



The trends we have been seeing in log export markets over the last 6 months have been dominated by stability and price improvements over time. This has continued in August with China improving by \$1 - \$3 per m3 at the wharf gate and India remaining steady at prices slightly ahead of China.

I acknowledge none of this suggests it is time to dig out the dancing shoes or pop the top off a bottle of champers, but the great news story is stability. China selling prices improved to US\$127 A grade shorts basis for most sellers for August.

Total inventory across the eastern seaboard is at 2.47mill m3, a drop of 50,000 m3 from June. As at early August, port offtake has been running at 57 – 58,000 m3 per day. These are very good numbers for this time of year, heralding well for continuing improvement with manufacturing output numbers usually better during the cooler Autumn period.

The wood use numbers and trends in China are even better considering the Purchasing Managers' Index (PMI) which fell to 48.5 in July compared to 50.4 in June. The China economy grew 4.3% YOY, the slowest it has been in three years. When the national productivity indices have been worsening, wood use has been improving. This is "encouraging news indeed".

NZ supply across our breakbulk log exports has been at a lower ebb but this mostly relates to Gisborne port. The number of days available for vessels to load has been significantly impacted by severe swells. This has not allowed vessels to berth to start loading or has meant they have had to cease loading.

Meanwhile, our domestic sawmills continue to be shining beacons on the sea of tranquillity. I hear Canterbury mills are the brightest beacons of the lot. Demand is strong and prices are stable to firm. Some out of the ordinary log grade orders are also indicative of more vibrant usage. Long may that continue!

It was fantastic to see the NZ PM open the new Cross Laminated Timber (CLT) plant near Rotorua recently with some glowing words about the forestry sector now poised to enable the regular building of multi-story high quality and high strength buildings.

The prospect of milling more logs in NZ is highly supported by the forestry sector. Research and innovation are the foundation stones of a dynamic change toward engineered wood products, whilst displacing the

environmental nasties like steel and concrete.

Whilst some leaders have spoken ambitiously about an increase in sawmills, the one outstanding feature of that opportunity is it will not be in standard dimension lumber and will need to include the likes of CLT.

Last month I covered a little on the India market with a promise of more. Surrounding Kandla, as the one port to discharge NZ logs currently, there are about 2,500 sawmills. But an India sawmill is a little different to NZ. An India sawmill is typically 2 band saws. The first is horizontal, used to break the log down in to flitches. The second is a vertical used to produce timber from the flitches. A sawmill will generally be 6 – 7 people, with the operation being highly manual. There are no electronics and the sawdust extraction systems typically include a wide mouth shovel.

This description of an India sawmill is replicated many thousands of times over in China with the only difference being the break down saw is more typically vertical rather than horizontal.

Worker pay rates in India and China are a fraction of NZ and the cost of doing business dynamically less. With minor niche market exceptions, there is no way a Kiwi sawmill can sell standard dimension lumber in China or India at anything other than as a loss-making fall down grade.

Sea freight rates for NZ Log shipments have been like Donald Trump on a really good day. Unpredictable, changeable for no reason, with scant regard for actions and consequences.

Indeed, shipping cost are the largest reason why forest owners are not enjoying a better return at present. The good news here is once the November Primaries sort the Red one out, after 6 months of fixing a complete mess, oil supply and demand will hopefully be all back to a closer normal.

As always, please remember the thoroughly important message. 'It remains fundamentally important, the only way forward for climate, country and the planet, is to get out there and plant more trees'!

Allan Laurie, MNZIF

Director & Senior Consultant
Laurie Forestry Ltd