

# Monthly Market Report

February 2023



**F**or the NZ Log trade, the beginning of 2023, is dominated by many positives as the market planets have continued to come back into alignment. This is of course tempered with the massive impacts of Cyclone Gabrielle including thus far, the little reported North Island forest devastation to levels that will have major reverberations for years to come.

China economic activity recovery has been described by some as subdued and much slower than was expected. The combination of COVID lockdown restrictions and everyone just getting back into the swing of things, post New Year celebrations, is tempering activity which impacts log consumption.

Meanwhile NZ domestic prices remain stable and at good levels. As a general trade trend, most sawmill owners are reporting a swing down in demand. Again, the impacts of Gabrielle are going to be huge in the North Island. Not the least being of course having access to logs with roads into many forests a major question mark let alone sodden soil conditions limiting machinery movements.

A wide range of factors this month to report on. Any one factor may yet swing the pendulum the wrong way with a wider view suggesting, on balance, we should remain in a reasonable export log price position over the next few months.

The export market indicator A grade has improved NZ\$6 to \$10 per cubic meter in February at wharf gate. This then has export prices back up in to the top 85 percentile of the market of the last three years.

There are some warning signs suggesting it is certainly not time to be breaking out the champagne. China domestic retail log prices have fallen in the first two weeks of February, as the market responds to low demand levels. Daily usage is running at 45,000 to 50,000 cubic metres per day and inventory has built to close to 6 million cubic metres.

Both factors certainly point to little chance of vibrancy and therefore price increases in our near future. The best we can hope for is stability. Usage is close to half normal and inventory 35 – 40% more than normal for this time of year. In-fact, China domestic wholesale log prices are now lower than CFR prices, these being what NZ exporters are currently achieving.

Whilst I might suggest you do not need to break out the abacus to work out where that could be all heading, there are factors which should temper price movements. Nonetheless, wider commentary is confirming a very slow economic recovery in China and that can be expected to continue in to Q2. This will have impacts across many NZ commodities.

On the back of what was already looking a bit of a rough ride, like a poorly maintained NZ road (most of them), Cyclone Gabrielle has devastated North Island Forests and infrastructure. It is likely to be weeks before we will see meaningful wood flows to local sawmill and ports. Chinese buyers are well aware of this so there will be developing concerns as to medium term supply. Again, this should temper movements in either direction.

The perverse of this most devastating situation is we could see China domestic prices swing back up in response to what will be perceived as a looming supply slump. NZ is a critical softwood log and lumber supply source to China. Current volumes from NZ are 80%+ of all softwood imports.

Shipping was a dominant feature in the 2022 log and lumber trade for all the wrong reasons. The latter part of the year saw shipping rates come off significantly as world trade slowed and more vessels opened on NZ. With Australia now back in China's better books, coal is taking up some for the Handy Class slack and logs are expected to restart.

This combined with a good southern Hemisphere harvest, is seeing shipping rates firming, albeit slightly at this stage. As at time of writing (mid-February) I am suspecting the full impact of Gabrielle has not yet impacted shipping negotiations, but inevitably it must. With 45 – 50 vessels normally required per month to send logs to China, this is about to at least halve in the short to medium term. Again, the uncertainty of just how that will play out is yet to unfold.

As always People, 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"!

*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, No 5 Seven Mile Drive, Belfast,  
Christchurch 8051, 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)