8	$70/cu. m	
		Sawlog class 9	$73/cu. m	

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Region/ State	Period 2002	Type of log	Stumpage	Comments
S-W, Western Australia	April-March	Pine: Sawlogs Pulplogs	$28/cu. m $8/cu. m	2,510 cu. m, 80 km to mill 278 cu. m, 60 km to mill
	October-November	Planted *E. globulus*: Pulplogs	$25.90/t	6,300 t; steep slope to access the plantation site; 20 km to woodchipping facility, the facility further 75 km away from the port

* Small end diameter (SED) of sawlogs: 18–25 cm for sort 2; 26–33 cm for sort 3; 34–40 cm for sort 4; and, greater than 40 cm for sort 5.
# For the SED specification of radiata pine sawlog classes in South Australia, see table 2 in ANU Forestry market report number 21.

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For information and feedback, contact: Dr U.N. Bhati, ANU Forestry, School of Resources, Environment and Society, The Australian National University, Canberra ACT 0200; fax (02) 6125 0746; e-mail: un.bhati@anu.edu.au. Website http://sres.anu.edu.au/associated/marketreport/index.html has previous market reports and information on the project.