

Monthly Market Report

February 2013

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The news for forest owners continues on a positive note for Q1 2013 with the log export segment in an upward price trend for February/March sales. China continues to dominate this market with demand remaining stable but log supply from other sources dwindling.

As a consequence inventories across most China Eastern seaboard ports continue to be at moderate to low levels. This means total inventory is hovering below 2 million cubic metres. Outside of the normal undisciplined kiwi log suppliers flooding some ports, generally speaking we are in pretty good shape in the demand and supply stakes and we are shaping up for a continuance throughout 2013.

This means the market indicator A grade log is selling for about US\$140 per cubic metre landed in China. This converts back to mid to high NZ\$90 per cubic metre landed at Lyttelton or Timaru ports. This then converts back to NZ\$30 - \$40 stumpage for your average forest grower which starts to make harvesting worthwhile.

Domestic demand and supply appear to be in relative symbiosis with most saw mills seemingly being able to source their logs at their money. Log price increases remain elusive for suppliers but some commentators have suggested there is a little squeeze upward on some lumber price segments at present. Perhaps Q3 and 4 might see some continuance of this trend ultimately falling to forest owner pockets.

Frustratingly for everyone we are still getting the same log prices for like grades as we were more than 10 years ago. Saw mill owners will argue they are getting on average less for their lumber than they were 10 years ago. The expectation is for increasing demand consequent on the Christchurch rebuild which will eventually see both sides enjoy better times in the future. Certainly owning a saw mill has not been a pathway to the rich list in good old NZ over the last 20 years if not more.

We can continue to thank Pacific North West traders for not sending large volumes of Log and Lumber to China. We can also reflect on a Russian log supply situation which sees infrastructural challenges limiting log supply to China. Both constrained supply factors are seeing a good demand profile for NZ and Australia Pine

logs. Forecasts are suggesting this situation will remain for much of 2013. New house starts in the US will be a fundamental driver in this equation.

Right now we are in the Chinese New Year Holiday period. Although the official period is 7 to 15 February, the close down in manufacturing spans over 3 weeks. This reflects many Chinese workers returning to their homes early and coming back to work late

Despite the season of less manufacturing, most commentators are ambivalent with some even suggesting this slow down was needed to allow inventories to creep back up over the 2 million cubic metre comfort level.

A quick review around some Canterbury saw mills suggests demand is good and the phones are ringing with an improved consistency. Outdoors type lumber products are continuing to sell well and house framing is in hot demand. However all negotiations appear to remain around less than exciting price points with buyers quoting the ability to source material from several suppliers. At this stage we are therefore not seeing demand lift sufficiently to think about breaking out the Champagne.

The cost of shipping logs to Korea, China and India has generally been softening slightly, helping to generate better wharf gate prices in NZ. For the moment the trend appears to be for stability although some are suggesting we can expect firming late March and April as the northern Hemisphere summer approaches.

And so it appears that predictions of 30 years ago about world wood demand and supply moving toward rotational plantation forestry appear to be coming to fruition. 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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