

Monthly Market Report

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Log markets have continued in a positive tone with demand across both domestic and export segments good. Prices are either holding steady or firming slightly and an optimistic mood continues to pervade.

The China market continues to dominate all segments with consumption remaining at or about expectation. An increase in log shipments from the Pacific North West was expected to ease prices as supply was anticipated to exceed demand.

However the market has shrugged off the additional volume and prices have held steady. The key market indicator A grade is now selling at CNF US\$148 per cubic metre. At this level A grade at NZ wharves is NZ\$100+ per cubic metre which means the forest owner can enjoy a much improved return.

I indicated in last month's report I felt it would be dangerous for NZ suppliers in China to force prices any higher. Despite an apparent robustness to the market and promise of more to come, I continue to hold that view. At the current levels it will not take much for a swing in demand, or supply from other sources to upset the apple cart. We certainly need to avoid the boom and bust cycles that have dominated our industry until recent times.

In Canterbury we continue to wait with baited breath for the large surge in lumber demand consequent on the rebuild. At present all mills are busy, have good order books and lumber prices are showing signs of upward pressure. Thus far that pressure hasn't filtered down to the forest gate.

I have noted a couple of the larger mills in Canterbury are struggling for log supply. That is likely the consequence of a change in crop type harvest by some of the bigger players, as it is a function of better export prices. These local mills are so fundamental to the success

of our wider industry, continuing to support them with log supply is critical.

If we took a snapshot of our national harvest we are now exporting approximately 50% of the log volume and 50% continues to be sold domestically. This emphasises the importance of a vibrant sawmilling industry.

In broad terms, nationally, we are harvesting about 2million tonnes of logs per month give or take. So although it looks like there are a lot of logs on the wharves, it is important to remember there are just as many being delivered to local mills.

Shipping has remained challenging in terms of trying to work out just where the supply demand balance is on any given day. There are a huge range of factors which impact shipping settlements and a lot of smoking mirrors, rumours and balderdash pervading negotiations. As a consequence settlements are often very late which make price planning problematic.

For the most part shipping costs have been holding firm and in recent days there are the slightest signs of softening. This combined with a slightly weaker US/Kiwi\$ exchange rate, has seen prices at the wharf gate, NZ, firm very slightly for May and early June shipments.

As stated last month forestry is certainly enjoying a sustained level of improved prices with anticipated supply demand statistics globally, appearing to support continuing strength. Despite the earlier prediction we might see price softening in China, for the moment everything is holding steady. And forecasts suggest we are in for more of the same at this stage.

Thus it is time for many more to now follow suit and it 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

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

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