

Timber Price Indices

Data to September 2010

11 November 2010

This release contains the latest figures for the Coniferous Standing Sales Price Index and the Softwood Sawlog Price Index, for Great Britain. Both are based on Forestry Commission sales of softwood (conifers) for periods to September 2010.

The Coniferous Standing Sales Price Index measures the price received per cubic metre for timber that the Forestry Commission sold standing, where the purchaser is responsible for harvesting.

The Softwood Sawlog Price Index measures the average price received per cubic metre of sawlogs harvested by the Forestry Commission.

Standing timber and sawlogs are distinct markets, and may show different price movements. The data are averages for historic periods, so may be slow to show any turning points.

The main findings are:

- The average price for coniferous standing sales was £11.94 per cubic metre overbark standing in nominal terms in the year to September 2010.
- The Coniferous Standing Sales Price Index for Great Britain was 43.1% higher in real terms in the year to September 2010, compared with the previous year.
- The Softwood Sawlog Price Index was 28.6% higher in real terms in the 6 months to September 2010, compared with the corresponding period of the previous year.

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Coniferous Standing Sales Price Index

The Coniferous Standing Sales Price Index measures the price per cubic metre for timber that the Forestry Commission sold standing, where the purchaser is responsible for harvesting.

The index is adjusted for timber size mix using the Fisher method with 5 yearly chain-linking; this method was introduced from 2008. An index calculated on the previous basis (using the Laspeyres method) is also shown for information. Information about the composition and method of calculation is provided in the Background Note.

The index is shown in nominal terms (the actual prices at the time of sale) and in real terms (removing the effects of general inflation).

Table 1: Percentage change in Coniferous Standing Sales Price Index for Great Britain

| | Percentage change | | | |
|--|-------------------|------------|-----------------------|------------|
| | Fisher (5 yearly) | | Laspeyres (Sept 1996) | |
| | Nominal Terms | Real Terms | Nominal Terms | Real Terms |
| Change from previous year | | | | |
| Year to September 2006 | 9.4% | 6.9% | 17.2% | 14.5% |
| Year to September 2007 | 50.3% | 45.5% | 36.8% | 32.5% |
| Year to September 2008 | -1.5% | -4.2% | 1.0% | -1.8% |
| Year to September 2009 | -25.9% | -27.3% | -24.0% | -25.4% |
| Year to September 2010 | 46.9% | 43.1% | 50.2% | 46.4% |
| Changes over longer periods, up to year to September 2010 | | | | |
| 5 Years | 76.2% | 55.1% | 84.9% | 62.7% |
| 10 Years | 35.3% | 4.9% | 37.1% | 6.3% |
| 20 Years | -31.6% | -60.8% | -31.6% | -60.8% |

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Chart 1: Coniferous Standing Sales Price Index for Great Britain
(Fisher Index year ending September 2006 = 100, nominal terms)

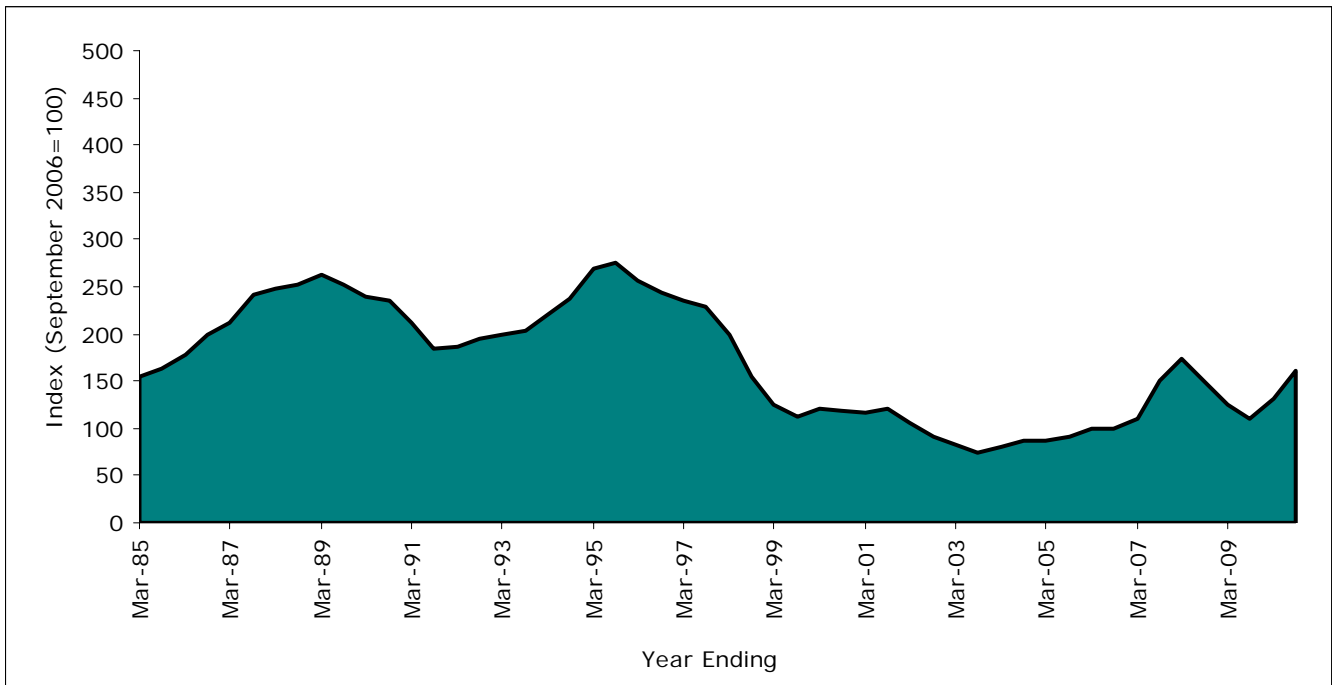
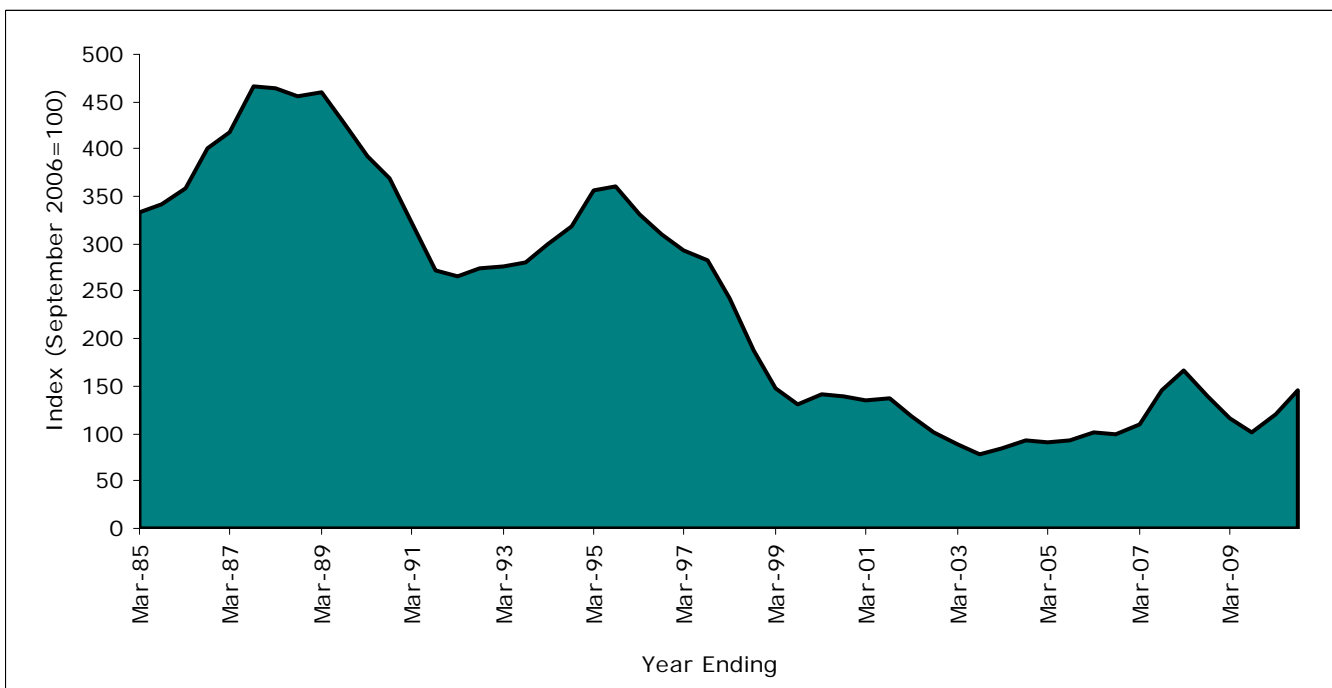


Chart 2: Coniferous Standing Sales Price Index for Great Britain
(Fisher Index year ending September 2006 = 100, real terms)



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Table 2: Coniferous Standing Sales Price Index for Great Britain

| Year to: | Average Price (Per Cubic Metre Overbark) | | Fisher (5 yearly) | | Laspeyres (Sept 1996) | |
|-----------|--|-------------------------------------|--|--|---|--|
| | Nominal Terms (£) | Real Terms (2006 prices in £) | Nominal Terms Year to Sept 2006=100 | Real Terms (2006 Prices) Year to Sept 2006=100 | Nominal Terms Year to Sept 1996=100 | Real Terms (1996 Prices) Year to Sept 1996=100 |
| 30-Sep-96 | 15.97 | 20.26 | 243.7 | 309.2 | 100.0 | 100.0 |
| 31-Mar-97 | 15.92 | 19.87 | 235.6 | 294.1 | 96.8 | 95.2 |
| 30-Sep-97 | 15.52 | 19.13 | 229.4 | 282.8 | 94.5 | 91.9 |
| 31-Mar-98 | 13.35 | 16.24 | 199.4 | 242.4 | 82.3 | 78.9 |
| 30-Sep-98 | 10.32 | 12.41 | 155.5 | 187.1 | 64.1 | 60.8 |
| 31-Mar-99 | 8.44 | 10.05 | 124.1 | 147.8 | 51.1 | 48.0 |
| 30-Sep-99 | 7.65 | 9.01 | 111.5 | 131.3 | 46.2 | 42.9 |
| 31-Mar-00 | 8.13 | 9.49 | 121.7 | 142.1 | 49.8 | 45.8 |
| 30-Sep-00 | 8.02 | 9.31 | 119.1 | 138.3 | 48.8 | 44.7 |
| 31-Mar-01 | 7.77 | 8.96 | 116.7 | 134.5 | 47.8 | 43.4 |
| 30-Sep-01 | 8.32 | 9.49 | 120.4 | 137.4 | 49.9 | 44.9 |
| 31-Mar-02 | 7.34 | 8.28 | 105.4 | 118.8 | 43.2 | 38.4 |
| 30-Sep-02 | 6.38 | 7.07 | 91.5 | 101.4 | 36.6 | 32.0 |
| 31-Mar-03 | 5.75 | 6.28 | 82.0 | 89.5 | 33.7 | 29.0 |
| 30-Sep-03 | 5.15 | 5.54 | 73.2 | 78.7 | 30.7 | 26.0 |
| 31-Mar-04 | 5.60 | 5.95 | 79.5 | 84.5 | 32.7 | 27.4 |
| 30-Sep-04 | 6.18 | 6.49 | 87.7 | 92.0 | 35.1 | 29.0 |
| 31-Mar-05 | 6.13 | 6.33 | 86.9 | 89.8 | 34.5 | 28.1 |
| 30-Sep-05 | 6.58 | 6.73 | 91.4 | 93.5 | 36.2 | 29.2 |
| 31-Mar-06 | 7.25 | 7.36 | 100.0 | 101.6 | 39.9 | 31.9 |
| 30-Sep-06 | 7.13 | 7.13 | 100.0 | 100.0 | 42.5 | 33.5 |
| 31-Mar-07 | 7.97 | 7.83 | 111.0 | 109.0 | 45.4 | 35.2 |
| 30-Sep-07 | 10.79 | 10.45 | 150.3 | 145.5 | 58.1 | 44.3 |
| 31-Mar-08 | 12.48 | 11.92 | 173.8 | 166.0 | 66.4 | 50.0 |
| 30-Sep-08 | 10.68 | 10.05 | 148.1 | 139.4 | 58.7 | 43.5 |
| 31-Mar-09 | 9.15 | 8.50 | 124.2 | 115.4 | 50.7 | 37.1 |
| 30-Sep-09 | 7.95 | 7.34 | 109.7 | 101.3 | 44.6 | 32.5 |
| 31-Mar-10 | 9.56 | 8.76 | 131.4 | 120.3 | 53.8 | 38.8 |
| 30-Sep-10 | 11.94 | 10.75 | 161.1 | 145.0 | 67.0 | 47.5 |

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Softwood Sawlog Price Index

The Softwood Sawlog Price Index measures the average price received per cubic metre of sawlogs harvested by the Forestry Commission.

Sawlogs are logs (roundwood) of at least 14 cm diameter. The index is not adjusted for any changes in size mix, as it covers a more limited range of sizes than does the Coniferous Standing Sales Price Index.

The Softwood Sawlog Price Index is calculated for separate six-month periods. This differs from the Coniferous Standing Sales Price Index, which is for overlapping one-year periods, so the percentage changes in Tables 1 and 3 are calculated over different periods.

The index is shown in nominal terms (the actual prices at the time of sale) and in real terms (removing the effects of general inflation).

Table 3: Percentage change in Softwood Sawlog Price Index for Great Britain

| | Percentage change | |
|--|-------------------|------------|
| | Nominal Terms | Real Terms |
| Compared with corresponding 6-month period of previous year | | |
| 6 months to September 2006 | -1.9% | -4.8% |
| 6 months to September 2007 | 35.7% | 31.9% |
| 6 months to September 2008 | -8.6% | -11.1% |
| 6 months to September 2009 | -19.7% | -20.6% |
| 6 months to September 2010 | 33.0% | 28.6% |
| Changes over longer periods, up to 6 months ending September 2010 | | |
| 5 years | 29.9% | 14.0% |
| 10 years | 15.2% | -11.0% |
| 20 years | -7.0% | -45.9% |

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Chart 3: Softwood Sawlog Price Index for Great Britain
(6 months to September 2006 = 100, nominal terms)

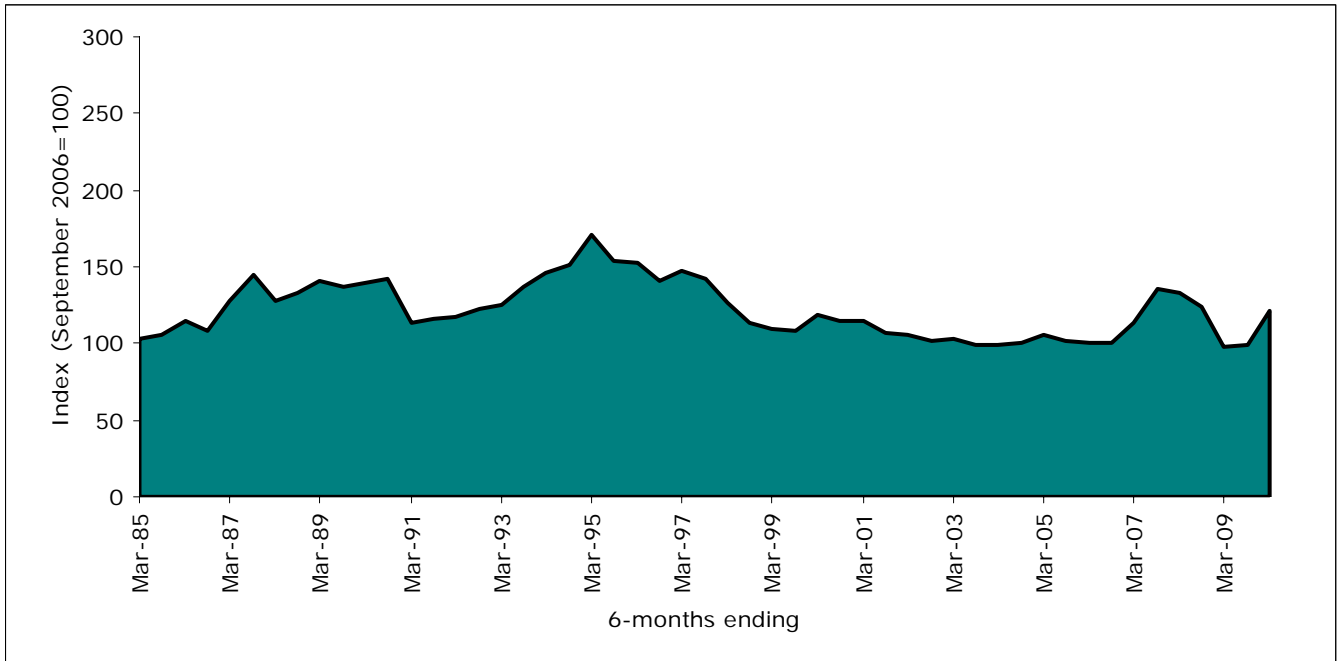
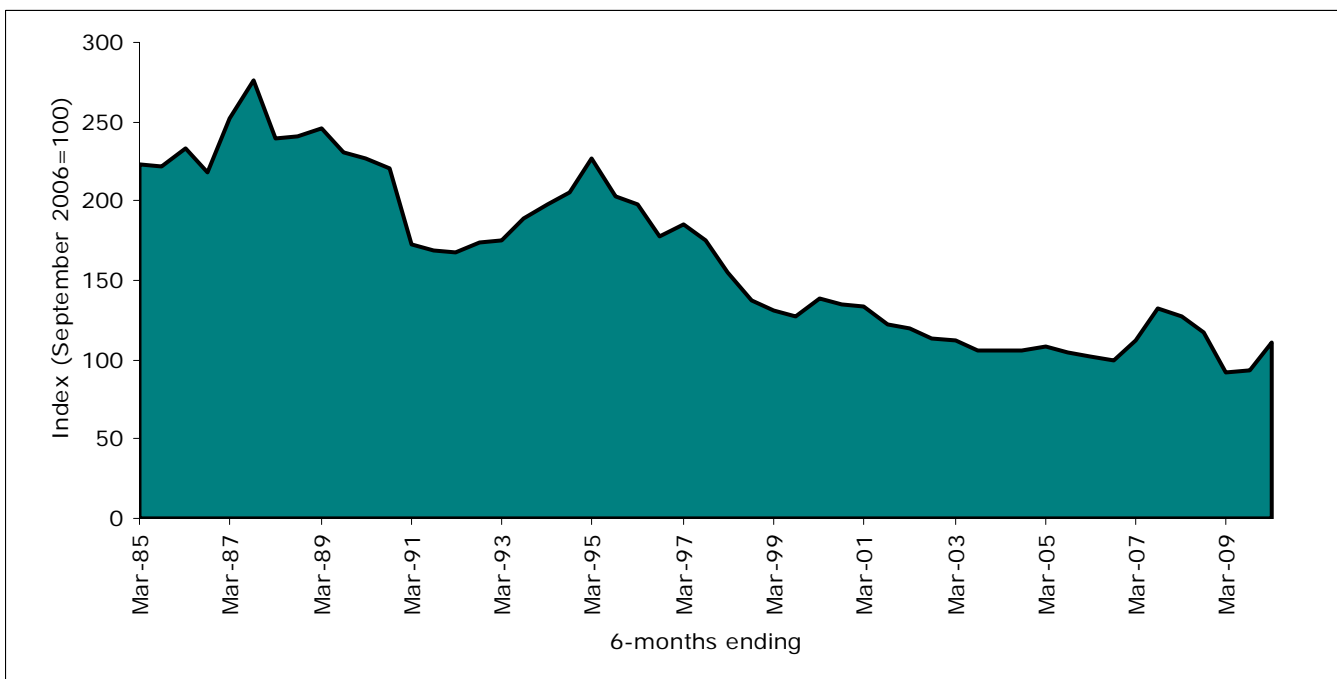


Chart 4: Softwood Sawlog Price Index for Great Britain
(6 months to September 2006 = 100, real terms)



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Table 4: Softwood Sawlog Price Index for Great Britain

| 6 months to: | Price Index (6 months to Sept 2006=100) | Price Index in Real Terms (6 months to Sept 2006=100) |
|---------------------|---|---|
| 30-Sep-96 | 140.9 | 178.3 |
| 31-Mar-97 | 147.5 | 185.2 |
| 30-Sep-97 | 142.4 | 175.8 |
| 31-Mar-98 | 126.9 | 155.0 |
| 30-Sep-98 | 113.8 | 137.4 |
| 31-Mar-99 | 110.0 | 131.7 |
| 30-Sep-99 | 108.3 | 127.9 |
| 31-Mar-00 | 118.2 | 139.1 |
| 30-Sep-00 | 115.1 | 134.5 |
| 31-Mar-01 | 115.0 | 133.2 |
| 30-Sep-01 | 106.5 | 122.1 |
| 31-Mar-02 | 106.2 | 120.0 |
| 30-Sep-02 | 102.1 | 113.3 |
| 31-Mar-03 | 102.6 | 112.4 |
| 30-Sep-03 | 98.5 | 106.1 |
| 31-Mar-04 | 99.0 | 105.8 |
| 30-Sep-04 | 100.5 | 105.6 |
| 31-Mar-05 | 105.2 | 109.0 |
| 30-Sep-05 | 102.0 | 105.1 |
| 31-Mar-06 | 100.5 | 102.5 |
| 30-Sep-06 | 100.0 | 100.0 |
| 31-Mar-07 | 113.6 | 111.7 |
| 30-Sep-07 | 135.7 | 131.9 |
| 31-Mar-08 | 133.0 | 127.2 |
| 30-Sep-08 | 124.1 | 117.2 |
| 31-Mar-09 | 98.1 | 91.4 |
| 30-Sep-09 | 99.7 | 93.1 |
| 31-Mar-10 | 121.2 | 110.8 |
| 30-Sep-10 | 132.5 | 119.8 |

Background

The Coniferous Standing Sales Price Index and the Softwood Sawlog Price Index are both based on Forestry Commission sales of softwood (conifers); they do not include any private sector data. They show the aggregate trends of prices received for sales on the Forestry Commission estate, and do not reflect local trends, conditions or prices. They only cover roundwood from woodland; they do not cover sawmill products or other end products.

These are the only official statistics published for roundwood timber prices in the UK. So, although they are limited to Forestry Commission sales, they are sometimes used as indicators of price trends for other UK softwood. In recent years, softwood has accounted for more than 90% of all timber harvested in Great Britain, and the Forestry Commission has accounted for around half of all softwood sold.

Around half of Forestry Commission softwood is sold standing, with the purchaser responsible for harvesting. The standing sales cover a full range of sizes, as they include thinning and removal of trees for environmental reasons, as well of harvesting of mature trees.

Direct production by Forestry Commission also covers a range of sizes, but the price statistics reported are limited to sales of logs (over 14cm diameter).

Coniferous Standing Sales Price Index

Publication cycle

The Coniferous Standing Sales Price Index (CSSPI) is produced every six months on an annual basis, i.e. data for the year to March are published in May, while data for the year to September are published in November. As these periods overlap, comparisons of values should be made with the same period a year earlier.

Composition

The Coniferous Standing Sales Price Index (CSSPI) is an index of the average prices per cubic metre overbark standing achieved for Forestry Commission (FC) standing sales of conifers. It covers all conifer standing sales (open market and negotiated) on the FC estate over the twelve month period. All thinning and clearfell data is combined within the index. It includes all species, tree sizes, working practices and conditions on the FC estate. It does not include any private sector data.

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Calculation

The methodology used to calculate the Coniferous Standing Sales Price Index was reviewed in 2008, with a new method introduced from the November 2008 publication. A Fisher index with 5-yearly chain linking was adopted as the preferred method for calculating the index. However, for a 5 year transition period, the previous Laspeyres index will be shown alongside the new index.

A Laspeyres index uses the size mix in a base period to compare prices over time, whilst a Paasche index uses the size mix in the current year. A Fisher index, which is the geometric mean of a Laspeyres and Paasche index, is considered to have more desirable properties than either a Laspeyres or Paasche index. Further information on the change in methodology is provided in the paper "Methodology for the Coniferous Standing Sales Price Index", available from the Statistical Reviews page of the Forestry Commission website at www.forestry.gov.uk/statistics.

The Fisher index and the Laspeyres index both measure price changes for a given size mix, to correct distortions in the average price caused by variations in average tree size. This enables prices in different years to be compared on the basis of a constant size mix, but they do not consider possible changes in quality or working conditions.

By using chain-linking, the base for the Fisher index is updated every 5 years. The Laspeyres index has a fixed base of year to September 1996. The small size categories (less than 0.175m³) accounted for more of the volume in 1996 than in recent years. When price movements are different for these small sizes, the 1996 base index may not give a good guide to trends for the current size mix.

The average prices and the index are expressed in nominal terms (i.e. the actual prices at the time of sale) and in real terms (i.e. the prices converted to 2006 prices for the Fisher index and 1996 prices for the Laspeyres index, by removing the effects of general inflation).

For the real average price and for the index in real terms, the GDP (Gross Domestic Product at market prices) deflator, which is published by the Office for National Statistics (ONS), is applied to the prices to remove the effects of general inflation.

Annual percentage changes quoted in this release are based on unrounded figures.

Revisions

Figures for earlier years may be revised to reflect late updates to administrative systems. Previous real terms standing sales figures may be subject to minor changes depending on revisions to the GDP deflator by ONS.

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Sawlog Price Index

Most background notes on CSSPI also apply to the Softwood Sawlog Price Index. The main differences are identified below.

The index is calculated from data covering separate 6-month periods to September and March. This means that the changes reported are not covering the same periods as the CSSPI.

The index measures the average price per cubic metre of sawlog sales, with no adjustment for any change in size mix, as it covers a more limited range of sizes than does the Coniferous Standing Sales Price Index.

As for the CSSPI, the softwood sawlog price index has been rebased to show the period to September 2006 = 100.

Quality

A quality report on this publication is available from our quality webpage at www.forestry.gov.uk/forestry/infd-7zhk85

Further information:

Accompanying tables to this release, available at www.forestry.gov.uk/forestry/infd-7m2djr, provide longer time series of both indices and the underlying data used to produce them.

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