

MEMBERS' BULLETIN

July 2017

No 45

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Welcome

This *Members' Bulletin* is intended to keep you up-to-date with current ATIF activities. This edition covers the winding up the Victorian Timber Importers Association; a quick update on possible amendments to illegal logging regulations, and the planned familiarisation 'tour' of Victorian importers for officials from the Plant Import Operations section of the Department of Agriculture and Water Resources. Also covered is advice on Western red cedar market issues, and ongoing softwood timber supplies.

Victorian Timber Importers wind up

As a consequence of the decision to wind up the Victorian Timber Importers Association (VTIA) members of the association, not already a member of ATIF, have had their membership transferred to ATIF. Residual funding from VTIA has also been transferred to ATIF.

To further strengthen ATIF's capacity to support Victorian member companies, the services of Eric Siegers are now available to support ATIF activities. Eric is a former CEO of the Timber Merchants Association and currently manages the *TimberHub*. Presently Eric is assisting with arrangements for a familiarisation 'tour' of Melbourne importer and wholesaler facilities for senior staff from the Plant Import Operations, as outlined below. ATIF acknowledges with appreciation the dedicated work of Ashley Wright, Michael Moorhead, Robert Cairns and others in supporting the work of the VTIA over the years.

Possible amendments to illegal logging regulations

The ATIF Chairman and General Manager will be meeting with Senator Anne Ruston, Assistant Minister for Agriculture and Water Resources during the August session of Parliament to discuss the Government's thinking in relation to possible amendments to the illegal logging regulation and associated matters.

Timber products import conditions review team inspection

ATIF is arranging a familiarisation 'tour' for officials from the Plant Import Operations section of the Department of Agriculture and Water Resources as part of the current review of timber import conditions. The tour will take place on 18 July in Melbourne and visit Tilling Timber, Bayswood Timber Wholesalers and Meyer Timber.



Western red cedar market issues

ATIF has spoken and written to the Canadian High Commission in relation to Western red cedar (WRC) timber sales in Australia that have declined over recent years. Some of the reasons for this decline include that products, such as plantation shutters, blind slats and some doors and windows previously manufactured in Australia are now imported. Also more demanding fire protection regulations have had an adverse impact on low density timber species, notably WRC in long established applications such as exterior cladding and windows and doors.

However, in addition to these matters, contributing factors have been escalating prices, and in some instances, declining timber quality and non adherence to order specifications. These issues have placed WRC timber products at a competitive disadvantage with comparable products. ATIF has asked the Canadian High Commission to communicate these concerns to relevant Canadian WRC trade entities and companies and to report back.

Ongoing softwood timber supplies (1)

Presently demand for softwood timber products appears to be very strong with most producers reporting close to full order books. This notwithstanding there is little evidence that the market is oversupplied; to the contrary the market appears to be undersupplied. Although perhaps appearing to be counter intuitive, there is statistical evidence of some easing of softwood timber imports. Clearly a general price increase in April 2017 has not yet equated to increased imports.

There is evidence that the housing market is starting to ease, and that this may continue in the immediate future. As a consequence of the reality that domestic building activity has deteriorated by about 5-10 per cent, importers with long lead times are exhibiting some reluctance to commit to further inventory in case the market softens further. This coupled with a clear trend towards apartments, rather than detached housing, has implications for the softwood timber market.

A notable factor, particularly with traditional structural softwood timber products, is the apparent continuing shift in timber product type demand driven in part by offsite manufacturing; the import of prefabricated building components, and increased emphasis on engineered wood products (EWPs) like LVL, plywood and CLT. So looking forward, ongoing softwood timber supply will be impacted by:

- Likely softening of building and construction activity over the short term. However, population growth and housing shortages are likely to mean residential building and construction will continue at or above 200,000 housing starts a year in the medium term.
- There will continue to be changes to the nature of residential housing, as the move from detached houses to apartments in major metropolitan centres gains further momentum.
- Changes to softwood timber product type demand will be influenced by greater prefabrication of building components, offsite manufacturing, and demand for EWPs.
- Medium term concerns related to the maintenance of present levels of domestic softwood timber supply levels, and log availability will impact on the supply chain.
- Import volumes of structural softwood timber will remain restrained while domestic prices remain lower than other world markets. A lift in prices is likely to attract increased supply.
- Although there is likely to be a continuation of a conservative approach to inventory levels and prices, it is probable that imported softwood volumes will grow in the medium term with a particular emphasis on EWPs.
- Within apparent domestic and import macro volume and price data there are exceptions, such as the decline in demand for WRC and a strong growth in demand for imported EWPs.

(1) This analysis supported by funding from Forest and Wood Products Australia.

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