Monthly Market Report

April 2024

Over the last month, the China market has settled down after a significant swing down with some key factors moving to the positive, albeit not stunningly so.

Whilst NZ wharf gate prices have been negatively impacted over the last month, some of that has to do with shipping. Despite the shipping cost indicator, the Baltic index, showing weakening freight rates internationally, the charterers of log vessels in NZ are suffering at the hands of more localised demand.

Of those factors I typically monitor in China, inventory and daily usage are the most important.

The Radiata log Inventory has been increasing marginally, as at mid-April sitting at around 4.2 million m3. This has generally been regarded positively with most expecting the inventory to start falling when the NZ Log supply juggernaut starts to slow.

Daily softwood log usage across the China Eastern Seaboard has been running at 60,000 – 65000 m3 per day, mostly the upper end and better than expected by most. This has been the primary reason for a slowed inventory build with NZ supply and usage very closely aligned.

The challenge going forward for NZ will be to maintain a lower production cycle. As China moves toward the heat of the summer, construction activity can be expected to slow down. If NZ does not match hat, we can expect CFR prices to remain subdued.

I have stated before and I will not shirk from that which I believe to be true, the need to get the supply construct right for NZ Forestry Inc into critical markets like China has never been greater. The need for a collective discussion about how this might work needs to happen and without delay.

The NZ forestry sector is literally losing billions of dollars in export sales because of a failure to get in a room, sort it out, and work to a plan. And as they say the failure to plan is to plan to fail and that thus far, we have done stunningly well.

We have harvest contractors and trucking companies on their knees with business failures inevitable. It is about high time we really do show we care about the whole supply change which some need to be reminded is people. It is not computers, ships, logs or forests.

The current significant slow-down in Lake Taupo forests Cylone Gabrielle harvest is gaining momentum, most not close to the action view this as positive. The downside is many contractors are reportedly not finding work back in hometown so casualties will be the order of the day. But, the slow down is very much needed by the rest of NZ to bring our daily national harvest rate down.

From our international informants, the appearance of reasonable volumes, once again coming out of the Pacific Northwest in to China is not good news for NZ. The recent kiss and make up between Australia and China is also seeing some Pine shipment restarts to China, this also furrows the brow somewhat.

For NZ, the resumption of shipments of our wonderful Radiata logs to India is very good news. The challenge here will be for there not to be a massive stampede to the India gate and we all beat ourselves up with price trying to get through it. For a normally positive person, why do I have and impending sense of doom about that?

The reduction in log trade to Korea is having its impacts through sales volume loss and shipping. Previously, many cargos would include top-deck, 1 port discharge Korea and below- deck 1 port discharge China. There were fumigation and logistics requirements in those rotations that ensured the use of lower cost Handy class vessels.

The loss of Korea volumes now has NZ charterers targeting more costly Supra-max vessels, all below deck cargo, 1 port discharge China. This in part is helping to drive freight rates up for log exporters.

Meanwhile, NZ sawmill owners are continuing to provide stable pricing and consistently good sales for forest owners. A general sense of this key market suggests the list of forward orders is shrinking with margins also shrinking to maintain sales. This is somewhat of a concern. Let us hope a more business friendly government can help swell those order books.

As always, please remember the thoroughly important message, "despite the challenges, 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

Laurie Forestry Ltd

www.laurieforestry.co.nz