

Monthly Market Report

April 2022



The NZ wood fibre exports trade continues to be dominated by shipping. Availability of ships, timely presentation at ports to pick up cargo and freight costs are weighing heavily on the market.

Our domestic sawmill customers continue to report strong sales and many orders which will keep mills busy at least until Christmas. Some sawmill managers have commented there seems to be similar orders in circulation, suggesting building companies are placing the same order with several sawmills until filled.

I noted on a recent walk through a box store drive thru, there are packs of timber from multiple sources. Previously you only saw 2 or 3 supply sources. Let's hope the mad scramble for volume can get domestic log prices on the move again, with fuel costs certainly negatively impacting forest owner returns at present.

The local building sector continues to suffer the vagaries of supply of materials other than lumber, which has increased the tempo of an inability to get new house starts underway. Gib board and plywood are predominantly short with the latter preventing bracing element completion and therefore holding up starts. As a consequence, some sawmill lumber yards look full but this is mostly ordered stock waiting the foundations to go down.

Meanwhile in China, COVID has significantly disrupted the log trade with major cities under lockdown and building projects on the go slow. Buyer sentiment is very much starting to wane. The log trade hub centred around Shanghai and the Yangtze River are facing huge population movement restrictions. This is starting to impact more widely with general economic slow-down noted in recent reports.

Taicang and Lanshan ports are hugely important to the NZ log trade and both, as well as surrounding cities, are under various levels of either lockdown or heavily restricted movements. Local Authorities have now removed timelines and now leaving movement restriction settings open ended. And in China, one does not buck the rules.

Gosh a few of those Wellington protestors should head there to complain. At least that would get them "out of circulation" for a few years! Sometimes we don't know how lucky we are mate, sometimes we don't know how lucky we are.

Despite the apparent problems, daily consumption across the Eastern Seaboard is only running at about 40% below normal at 50,000 cubic metres per day. This is not bad for a country under lockdown, although not all cities are affected as badly as the Shanghai area. Inventory has remained largely unchanged over the last month, meaning that log flow in from all sources has also slowed significantly.

Given world wide spread of disruption to trade generally, sea freight negative sentiment has continued to prevail. Sea freight rates have been dropping. In the broader reporting across the segment, I have noted daily hire rates coming off 44% in the last month and tonnage in the Handy Class segment continues to be over supplied.

As we might have expected, despite the apparent need for pencil sharpening, ship owners remain very bullish, believing as soon as China comes out of lockdown, it will be a lolly scramble and plenty of sweets to go around.

Of what we can expect in May, it would seem apparent any shipping cost reduction will hit CFR negotiations, with log prices in China still US\$15 per cubic metre higher than the breakeven point for traders.

The best we could therefore hope for is wharf gate prices flat in May and that will be a really good outcome. With FOREX rates (US\$ v KIWI\$) slightly down we might even see some small lifts. I suspect our illustrious leaders will the need extra export earnings to keep paying our/their extravagances.

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"

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