

# Monthly Market Report

January 2019



**H**appy New Year to all readers. A briefer report this month as activity has been limited with the roll on effect of the summer break on market volumes.

All in all we can say the log market is in very good shape. Domestic prices are holding tight at current levels and no one is talking up volume changes or prices. Indeed the domestic ship remains very steady with no market storms or tempests to otherwise add to the pot of pitching and yawing.

Some Canterbury sawmills are walking a fine supply line. After suffering a deluge of supply during winter and autumn, logging crews moved back in to foothills forests. Here the impacts of tree quality, primarily branch size reduces framing grade log supply. It will not take much to move back to a supply deficit during the second half of summer months.

Meanwhile in export log sales we are seeing some of the highest prices every. The January selling price in CFR terms, that is landed in China in US\$ per cubic metre, is certainly not the highest it has ever been. The CFR price is currently US\$138/139 standard A grade shorts basis, and it has been as high as US\$160 in the last three years.

The current wharf gate selling price is positively impacted by a low exchange rate and low shipping cost. Forest owners can thus enjoy some excellent price points in the domestic logs whilst the lower quality logs are at historically very high prices and mostly heading to China.

And for the record it is looking like 2018 has been a record year in volume terms. Last year at this time, we were celebrating a record high of 19 million cubic metres of export log sales. 2018 is looking like it will be closer to 21.5 million with a total 33 million+ in total log production. Nationally this has us running at around 65%

export and 45% domestic log sales, again a significant swing toward export.

Hopefully the current initiatives under operational trial and green fields sawmill upgrades and new processing operations, we will see a swing back to domestic logs sales. However it is important to remember here 65%+ of logs sold to local plants and mill is exported in its various forms and guises including the likes of lumber, mouldings, MDF and Pulp and Paper.

In terms of what we can expect in quarter one 2019 it is looking like little change. Chinese New Year always heralds in a period of uncertainty. This relates to how inventory will increase as workers head back to their homelands for their break.

Current inventory is running at 2.9 million cubic metre, up slightly on November/December 2018 as production starts to trail off in mid winter conditions. At these levels the market would normally be moving to a panic buy as the inventory represents about 6 weeks supply, much lower than normal. But a combination of the confidence China has in supply from NZ, together with uncertainties over trade wars is flattening expectation and no one is concerned.

Certainly there is a changing sentiment in China. The market mood is shifting toward the pessimistic and key economic indicators are waning. There is a suggestion Q2 and 3 2019 could be "interesting".

As always please remember the thoroughly important message relating to this wonderful 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)