Monthly Market Report July 2023

I have been marketing trees and logs for famers and forest growers since November 1989 and for the last 18 years of that I have been marketing logs directly to China through both NZ and China based agents.

Compared to the last 34 years, May, June and July 2023 are standout months by a significant margin in terms of the net negative impacts across the NZ Forest Industry from an export market price crash. It has been a salutary tale of many of our great people having to take a forced holiday and it is even sadder if not catastrophic, the reports of those walking away, likely never to return.

Whilst some of the reasons for the current situation might lay firmly at the feet of a few, there is no question the perfect storm that we have encountered could not have been countered by a few mere mortals. Indeed, divine intervention may not even have helped.

August looks like it might have some better numbers attached with swing indicators suggesting we are through the bottom of what has been 3 months of low prices.

It is very heartening to see a drive to get industry leaders in to meetings to at least start the process of trying to build a better future. Perhaps it took a crisis to get us to that point so ultimately some good may yet come from all of this.

For change to how we (NZ Forestry Inc) collectively conduct ourselves, in what might loosely be termed a marketing strategy, is certainly needed of we want to achieve consistently good stable returns for our wood fibre in the future.

Some of the swing upward signals we are seeing in China as at mid-July, include improving demand and domestic pricing in some regions. Daily sale sales are running at 66,000 cubic metres, a good improvement since May. Some commentary is suggesting off port sales increases are a function of sawmill owners buying in stock ahead of price increases. Time will tell.

In the first 2 weeks of July, the softwood log inventory, mostly Radiata pine from NZ, reduced by 150,000 cubic metres, confirming the delivery rate in to China had slowed. China traders can now see daily deliveries to NZ ports slowing dramatically, in fact many are close to a standstill. This is adding significantly to the positivity starting to pervade the market generally.

As we might have expected, Shipping companies have already started to un-sharpen their pencils saying they want a slice of the general improvement cake. But this is on the back of basically zero demand. For the moment, daily hire rates for Log vessels continue to ease as the Handy class segment internationally remains well over supplied.

In terms of our near future, the market speak is for CFR settlements in a US$105 – 110 per JAS cubic metres range with the top end of that looking more and more likely. If shipping costs remain subdued, the US$5 -7/m3 upward tick should then get us back in to some reasonable wharf gate NZ numbers in August.

Our domestic sawmills are also not swamped with domestic orders at present and their export sales are certainly not happy hunting grounds. Two large NZ sawmills have 250,000+ cubic metres of framing lumber stock with nowhere to go at present. This then likely means the national total will be well over 400,000 cubic metres.

As so it is for those back in 2022 who believed we needed more domestic sawmills the answer is very clear….right…..

I could not be more critical of the ineptitude of the ETS policy makers over the last few weeks. The Government has ignored the multi-million dollar Climate Change Commission report on the 2030 get out of jail close to free card options whilst also talking less reliance on offsets (carbon sequestration) and more reliance on gross emissions reductions, without a plan.

This has singularly wrecked the confidence of the market. Carbon prices have plummeted and our chances of some cheap alternatives to the $18 billion, and growing, problem we have in 2030 just became very murky.

Do no let this beat you people, there is a carbon future and solutions are just around the corner, hang in there!

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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