

# Monthly Market Report

September 2021



I believe the best way to describe the current softwood market in an international context, is not dissimilar to how we might describe most other commodities “amidst the sea of confusion, uncertainty remains the prevailing certainty”.

As in the last 5 – 6 months, shipping is a current dominant factor. Whilst the sales prices remain high for logs in China, eye watering shipping rates are taking all the fun out of the game. As an example, in September 2020, we were paying US\$27 per JAS cubic metre for freight NZ to China. In September 2021 try US\$76 per m<sup>3</sup>.

One of the uncertainties pervading is just where this will all go next. The major concern is there is no meat left in the price sandwich in China and shipping is picked to go higher. It is certainly all eyes on the key factors at present, as we watch the scrappy game of cat and mouse from the sidelines.

In China, average wait to discharge time is reducing ever so slightly with most ports quoting 10 – 15 days. Lanshan Port is one of the biggest for NZ logs. They have just announced a 4th berth opening for Log vessel discharge. This will help, albeit eventually.

Across NZ ports, congestion has eased as vessels were able to continue loading during lockdown. Staff shortages amidst Stevedore providers remains an ongoing battle. Many vessels are slow loading because there are just not enough people on the ground to support operations. A drive toward mechanisation seems to be the only solution.

Our domestic mills report mostly strong sales with the supply chain disrupted by logs sitting longer than preferred for this time of year in sawmill yards and forest skids sites during lockdown. Sap stain has been a major challenge for some with the warming and wet weather not helping.

Lumber sales and prices are strong with the current mood likely one of further price hikes in Lumber. This appears not to be driven so much by labour costs as it is by log cost, regulatory compliance and related materials supplies costs. Imported anti sap satin chemicals are a good example.

For the moment and as it has always been in this industry, the local sawmills remain the backbone of stability and price opportunity for forest growers.

The fundamentals in China remain pretty good. Daily consumption is ticking along at close to 80,000 m<sup>3</sup> per day, up about 10,000 per day on last month but still 10,000 below the long run average for this time of year. Inventory is sitting at about \$4.5mil m<sup>3</sup>, changed very little from last month.

Domestic prices for logs China side are a key indicator of demand and overall market health. For the moment the break even point for traders is sitting effectively in the mid US170's per m<sup>3</sup> for NZ logs so we would expect CFR levels to remain largely unchanged in October.

And from the “just when you thought you had heard it all department”, news of China's second largest property developer boss having to go and visit the big boss to advise he had US\$300 billion of debts going peer shaped has not been good news for market sentiment. Whilst further liquidations are imminent as a consequence, most commentators have suggested the big boss will dig in to the financial stability chest to ease the impacts.

On the back of this sobering news, we have a renewed COVID outbreak in Fujian Province with significant market disruption a likely downstream impact. The immediate shut down of Ports is imminent and hot off the press at time of writing. This pandemic has much to do with supply chain disruption in the coming months, if not years – uncertainty prevails.

Despite the challenges, log prices remain as good as if not slightly above the long run average. If we can maintain that position over the next 3 – 4 months, that will be a good outcome.

As always People, please remember the thoroughly important message, “It remains, as always, fundamentally important, no matter the challenges, 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)