Monthly Market Report

November 2018

The year rounds out on a resounding note for the forestry sector which at worst can be described as booming. Prices are as high, as they have been for the last three years, markets are generally stable and we are all at piece with the world

Export log sales to China continue to dominate our space, CFR prices (landed in China in US$) remain good, demand across the eastern seaboard is high and inventory is dropping. All of this reflects a market in pretty good shape.

Erstwhile the domestic scene remains strong despite some regions “coming off the boil” in terms of pure demand. Log supply to mills in Canterbury has eased over the last month with supply and demand in general alignment. Some of this follows a period of about 2 weeks in October when sawmills essentially closed their doors to suppliers. This was the consequence of an over - supply in October and log yard being stretched to the gunnels. Over the last 2 weeks, we have seen yard stocks diminish to the extent of permitting resumption in log supply.

Across the eastern seaboard of China, daily consumption has been cranking along at in excess of 100,000 cubic metres per day, far exceeding all previous records. Overall inventory has dropped to 2.8 million cubic metres, the lowest seen in a long time. CFR settlements for November sales have been in the order of US$137 - $138 per cubic metre, A grade basis. This reflects a lift of US$1 – 2 on October sales.

Shipping costs have remained largely stable after a period of moderate increases. Bunker costs (ships fuel), have reduced which has taken the sting out of the tail of the ship owners.

How then might we reflect on 2018, the wood fibre space internationally and what we might expect of the near future. There can be no doubt the predictions espoused by the likes of Wink Sutton back in the 1980’s have now come to fruition. He said way back then, wood fibre supply internationally would reach a point about now where demand would exceed supply.

He also predicted, based on good research at that time, NZ was well positioned through significant plantings during the 1980’s, to pick up on the advantages of a demand and supply imbalance. How well we might now reflect on just how right Wink Sutton was. Indeed I applaud such people who had taken the time to undertake such astute research and provide the NZ forest industry the platform it currently enjoys.

I have been working with many forest industry people on the challenges of health and safety.

The forest industry has a reputation of a high fatality rate which is primarily the consequence of media attention and what sells newspapers. Underlying that is a declining fatality rate and an absolute focus on keeping people safe at work.

Whilst our numbers are quite low compared to other primary sector industries, 1 death per year is still too many. The NZ Forest Industry Safety Council (FISC) has been the result of a review undertaken in 2016. I represent the NZ Farm Forestry Association on FISC.

I have to say the initiatives that have evolved out of that process are exciting and world leading. I recently attended a next 3 year strategy meeting for FISC with 30+ other people who have also given their time to effecting change. From this I remain confident the NZ forest industry will evolve as a highly profitable land use that is exciting, safe, innovative and progressive.

I reflect on the past year as one of those that signals the NZ Forest industry has continued to evolve and progress in a framework of stability and high prices compared to the early to mid 2000’s. And of the future, I don’t see that changing any time soon. I extend to one and all, seasons salutations, my thanks for being a loyal reader in 2018 and wishing you all the best for 2019.

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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