

# Monthly Market Report

March 2017



**T**he continuing strength of pricing and demand for wood fibre commodities is heartening to say the least. Stability is helping to ensure sustainability of work for suppliers and projects lined up in advance gives financiers confidence.

In March we have seen continued strengthening in shipping costs. Shipping companies have been signalling for some time they have been unprofitable and the price chickens have now come home to roost.

Shipping rates climbed on average US\$2 per cubic metre in March and we are likely to see the same in April. This essentially reflects a 16% increase in 2 months which is taking the shine off what has otherwise been a bumper period for forest owners.

On the log export side the selling prices in China have firmed by US\$2 per cubic metre in March and likely to remain flat in April. We do not see great change over the 2<sup>nd</sup> quarter as the supply and demand planets come back in to alignment after holidays on both sides.

India has hit a "difficult" spot with prices soft as the market tries to come to terms with new tariff and trading rules. Recent heightened enquiry via our web site and the general speak in the market is we can expect price and demand recovery in April.

Korea is chugging along and in recent weeks has displayed volume growth and increases in domestic prices are imminent. However we also expect Korea and India to follow the lead of China and they will end up pitching just above or below, in log price terms, depending on their appetite for volume.

Back in China we are seeing some very good consumption numbers with early March running at about 76,000 cubic metres per day reducing toward month end to 68,000 per day across the eastern seaboard. The early rush will be restocking after the New Year holidays but the general talk is of good sales and buoyancy in the construction sector. The current consumption is slightly ahead of the same period last year.

Overall log yard inventory is dropping and is expected to be 500,000 cubic metres less by the end of March. This would result in about 4.0 million cubic metres of inventory, similar to December 2016 levels. This is seen as a good comfort level and will bode well for Q3. We have also seen domestic lumber prices stabilise or increase slightly after pre and post CNY drops. This

will help restore trading margin thus adding to overall health and wealth. All of this suggests the market has levelled nicely and now running at or about expectation.

The current only darker spots are the shipping rates which are frustratingly creeping too high and the pruned log segment which is continuing to display fussiness and resistance to anything other than good quality. It would not take too much to see an over-supply in this segment so we are recommending forest owners and suppliers take heed and ensure suspect logs or those of lesser quality do not make it to this segment of the market.

On the domestic front, sales, volumes traded and prices are all in positive territory with sawmill owners happy to ambivalent. The lower exchange rate is helping the exports sector and buoyancy across housing and construction is good. Some are reporting a slight slow down on domestic demand mid to late march but it is highly likely this will be the consequence of pre-stocktaking shrinkage, rather than a function of demand.

In our specialist timbers segment I am heartened by an apparent demand for timbers other than Radiata pine and Douglas fir. Whilst we still see a lot of so called sustainably harvested tropical hardwoods (yeah right....) sitting in box stores, the demand for NZ grown appearance grade timbers with reasonable durability profile is also increasing.

In this segment the enquiry levels for Macrocarpa as an example, are certainly increasing. Prices are well ahead of other segments hence log prices also much higher. Log supply constraints certainly appear to be hampering growth in this important opportunity. Perhaps it is also time to focus on planting alternative species. In my view Totara is a stand out plantation species....perhaps more on that later.

As so we have another month of very positive and solid trade and it looks like more of the same over the medium term. This proves once again, 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](mailto:admin@laurieforestry.co.nz)



**Laurie Forestry Ltd**

[www.laurieforestry.co.nz](http://www.laurieforestry.co.nz)