

# Monthly Market Report

November 2013

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The focus for the forest industry in Canterbury for the last month has been on wind damaged forests, woodlots and shelterbelts. A quick drive around pretty much anywhere in the country side reveals many farming and forestry properties across the region with trees downed.

The impacts in terms of net harvest volumes will be significant. Sawmills can expect an initial surge of volume as foresters move quickly to recover the domestic grades before sap stain sets in. This discolours the wood, making it unusable for framing grade lumber and pretty much most other end uses domestically.

The most revealing impacts in terms of increased volumes will be felt at Timaru and Lyttelton ports. Each has been used to Scaling (measuring) and Marshalling (placing to rows) in the order of 1,100 – 1,500 cubic metres per day, up to 2,000 if all the production planets were in alignment. Over the next 10 – 12 months daily deliveries are expected to be 3,600 – 4,000 cubic metres per day to each port.

The rapid and significant increase in volume places a lot of pressure on logistics providers including trucking companies and ports operators. All are telling me their single biggest challenge is finding good reliable and competent staff prepared to work the hours.

Across the logging front and as an example our company has imported loggers from Australia, Southland, South Otago, Northland, Waikato and Nelson/Marlborough. Local crews have been asked to expand and new equipment has been purchased.

Additional logging trucks have been sourced from Central North Island, Southland and Otago, and again the challenge has not been so much getting the trucks, it is finding someone reliable to drive them.

Log prices in China moved upward again from US\$1 – 2 per cubic metre for November settlements. Demand has remained ahead of earlier forecasts and inventory levels are hovering around 2 million cubic metres.

For the moment the volume is cranking, prices are firm to stable and the marketing planets are in basic alignment. There is no sign of a cataclysmic event, lunar or otherwise, on the horizon so we would not expect to see great changes until we strike the Chinese New Year which is a week earlier (starting late January) than normal.

Across NZ ports, congestion, frayed tempers, jockeying for position and crazy out of step pricing appear to be the order of the day. This latter practice appears to be attempts by some traders to buy volume by offering loss leader pricing and over pricing in the hope of securing wharf gate volume. If my experience of the past 26 years is anything to go by, these loss leader traders often have very short life in business spans and they normally leave a trail of unpaid and unhappy forest owners behind them.

At a NZ wharf gate position, pricing has remained stable to slightly soft responding to increases in shipping costs and slight firming in the US\$ FOREX. With CA grade remaining well above the NZ\$100 mark forest owners are enjoying a pretty good run.

Meanwhile domestic mills are enjoying a better run rate on supply with increased harvest activity ensuring there is sufficient framing grade log supply. Indeed the wind event might have just arrived in the nick of time with some previously running short. There will be some nervousness about the longer term with a combination of loss of critical forward volume and sap stained wood potentially impacting negatively.

As reported last month, we continue to hold the view we do not see any negative sentiment toward market pricing consequent on the 1 million + tonnes of wood felled by recent winds in Canterbury. Export pricing will be impacted, positively or negatively, by far wider global influences than a few extra tonnes in Canterbury. Domestically new house starts will provide the push and pull on pricing rather than volume which appears to be finding adequate homes at present.

Thus, 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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