Monthly Market Report

June 2023



A memorable time for all the wrong reasons this month with Export log price at wharf gate falling to a low last experienced in 2015.

A check back on the related historical data in 2015 tells me for a project 100km from the port the cost of harvesting the trees and getting the resulting logs to the port came to about $65 per cubic metre. In 2023 those same elements cost about $80 per cubic metre.

I doubt you will need your abacus to work out if the current log price for the market indicator A grade is $75 per cubic metre and it cost $80 to get it there, what most logging crews and transport companies are doing right now. You guessed it folks…. an unpaid holiday!

Underpinning the current dire situation is pure and simple, a lack of demand in China. Here I must jump to the defence of our critical important China partners. I hear some Kiwis saying things like “there you go, they have done it again, China playing the market and trying to rule the world”.

These sorts of comments display an appalling lack of understanding, in this case of the softwood log trade. I repeat here, as I have done so in prior reports, NZ dominates this market current running at about 80% of all softwood log deliveries to the China eastern seaboard.

Thus, when NZ Log exporters push prices, and therefore volume’s higher in China when the fundamentals are displaying weakness, the very obvious occurs, in this case it could be seen well ahead of the inevitable.

More concerning than has been the case when this has happened before, is little sign of a correction. In fact, many commentators are saying it could be August before any level of recovery as it could take that long before the volumes being shipped to China slow down enough to see a confidence swing.

NZ production is staying up there nationally due primarily to central North Island wind damage recovery and for many corporates the current low-price levels appear not to be low enough to get their attention. It is also fair to say many of the larger forest owners have solid supply agreements with local sawmills so need to keep that end of the bargain going.

Erstwhile back in China as at mid-June, the softwood inventory is 4.4 million and daily consumption is running at about 55,000m3 per day. Neither in themselves are alarming but more of the same old and the negative sentiment prevails.

We also do not see the China Government chipping in with construction sector stimulus packages as has happened of the last 10 years. I do not see a “rule the world policy” in amongst that, just simply a function of there being enough houses being built to meet current and future demand.

The double whammy here is the demand for lumber in both NZ and China is off the boil we have become used to. NZ sawmills are certainly feeling the blunt end of the NZ Governments “lets curb inflation” tool called interest rates.

This poorly applied seemingly only tool in the box, has slowed new house starts as well as pretty much everything else to that resembling a snail on a go slow.

One wonders when the finance minister is going to look at his balance of payments bottom line and realise the oops. I suspect there will need to be a trip to Spec Savers before that happens.

Of some shining lights out there or shall we say beacons of hope, it looks like shipping companies are coming to heal with most commentators suggesting rates are coming off quickly for July fixtures. They will need to plummet before we see the skidders, excavators and logging trucks back at work.

Great to see lots of new planting going on and in our company case across land farmers do not see as a pastoral continuance. Great also to see lots of natives, water way protection planting and alternative exotic species in the planting mix. Long may it continue.

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”!

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