Monthly Market Report June 2017

Over the last month the housing sector in Christchurch has come off the boil. A couple of contacts in this segment are suggesting we are nearly at a housing saturation point with a noticeable decline in enquirers in recent weeks.

This could be a winter effect or it could be the sign we have reached the top of the new build wave. Either way, if it continues, we would expect this to eventually filter in to our local mill sales and therefore lead to a slow down after what has been almost a rampant log demand. I suspect the outdoors sector will continue at pace in the meantime as developers work through fencing, decking, pergolas and outdoor furniture projects.

The commercial construction sector is continuing at pace. Unfortunately the players in this space continue their love affair with the nasty steel and concrete design principals we see revealed in the monstrosities going up in the Christchurch CBD.

What a shame the designers, planners and builders seemingly lack any sort of flair or even a hint of inclusion of our wood as a renewable resource in the construct. An opportunity to protect the inhabitants from future earthquakes with the extensive use of wood on the construction has been lost. What a shame...we never learn.

China has surprised most commentators with consumption across the eastern seaboard running at 60,000 cubic metres per day. Even as the top of the heat of summer approaches the use of wood continues at levels beyond forecasts, year to date.

Softwood inventory levels continue the decline now down to 3.6 million including all sources. NZ Radiata pine represents about 2.2 million of the total. Prices have remained stable to firm as a consequence. Recent settlements on an A grade shorts basis, the market indicator grade, is in a US$133 to $135 cubic metre range. No one is forecasting any significant change in the medium term.

Pacific North West volumes, referred to as PNW, continue to decline as the US and Canada vie for supply of a lucrative US domestic house build programme. Indeed the lack of PNW volumes in China, often preferred to NZ and Australia Radiata, is starting to bite and log prices in this segment are on the increase. We would expect to eventually see this dragging up Radiata log prices also, albeit this will likely be subdued by concerns about mid-summer consumption dropping off.

Shipping has reached a lower plateau for now with recent drops of US1 - 2 per cubic metre likely the end of a softer market for the time being.

Unfortunately the US/KIWI FOREX rate is starting to cause more than a little concern. At up to a 3 cent increase in the last 3 weeks this represents a likely drop of about NZ$4 per cubic metre, at wharf gate basis, for July sales. Whilst concerning, it still leaves wharf gate levels close to record highs.

Prices in India have moved upward US$2 per cubic metre for June settlements. This then brings China and India back in to a NZ at wharf gate alignment. India is certainly featuring more in the market speak and we anticipate announcements shortly that new ports are opening up for break bulk and containerised log trade.

It is important to remind readers log exports comprise just over 50% of all logs produced in NZ. Our domestic sawmills remain a highly valuable component of our forest harvest. Our export log trade also enables mills to grow business in the export lumber sector with new markets emerging based on awareness created by the log trade.

And as economies grow, wage levels increase and individual wealth grows, wood consumption will increase and the NZ Sawmill options for growing business will also increase. This at a time when the planets forested area continues to decline by close to 1 million hectares per year.

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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