

Monthly Market Report

June 2022



We have certainly hit an export log price low spot this month with the combination of a slight drop in the sale price in China and rampant shipping costs leading to very low prices at wharf gate NZ. As a consequence, many logging crews and trucking companies are either parked up or on short weeks and in both segments, we are starting to hear of casualties.

The medium term is looking more positive, although much depends on shipping companies right now. As at the third week of June, rates are falling back seriously suggesting greed and profit drove us in to the cost ionosphere previously.

A dramatic go slow in NZ export log production is what is needed for us to see any sort of turn around. The China eastern seaboard inventory remains at 4.7 million cubic metres. At daily consumption levels at, or around 56,000 cubic metres, the inventory whilst not high in a normal year, is too high to generate positivity in China domestic wholesale prices.

The challenge in all of this is to maintain some harvest in NZ, ensuring the crucial local (domestic) sawmills continue to get what they need in both volume and good quality grades. For the moment, so far so good and no reports of mills short supplied, in fact a couple spoken to have more than they need.

If this situation lasts for too long and forest owners exhaust the better-quality forest harvest, they will be forced back in to lower quality stands. We could see history repeating here and that is when log exports recover, domestic supply could be at risk.

There is no question, of our major trading partner China, much can be said to be COVID related and attempts to prevent spread through lockdowns. The break-even log sales price in China sits at around the US\$140 per m3 CFR basis, about US \$15 per cubic metre off the pace to get Kiwi loggers back to work. However, it is worth noting this level sits in about the top 80 percentile of the market of the last three years

Add in shipping rates which are well over 100% higher than the same time last year, and you have plenty of Kiwi Loggers standing on the beach flipping the birdie at the ships parked off NZ ports waiting for cargo that is very slow to materialise.

Last week I was pleased to attend and present at the NZ Forest Industry Safety Council conference in Queenstown. A great venue and subject matter to remind ourselves how far we have come and how much we have to do in the safety space, something that will always evolve and change as we learn more in the behavioural sciences and human factor area.

My topic was a review the Contractor Certification Scheme which now sees a big chunk of NZ Forestry Contractors either with Certification or in the process of getting it. This is big step forward in recognising a unique skill base but also a recognition of an industry now driven on being smarter and safer.

I was also able to report on our company having achieved a NZ first as a Guinea Pig for Forest Management Company Certification. Again, being subjected to independent and thorough audit, aims to ensure cross industry standards and delivery on safety as the foundation stone for all that we strive for. These are important steps for an industry hell bent on continuous improvement.

A quick word on this fantastic planting season we are seeing across NZ. Lots of wonderful Radiata pine going in the ground but also plenty of special purpose species and natives. In the early to mid 90's it was all Radiata making up the majority of new planting, now we have great diversity and plenty of water ways being planted to exclude stock, the wonderful Totara amongst them.

I have heard a few less than favourable comments – the old pine basher brigade having a go. We should remind them the 2022 planting season achieves a milestone with the 80,000 odd hectares lost to the dairy industry last decade now back in the ground. So detractors, NZ is most certainly not disappearing under a sea of wonderful pine trees.

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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