

Monthly Market Report

May 2025



As at mid-May, export log prices have reached what looks to be the bottom of the cycle based on what we see happening in China and India. NZ domestic prices are holding level with a tick up in demand in some segments.

We are currently experiencing elevated enquiry for more logs from our local sawmill owners. This is something we have not seen in a long time, long may it continue.

The bottom of the export market is certainly not as severe as at the same time in 2024. Around NZ, many forest owners have pulled back production rather than lay logging crews off. This has resulted in reduced log volumes being delivered to Ports and that is exactly what is needed to allow the China and India markets to catch breath.

Across the China eastern seaboard, daily sales have been ticking along well. These are not to levels we have seen in prior years, but at numbers hovering close to 60,000 m3 per day usage, it is clear demand is good but not great.

As reported last month, the price falls in the market are the direct consequence of over production in NZ. Some of that is driven by some exporters taking big risks and trading losses, offering fixed prices over several months to gain market share.

In some cases, the fixed prices are well above where they need to be for sustainability, thus the short-term gains stand to be eroded by longer term losses amplified by over-supply. Inevitably, my 30+ years of experience in forest products marketing tells me there will be casualties at the outer extremities of this behaviour.

Within this jostling for position, prices for logs landed in China have remained remarkably stable. Compared to last month, about a US\$2 per m3 drop. At the NZ wharf gate, a lift in the US\$/KIWI\$ exchange rate has helped to reduce price levels with the combination seeing log production being tempered.

In China, inventory has remained around 4.1million m3 changing very little over the last 2 months. This is too high for a market with an ever-watching eye over Donald Trump's tariff antics. A reduced vessel flow from NZ in May should see inventory reduce, and again that is exactly what is needed.

I have stated many times how I believed tariffs will play out and the net impacts to US consumers and economy. The feedback I have been hearing is many US citizens believe China will pay the tariffs. This just proves propaganda and ignorance prevails.

A recent report from FOREX NZ Ltd stated "Walmart, the world's largest retailer, announced o/night that they would soon start raising prices later this month as a means to pass on the tariff costs onto consumers. This is likely to be the start of everyone doing this, as the reality that ultimately it is US consumers who will pay for them, starts to hit home".

In the increasingly important market of India, prices have remained unchanged with trade in May at the same levels as last month. There is a pervading commentary that suggests we are at the bottom of the market.

I mentioned in a prior report an India Trader had been purchasing logs at well above market prices and selling at below market prices significantly oversupplying and upsetting the market, in the end, promulgating the recent downward slide.

Turns out the Trader was able to do this by scamming banks with fraudulent documents including executing Letters of Credit for non-existent cargos. He now resides at Prime Minister Modi's pleasure and is unlikely to see the light of day for a few years.

His departure has been positive for the market but issues of labour shortages and over supply of log continue to dominate and temper any opportunity for price improvement.

There were 9 log vessels in April discharged at Kandla port and now one less than predicted earlier at 8 in May. On the surface, this is still 1 more than the market needs but the volume of unsold logs held in bond is now at very low levels. Although daily usage is not monitored, this suggests a reasonable lift in demand.

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

Email: admin@laurieforestry.co.nz

Christchurch Address
Unit 3, No 5 Seven Mile Drive, Belfast,
Christchurch 8051, New Zealand
Phone +64 3 359 5000



Laurie Forestry Ltd