



## WOOD: UNDER-PRICED AND UNDERVALUED?

*Andrew True, Wood Technology Society board member and experienced timber trader, continues his look at timber pricing*



In 1968 the carcassing market was dominated by western Canadian green, rough-sawn, hemlock. It remained so until the late 1980's when spruce (S-P-F) from west and east Canada entered the market. Customers were seeing the limitations of hemlock and the benefits of spruce but hemlock, being cheaper, maintained a major market share.

Concurrently product innovation was taking place. In 1968 the Canadians supplied timber packaged to length with distinctive end marking and by the 1980's applied coatings to keep product bright and clean, but carcassing was still green. Spruce being whiter made it naturally more presentable and moreover it was kiln dried. The European, including domestic, mills added value by enhancing stress grading, fine sawing, and regularising/planing with eased edges, presenting a product clean looking, easy to handle, totally fit for purpose, vastly superior to that of 1968. These developments should have maintained the value of carcassing; they did not!

By the early 1990's the UK market was requesting kiln-dried carcassing; spruce easily filled this need. Huge change then ensued, other factors coming into play extinguishing, almost literally overnight, the western Canadian supply.

In addition Japan and China gave improved mill returns; western Canadian mills looked west and, in the main, stayed west! Currency also affected eastern Canadian spruce, opening the door for Sweden, followed by Baltic States supplies, and Germany. This also presented good business opportunities for UK and Irish mills. Thus the supply base was still varied and large.

At the same time economies of scale were taking place resulting in production efficiencies. The mills made technological advances in increasing the log yield and generating less falling product. Options also increased for sawmill by-products. This helped in reducing production costs which explains some of the reduction in price of carcassing. Another reason, of course, is the marketplace being one of many sellers and buyers and that carcassing is a commodity of which supply is normally plentiful and from many sources.

The UK market has always strived for the highest quality at the lowest price (quite contrary to John Ruskin's perspective), and one issue faced by suppliers is that they have to compete with the "lowest common denominator" seller, although quality of product and service can yield a slight premium.

On another, but highly pertinent, issue, it has been calculated that wood accounts for a mere 3% of the cost of a new house

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– an insignificant amount one would think, but there is always seemingly end user pressure to reduce price.

But is cheapening the price the way to go in the long term? It is always very easy to reduce prices to sell, but very hard to go the other way – therefore the trade should attempt to be stricter on reducing prices in order to make necessary increases more acceptable. I'm not advocating that sellers work against open market principles, just against open market attitudes!

Today is a world market for wood, which means that eventually the responsible suppliers could decide to move away from the UK to a degree, leaving the UK always with home grown product, but maybe a lower quality for imported wood.

My final thought is that today carcassing is not only under-priced but also undervalued and that it is no longer just a softwood issue; trading practices have created a marketplace where wood in general is grossly undervalued and still believed to be, and by more than just the construction sector, over-priced/expensive with, in addition, a failure to recognise when demanding third party certification of sustainability at source that such third-party involvement is not provided by charitable institutions! ■

*Below: Improving sawmill technology – one person controls the modern saw-line*

