

Log prices at record high in 2021

Large and medium sawlog prices up by 70% in 2021 compared with 2020 prices but no data available from Coillte and WPQ

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At a Coillte standing timber sales auction in September 2021, a lot of large sawlog made €126/m³. That a price of this magnitude was not the highest recorded during the year, illustrates the unprecedented record high prices achieved for Irish timber which began towards the end of 2020. For the first three quarters in 2020, prices rarely exceeded €70/m³ which were 30% up for the same period in 2019.

At the time of writing (November 2021), prices may have settled, and there were signs of this as the bidding in the September Coillte electronic auction illustrated. Sawmills held their nerve and instead of an outright bidding war for scarce logs, prices gradually decreased, first to €121/m³ and closing at €95/m³. Small sawlog or boxwood was between €82 to €89/m³. Sales of roadside large sawlog timber ranged between €125 and €130/m³.

Pulpwood prices are not available from Coillte data as the company has a 'buyback' or 'retention' clause. This allows Coillte to retain its pulpwood material, mainly to supply its two Medite Smartply board mills. Estimated prices for pulpwood or fuelwood range from €35 to €40/m³.

These prices are based on conversations with sawmill and forestry company spokespersons. Asked about the above price range for large and small sawlog, a Coillte spokesperson said they were close to prices achieved in recent auctions but urged caution when making price assumptions. "It should be remembered that these prices are for auction sales while most of timber sold to mills is by contract or quota," the spokesperson said. Pressed on the price differential between auction and quota sales the spokesperson said "auction prices can be 10-15% higher than contract sales"

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For the first time in many years, forest owners were price makers rather than price takers in 2021. For example, a standing clearfell comprising 70% large sawlog and 30% small sawlog and pulpwood should average €85 to €95/m³. This would provide revenue in excess of €30,000/ha, assuming a volume of at least 400m³/ha, based on a stocking rate of close to 1,000 quality trees/ha.

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Normally, Coillte and private sales data are made available by quarter but this is no longer the case. Because of few auctions and licence delays, the Coillte spokesperson said the company is reluctant to issue prices but will do so in early 2022. Private forest owners rely on price data from the confidential Wood Price Quarterly (WPQ) price survey conducted by UCD on behalf of the Irish Timber Growers Association (ITGA). "Insufficient data" was the reason cited by Prof. Áine Ní Dhubháin, UCD who co-ordinates the survey for WPQ.

Forest owners waiting for felling licence approval by the Department are asking "will these high prices last?" The recent more sensible bidding in the Coillte auction suggests a levelling off in prices, but they are likely to remain high. This is not just a trend in Ireland but throughout Europe and globally. Sweden has increased exports to the US where record high prices are also being achieved in a market where domestic supply is not able to meet house building demand. While the UK market amounts to little over 5% of Swedish production it is sizable as the Swedes harvest 90m m³ annually. The Baltic countries and Germany have also increased exports to the US. Demand for European timber is also coming from China as the country's trade war continues with the US. China is now a growing market for some European countries especially Finland.

Irish and European sawmillers aren't complaining about increased log prices as the finished product is achieving record prices. It is estimated that the 2021 timber price hike added €15,000 to the average house cost in Ireland according to Mark McAuley of Forest Industries Ireland (FI). The US National Association of Home Builders estimates that the increased cost of logs – domestic and global – has added approximately \$36,000 to the average house price.

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Should the New Housing Plan for Ireland achieve its annual target of 33,000 new homes from 2021 to 2030, Irish sawmills will be in pole position to avail of this increased market share. With log supply from private growers forecast to increase from 1.4m m³ at present to 3.3m m³ within five years, there should be sufficient timber available when added to 2.9m m³ annual Coillte production.

Unfortunately, nobody knows for sure how much of this will reach construction, pallet, fencing, panelboard, energy and other markets due to the ongoing shortfall in felling licences. Without a resolution to the felling licence debacle, timber prices are unlikely to fall in the short term.

Timber processing rationalisation

Despite the licence debacle, Covid-19 and Brexit, Irish timber processing is in a healthy state. During 2021, Glennon Brothers purchase of Balcas continued a trend of sawmill and panel board mill rationalisation that really began in earnest in the mid 1990s (Table 1). Glennon Brothers acquisition increases the group's annual turnover to €216m and log intake to well over one million m³.

Table 1: Rationalisation of the Irish timber processing sector 1991-2021

Decade	Key developments
1990s	
1991	Simons Report on sawmilling states that by 2000, Irish sawmills must achieve a fivefold increase in exports.
1992	ECC Timber begins production in Corr na Mona, Co. Galway.
1996	Masonite begins producing moulded door facings near Carrick-on-Shannon, Co. Leitrim.
1996	Coillte-Louisiana Pacific joint venture begin production of oriented strandboard (OSB), Waterford Harbour.
1997	Murray Timber Group (established in 1977) based in Ballygar, Co. Galway acquires Ballon Sawmill, Co. Carlow
1998	Smurfit Natural Resources withdraws from Irish sawmilling.
1998	Glennon Brothers Ltd (established in 1913) based in Longford buys Smurfit's Fermoy sawmill.
1998	Woodfab Timber Ltd management buys Smurfit's sawmill in Aughrim, Co. Wicklow.
2000s	
2002	Coillte buys out Louisiana-Pacific Ltd.
2005	Glennon Brothers Ltd buys Windymains Timber, Scotland.
2006	Coillte buys Weyerhaeuser Europe Ltd MDF plant in Clonmel. The company's MDF and OSB products marketed as MEDITE SMARTPLY.
2007	Glennon Brothers Ltd buys Dempsey Timber Engineering, Arklow, Co. Wicklow.
2008	Glennon Brothers Ltd buys Alexanders Timber Design, Scotland
2009	Laois Sawmills Ltd (established in 1988), forms Greenwood to manufacture wood pellets.
2010s	
2012	Over 90% of wood based panels exported while sawmills increase exports to UK from 20% to 65% since the economic crash in 2008.
2013	GP Wood formed as Co. Cork mills Grainger Sawmill and Palfab Ltd (both established in 1977) merge.
2020s	
2020	CJ Sheeran Ltd buys Coolrain Sawmill established in 1983.
2021	Glennon Brother Ltd buys Balcas (established in 1962), Enniskillen, Co. Fermanagh.

Price information

It is important that forest owners have access to timber price information. It would be a pity if Coillte continues to withhold price information because of “sensitive” marketing issues while forestry companies, forest owners and sawmillers should make prices available to the WPD. Timber production from private growers is estimated to double over the next few years so it is vital to have regular and accurate price data available. This is only possible if ITGA members and other relevant forestry stakeholder share their information on a confidential basis through roundwooddatabase@ucd.ie.