

Timber Price Indices

Data to March 2014

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Geographical breakdown: None

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Timber Price Indices

Introduction

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 sales of softwood (conifers) for periods to March 2014 and cover the combined:

- Sales in England and Scotland by the Forestry Commission to 31 March 2014; and
- Sales in Wales by the Forestry Commission to 31 March 2013 and by Natural Resources Wales from 1 April 2013 to 31 March 2014.

The Coniferous Standing Sales Price Index monitors changes in the average price received per cubic metre overbark for timber that the Forestry Commission/ Natural Resources Wales sold standing, where the purchaser is responsible for harvesting.

The Softwood Sawlog Price Index monitors changes in the average price received per cubic metre of sawlogs (roundwood with a top diameter of 14 cm or more, destined to be sawn into planks or boards) sold at roadside by the Forestry Commission/ Natural Resources Wales.

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.

These indices are used to monitor trends in timber prices and to provide information on the state of the UK timber industry. They are also used by the UK timber industry, alongside other economic indicators, in contract reviews.

Please refer to the Annex for a glossary of terms used in this release.

Key findings

The main findings are:

- In the Coniferous Standing Sales Price Index:
 - There has been an overall increase in the index over the last ten years, following an overall decrease in earlier years.
 - The index was 13.5% higher in real terms (15.6% in nominal terms) in the year to March 2014, compared with the previous year.
 - The average price for coniferous standing sales was £15.62 per cubic metre overbark standing in nominal terms in the year to March 2014, an increase from £13.29 in the year to March 2013.

- In the Softwood Sawlog Price Index:
 - There has been an overall increase in the index over the last five years, following a long period of general decline.
 - The index was 16.0% higher in real terms (17.7% in nominal terms) in the 6 months to March 2014, compared with the corresponding period of the previous year.
 - The average price for softwood sawlog sales was £45.45 per cubic metre overbark in nominal terms in the 6 month period to March 2014, an increase from £40.71 in the 6 months to September 2013 and £38.60 in the 6 months to March 2013.

Coniferous Standing Sales Price Index

The Coniferous Standing Sales Price Index monitors changes in the price per cubic metre for timber that the Forestry Commission/ Natural Resources Wales 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. Further information on the methodology used to construct the index is provided in the Annex.

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).

The Coniferous Standing Sales Price Index for Great Britain was 13.5% higher in real terms in the year to March 2014, compared with the previous year (Table 1). There has been an overall increase in the index over the last ten years, following an overall decrease in earlier years (Chart 2, Table 2).

Table 1: Percentage change in Coniferous Standing Sales Price Index for Great Britain (Fisher 5 yearly index)

	Percentage change	
	Nominal Terms	Real Terms
Change from previous year		
Year to March 2010	5.5%	2.8%
Year to March 2011	38.5%	34.9%
Year to March 2012	4.3%	2.0%
Year to March 2013	-6.4%	-7.5%
Year to March 2014	15.6%	13.5%
Changes over longer periods, up to year to March 2014		
5 Years	64.8%	48.6%
10 Years	157.3%	104.2%
20 Years	-7.5%	-39.7%

Timber Price Indices

Chart 1: Coniferous Standing Sales Price Index for Great Britain
(Fisher Index year ending September 2011 = 100, nominal terms)

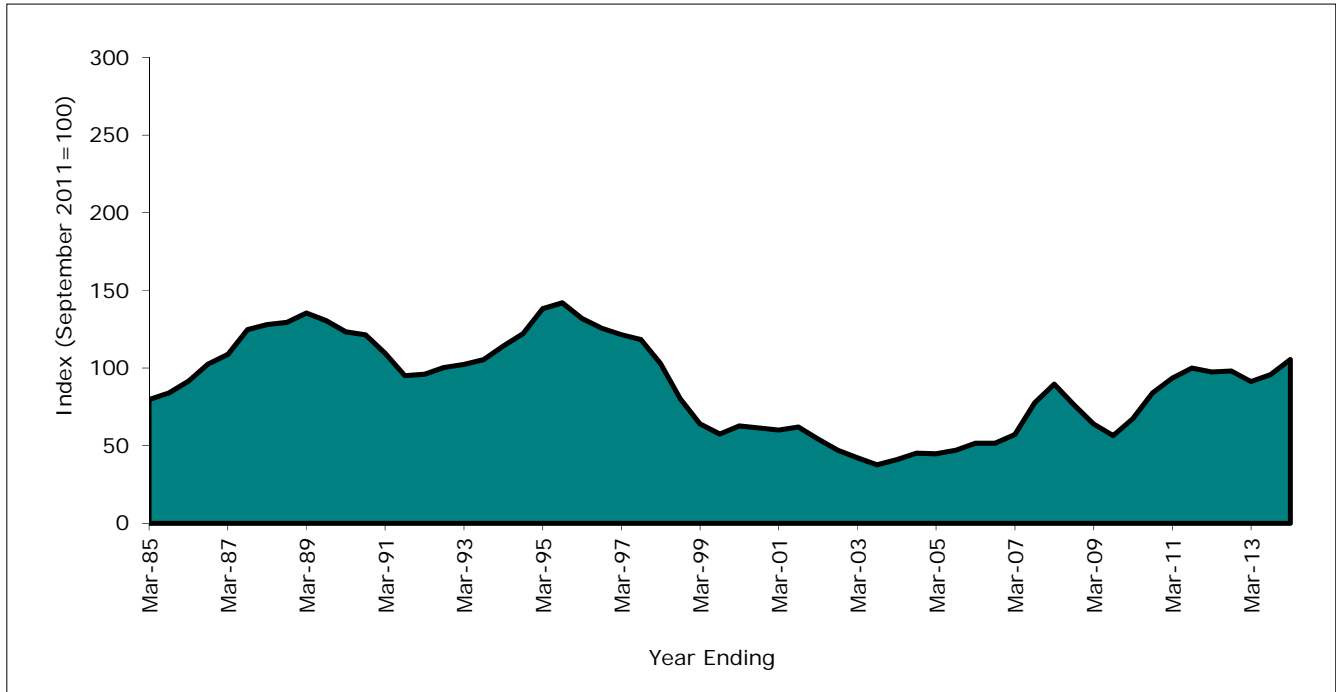
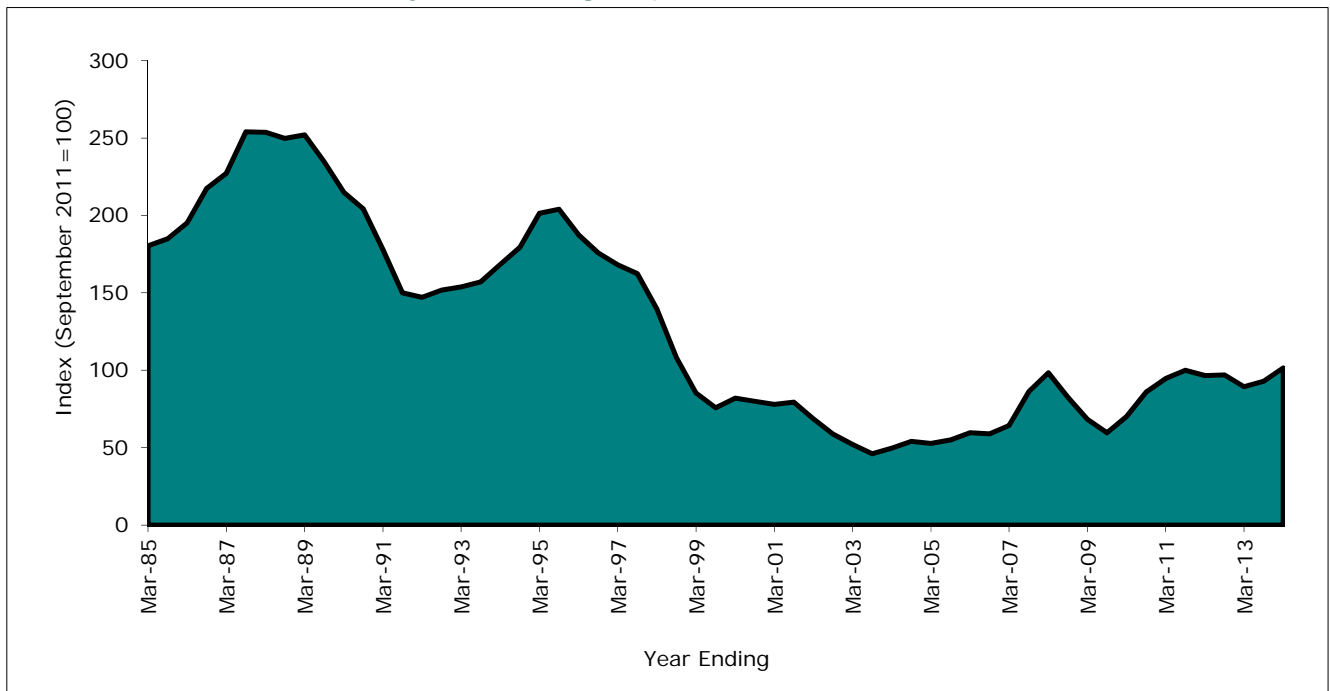


Chart 2: Coniferous Standing Sales Price Index for Great Britain
(Fisher Index year ending September 2011 = 100, real terms)



Timber Price Indices

The average price for coniferous standing sales was £15.62 per cubic metre overbark standing in nominal terms in the year to March 2014 (Table 2).

Table 2: Coniferous Standing Sales Price Index for Great Britain (Fisher 5 yearly index)

Year to:	Average Price (Per Cubic Metre Overbark)		Fisher (5 yearly)	
	Nominal Terms (£)	Real Terms (2011 prices in £)	Nominal Terms Year to Sept 2011=100	Real Terms (2011 Prices) Year to Sept 2011=100
30-Sep-96	15.97	22.33	125.7	175.8
31-Mar-97	15.92	22.02	121.5	168.1
30-Sep-97	15.52	21.31	118.3	162.4
31-Mar-98	13.35	18.13	102.8	139.6
30-Sep-98	10.32	13.91	80.2	108.1
31-Mar-99	8.44	11.25	64.0	85.3
30-Sep-99	7.65	10.09	57.5	75.8
31-Mar-00	8.13	10.63	62.7	82.0
30-Sep-00	8.02	10.45	61.4	80.0
31-Mar-01	7.77	10.09	60.1	78.0
30-Sep-01	8.32	10.66	62.0	79.4
31-Mar-02	7.34	9.28	54.3	68.6
30-Sep-02	6.38	7.97	47.1	58.8
31-Mar-03	5.75	7.10	42.2	52.1
30-Sep-03	5.15	6.30	37.7	46.1
31-Mar-04	5.60	6.79	41.0	49.7
30-Sep-04	6.18	7.39	45.2	54.1
31-Mar-05	6.13	7.23	44.8	52.8
30-Sep-05	6.58	7.68	47.1	55.0
31-Mar-06	7.25	8.39	51.6	59.7
30-Sep-06	7.13	8.15	51.6	59.0
31-Mar-07	7.97	8.97	57.2	64.4
30-Sep-07	10.79	12.00	77.5	86.2
31-Mar-08	12.48	13.71	89.6	98.4
30-Sep-08	10.68	11.56	76.3	82.6
31-Mar-09	9.15	9.77	64.0	68.3
30-Sep-09	7.95	8.39	56.5	59.6
31-Mar-10	9.61	9.99	67.5	70.2
30-Sep-10	12.15	12.44	84.0	86.0
31-Mar-11	13.70	13.88	93.5	94.7
30-Sep-11	14.77	14.77	100.0	100.0
31-Mar-12	14.10	13.96	97.5	96.6
30-Sep-12	14.03	13.87	98.1	97.0
31-Mar-13	13.29	13.01	91.3	89.4
30-Sep-13	13.93	13.50	95.8	92.9
31-Mar-14	15.62	15.03	105.5	101.5

Note: Accompanying tables, providing longer time series of this index and the underlying data used to produce it, are available at: www.forestry.gov.uk/forestry/infid-7m2djr.

Softwood Sawlog Price Index

The Softwood Sawlog Price Index measures the average price received per cubic metre of sawlogs sold at roadside by the Forestry Commission/ Natural Resources Wales.

Sawlogs are logs (roundwood) usually of at least 14 cm diameter that are destined to be sawn into planks or boards. Selling at roadside means that the owner (in this case the Forestry Commission or Natural Resources Wales) is responsible for felling the trees and extracting them to the side of the road so that they are ready for the buyer to take away.

The index is not adjusted for any changes in size mix, as it covers a more limited range of sizes than 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).

The Softwood Sawlog Price Index was 16.0% higher in real terms in the 6 months to March 2014, compared with the corresponding period of the previous year (Table 3). The index has shown an overall increase over the last five years, following a long period of general decline (Chart 4, Table 4).

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 March 2010	23.4%	19.7%
6 months to March 2011	2.9%	0.7%
6 months to March 2012	7.0%	4.8%
6 months to March 2013	2.2%	0.3%
6 months to March 2014	17.7%	16.0%
Changes over longer periods, up to 6 months ending March 2014		
5 years	63.4%	47.1%
10 years	62.0%	28.2%
20 years	10.2%	-28.3%

Timber Price Indices

Chart 3: Softwood Sawlog Price Index for Great Britain
(6 months to September 2011 = 100, nominal terms)

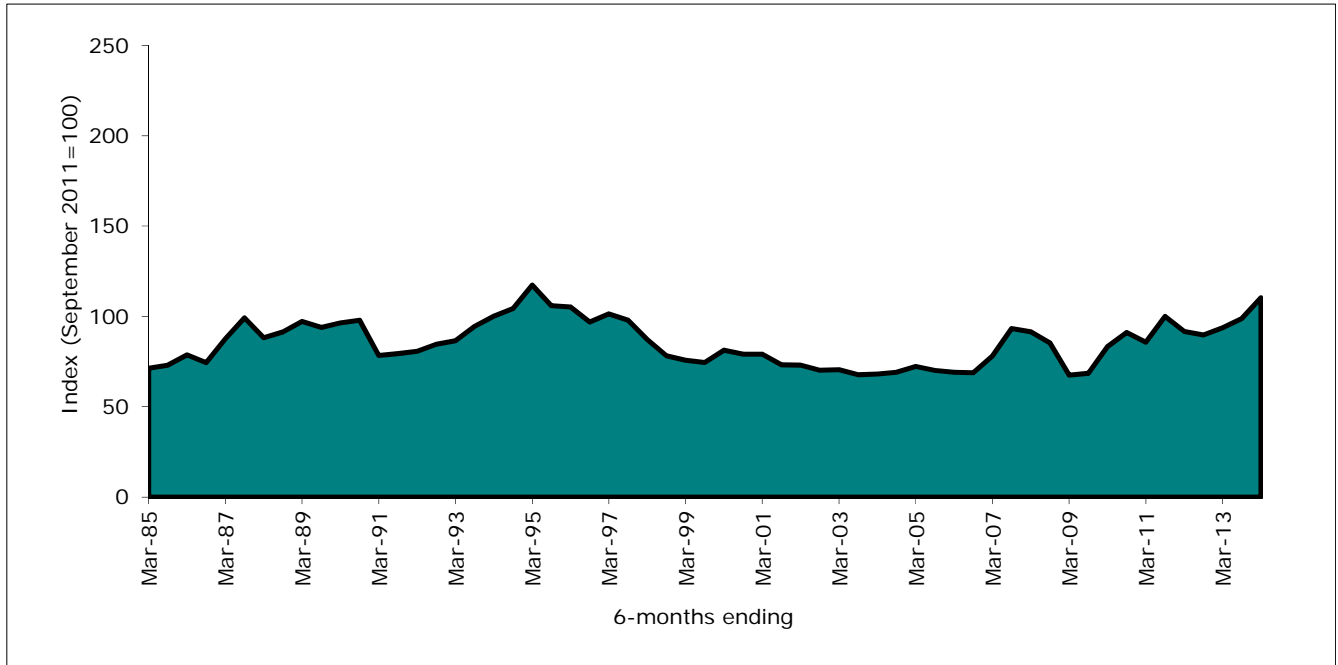
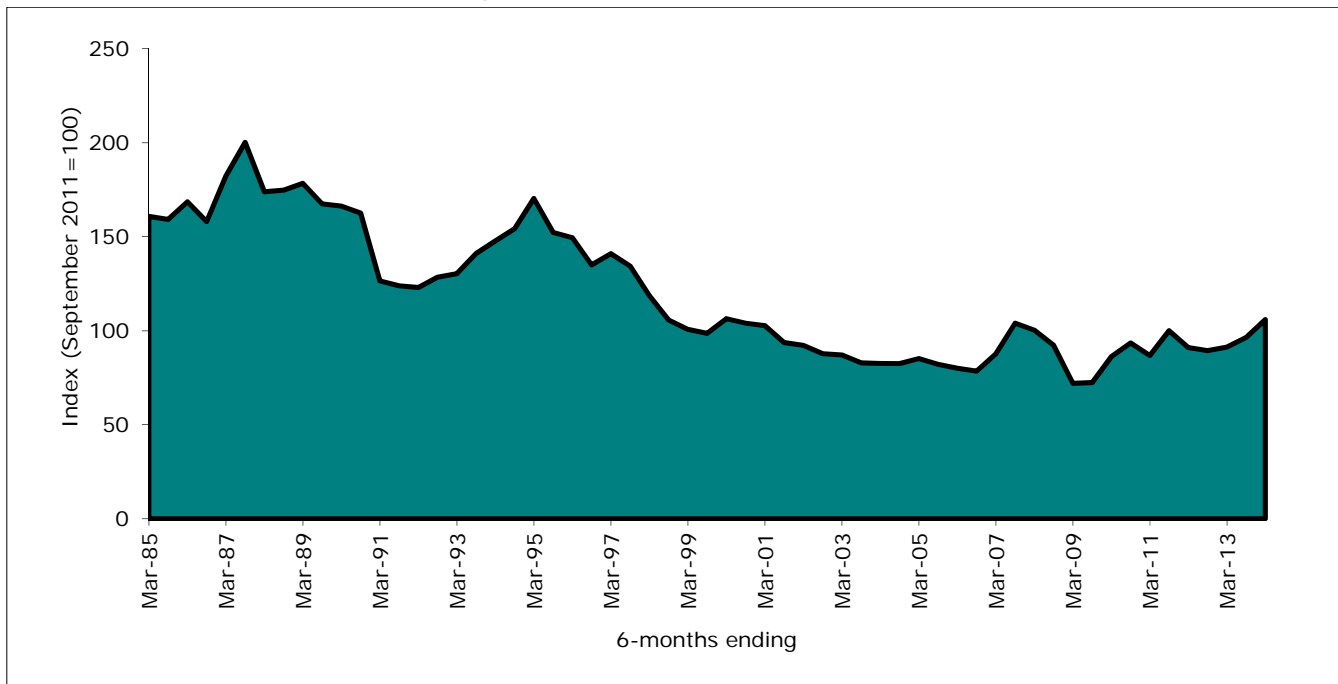


Chart 4: Softwood Sawlog Price Index for Great Britain
(6 months to September 2011 = 100, real terms)



Timber Price Indices

The average price for softwood sawlog sales was £45.45 per cubic metre overbark (felled volume) in nominal terms in the 6 month period to March 2014 (Table 4).

Table 4: Softwood Sawlog Price Index for Great Britain

6 months to:	Average Price (Per Cubic Metre Overbark)		Price Index in Nominal Terms	Price Index in Real Terms
	Nominal Terms (£)	Real Terms (2011 prices in £)	(6 months to Sept 2011=100)	(6 months to Sept 2011=100)
30-Sep-96	39.92	55.60	96.9	135.0
31-Mar-97	41.78	58.10	101.4	141.0
30-Sep-97	40.35	55.40	97.9	134.4
31-Mar-98	35.94	48.90	87.2	118.7
30-Sep-98	32.23	43.60	78.2	105.7
31-Mar-99	31.17	41.50	75.7	100.7
30-Sep-99	30.68	40.60	74.5	98.6
31-Mar-00	33.48	43.80	81.3	106.4
30-Sep-00	32.59	42.80	79.1	104.0
31-Mar-01	32.58	42.30	79.1	102.7
30-Sep-01	30.16	38.60	73.2	93.7
31-Mar-02	30.07	38.00	73.0	92.2
30-Sep-02	28.91	36.10	70.2	87.8
31-Mar-03	29.11	36.00	70.5	87.1
30-Sep-03	27.91	34.20	67.7	82.9
31-Mar-04	28.04	34.00	68.1	82.6
30-Sep-04	28.47	34.00	69.1	82.5
31-Mar-05	29.80	35.10	72.3	85.2
30-Sep-05	28.89	33.80	70.1	82.1
31-Mar-06	28.48	33.00	69.1	80.0
30-Sep-06	28.33	32.30	68.8	78.5
31-Mar-07	32.17	36.10	78.1	87.7
30-Sep-07	38.44	42.80	93.3	104.0
31-Mar-08	37.67	41.30	91.5	100.3
30-Sep-08	35.14	38.00	85.3	92.3
31-Mar-09	27.79	29.60	67.5	72.0
30-Sep-09	28.23	29.80	68.5	72.4
31-Mar-10	34.33	35.50	83.3	86.2
30-Sep-10	37.54	38.50	91.1	93.5
31-Mar-11	35.68	36.10	85.7	86.8
30-Sep-11	41.20	41.20	100.0	100.0
31-Mar-12	37.83	37.60	91.7	91.0
30-Sep-12	37.03	36.90	89.7	89.4
31-Mar-13	38.60	37.60	93.7	91.3
30-Sep-13	40.71	39.70	98.8	96.4
31-Mar-14	45.45	43.60	110.3	105.9

Note: Accompanying tables, providing longer time series of this index and the underlying data used to produce it, are available at: www.forestry.gov.uk/forestry/infd-7m2djr.

Annex

Introduction

This annex provides background information on the Coniferous Standing Sales Price Index and the Softwood Sawlog Price Index. It includes a glossary and covers the data sources and methodology used to construct the index, information on quality measures and on any revisions to historic data and links to further information.

Glossary

Broadleaves Trees that do not have needles or cones (a few, such as alder, have cone-like structures for their seeds which are not true cones).

Clearfell areas Sites where all trees have been felled at once. In non-clearfell areas, only some of the trees are felled at any one time.

Conifers Trees with needles and cones.

Direct production Timber that is sold after the trees have been felled by the woodland owner or their contractors.

Forestry Commission (FC) The government department responsible for forestry matters in England, Scotland and (until March 2013) Wales. The Forestry Commission's functions in Wales transferred to a new organisation, Natural Resources Wales, on 1 April 2013. The responsibility for forestry is devolved.

GDP deflator Gross Domestic Product at market prices deflator. Gross Domestic Product (GDP) is a measure of the total domestic economic activity. Growth in GDP reflects both growth in the economy and price changes (inflation). Applying a GDP deflator to time series of prices or price indices removes the effects of inflation to enable a comparison of changes in price that are not caused by inflation.

Great Britain (GB) England, Wales and Scotland.

Hardwood The wood of broadleaved trees, such as oak, birch and beech; a term sometimes used for the broadleaved trees themselves.

Long term contracts (LTC) Long term contracts are sales of roundwood, felled or standing, to customers over a period of more than one year. The second and subsequent years of a long term contract are negotiated after the sale of the first year's volume.

Timber Price Indices

Natural Resources Wales (NRW) The body responsible for advising the Welsh Government on the environment, created on 1 April 2013. Natural Resources Wales is responsible for the functions previously undertaken by the Environment Agency in Wales, the Countryside Council for Wales and Forestry Commission Wales.

Nominal terms Refers to prices at the time of sale. See also “real terms”.

ONS Office for National Statistics.

Overbark The volume of wood including the bark. Can be either standing volume or felled volume.

Price index A measure of the proportionate, or percentage, changes in a set of prices over time. Commonly used price indices include the Laspeyres index, Paasche index and Fisher index.

Real terms Refers to prices at a common date. Prices in real terms are derived by applying a deflator to remove the effects of general inflation to enable a comparison of changes over time that have not resulted from inflation. See also “nominal terms”.

Roadside sales Sales of timber after harvesting. The owner is responsible for getting the trees felled and extracting them to the side of the road, ready to take away.

Roundwood Trunk or branch wood, generally with a top diameter of 7 cm or more. Can be in the form of logs (14 cm top diameter or more) or small roundwood (7 to 14 cm).

Sawlogs Material of at least 14 cm top diameter that is destined to be sawn into planks or boards.

Softwood The wood of coniferous trees, such as spruce, pine and larch; a term sometimes used for the coniferous trees themselves.

Standing sales Sales of timber whilst the trees are still standing. The buyer is responsible for getting the trees felled and removed from the site.

Standing volume Measurement of quantity before trees are felled. Usually expressed as cubic metres overbark standing.

Thinning A proportion of stems removed in order to give the best stems space and light to grow into a more valuable crop. This is usually carried out some time after canopy closure and may be repeated at intervals. It is a necessary operation in the production of quality timber.

Underbark The volume of wood excluding the bark.

Data Sources and Methodology

Data sources

The Coniferous Standing Sales Price Index and the Softwood Sawlog Price Index are both based on sales of softwood (conifers) by the Forestry Commission and Natural Resources Wales; they do not include any private sector data. They only cover roundwood from woodland; they do not cover sawmill products or other end products.

The Coniferous Standing Sales Price Index (CSSPI) is based on administrative data for standing sales of conifers (softwood) by the Forestry Commission/ Natural Resources Wales. Around half of Forestry Commission/ Natural Resources Wales 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 as harvesting of mature trees. The data used to compile the index covers volumes sold and values by average tree size.

The Softwood Sawlog Price Index (SSPI) is based on administrative data for sales of softwood sawlogs by the Forestry Commission/ Natural Resources Wales. The data used to compile the index covers volumes and values. Direct production by the Forestry Commission/ Natural Resources Wales (where the softwood is sold after harvesting) also covers a range of sizes, but the price statistics reported are limited to sales of logs (over 14 cm diameter).

Both the Coniferous Standing Sales Price Index and the Softwood Sawlog Price Index include sales by long term contract, where the volume of roundwood covered by the contract is sold over a period of more than one year. To take account of changes in price over the term of the contract, price adjustments are made periodically, as part of the contract. The Coniferous Standing Sales Price Index and the Softwood Sawlog Price Index include roundwood sales by long term contract but, at present, price adjustments are not included in the indices.

Further information on the administrative data is provided in the Statement of Administrative Sources on the FC Sales Recording Package, available at www.forestry.gov.uk/forestry/inf-d-832ey5.

Methodology for Coniferous Standing Sales Price Index

The Coniferous Standing Sales Price Index (CSSPI) is an index of the average prices per cubic metre overbark standing achieved for standing sales of conifers by the Forestry Commission/ Natural Resources Wales. It covers all conifer standing sales (open market and negotiated) by the Forestry Commission/ Natural Resources Wales 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. It does not include any private sector data.

Timber Price Indices

The Coniferous Standing Sales Price Index (CSSPI) is calculated using a Fisher index with 5-yearly chain linking. By using a Fisher index, distortions in the average price caused by variations in the average tree size over time are corrected. Applying chain linking at regular intervals (in this case, every 5 years) ensures that the index remains relevant over time. Other factors that may affect price (e.g. working conditions, timber quality or species) are not taken into account when constructing the index.

The methodology used to calculate the Coniferous Standing Sales Price Index was reviewed in 2008, with the Fisher index with 5-yearly chain linking introduced from the November 2008 publication. Prior to this time, a Laspeyres index (without chain linking) with base date of September 1996 had been used.

Further information on the methodology used to calculate the Coniferous Standing Sales Price Index is provided in the paper *Methodology for the Coniferous Standing Sales Price Index*, available from the Statistical Methodology and Outputs page of the FC website at www.forestry.gov.uk/forestry/ahen-589ddl.

A general introduction to index numbers including Fisher and Laspeyres indices and chain linking can be found on the Office for National Statistics (ONS) website at www.ons.gov.uk/ons/rel/elmr/economic-and-labour-market-review/no--3--march-2007/methods-explained--index-numbers.pdf.

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 2011). The GDP (Gross Domestic Product at market prices) deflator, produced by ONS, is applied to the nominal figures to derive real average prices and the index in real terms. The GDP deflator data can be downloaded from the ONS Quarterly National Accounts dataset at www.ons.gov.uk/ons/datasets-and-tables/data-selector.html?dataset=qna, by selecting Table A1: National Accounts Aggregates and Series: YBGB.

Methodology for Softwood Sawlog Price Index

The Softwood Sawlog Price 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 Coniferous Standing Sales Price Index.

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

Timber Price Indices

The index is expressed in nominal terms (i.e. based on the actual prices at the time of sale) and in real terms (i.e. based on the prices converted to 2011 prices, by removing the effects of general inflation). As for the Coniferous Standing Sales Price Index, the GDP (Gross Domestic Product at market prices) deflator is used to convert from nominal to real terms.

For consistency with the Coniferous Standing Sales Price Index, the Softwood Sawlog Price Index is rebased every 5 years; in this release, the period to September 2011 = 100.

Quality

These are the only official statistics published for roundwood timber prices in the UK. So, although they are limited to sales by the Forestry Commission and Natural Resources Wales, 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/ Natural Resources Wales have accounted for around 45% to 50% of all softwood sold.

For the Coniferous Standing Sales Price Index, data cover a 12 month period (i.e. data for the year to March and data for the year to September). As these periods overlap, comparisons of values should be made with the same period a year earlier.

Unlike the Coniferous Standing Sales Price Index, the Softwood Sawlog Price Index covers 6 month periods (i.e. data for the period October to March and data for the period April to September), so there is no overlapping.

Detailed information on the quality of the statistics presented in this publication is available in the *Quality Report: Timber Price Indices* at:

[www.forestry.gov.uk/pdf/tpiqrpt.pdf/\\$FILE/tpiqrpt.pdf](http://www.forestry.gov.uk/pdf/tpiqrpt.pdf/$FILE/tpiqrpt.pdf)

Further quality information on FC Official Statistics is available at:

www.forestry.gov.uk/forestry/infd-7zhk85

Revisions

Figures for the period to March 2014 are published for the first time in this release.

Figures for earlier periods have been previously published, but may be revised to reflect late updates to administrative systems. Previous real terms figures may be subject to minor changes depending on revisions to the GDP deflator by ONS.

Average prices for periods to September 2013 in nominal terms have not been revised since the November 2013 edition of this release. Revisions to the GDP deflator have resulted in changes of up to 1% to the average prices in real terms.

Timber Price Indices

The Forestry Commission's revisions policy sets out how revisions and errors to these statistics are dealt with, and can be found at:

[www.forestry.gov.uk/pdf/FCrevisions.pdf/\\$FILE/FCrevisions.pdf](http://www.forestry.gov.uk/pdf/FCrevisions.pdf/$FILE/FCrevisions.pdf).

Further information

Accompanying tables to this release, providing longer time series of both indices and the underlying data used to produce them, are available at:

www.forestry.gov.uk/forestry/inf-d-7m2djr.

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

Release schedule

Timber Price Indices are published every six months, in May for data to end March and in November for data to end September. The next editions will be released on the following dates:

Timber Price Indices (data to September 2014) will be released on 6 November 2014;

Timber Price Indices (data to March 2015) will be released on 14 May 2015.

National Statistics

The UK Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics. Designation can be broadly interpreted to mean that the statistics:

- meet identified user needs;
- are well explained and readily accessible;
- are produced according to sound methods; and
- are managed impartially and objectively in the public interest.

Once statistics have been designated as National Statistics, it is a statutory requirement that the Code of Practice shall continue to be observed.

For more information about National Statistics and the UK Statistics Authority visit

www.statisticsauthority.gov.uk.