

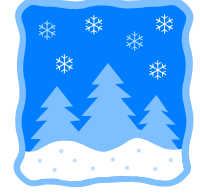


BEACON FORESTRY NEWSLETTER

BEACON FORESTRY INTERNET TIMBER MARKETING



Welcome to our 10th anniversary newsletter! It may come as a surprise that Beacon Forestry held their very first electronic timber auction in November 1995. Apart from briefly summarising what we have achieved in the last ten years we devote this newsletter to the future and look at the prospects for timber prices for the rest of this year and into 2006.



Introduction

10 Years of Internet Timber Sales

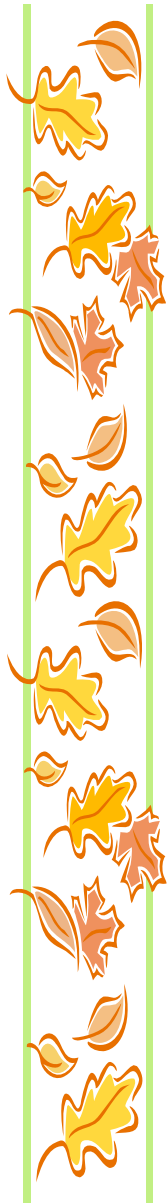
Being responsible for 70 live auctions and 68 on line tender sales offering a total of 2.25 million m3 of timber from state and private woodlands onto the open market is something we are proud of. Selling approx. 1.9million m3 of it (worth just over £26 million) has given us a success rate of 84%, this performance indicator shows there is still room for improvement but given the serious decline of timber prices towards the end of the 90's and the subsequent market upheaval that this caused we are inclined to think we can just about be satisfied with our overall performance.



Our biggest disappointment has been the loss of the Forestry Commission as a client in 2004, caused by their decision to run their own in-house electronic sales system. This left us servicing the private sector and whilst throughput volumes have inevitably reduced we are delighted to have maintained our monthly schedule of sales throughout 2005.

Our thanks and gratitude go out to all the growers, managers and organisations who have used and supported us during the past ten years.

We are optimistic about the future. The increase in timber production over the next 10 years will come from the private sector and there are encouraging developments for UK round timber prices. We are looking forward to the next ten years and we hope to hear from you when you are contemplating your timber marketing options.



The Prospects for Timber Prices

Since the last newsletter our monthly sales have produced some encouraging results including £18.25/tonne for a privately owned parcel of standing SS in the Scottish Borders.

From this, and other timber price data, it is clear that the increase in demand for round timber supplies has led to better prices being paid, especially where parcels have been offered on the open market.

Will the improved market conditions witnessed throughout most of the UK during 2005 carry on though? – this is the question on the lips of many growers.

There have been recent reports from home-grown softwood sawmills that intake and prices may drop back a little during the winter. We take the view that a seasonal slow down during the winter before an upturn in spring is quite normal and these reports should not therefore cause anxiety.

Imported Timber

Imported timber is not getting cheaper due to strong global demand and high fuel costs, and it is unlikely to get any cheaper if oil price forecasts are anything to go by. For

foreign timber exporters the UK currently represents a low unit-value market compared with price levels they can command at home and elsewhere in the world, again suggesting that future imported prices are unlikely to drop and may creep even higher. This is good news for the UK grower because it is, as processors are usually very keen to point out, the price of imported timber that largely dictates the amount that can be paid for home grown timber. Exchange rates have the potential to change this (for good and for bad) but there are no forecasts that we are aware of suggesting a significant shift in the currency levels of our major importing countries.

Domestic Prospects

Future domestic demand in the UK looks encouraging too – there are reports of a slowing down of the total number of house starts but in terms of overall consumption this must be more than swallowed by the ongoing growth in the use of timber frame houses and the general renaissance that timber is enjoying among specifiers, architects and end users. The Government's policy on new, affordable, low energy housing favours even more timber frame construction and no-one can be



Christmas 2005



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in much doubt about the potential offered by the huge construction programme for the London Olympics.

Wood - Fuel

Forecasting demand for timber at the other end of the quality spectrum is now greatly affected by the burning issue (sorry!) of wood for heating and power generation. The global interest in alternatives to burning fossil fuels for energy looks like it should eventually favour timber producers, but when in the UK? Growers can be forgiven for becoming frustrated whilst waiting for a proper UK-wide market for low



value timber and harvesting residues to emerge from all the talk and statistics. The prognosis does look good though.

Taking all of the above into account we think the prospects for current timber price levels are good and that it is no surprise to hear some processors trying to talk the market down when a seasonal opportunity presents itself. There are bound to be a few blips but in the absence of any significant shifts in currency exchange rates, the general trend should continue steadily upwards.



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BEACON FORESTRY 2006 INTERNET TIMBER SALES

TENDER OFFER DEADLINE DATES	AUCTION SALE DATES
25th January	22nd February
29th March	26th April
31st May	28th June
26th July	30th August
27th September	25th October
29th November	20th December

Please contact Mike Bentley on 01721 724788 or email mb@beaconforestry.co.uk for information about entering a parcel

Merry Christmas
and a
Happy New Year

Don't forget our website for all your information needs!!

www.beaconforestry.co.uk

Enter on line

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Full details of Beacon Forestry & what we can offer you

Please send me more information on :- (Please Tick as appropriate)

Selling timber through the Beacon System

Buying timber through the Beacon System

Name

Address:

Post Code: Tel No.:

Please post, fax or e-mail to: -

Mike Bentley, Beacon Forestry, Broombush House, Venlaw High Road, Peebles, Tweeddale EH45 8RL

Fax: 01721 724798 email: mb@beaconforestry.co.uk