

Monthly Market Report

February 2022



The trend we saw developing in the log export segment in January, has evolved in to some significant increases in prices, at wharf gate NZ for February sales.

The increases can be primarily attributed to a resurgence in CFR log prices in China as buyers respond to a big slow-down in deliveries from NZ and other sources. The current log inventory across the eastern seaboard of China sits at around 5 million cubic metres, almost 1 million less than some commentators were predicting it would be at this time.

Chinese new-year celebrations and holidays are over with the year of the Tiger starting 1 February. It is stated those born in the year of the Tiger are said to be brave, competitive, unpredictable and confident. The western world might be hoping the China President was not born in 1998, 1986, 1974, 1962, 1950 or 1938!

We have not seen a big build in daily usage yet, and likely will not until sawmill staff return to work in number toward the end of February. An air of caution prevails in all wood fibre commodity sectors as we wait to see how much consumption will pick up by. Most believe there are sufficient warning signs to suggest the 2022 road will be rocky believing it will not take much for the wheel nuts to loosen.

Back in good old NZ, domestic sawmills continue to go gang busters. As reported last month, the lack of good and reliable staff is a major impediment to maximising production. Latest reports suggest a moderate easing of demand and the backlog of orders shrinking very slightly. As is often the case, that depends on who you talk to.

There appears to be some very idle hands floating around some public spaces in Wellington, Picton and Christchurch. Perhaps they should get out and do some real work like contributing to the domestic productivity picture. Oh no that's right they cannot, they are not vaccinated.

Back to the "lets get real world", supply lines from many countries have continued to slow, a trend we saw developing late 2021. As reported last month, European log and Lumber exports have slowed to a trickle in response to reduced harvest and domestic demand.

Canada and Russia have been big log exporters to Japan. Both supply lines have slowed and prices

have been increasing. CFR prices have now moved to levels where NZ Radiata pine logs are starting to look attractive.

Russia is almost at the zenith of their conversion to on shore processing only and have thus far struggled to hit some supply targets. This will be an interesting space over the next few months, in effecting testing the efficiency of a Russia sawmill operation with a China sawmill.

The China government have moved to increase credit lines, in effect improving the low-cost housing rental market. This has been greeted favourably with commentary suggesting the government will recognise the importance of the construction sector.

As a consequence, domestic wholesale prices for logs have been firm and most expecting increases in March. This then would suggest we will continue to see CFR increases for NZ Logs.

Against this backdrop on positivity, shipping companies are starting to play hard ball again. Southern hemisphere harvest and Northern hemisphere demand is adding to the pot of shipping demand and owners have once again started to adopt a "take it or leave it" stance.

Add in increases in bunker costs, and this is going to be tough space for the next few months

If CFR prices do increase, we can further expect ship owners to want a slice of the action. Therefore, the net back at the NZ wharf gate in March is unlikely move greatly either way.

Even at the current levels, we are back in a pretty good space overall. In total we are back over the 80 percentile of the market of the last 3 years with the combination of excellent and stable domestic prices and good export levels starting the trading year off on a positive tone.

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, No 5 Seven Mile Drive, Belfast,
Christchurch 8051, New Zealand
Phone +64 3 359 5000

Email: admin@laurieforestry.co.nz



Laurie Forestry Ltd