

Monthly Market Report

March 2013

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Export log prices have continued to improve with a NZ\$4 – 5 per cubic metre at wharf gate increase being the order of the day for March deliveries. This improvement is the consequence of movement upward in the market price together with a softening in shipping cost.

The price for the market indicator export A grade log has increased to around NZ\$100 at the wharf gate NZ, a 2 year high. The fundamentals within the market suggest this price point is likely to be the zenith for the medium term with further small sales price increases expected in April in tandem with shipping cost increases.

Log Inventories on the China eastern seaboard have increased rapidly toward 3mil cubic metres as supply continued during the Chinese New Year when construction was in recess. Buyers have therefore been more difficult to negotiate with and likely to remain that way until the supply and demand pattern is re-established.

Supply out of Pacific North West is expected to increase in May June as the onset of the northern hemisphere summer usually sees increased volume availability. However, all eyes are on the US new house start statistics and what will happen to summer construction projects.

For the moment the demand profile looks buoyant, therefore we would suggest a continuing upside in domestic construction. If this happens, it is likely the year will be one of continuing better prices for export logs from New Zealand and Australia to China and Korea particularly.

On the domestic front, the volumes traded and margins appear to have been constrained for Canterbury sawmill owners in February. Indeed 2 respondents have reported weaker than expected sales, also expressing some frustration at the lack of vibrancy in the market generally.

Out-door products like fencing materials continue to sell well but at margins that will not see profit celebration parties a likely event any time soon. However the mood of the market is generally of a more positive note than has been the recent past with some segments performing at or about at expectation.

Certainly, any earthquake re-build lumber demand appears to remain in the larger supplier sand pit from which the locals are pretty much excluded from participation by price. Although the large supplier volume sandpit is of a good size, there a few players in it and there is plenty if biff going on over who gets to supply.

The pint of difference continues to be price. As a consequence lumber prices are constrained and unlikely to change in the short term. There is some current banter going on that lumber prices can be expected to lift mid 2013 as demand increases continue. Given the scraps over the toys in the sandpit of the past I have some doubts about this. It with take a larger than expected demand adult to step in and stop that fighting, thus it is likely, for the moment, we can expect more of the same.

Shipping costs have generally been holding at December/January levels, helping to generate better wharf gate prices in NZ. For the moment the trend appears to be for stability although as reported last month some are suggesting we can expect firming late March and April as the northern Hemisphere summer approaches.

This wonderful game of forests and forestry continues to show all promise of a future with wood fibre commodities holding firm as others decline or struggle to regain lost ground. The balance of supply and demand appears to be swinging slowly but surely the way we suggested in would as far back as the 1970's . 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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