

# Monthly Market Report

March 2019



**T**he market highs reported last month have consolidated with export prices lifting NZ\$1–3 per cubic metre across most NZ ports. The net increase is mostly a reflection of slightly lower shipping rates with the sales prices in China remaining largely unchanged for most exporters.

The earlier fears of potential price drops are, for the moment on hold. There are some positives in the market not the least being the China overall eastern seaboard inventory has dropped to under 4.9 million cubic metres as sales have ramped after CNY and volumes shipped out of NZ have been lower than forecast.

The China Government recently announced a stimulus programme with a focus on manufacturing, construction and domestic spending. The latter is a tax reduction effectively injecting RMB194 billion in to the domestic spend and ensuring the continuance of confidence in Government policy. The net result is a positive mood in the general populous thus the stimulus package swings the economic mood pendulum back to where NZ forest growers and other exporters need it to be.

The construction sector stimulus package has the most impact at the NZ Forest gate as it includes reducing credit restrictions for property developers thus enabling multi storey apartment projects to resume or start. I still cannot help but wonder about the high redundancy rate (unoccupied apartments) and just when the supply demand chickens will come home to roost.

Meanwhile off port sales have lifted to about 70,000 cubic metres per day reflected a year on year average comparative and in line with earlier forecasts.

On the down side, a veritable flood of volume in containers from Europe, mostly spruce and other softwoods from a major wind storm, together with high volumes of pine out of Uruguay are adding unwanted volumes. Most commentary suggests this volume could temper negotiations for April sales.

Most NZ exporters reportedly settled at around the US\$141 per cubic metre mark in March for Radiata pine and we have heard of one large NZ exporter trying to get contracts at US\$144 for mid April vessels. On the basis of a high inventory, sales ticking along at forecast, volume from other sources and flat domestic pricing, we would suggest forcing lifts in the

market by more than US\$1 would be very unwise at this time.

Back in NZ a quick ring around of local customers suggests sawmill owners are happy enough. Log prices to them are stable, they are getting the volumes they need to maintain solid production and they are by in large at peace with the world. West Coast volumes are helping supplement the total supply picture with a solid daily routine of volume mostly emanating out of the 2017 wind damage event.

Volumes are pumping out of Lyttelton port, mostly to China and again the West Coast wind storm harvest is adding to a pot of volume. Contrary to what I understand to be popular belief, the export volumes are in fact less than half the volumes produced in North Canterbury with local sawmills and plants consuming the most volume.

Shipping costs continue to be the primary reason NZ forest growers are doing so well at present. Indeed at US\$141 for standard A grade shorts in China this level is by no means high compared to the 3 year average. Both Log and Lumber exporters are enjoying fantastic break bulk and container rates.

Recent break bulk shipments have been in the mid to late \$20's per cubic metre mark. These rates are very low by 5 year comparative averages. Hence NZ wharf gate prices remain firm.

More recent negotiations suggest rates are on the increase as Northern hemisphere volumes start to lift and ships become more scarce. For the moment there are enough vessels opening on NZ with wind turbine towers flooding in to Australia adding to the pots of vessels prepared to short haul down to NZ for a back load. All of this has an air of "temporary" about it and we expect to see the cycle swing back upward in the near future.

For the moments the wonderfully stable and high market now of 3 years duration is set to continue. As always please remember the thoroughly important message, "It remains, as always, fundamentally important, the only way forward for climate, country and the planet is to get out there and plant more trees"!

Allan Laurie MNZIF  
Laurie Forestry Ltd

**South Canterbury Address**  
22 Shearman Street, Waimate  
7924, New Zealand  
Phone +64 3 689 8333

**Christchurch Address**  
Unit 3, 337 Harewood Rd,  
Christchurch 8053, New Zealand  
Phone +64 3 359 5000

Email: [admin@laurieforestry.co.nz](mailto:admin@laurieforestry.co.nz)



**Laurie Forestry Ltd**

[www.laurieforestry.co.nz](http://www.laurieforestry.co.nz)