

Timber prices holding up

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Despite the recession, domestic and international timber prices have remained strong. Private timber growers in Ireland are capitalising on this increase. They have increased their harvest from 130,000 m³ in 2009 to 463,000 m³ in 2010.

Internationally, timber prices are excellent. *Wood Resource Quarterly* reports that the Global Conifer Sawlog Price Index reached a new all-time high in the second quarter of 2011 with an almost 20% jump from the previous year. It also reports that wood fibre costs for the global pulp industry have trended upward for over two years.

While roundwood prices in Ireland have been coming back gradually since the exceptional highs of summer/autumn 2010, they are still very favourable when one compares current prices with 10 year historical average prices.

The 2011 COFORD 'All Ireland Roundwood Production Forecast 2011-2028' estimates a potential thinning area from private forests of 7,627 ha for 2011 in addition to a potential felling area of 168 ha. This forecast rises to 9,555 ha for thinning in 2014 with 91 ha of felling in that year. Thereafter the forecast thinning and felling areas increase to reach 18,690 ha of thinning in 2028 in addition to 6,561 ha of felling forecast for that year.

So what prices can growers expect to get for their timber standing in their forest? Many growers are now considering thinning for the first time. First thinning prices depend on location, access, species, size of forest holding, the quality and size of the trees and the ease of harvesting.

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Standing prices of between €6 and €12 per tonne are a typical price range for first thinnings where a reasonable market exists. This allows for segregation of material into pulpwood which may be as low as €3/m³ and the more lucrative stake-wood which can fetch prices of up to €24/m³ (Table 1).

TABLE 1. Average standing timber price range for 2011

Category	€/m ³	€/hectare
Pulpwood	3-8	140-350
Stakewood	20-24	900-1,000
Boxwood	28-32	1,200-1,400
Sawlog	36-45	1,600-2,000

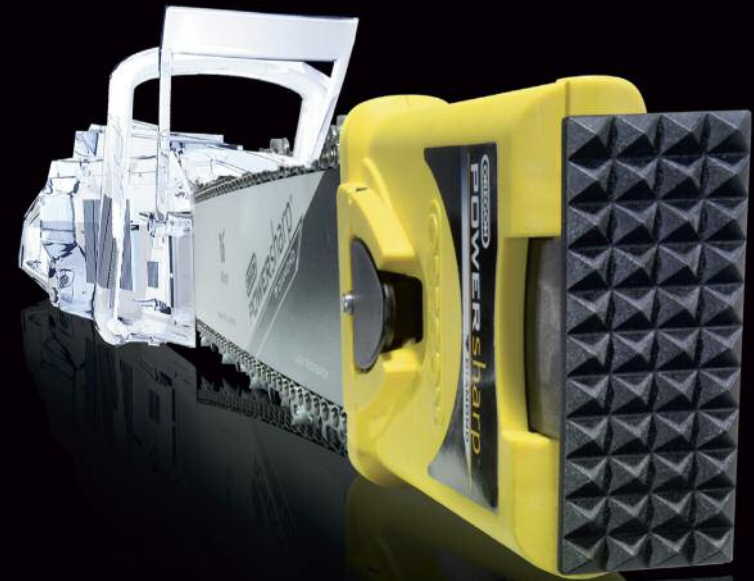
Prices are based on standing timber sales for private and Coillte information. Prices vary considerably depending on location, access and quality of material. Where a forest owner is selling a final felling the above expected prices should be increased by approx. €10 per cubic metre.

It may however be difficult to achieve these prices in small holdings or in certain areas of the country where demand for pulp is weaker or in areas which are a long distance from pulpwood using industries. Many foresters now prefer to sell standing thinnings by the product the buyer receives from these thinnings. By accepting a lower price for pulpwood in thinnings than the other more valuable boxwood, stakewood or sawlog categories of timber, the idea is that the buyer or harvesting contractor will not be encouraged to remove the better trees from the forest in thinning therefore leaving these better trees to grow on to attain a higher value.

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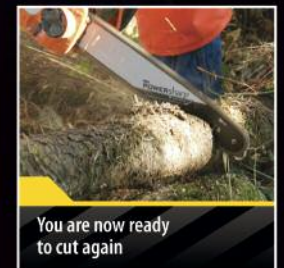
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It is important that thinnings are undertaken on time however, as late thinning increases the risk of windblow in a crop. It is at the final felling stage that woodland owners can and should time the sale to take advantage of good markets.

For timber growers and woodland owners the recently publicised investment returns from forestry in the UK are particularly encouraging. The IPD UK Forestry Index which is produced by Investment Property Database Ltd. shows a forestry investment return in the UK of 20% for 2010. The IPD UK Forestry Index is calculated from a sample of private sector coniferous plantations of predominantly Sitka spruce in Britain.

Particularly interesting are the percentage annualised total returns over 3, 5 and 10 years which are given as 12.6%, 17.7% and 10.4% respectively. (see www.ipd.com) This performance certainly tops most investment returns in recent years and must be particularly encouraging for all woodland owners out there. Ultimately, timber growers will achieve best returns from well planned and managed forests. An important starting point is to get good advice from a qualified professional forester or company (see www.forestry.ie).

At the time of thinning, growers must ensure proper control procedures are in place and it is certainly vital to have a comprehensive Timber Sale Contract drawn up and ensure full compliance with all legal requirements including Felling Licence and Health and Safety legislation. It is also vital that growers include a detailed agreement on a schedule of payments within the contract (see article, page15).

The longer term future for timber prices looks bright with *International Forest Industries* magazine reporting that the impending €50 billion Japanese rebuild has pushed lumber futures to their highest levels in half a decade.

So the advice to woodland owners and producer groups is to manage your woodlands well: they can be a real source of wealth for you and your family in the future.

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