

# Monthly Market Report

March 2021



2021 has certainly started on a positive note for the NZ forestry industry with prices firming in the export sector, in fact to close to the highest in the last 3 years.

Domestic demand and prices are also remaining strong. There are some signals from the North Island and Northern South Island, 2nd quarter negotiations are pressing for log price increases in Q2.

For the first time in a very long time, we are seeing some significant sustained lift in international lumber prices. Chile, Canada and Europe are traditionally strong supply sources. Although Canada less so in the last year, as a combination of much lower harvest levels and US demand has reduced lumber exports.

All supply sources are struggling with a shortage of containers and container movements. European and Chilean processing outputs have also been constrained by COVID. Some of the lumber price increase is the consequence of a push forward on higher sea freight rates, some is just simply strong demand and short supply.

Since Christmas, international lumber prices are up 22 – 35%, depending who you talk to and which specific market is being quoted. For the moment most commentators are suggesting the increases are significant and look to be sustainable for the foreseeable.

On the export log side, CFR prices (the log price landed in China in US\$ per cubic metre) have continued to firm, although shipping cost increases have certainly taken the froth off the beer.

NZ exporters are witnessing some of the most rapid rises in sea freight cost ever seen. March has been an example where those who waited to secure vessels, hoping prices would go down, have seen a 20% increase in less than a month. Log exporting at present is certainly not for the faint of heart. As a consequence, we will potentially see NZ at wharf gate prices drop in April if not certainly in May despite CFR prices climbing to close to the highest ever.

Despite some apparent challenges, the market fundamentals remain strong, certainly as far as China is concerned. In this market the key indicator is log consumption, which is monitored and reported daily by the eastern seaboard Port companies and collectively termed off port sales. Following Chinese New Year (CNY), consumption has kicked back up very quickly, as at mid-March running at 85,000 cubic metres per day.

Just to put this in to context, that means in 5 days, the China market is consuming more logs than is exported out of the South Island of NZ in a month.

Erstwhile another key indicator is the current inventory across the eastern seaboard which as at mid-March sits at 4.5 million cubic metres. This is below the 5 million that was being forecast suggesting daily consumption picked up harder and faster than predicted post CNY.

A quick ring around of sawmills in NZ suggests the market is still “going gang busters”. Demand is high with most mills reducing stocks and cutting to order. Hurry up and wait times are extending and some report numerous titchy phone calls with customers not wanting to hurry up and wait.

The big challenge in this market right now will be to match a very strong demand and moderate price increase with log price. For a long time, the NZ sawmilling industry has not been printing a good bottom line. It is great to see some profitability improvement and therefore sustainability in this sector which can only result in equipment and technology upgrades, thus ensuring the total industry continues to stay ahead of the game in an international context.

As always People, 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”!

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