

Timber Supply and Price Update

We are encountering increases from all timber suppliers on scales which we have never experienced in our working lives. When the first Covid lockdown was announced across Europe many sawmills became extremely cautious as to what the future held in many ways and subsequently reduced output. In addition to this the sawmills weren't immune from Covid and some mills had to cut shifts out completely whilst colleagues isolated or recovered from Covid.

It quickly became apparent that the Global demand for wood products during the pandemic was increasing monthly as a result of people having to spend more time at home doing DIY/RMI projects. This was then fuelled by the inability to travel globally and additional 'spare' finances allowing people to spend on such projects.

The global demand for raw material is now so high that all sawmills in the UK, Scandinavia and Baltic regions are unable to fulfil the global required volumes and simply are unable to keep pace with this unprecedented demand. As a result of this, stock levels at sawmills (global) and terminals (UK) have dwindled to historic low levels with much of the available volume which is directly imported already pre-sold.

Log prices across the entire European region are now increasing to levels not seen before, once again the imbalance of stock vs demand is fuelling these increases.

As we rapidly enter the Q3 2021 period, the supply situation will undoubtedly only get worse as the Scandinavian and Baltic sawmills take the annual Summer maintenance breaks and holidays. These maintenance and holiday breaks must be taken to ensure efficient ongoing production levels into the winter months.

In addition to the issues surrounding all Sawmills, we are now encountering logistical challenges in terms of securing shipping space to transit goods to the UK. Many shippers are now increasing shipping rates because of the increasing oil prices. Many importers are now seeing container rates at up to \$8000 per container when previously they would have been \$800-1000. Storage is becoming difficult at many ports and many vessels have been turned away due to lack of free storage space at each port. This situation is being hindered by the intense pressure the UK is under following the UK's decision to leave the EU and subsequently many European lorry drivers who were based in the UK returning to their home nations. The UK Government have been warned that the UK haulage industry is in the region of 100,000 lorry drivers short to maintain the historical volume of deliveries to all UK businesses.

As we gradually move out of the COVID pandemic within the UK, the Government will be extremely keen to grow the UK economy and Construction will be at the forefront of this. With the Governments drive to use sustainable and environmentally friendly products to build the housing shortages within UK, Legal and sustainable timber is the Planets number one asset for this and will be the best option to achieve their required and promised goals. Therefore, we don't envisage a downturn in timber requirements in the months/years ahead and this will reduce the possibilities of any large price reductions in the future.

With the UK decision to leave the EU, all importers must complete addition paperwork and incur additional costs to process documents and ensure goods are passed by UK Customs.

Summary of core factors for Timber price increases.

- Insufficient Log availability across all supplying regions of the planet into the sawmills.
- Seriously low sawn stocks at the sawmills.
- Following the Covid Pandemic - Global demand for all species and grades at their highest levels ever.
- Home & Garden renovations at the highest ever levels.
- Demand for home offices dramatically increasing in light of the Covid situation
- Burgeoning demand for Construction - above all in private housing, commercial and infrastructure.
- Very mild & wet weather conditions across Scandinavia hampering log harvesting and extraction.
- Environmental push for sustainable products to be used as much as possible, Timber is the biggest environmental asset the planet has to offer to use in a multitude of constructional areas.
- Shipping restraints and delays.
- Haulage delays – lack of drivers (100,000 drivers short).
- Most stocks already pre-sold before they arrive into the UK.
- Customs clearance documents following Brexit and associated costs.