

# Monthly Market Report

October 2018



October has heralded good lifts in export log prices, back up to similar levels of the highs of the last twelve months. We have had a small lift in sales prices in China, together with a lower exchange rate to thank for the current situation.

Whether or not the current good levels remain will very much depend on international factors, predominated by so called, trade wars and the strength of the US economy. The fluctuating fortunes of the Kiwi dollar is a function of the US\$ strength or weakness. In this regard it is clear there remains reasonably high levels of uncertainty about what the future might look like.

Meanwhile in the land of opportunity, the NZ market has remained strong in terms of the wood fibre trade. Sawmills around the country are busy, log stocks are in balance to over-supply and prices are strong. Canterbury sawmills are the exception where oversupply and yards overflowing, is the order of the day. This can be put down to logging crews going gang busters in a dryer than normal winter together with some harvesting forest areas that comprise a higher than normal percentage of domestic logs.

Lyttelton and Timaru ports are literally bursting at the seams. With sawmills having to slow down supply to match daily consumption, the ports have been flooded with volume. The holes in the cheese have certainly lined up this time with vessels delayed for a raft of reasons resulting in port space running out and logging crews facing some down time.

October CFR settlements in China were mostly up US\$2 – 3 per cubic metre on September levels. The indicator A grade has generally settled at US\$135/136 per cubic metre which, after shipping and FOREX, gives the NZ forest grower NZ\$126 – 128 for Lyttelton/Timaru. The two Canterbury ports rank among some of the highest costs in NZ with North Island Ports being up to NZ\$10 per cubic metre cheaper.

Across the China eastern seaboard, daily consumption rates are hitting their straps with the cooler Autumn days. Current consumption is running at 85,000 cubic metres and inventory has been dropping significantly, as at mid October sitting at 3.7

million cubic metres and falling. Both factors would suggest further lifts in CFR prices should be the order of the day in the short term.

The ability of China to withstand the imposition of a tariff regime with the trade imbalance very much toward the volume going to the US, could result in some speed bumps as we head toward a tough northern hemisphere winter. Some commentators are suggesting the China Government will struggle to maintain the positivity that very much dictates the volumes in commodity trades.

An interesting situation is playing out in the perverse cat and mouse game called ship chartering. On the one hand, there is a significant volume over capacity at present, on the other, ship owners want to increase rates to cover bunker (ship fuel) increases. All of this results in shipping companies holding out until the last minute to accept charters and prices.

In a normal spot ship charter environment, charter party agreements are signed off 3 – 4 weeks before the vessel is due to arrive. At present I am seeing some of the last minute charters being settled 5 days before the vessel is due. In some cases a price is agreed but a vessel is not named until the last minute, thus giving the owners flexibility around which vessel goes to which port.

When you are the exporter this is nail biting stuff and certainly not for the faint hearted. I call it a perverse game of cat and mouse where you cannot be sure if you are the cat or the mouse.

With the October price improvements and likely more indicated for November, the overall positive mood continues to pervade the market. There could be trade winds further out but much can happen that could tip the scales either way.

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!

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)