

# *Statistics and Economics Program*

27 March, 2014



**Forest & Wood  
Products Australia**  
*Knowledge for a sustainable Australia*



# Program Focus

- Program was established in March 2013 and is funded from reallocated internal resources.
- Information issues which have been identified through the Investment Plan can be summarised as:
  - Information to support/improve commercial operations
  - Information to support investment decisions
  - Safety
  - Socio Economic Data
- The immediate focus of the Statistics and Economics Program is on improving the Base Line data which is available particularly in regard to:
  - Information which supports **investment decisions**
  - Information which supports **commercial operations**

# Building systems to share and understand key statistics

## By industry sectors

Growers  
Softwood sawmills  
Hardwood sawmills  
Panels  
Importers

Industry confidential data

## Type of data

Volumes?  
Inventory?  
Price indices?  
Productivity?  
OH&S

*Whatever data the sectors  
are prepared to share!*

Industry  
aggregated data

Public  
industry data

Imports  
exports  
employment  
forest area

Data portal  
and  
“dashboard”

Key economic  
data

Housing starts  
Approvals  
Exchange rates  
etc



# Current Progress

## 1. Safety Statistics Reporting System

Aim is to

- improve the data which is available to industry on safety; and
- facilitate improvements in safety through benchmarking performance and sharing safety alerts

Progress

- FWPA has provided funding to AFPA to run a pilot
- 8 forest growers and managers participating
- An Incident Recording Information System (IRIS) has been established
- Participants are working through methodological issues to ensure data consistency and determine key safety measures to be tracked
- Some data is now in the System



# Current Progress

## 2. Softwood sawntimber timber system

Established Contributors	New Contributors
AKD Softwood Carter Holt Harvey Highland Pine Products Hyne & Son Timberlink Wespine	Auswest Timbers D&R Henderson Dongwha Timber David's Timbers Tarmac Penrose Pine

- New contributing companies are providing data for the past 24 months
- This will ensure the value of the trend data is maintained
- New contributors are expected to be introduced as a “group” in April/May
- market coverage will then exceed 90%



# Current Progress

## **3. Hardwood sawn timber system**

11 processors 0.885m m3 = 63%+ (mills over 15,000m3)

Establish a survey for sales volume and sales value \$

Expected to commence in April

## **4. Forest grower system**

Opportunities to cover

- Native Forest
- Plantation Forest: Softwood, Hardwood

Production, Inventory, Re-establishment Rates, Exports

Discussions commenced with contributors to the Australian Pine Log Price Index

## **5. Wood based panels system**

Data has been collected manually by the Engineered Wood Products Association of Australasia (EWCAA) for many years.

Discussions commenced on potential to use on-line data portal



# Current Progress

## **6. Data Dashboard**

Soft launch in April

Data being presented

### **International**

(China, US, NZ, Exchange Rate Information, Trade Data)

### **National**

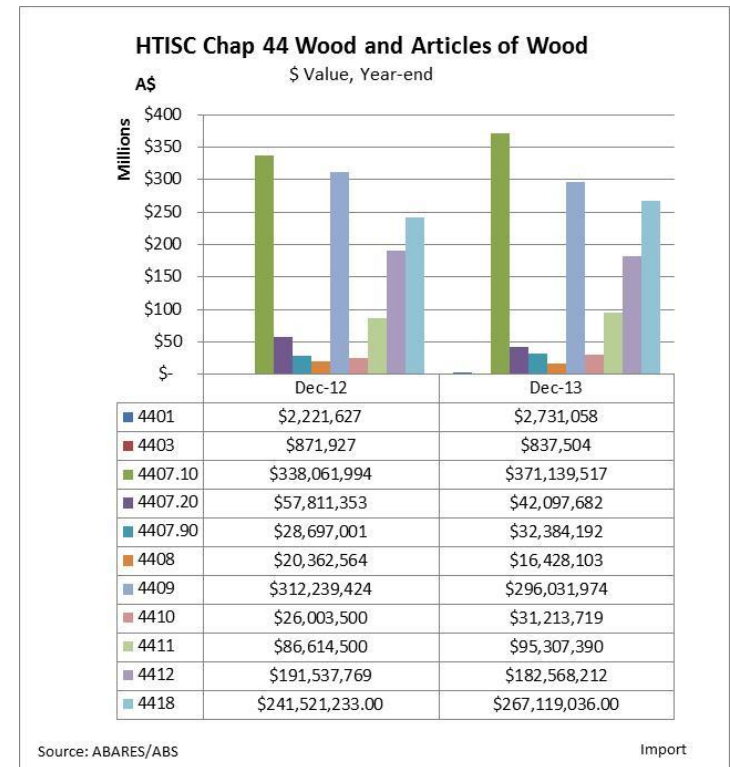
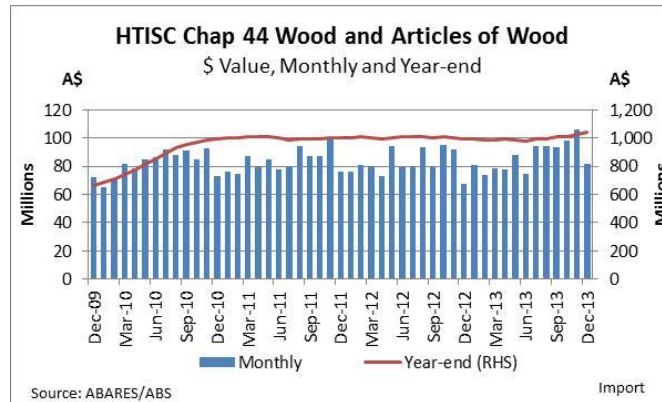
(GDP, Credit Growth, Employment, CPI, Retail Sales, Car Sales, Housing Approvals, Housing Starts, Alterations & Additions, Construction measures)

### **Domestic**

(FWPA Industry Level Data Sets – Production/Sales, Inventory, Weighted Average Prices)

Access for industry through FWPA log-in to website

# Data Dashboard



Start at Chap 44 level

Drill down to product categories

Drill down to specific products

Data by volume/\$value country of destination/origin

Data flags if minor product or countries not currently covered become active



# Opportunities for Data Aggregation

The Softwood Sawn Timber System covers monthly sales volumes which assists identify:

- Trends
- Market Shares
- Opportunities – changes in markets segments
- Threats

## Additional Opportunities

- Competition Benchmarking
- Price Trends
- Inventory

# Competition Benchmarking

## Average Mills Operational Performance

Log & Mill Specification - 2012	Australia	New Zealand	Chile	Baltic States: Latvia	US West Coast
Avg. Log Size (SED) in cm	29.3	31	21	31	27
Avg. Mill Size x000m3 - net	148.9	161.9	187.4	75	276
Kiln Dried Lumber - % of Prod'n	85%	80%	78%	50%	57%
Operating Rate - Prod'n/Cap	50%	65%	70%	75%	71%
Source: IWM Group Global Benchmarking Report August 2013					

# Competition Benchmarking

## Average Mills Cost Performance

US\$/m3 Net Average Mills - Structural 2012	Australia	New Zealand	Chile	Baltic States: Latvia	US West Coast
Delivered Log Costs	90	72	49	84	71
Net Wood Costs	169	138	88	155	102
Total Mill Costs + OH	153	108	66	50	67
Total Cost	322	246	154	206	169

Source: IWM Group Global Benchmarking Report August 2013

## Potential Opportunities eg

- Yield/Recoveries as percentage
- Productivity as a measure of m3 per worker
- Capital intensity per worker



# Price Trends

## Weighted Average Price Measures

FWPA role is a facilitator - the more informed the marketplace the more effectively market participants (buyers and sellers) can operate

Price trends are an important indicator of market activity

In our industry we already have such measures as the  
Timber and Joinery Index – ABS  
Australian Pine Log Price Index – KPMG  
Timber Market Survey - URS

Since each company is selling in the marketplace pricing information is available for aggregation

However there are methodological and legal limitations



# Price Trends

## Weighted Average Price (cont)

Recently the FWPA has established a pilot price measure for the hardwood sector

Legal advice received indicated that it is permissible to use weighted average prices which ensures no individual company transactions are identifiable

As a pilot the focus have been on a limited number of products (incl Flooring, Structural, Joinery) by State

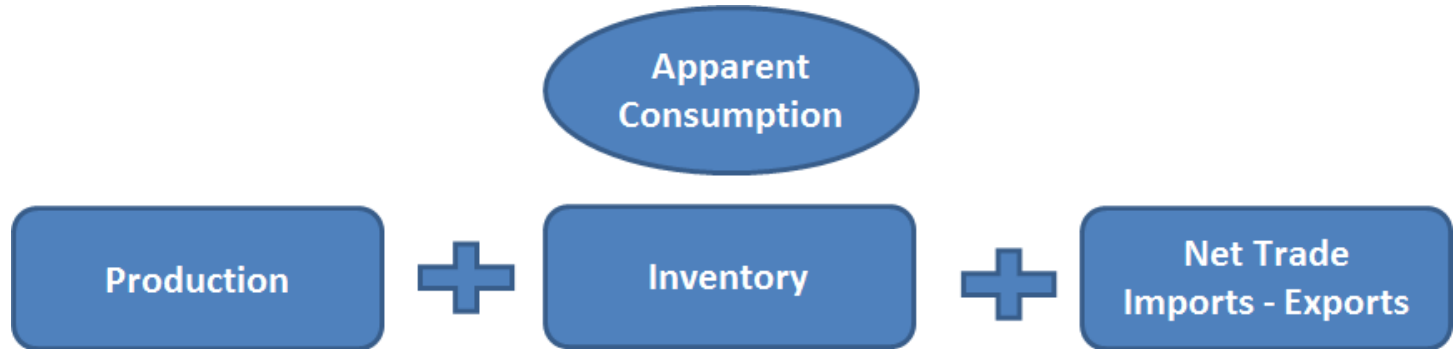
Total Sales  $\div$  Sales volume in m3 = weighted average \$ per m3  
Covers gross and net (less off invoice discounts) sales

The value of any aggregated pricing information is how well it tracks your experience in the marketplace

This system could be applied to the Softwood sector

An independent paper has also been prepared on this opportunity

# Inventory



Apparent consumption is a complete measure of market activity – reflecting the aggregate actions of companies and consumers

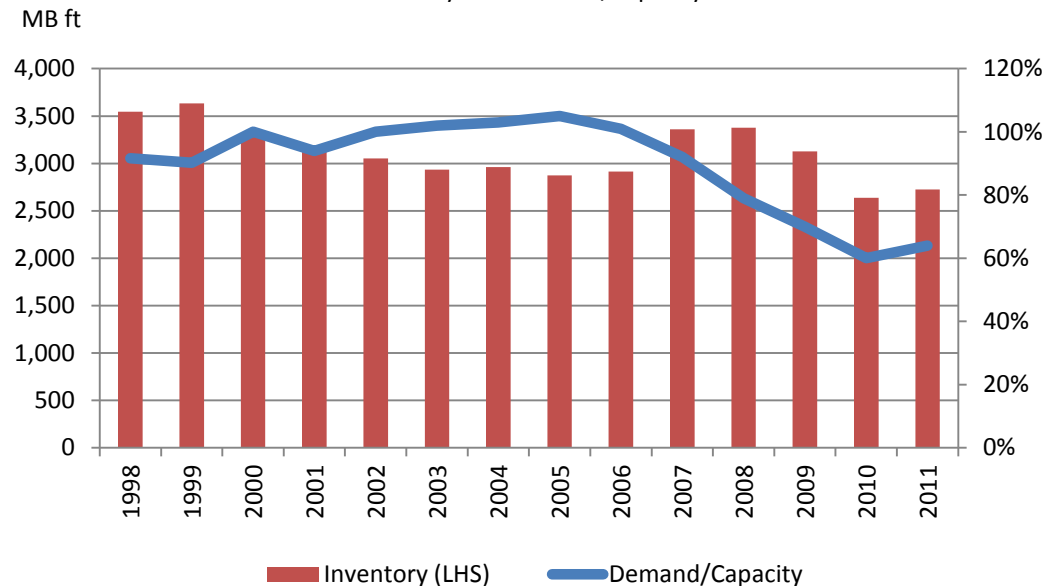
- The expansion of the Softwood Sawn Timber System (sales is a proxy for production) to over 90% coverage
- plus the availability of the trade data in April
- means the remaining area for consideration is inventory data

Other countries such as the US, Canada, New Zealand have aggregate inventory information available

# Inventory

## US Lumber Production

Inventory and Demand/Capacity



Source: Western Wood Products Assoc, RISI

- The right industry data counts
- For instance inventory overlaid with demand/capacity ratio shows major problems in the US market leading up to the GFC