

Monthly Market Report

April 2016



Wood fibre has continued to buck the international commodity trend with prices across all segments stable to firm. And just to prove crystal ball gazers should learn to eat glass the latest consumption figures across both domestic and export markets have been strong.

NZ markets have focussed on both domestic and export sawn lumber segments. Auckland and Christchurch are the epicentres of the domestic sandpit whilst Hamilton and Central Otago featuring a close 2nd. For exporters most roads lead to China with good sales levels and prices favourable.

Shipping costs have started to firm in response to less volumes of PKE and fertiliser heading to NZ. As an example our last vessel to load logs at Lyttelton had taken 3 weeks and several ports to discharge a PKE cargo with warehouses everywhere full to the brim. Glad I wasn't paying the demurrage on that one!

As a consequence of more ships having to ballast down to NZ we are anticipating some moderate strength around shipping costs over the near term. But international shipping builds have also hit a crescendo with capacity outstripping supply by about 7 - 8 %. Even given an increased demolition rate, we do not see significant shipping rate volatility in our near future.

My latest reports out of China have confirmed softwood log consumption is running at 65,000 to 70,000 cubic metres per day. That equates to about 2 shipments of logs per day being milled in to lumber and plywood, essentially to hold up concrete until it dries, in the construction sector. Consumption stats include all softwood logs, including those from NZ, Russia, US, Canada, and Australia. NZ companies continue to be the dominant player by far, owning and or managing the supplying in excess of 70% of all volumes.

Over the last month we have seen CIF prices under some upward pressure with the market indicator A grade settling in a US\$112 - 116 per cubic metre range. This represents an effective rise of US\$2 - 4 on March vessels. Timing appears to be everything with those braving it out hitting the higher numbers for early May sailings.

However a US\$2 movement in shipping costs together with slight FOREX firming means little change at the wharf gate NZ. Still this is a better outcome than most were predicting. On the supply side for both NZ and

Export customers there is now no question harvest volumes are less than the same time last year. Some commentators have suggested a gap in harvest age for some big players as being one reason.

My spies around the country are pointing to capacity loss in logging contractor crews with many finding difficulty in recruiting good staff. I am aware of 5 logging crews actively looking for more qualified people and at least 10 logging trucks parked up for the want of qualified drivers. The doom merchants have suggested new H&S rules have scared some off but frankly the recent changes mean little change for an industry already thoroughly focussed on Health and Safety.

The China eastern seaboard inventory for all softwood logs has fallen to 3.15 million cubic metres representing just over 2 months supply. This is a very comfortable level and should see continuing stability in log price. In the last couple of weeks, China domestic log prices have lifted NZ\$3 to 6 per cubic metre suggesting further very modest price lifts should pervade May settlements for NZ suppliers.

The key here will be modest lifts because most in the market realises the construction season is in full swing and this will trail off as the summer temperatures rise. If we pitch our position too high now we will definitely take a hit in our mid winter.

The scene across our domestic sawmill profile throughout many regions is one of continuing constrained log supply with sawmills at times struggling to get volume. Some regions are seeing some small log price lifts, whilst others are holding price but signalling increases in the near future. Again the supply shortage is a function of capability but in Canterbury is also a reflection of loss of volume as a consequence of the 2013 wind storm.

And so it is the commercial plantation industry continues to yield some of the highest returns of all land uses. Prices are stable and very good and the industry is in good heart. 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.....!

Allan Laurie MNZIF
Laurie Forestry Ltd

South Canterbury Address
22 Shearman Street, Waimate
7924, New Zealand
Phone +64 3 689 8333

Christchurch Address
Unit 3, 337 Harewood Rd,
Christchurch 8053, New Zealand
Phone +64 3 359 5000

Email: admin@laurieforestry.co.nz



Laurie Forestry Ltd

www.laurieforestry.co.nz