

# Monthly Market Report

February 2024



**A**nother lift in CFR prices in China with a small reduction in sea-freight rates saw another good price increase for February at wharf gate prices. This has taken us over the 90-percentile of the market of the last 2 years.

Continuing positive signs within China, suggest robustness and positivity not seen for some time. This year being the year of the Dragon may not mean much to your average Kiwi, but for NZ people on the land who produce food and fibre destined for China, this is a positive.

As I saw many times in my pre COVID visit to customers in China, mood and confidence is everything. This time around some of that will be to do with the Dragon, a lot has to do with the China Government who have announced measures which should provide further stimulus. Most commentators are suggesting it will be much later in 2024 before we will see those packages hit where they need to.

The current China New Year celebrations and holidays has seen a reported 9 billion Chinese make a trip back to family from their work places in the cities. If they each spent ¥500 to ¥1000 to make the trip (about NZ\$150 – 200), that is one heck of a lot of money circulating around the nation!

There are many tempering factors in China that cannot be ignored. Some may yet play out to result in another challenging year for NZ food and fibre producers despite some elements looking better.

The collapse of Evergrande as the largest construction company in China has had major reverberations and will have for some time. The spill over affects, include massive apartment redundancy and plummeting real estate prices.

The China Government have stepped in to protect those who paid a deposit for their apartment that will not now be built. They have also lowered the Required Reserve Ratio (RRR) to allow banks to extend their loan book.

They have also channelled close to US\$14 billion into the construction sector, including stimulating low-cost housing. For these reasons, Kiwi Forest growers might be swayed to the positive in terms of what 2024 might hold.

However, underpinning a bold front portrayed by the Government that western journalists have sometimes

called propaganda, the China Share-market has lost about US\$3 trillion in the last 3 years. Thus, business and investor confidence is weak.

There are also underlying population tensions, some ex pat Chinese are talking dissent and untruths being portrayed by their Government with Western media hungry to listen to and hype the stories to a point it is difficult to decipher reality. What is a certainty about the China ex-pat comments is it will be best they do not go back to China for a holiday.

Meanwhile back in good old NZ and a nation still recovering from a Labour government espousing their own propaganda stories like “we’re fine.” I am continuing to see sawmills wanting to talk log supply. They are also saying the order book is filling up nicely.

The one negative I am consistently hearing about is recruiting staff. One sawmill owner has been constantly advertising for months and has had a handful of responses from kiwis who he described as “unsatisfactory.” This was a polite way of saying their passion for drug taking and or bone idleness far exceeded their passion for work.

One sawmiller was particularly frustrated when I advised him of a person who recently applied for an IT job to find she was one of 400 applicants. Seems to be something wrong there with where our fair nation is heading .....

In terms of the NZ forest industry, all eyes are on the Lake Taupo area Cyclone Gabrielle harvest which has been pumping 15,000 tonnes a day in to a market that variously wants the fibre. That harvest is starting to wind down and should now be finished by May.

All eyes are on how the harvesting and transport capacity will spread back in to harvest in other regions. The rest of us are hoping our national harvest will drop and the China supply/demand planets will thus be better aligned. How this plays out will have a potentially significant impact on log prices in 2024.

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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