The UK Timber Market

Key concepts

Current UK market position

What is influencing the Uk market?

Preparing for opportunities?

By Oliver Combe.

Stephenson & Son

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Key concepts?

- Supply and demand have always been mobile.
- Market cycles are getting much shorter.
- Market volatility is increasing.
- Long term forecasts are for increasing demand.
- New markets are putting pressure on established markets.
- Growing awareness of the "non-market" benefits of woodland <u>but as yet no cash flow from these.</u>

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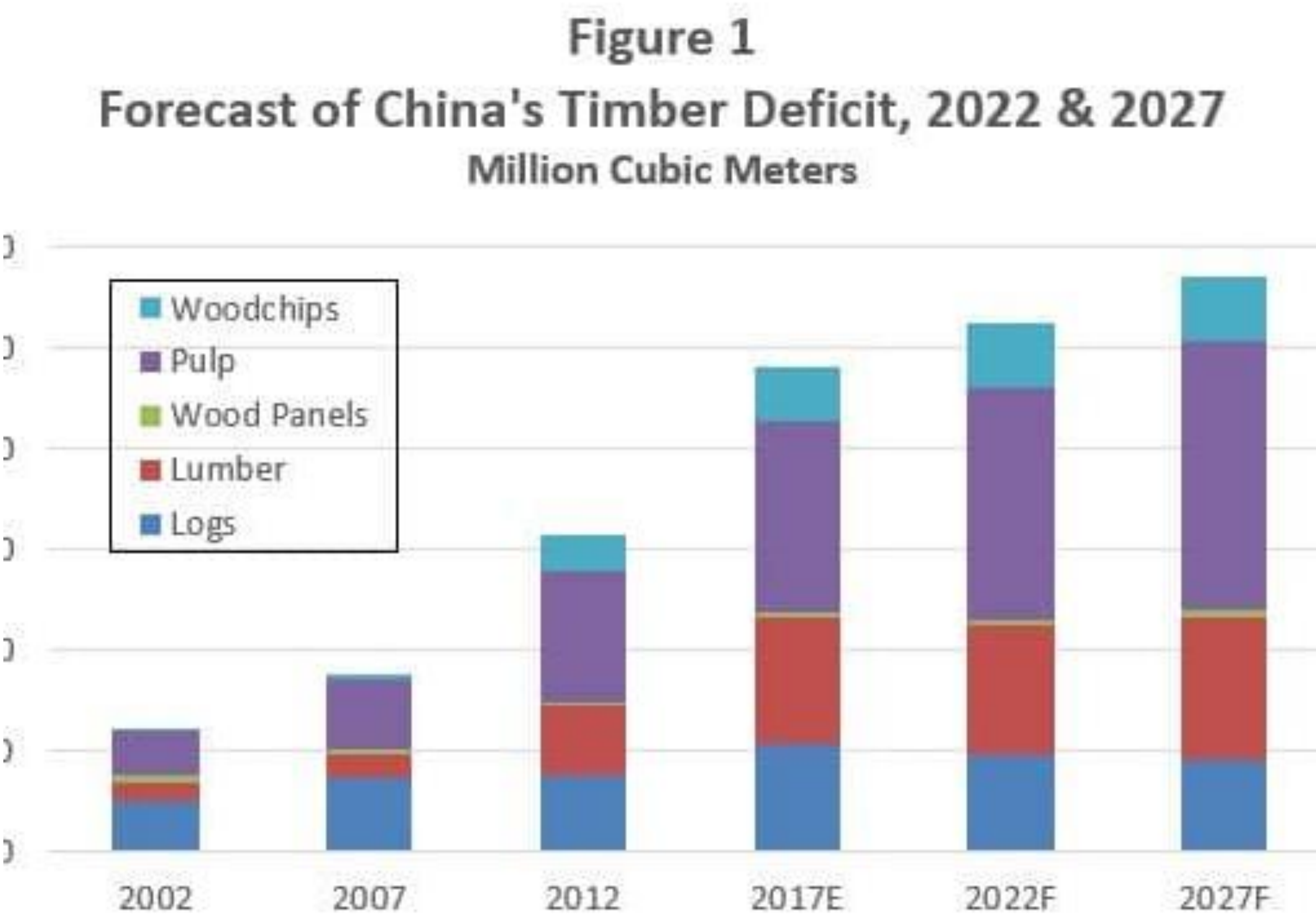

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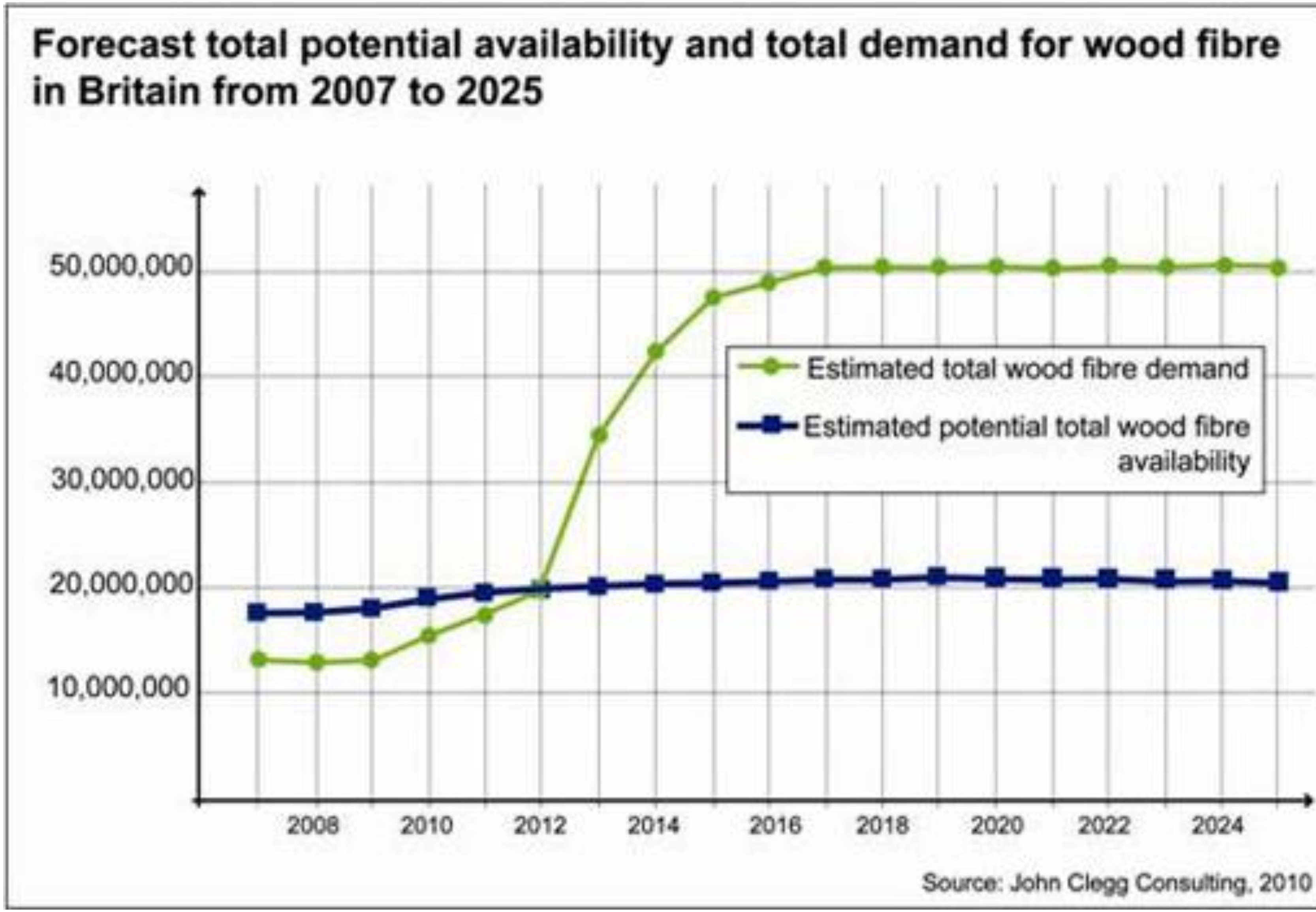

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Current UK market position?

- **Price correction in summer and autumn 2019 after 2 years of rapid price rises**.
- **Natural events,** wind blow, disease and pests have lead to oversupply in Europe of sawn timber.
- **Reduced global demand** due to slowdown in China and trade war between US and China, imports returning to UK.
- **Oversupply in Scotland,** private sector marketing much more flexible then F.C so when prices rise so do supplies.
- But they also slow down rapidly when prices fall.
- **Demand now exceeds supply and for most products prices are falling.**

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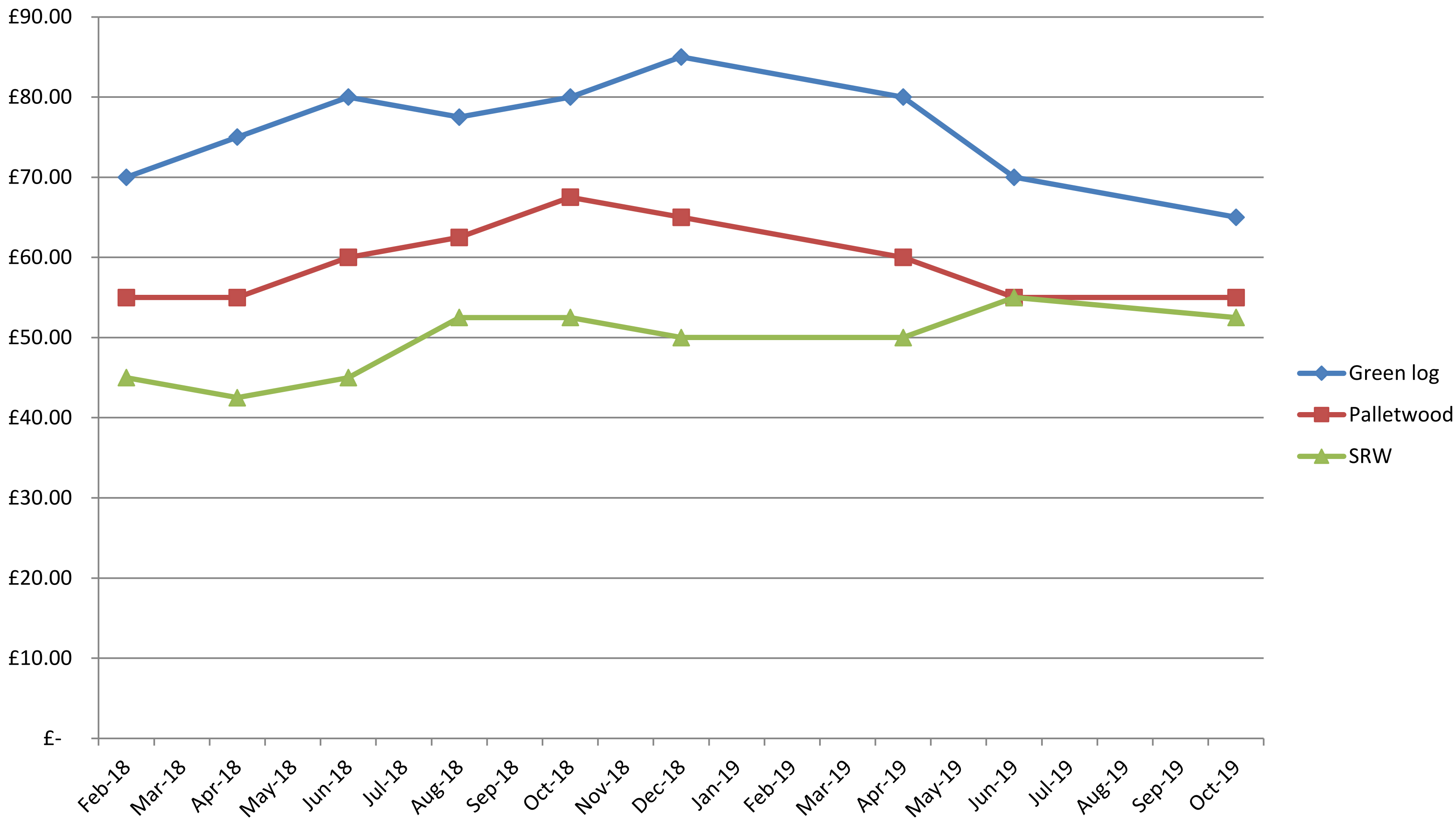
Confor market price report



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The current position.

- Sawlog prices have fallen around 33% in 2019
- Most markets well supplied.
- Some signs of shortages in small round wood.
- Volumes of timber offered to the market falling .
- Still shortages locally ;
- Firewood in the north of England,
- Sawlogs in the east and south of England,
- Large diameter oak sawlogs (15” mqg +).

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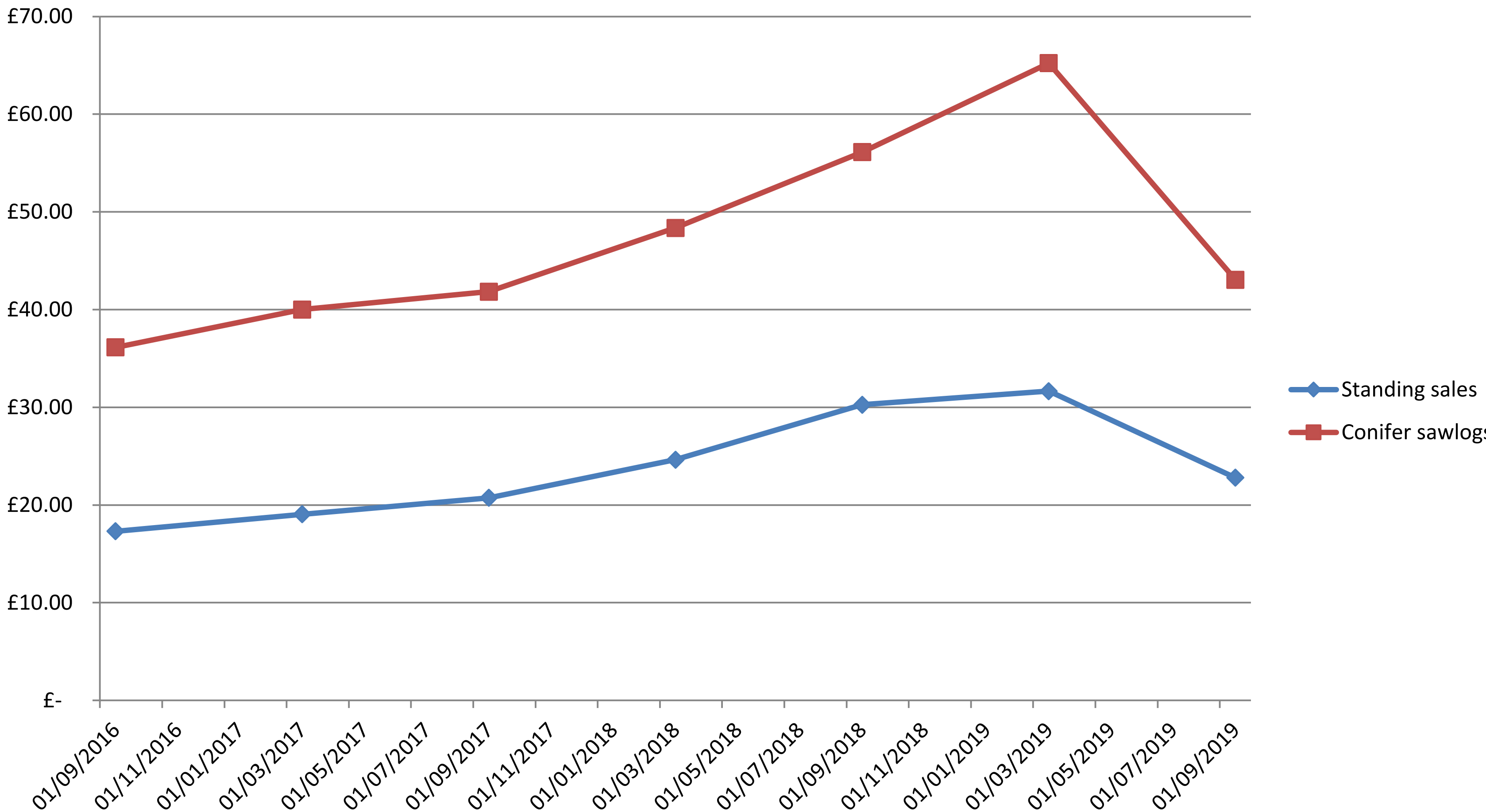
F.C UK Timber price indices



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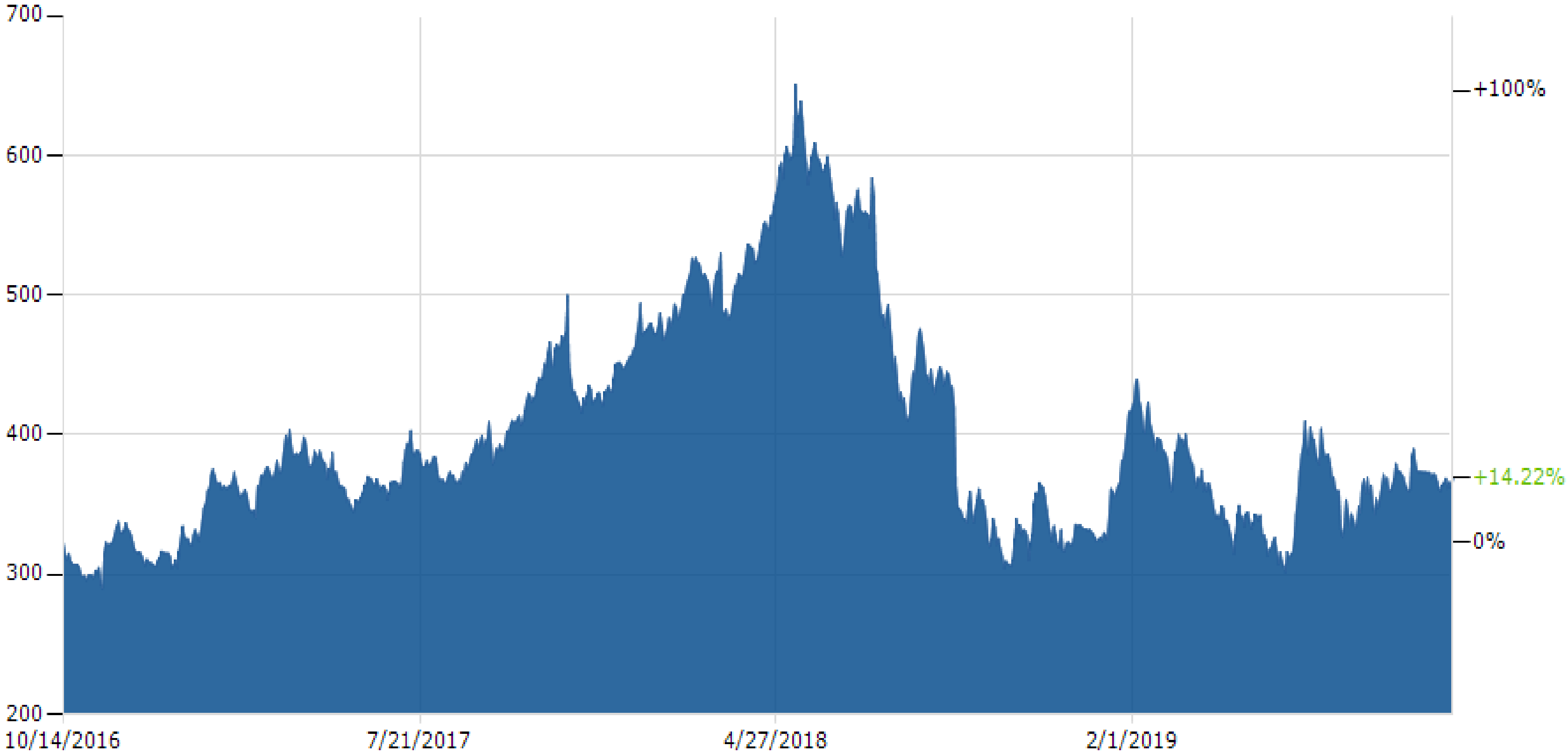
US Timber prices from market insider in US$ 1000 bdft



$370 /424 board per m3, / by 2.35 /0.8 = £196m3 *0.33 = £65t d'd.

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TRUMPTY DUMPTY SAT ON A WALL
NOW, THIS IS A REALLY, REALLY GREAT WALL! ...I'M JUST GONNA HOP DOWN AND TAKE THIS INVOICE TO THE MEXICAN PRESIDENT!
...TO BE CONTINUED
BILL
US BORDER
R.MCKEE
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“External” influences driving the UK market

- STRONG SIGNS OF RECESSION IN USA
- US “median” Household income growth is slowing.
- Global trade war now underway (prices increasing). Trumponomics can they work??
- Manufacturing output falling
- Service sector growth falling
- Consumers unwilling to by big ticket items
- Business confidence falling

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PARLIAMENT YOU'VE GOT TO LET ME KNOW... SHOULD WE STAY OR SHOULD WE GO?
I JUST DO WHAT I'M TOLD AND KEEP THE BEAT
BREXIT
CALLING
THE NEW CLASH
PUNK POLITIC
REMAINERS
LEFT

Brexit

- Confusion does not breed confidence!
- Uncertainty over trade agreements,
- Distracting policy makers from everyday issues,
- Uncertainty over tariff rates for No Deal,
- VAT change could have a huge impact
- Drive to land stock before 31/10/2019
- Companies wary about making capital investments. (Only politicians like chaos).

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UGA2122002

Bark Beetles

- Widespread bark beetle damage in central Europe and Scandinavia.
- Scientists alarmed by boom in ips typographus;
- Exceptionally dry weather
- Storm damaged timber providing breeding areas,
- Rapid degrade of timber quality, sawlogs, chipwood, fuelwood.
- Massive sanitation felling effort underway,
- Germany announces euro 500 million state aid package to support forest owners.
- (Shortage of planting stock in nurseries already


CHINA
TRADE
WAR

Global trade war

- China v USA trade war is contagious,
- USA sanctions v Europe (25% on Scotch whisky).
- Global trade war now underway (consumer prices increasing)
- Manufacturing output falling
- Service sector growth falling
- Consumers unwilling to buy big ticket items
- We do not know where it will end!!!

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What next!

- We appear to be in for a period of volatility.
- If a Brexit deal is agreed £ likely to increase in strength;
- Make import prices more attractive for major buyers
- Falling sale volumes and sale prices for UK mills

BUT

- Euro economy may pick up and draw volume away from UK.
- North African and Middle east markets improving.
- Modest upturn in China's timber demand has big impact.
- Global trade wars will create opportunities.

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THIS WILL TRAP TRUMP!
BEN GARRISON
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UKRAINE
TRUMP'S TRAP

How to prepare for opportunities

- Understand what you have got.
- Focus on quality and productivity.
- Have good data on the crops.
- Have good maps.
- Have a long term plan.
- Have target markets for each species.
- Use good silviculture to produce what the market wants.
- Be flexible in your planning.

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Thank you

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- **oliver.combe@timberauctions.co.uk**
- **www.timberauctions.co.uk**
- **Mobile 07771 958975**
- **Office 01904 489731**
- York Auction Centre
- Murton, York.
- YO19 5GF

Stephenson & Son Est 1871

John Clegg & Co
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