

Monthly Market Report

May 2017



Another positive month in May with both domestic and export prices increasing by an average 5.5%. This continues a 2 year bull run on both demand and prices. It is even more significant in terms of stability. Over the sale period price changed up or down have rarely exceeded 5 % in any one month.

All indicators across both export and domestic segments suggest we can expect more of the same. This will in turn continue to see commercial forestry as one of the highest yielding returns of all land based industries on NZ.

My reports have rarely included much about what is happening in India. Given we can expect significant growth in this market it is worth a review. At present annual log exports from NZ to India are in the order of 1.6 million cubic metres per annum. Most commentators are suggesting this market will increase by close to 100% by 2020.

Prime Minister Modi has introduced various monetary changes in order to increase the tax take thus ensuring infrastructure and economic growth. The so called demonetisation of high value currencies has seen a staggering 80% increase over a typical year rise in the number of tax payers.

However a surge of 9.1 million additional tax payers needs to be taken in context. In a typical year there is an increase of about 5 million meaning a net gain of 4.1 million in the last 12 months. Prime Minister Modi has set his officials a goal of increasing the number of tax payers from 65 million to 100 million

Further evidence of economic growth is revealed in car sales with an increase of over 12.5 million units on the road in the last 5 years and in 2016 over 20 million Indians travelled overseas on business or pleasure.

There can be no question this tide of change is ever increasing. China remains solid in terms of price and demand but we are seeing a gradual shift in end use with our wonderful Radiata pine increasingly being seen in the furniture and moulding segment.

NZ domestic demand remains unprecedented. Construction is at the outer limits of levels ever previously recorded and sawmills are going flat out to keep up. Log supply has settled a little of recent weeks with less talk of mills taking time out due to supply shortages

In Canterbury the picture is a little skewed with companies like ours positioning logging crews in to fire damaged areas on the Port Hills. Fortunately the trees in the fire ravaged areas whilst burnt to varying degrees remain recoverable in terms of usable wood fibre. Even though blacked on the outside, the wood inside the tree is mostly undamaged.

The challenge here is to remove as much of the blackened bark as possible during harvest. This would otherwise finish up in the sawmill bark and chip pile which in turn would finish up at the MDF plant in Sefton. Black flecks infused through MDF boards is about as popular as the current North Korea leader is in the USA...not.

A further challenge lies in a little beastly called the Burn Bark beetle who likely thinks all his and her Christmas' have come at once in the Port Hills. The loggers need to get trees down and processed before the beetle makes new homes and starts building family members. Fortunately the onset of winter months should see limited expansion of the beetle population until the summer months.

Outside of a couple of questionable leadership currently to be found in North Korea and USA, it looks like stability will continue to rule in terms softwood log markets for the foreseeable future. Continued demand across NZ domestic, China and India currently has all the hall marks of continuance.

Shipping has flatted off after a solid firming period. Additional volume capacity in the Handy class segment, which is the basis on NZ log shipments, is evident with more vessels opening on NZ as northern hemisphere volumes wane slightly. Shippers are much less ambivalent about settling prices for vessels and appear much more eager to negotiate early contracts.

All in all we remain on track as a high yielding land use and we continue to see plantation forestry as a highly profitable if not close the most consistently profitable land use in NZ. This proves once again, the only way forward for climate, country and the planet is to get out there and plant more trees.....!

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