

# Market Report

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A year of little change in log markets continues with prices remaining in a positive to neutral space. I have stated several times recently it is good to see wood fibre commodities holding their own when other segments are general weak to softening in terms of net pricing.

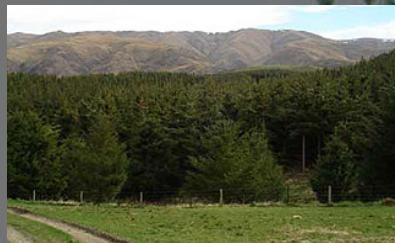
Much of this 'continuing steady as she goes' market status within wood fibre commodities can be attributed to China. Demand for both log and lumber has remained steady, prices are generally holding firm and supply from other sources is also stable.

Log price settlements in China for August sales have been holding steady with the key market indicator A grade sitting at around the USCIF\$130 per cubic metre mark. Market positioning seems to be the order of the day with sales known to have mostly ranged within US\$4 of the market indicated price. The price settlement variation appears related to "jockeying for position" by NZ sellers.

Chinese buyers are definitely becoming more selective about quality. Pruned logs have hit a high US\$160 per cubic metre for the upper end of the quality range meaning 40cm+ small end diameter, bark off and anti sap stained. Apparently the baby cot market is helping to lead the interest in clearwood pine logs! Meanwhile the lower grades have been struggling to hold price position.

Total Pacific Rim softwood supplies in to China have been slightly ahead of demand with log yard inventories building closer to 3mil cubic metres. At current consumption levels this is getting uncomfortably close to 3 months supply. However supply volumes are expected to drop in August and September as demand picks up in India.

Despite apparent progress in the Christchurch re-construction, the domestic segment remains quite



subdued. Just in the last couple of weeks we have noted a higher level enquiry for the favoured S30 framing logs but price upward negotiations remain off the agenda, at least for buyers.

Shipping has continued to be a melee of supply and demand talk with the word "shorting" coming in to the jargon. This apparently means a level of collusion between shipping company owners to short supply the southern hemisphere market in an attempt to drive costs back up.

For the moment this little game play has not impacted with sufficient vessels seeking cargo. Some of this appears to be related to the fertiliser season with extra ships in rotation looking for backloads to the Northern Hemisphere.

Some Lumber exporters have reported container pricing has also stabilised which appears to have coincided with a small increase in CIF settlements, allowing them to record some badly needed margin on recent consignments. Long may it continue....

Most of us involved in exports continue to complain bitterly about the higher on average US Dollar exchange rate. At a prevailing and persistent US\$0.81c it is unlikely we will see anything wildly exciting in forest grower returns in the immediate term.

Overall we are continuing to say this year will remain stable in price and demand terms internationally. However overall wood fibre demand remains good and prices are holding at a time when other commodities are softening. Thus it is has never been more timely to remember the only way forward for climate, country and the planet is to get out there and plant more trees ..... please.....!

Laurie Forestry Ltd – Offering ongoing, sensible and achievable solutions for Forest Growers

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