Monthly Market Report

June 2018

The onset of what is evolving to be an extremely wet winter in New Zealand is in reverse contrast to the China eastern seaboard which is experiencing some of the hottest and driest periods ever for this time of year. Both extremes have been forecast by climatologists in the past confirming the scientific postulations regarding climate change are ever so increasingly becoming our reality.

The net impacts are likely to play out in unison but some elements are certainly not positive. In NZ, harvest production has trailed off significantly as logging crews struggle to go work. As a consequence, some sawmills are desperately short of logs, some have run out completely for 1 – 2 days at a time. Deliveries to ports have slowed significantly also. In the North Island particularly, logging trucks are parked up everywhere with some reports suggesting fleets in excess of 50 units sitting idle for several days on end as at mid June.

In China, daily consumption rates have started to trail off by mid June averaging 82,000 cubic metres a day reflecting a reduction in work day hours due to heat. This is a daily drop of 14,000 cubic metres per day since mid May. As a consequence inventory has increased to 4.3 million cubic metres, up about 100,000 cubic metres since mid May. This level is not causing concern in the market at this stage.

In the medium term, we would expect the very significant drop in production in NZ to coincide with a continuing drop in sales in China as the impacts of summer start to take effect. Most commentators are suggesting this will help to maintain overall stability.

Log prices have remained largely stable over the last month. In NZ, the impacts of lower log supply levels has not appeared to impact on price, as always we hear of some exceptions. In China, log sale settlements have been stable to firm US$1 per cubic metre. The net back to wharf gate NZ after the impacts of a slightly lower FOREX rate combined with a slightly higher shipping rate has seen prices remain largely unchanged to slightly firm compared to May.

The handbags at dawn tariff spat between the China and US leaders, is evolving in to some unhealthy attention to biosecurity which has the potential to impact our log and lumber trade with China. The imposition of tariffs on China products exported to US has seen some elevated scrutiny of wood fibre cargos exported to China.

At present containerized shipments of logs from the US are a primary target, with many being turned around as not meeting phytosanitary requirements. Some containers have been bonded in to China yards whilst disputes surrounding clearance are being “resolved”.

A former leniency permitting re-fumigation of containers in China in the event of insect incursions are reported has been “removed”. Some containers of logs have been reported to contain too much bark and turned away completely.

All of this is playing out to the potential detriment of NZ with elevated scrutiny of cargos resulting in a significant increase in insect “finds”. We have heard some reports of re-fumigation of break bulk shipments being required before China clearance has been granted.

We may thank the illustrious Mr Trump for this current off the field of play silly game which currently thankfully seems to be softening. We can only hope the only medium term impacts will be a couple of black eyes although kissing and cuddling does not yet seem to feature in the promises to make up. Perhaps Mr Un will become the mediator?

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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