

Monthly Market Report

May 2024



April has seen the market continue to stabilise but at historically lower prices which has limited production from our forests. This particularly impacts those forest owners in regions where no domestic sales options exist.

Wharf gate prices for export sawlogs have remained largely unchanged in April for China sales. There were some sales at better levels for a few earlier shipments to India.

In last month's report, I made the following foreboding statement about the India export log trade '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'.

Regrettably, I was smack on the money. In typical fashion, a major NZ exporter has negotiated what was better price levels down in order to achieve more sales because they were producing more log volume than the market wanted. And 'hey presto' India sales equivalents netted back to NZ are now similar to China, significantly annoying those players who had been doing a good job of keeping prices up. The word plonker's comes to mind.

In our key market of China, daily log off port sales has been above expectation, as at mid-May, running at just north of 60,000 cubic metres per day. Whilst this has helped restore some confidence in the wood fibre sector, over-all consumer confidence is low and this is negatively impacting commodities like NZ wood fibre and sheep meat as examples.

Most commentary coming out of China suggests it will be July before any sort of recovery and they are the optimists. The pessimists are suggesting we go home and come back in 2025.

Whilst there continues to be negative economic data coming out of China, I also have a sense the dragon is going in to crouch mode and flexing its muscles. The real estate sector confirms house prices have stabilised and there is a sense recent govt interventions of lower interest rates and reducing financing restrictions for new home owners is helping the tide to turn.

In terms of softwood inventory across the eastern seaboard, we were seeing steady as she goes at slightly north of 4 million cubic metres (all softwood species). But as at mid-May inventory is starting to

drop quite significantly. This should ensure our negotiations for CFR prices should at least hold at current levels for June shipments.

In NZ, ports are seeing a dramatic slow down in daily deliveries and that includes those ports where larger companies are dominant. It is great to see even the big boys, sometimes disingenuously called 'other people's money companies' are finally seeing they will be needing to do the please explain to shareholders of they do not slow down.

In the South Island, daily deliveries are down 30-35% and in the North Island 20 – 25%. There is some big variability between ports.

Current vessel fixtures are indicating total deliveries ex NZ in May with be in the order of 30 – 35 vessels. This contrasts to north of 50 vessels in March. This will eventually see a dramatic slow-down in China arrivals, this will help build log trader confidence, which is critical to overall market recovery.

Erstwhile that very nasty looking elephant in the room called shipping companies continue to demand unreasonably high prices for log cargo's ex NZ. Over a period of 3 weeks, we have seen standard fixtures go from down US\$1.50 per m3 to up \$3.00.

With a dramatic drop in demand for cargo's, we were expecting shipping companies to come to heel. They have been able to thumb their nose at us whilst Aussie grain harvest provides them north bound cargo's at better money. Maybe, when that dries up it will be us responding similarly.

The news of US producer and consumer indexes turning down is not what we wanted to hear. Both have had an immediate negative impact on the strength of the US\$ and the value of the NZ\$ lifts as consequence. At time of writing, an overnight 2 cent + shift takes another \$3 - \$3.50 off the NZ wharf gate price, the timing of which is far from ideal.

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!

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