

Monthly Market Report

August 2016



Log supply lines in Canterbury have become constrained with the most apparent reason being a slow-down in resource availability following the 2013 wind storm. Having harvested effectively double the normal regional volume over 12 months following the storm, the net impact is less available volume now.

This combined with winter harvesting conditions, is limiting access options and therefore also constraining supply. The net effect is logging staff moving around including out of the region and several logging trucks parked up.

The other big impact is local sawmills running out of the higher grade logs they require which has all sorts of down-stream consequences. Short days and little overtime appear to be the order of the day.

Log prices have remained stable during July and August with some upward pressure coming to bear on the domestic side. Export prices firmed slightly this month but mainly as a consequence of lower shipping rates. The landed in the market prices (CNF US\$ basis), weakened US\$5 per cubic metre in India but remained unchanged the predominant market in China.

Overall the total NZ monthly export log harvest is running at 180,000 to 200,000 tonnes less than the same month last year. It is difficult to determine why other than some regions reporting some larger corporate owners, particularly in the North Island, running low on the preferred age class stands.

I believe also some forest owners have been cashing in on higher prices over the last 2 years with numerous reports of stands in their early 20's getting the chop. Long term this is not good for our industry. Lumber entering the market from young trees is invariably of poorer quality typically suffering lower strength and instability. The dent in our reputation as a dominant Pacific Rim Producer is undesirable as is the potential for staggered supply going forward.

Young forest harvest is also likely the consequence of larger owners being driven more by the short term needs and wants of their accountants rather than what is good for the forest. Foresters and net income statistics can clearly demonstrate the advantage of waiting a more ideal age 28 - 30 harvest.

Over the last 3 weeks consumption in China has exceeded all expectations for what is normally a low

usage period during the heat of summer. Current consumption across the eastern seaboard is running at 54,000 cubic metres per day, down 4,000 per day compared to July, but still well ahead of predictions.

Overall inventory is 3.58 million cubic metres, reflecting a moderate increase since July. But the telling statistic is NZ/Aust supply compared to US. At present NZ/Aust log inventory is declining the equivalent of 110,000 per month compared to US supplied logs increasing by 230,000 per month.

With current NZ production on the decline and US volumes expected to decline it is likely we will see some significant reductions in inventory as long as consumption remains at or about current levels. However there is little talk of price movements either way so stability is likely to remain the order of the day in the approaching weeks.

A critical equation continues to be the China domestic value of logs being sold in to the market and on average this has remained stable over the last 4 weeks. A further element lies in the China domestic cut which is on a significant decline curve. We are currently researching what the net impact of this will be over the coming months.

Of some concern is the apparent over supply of pruned log in to China with a near equal number of stories and dubious quality logs. The salutary lesson here is if you know your forest or woodlot has not been pruned on time, do not attempt to pass it off as something better than unpruned log quality. Right now the whole industry is paying for these quality issues and it is costing millions in lost revenue.

On a further bright note it is pleasing to see serious harm accident and fatality rates on the significant decline for the plantation forestry sector. Indeed the procedures and systems being adopted by industry are starting to rank amongst some of the best internationally. We would thus expect the current trends to continue. As is now unequivocally the case 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