

Monthly Market Report

May 2018



Second quarter 2018 log sales statistics have hit some all time highs. On the China Eastern seaboard, some port off take sales days have exceeded 110,000 cubic metres. Meanwhile during May, average sales have averaged 96,000 cubic metres per day. This smashes all previous records by about 10,000 cubic metres per day.

It is even more staggering when we put the average in to context. At 96,000 m3 per day, for the mid May period, in less than 10 days China eastern seaboard consumption exceeded the entire annual log production from Canterbury Forests.

Not surprisingly therefore market indicators are generally positive. However, log prices are not surging upward and that is very important at this time. Most commentators have indicated prices unchanged or up US\$1 per m3 in CNF sales prices for May shipments. Shipping as softened US\$1 – 2 per m3 for May voyages and FOREX is back a notch. All of this culminated in very nice lifts of NZ\$5 – 6 per m3 at wharf gate basis, taking us back up to about where we were in January/February 2018.

Eastern seaboard inventory is sitting at around 4.2 mill m3 as at mid May and falling. Most are suggesting if inventory sneaks under 4 million, further small lifts in CNF prices for June settlements are likely. Recent changes on China side bio-security scrutiny are likely to have some impact. The Trump initiated trade barriers better known as “handbags drawn and at the ready” stoush with China is impacting US log sales with many containers turned away at the border due “bio-security” breaches.

My bet is there will be one or two log exporters in the US not overly happy with Mr Trump at present. In the short term NZ has escaped elevated bio-security checks and so is on the right side of supply and compliance. Some are suggesting this may not last.

India is having one or two “issues” at present with charges of corruption levelled at the very large Punjab Bank likely to have far reaching consequences. Investigations are extending far and wide with credit availability at threat which is hampering Letter of Credit issuance and therefore log sales.

Local sawmills in NZ are continuing at pace. It has been very exciting to learn of Red Stag Timber near Rotorua

expansion in to CLT (Cross Laminated Timber) production. This product is basically a competitor to those nasty environmentally destructive concrete tilt slabs which currently dominate the industrial construction sector, or at least until the next major earthquake.

CLT is a very cost competitive, very safe and earthquake proof modular construction with significant robotic and technology inputs allowing multi story construction in very short build times. And of course the process uses a lot of timber. I suggest readers simply hit Cross Laminated Timber on the web search and be prepared to be amazed if you haven't heard of this one before.

The recent Productivity Commission low emissions economy draft report was recently picked up and misreported in the media. The Press article titled “Emissions effect on Dairy, fuel prices” by Madison Reidy refers to Farming, transport and forestry accounting for most of NZ carbon emissions.

This is factually incorrect and certainly not to be found in the report. Forestry does not feature as being responsible for carbon emissions indeed quite the reverse. Forests absorb carbon through photosynthesis in an act called sequestration. In so doing, they sequester about 1 third of NZ emissions currently whilst Agriculture is responsible for about one third of our total emissions.

The Productivity Commission report draft talks about the possible regulatory and policy framework as we step toward 2030 emissions reductions targets. Indeed farming, transport and forestry have possible key roles to play here. Farming through productivity gains and emissions reductions with a focus on research and best practice. Transport through the adoption of electrification. Forestry through the planting of large areas of plantation and indigenous forests.

Misreporting and inaccuracies do not help NZ citizens to understand in the important role NZ primary sectors have in our collective climate future. Meanwhile in the land of great promise and opportunity, it remains as always fundamentally important, the only way forward for climate, country and the planet is to get out there and plant more trees!

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