Monthly Market Report

December 2019

Many factors are impacting the softwood log markets at present. Some are positive, some are not. As we round out the trading year, I can report domestic sales to local sawmills are strong and stable. This is a continuation of what has been a market segment that has once again provided forest owners stable prices at good levels.

The log supply planets are in general alignment with logging crews getting in to some higher quality woodlots and forest. This means production rates are generally ensuring as adequacy of supply although some mills report supply is just keeping pace and they believe it will not take much to upset the supply cart.

Export log prices lifted in December reflecting more than anything a reduction in shipping costs. The sales prices in China in US$ terms did not change and for the moment, stability is all we could ask for.

Current wharf gate sales levels at NZ ports are likely to be at the top of the current market. In Q1 2020 there will be challenges to price levels as a veritable flood of supply of Spruce log and lumber pours in to China. This is displacing NZ supply and current sales prices of Spruce are below NZ Radiata pine.

Meanwhile lumber sales ex China sawmills have been declining but are currently stable. This means China traders are continuing to operate on negative margins. Now whilst I do not have a great opinion of traders, there is no question if they are losing money something is going to have to give.

Combine this with a seasonal increase in shipping costs and inevitability appears to be “enjoy it while you can”. Against this negative market persona, the demand levels in the construction sector are better than expected at 54,000 cubic metres for day. This compares with 80,000 cubic metres per day at the same time in 2018. I believe the reason no-one is panicking relates to recent China policy changes around freeing up construction capital. This, together with other economic stimulus, is bringing an air of confidence which has been a rarity in recent times

As at mid-December, the China Eastern seaboard inventory is sitting at around 3.45 million cubic metres. This compares to 2.6 million at the same time last year, so is not high but high enough having regard to other factors.

Chinese New Year celebrations come early this year (25th January). Most commentators are suggesting this is positive for the NZ Forest Industry. This relates to the fact shippers are furiously cleaning our NZ ports of stock at present. Those vessels will have just discharged or awaiting discharge when China people return from holiday. When the China holidays fell later it meant the China ports were all full of stock before the break and this added a negative tone.

As in last year I wanted to round out this one with some advisories.

1. Have you signed up on line to SAFTREE.co.nz yet? If you are involved in the forest industry this Safety Council led initiative heads the H&S space with this very very good conduit. It has all the resources you need if you want to be involved in forestry operations at any level and that includes forest growers.
2. Have you had a look at the 1BT grant scheme on the MPI website. Despite wildly incorrect media reporting the 1 BT scheme does not support whole farm conversions. But is does support planting and therefore integrating trees on farms and that can include Exotic and Native species. Grants are available that essentially cover all of, or a good chunk of, the costs of planting.
3. If you are a forest grower at any scale have you joined up To the Farm Forestry Association yet? Go to FFA.co.nz to find out how you can get access to info and support via a wealth of information about growing trees on farms.

I extend to all readers a very merry Christmas and wishing all the very best for 2020

As always please remember the thoroughly important message, “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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