

Timber Talk

Tunncliffe's

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Timber Prices

We probably all have noticed the current pressure on timber prices in New Zealand. At Tunncliffe's we have received several price increases from our suppliers of rough sawn kiln dried timber over the last 3 months. There is more in the wind with price increase announcements of between 5 and 10% effective from July this year.



It is understood that one of the major dominant forest product corporates is planning to raise its prices by 10% in July and a further 15% percent in October this year. Let's hope this is not more than a rumor.

The main reason for the pressure on pricing it that there have been significant increases in log costs driven by a growing world wide demand for softwood fiber. The Agri-Fax NZ log price index have jumped 23 percent in the last year. Asia is experiencing a construction boom, China in particular is absorbing large volumes of especially lower grade timbers. The record high New Zealand dollar versus the US dollar does not seem to stop the buying pattern.

Russia has recently announced it is to increase export taxes on logs from 6.5 percent currently to 80 percent by 2009 in a bid to lift onshore processing. This

move is expected to boost New Zealand's log trade which could result in further price increases.

To illustrate what is happening in the Far East; there are 3,000 wooden door manufacturers in China. The industry's output is booming, expanding from 12 billion yuan in 2003 to 24 billion yuan in 2005 and to 30 billion yuan just in Jan-Sep 2006, equivalent to a 41% annual growth. Chinese wooden door exports have been similarly thriving, doubling to US\$349 million (237,100 tonnes) in 2005 and matching 2005 levels just in the first three quarters of 2006. Exports of wooden doors are estimated to reach US\$500 million in 2006. Source: ITTO TTM Report 12:6 16-31 March 2007

The following shows that the Chinese are able to pay more; Average CIF prices for imported logs and sawn-wood rose 40% to US\$146.6 per m3 and 9.4% to US\$298.9 per m3, respectively, in 2006. Imported logs from New Zealand over the period increased 21 percent c.f. 13 percent from Russia. Source: ITTO TTM Report 1-15 March 2007

It is always a difficult subject to bring up yet increasing costs is effecting everybody in the market. There is not only the increased cost of wood fiber but we are also having to deal with



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increasing labour, energy, freight and timber preservation costs.

At Tunncliffe's we think twice before we put through a price adjustment and like to give ample notice to our customers.



We recently had to make a move in our aluminium window reveal products where our prices remained unchanged since November 2004. We do not expect having to move again this year in this area. Joinery and bee woodware had an adjustment in August last year, it looks inevitable that we need to move again over the next couple of months which will be in the range of 5 to 10%. We expect to notify all customers in July coming up.

Our Primer Process

At Tunncliffe's we choose to use an old fashion quality oil-based primer from BM Pacific Ltd. (Retailing as Benjamin Moore); Prime Plus H.O Grey, which turns out more white than grey. We mainly use it for our aluminium window reveals and some exterior joinery products like facings and TG&V profiles. Tunncliffe's is keeping the process of pre-priming in-house to ensure we are in control, maintaining our high standard of finishing.

When we reviewed and formulated our priming process in 2003 we developed a desired standard with some of our key customers. We aim to seal the timber in preparation for the painter to finish by applying a light sanding, followed by at least two finishing coats. The oil-based Prime Plus forms a good basis for any modern paint system, oil- or water-based.

During the priming process we

concentrate on the one finishing face, which is pre-sanded. We aim to keep the coating light, preventing the primer to run and drip, causing uneven surface that needs to be rectified when painting. The coat needs to be just right to seal the surface. When looking at the result you should still be able to see the grain of the timber through the primer. We ensure we use a good grade timber, there is nothing to hide...

An important quality control feature is conditioning the timber after treatment. All aluminium window reveals are H3.1 LOSP (Light Organic Solvent Preservative) treated. This treatment process is utilising an organic based solvent as carrier. After treatment the solvent needs to "flash-off" or evaporate out of the timber before it can be successfully primed. The timber is put in fillet and left to breathe. Depending on the conditions this can

take 10 to 20 days.

Tunncliffe's stays abreast of any developments in the market place. We currently see no reason to divert from our current formula and believe our pre-primed product, in the mix of our quality, service and price is an excellent option.



A Snippet From the Past

In the past Tunncliffe's was actually a manufacturer of exterior joinery as described in Tunncliffe's history book *Tunncliffe & Timber 1923 - 1974* by K.O. Tunncliffe.



During 1951-52 we started the Whakatane Joinery Company with Roy Smith and Allen Stewart, our share being 50%. This venture looked promising for a few years but became a very cut price business as time went on.

With the slackening of the building and very strong competition in 1968, the Joinery Company was building caravans to fill time. At a meeting in June it was decided that the best course was to close down and sell off the assets. Mr Roy Smith, shareholder and manager, was appointed to supervise these affairs. By the middle of 1968 all plant and most of the stock was sold except for three caravans.

