



A recent commentator suggested the current China market was like a stagnant pond lacking life and vibrancy. The commentator may have a short memory, given 2 years ago the pond was more like the scene of a raging unpredictable storm resulting in severe waves of highs and lows. I much prefer stagnant!

Export log prices are just off the preferred pace making NZ forests greater than 100km to a port more challenging to yield good returns. But prices are stable. This remains an important feature of consistency and continuity which in turns creates efficiency and reduces costs.

As reported last month, China continues to print good manufacturing numbers. The PMI has continued to lift, as at early September sitting at 50.4, similar to June but up on July and August. Despite the illustrious DT's best tariffs impositions, China exports are up. This is also despite massive storms and high temperatures internally. A weaker RMB against the Green Back is also helping exporters.

Some eye watering numbers out of China include industrial profits up close to 18% year on year with RMB4.58 trillion in earnings for the first 7 months this year to date. How is that working for you now Donald?

A recent visit to Queensland found box stores and building sites full of China made high quality LVL framing lumber, blowing Australia Sawmill owners out of the water with lumber prices well below what they can produce for. Recent protestations to the Australia Government by the sawmill fraternity have apparently fallen on deaf ears. One worries NZ's turn could be just around the corner.

September settlements in China have been around the \$130 per m³ mark, largely unchanged despite a couple of exporters pushing as high as \$134. A lack of customer interest in those numbers quickly brought them to heel. Domestic prices in China have been increasing but the trading margin remains at a US\$4 -5/m³ gap which is very close to about right.

Month to date usage numbers have been hovering around 55,000 to 60,000 m³ per day, again largely unchanged from August. Inventory is sitting at 2.4million m³, down 90,000 m³ from July. This is a low number compared to 2 years ago, but the market appears to remain comfortable at these levels.

With the annual Golden 2-week holiday in China coming up 1st to 7th October, inventory is expected to build but not alarmingly so. By the way, just in case the observant reader wanted to argue about 7days being 2 weeks, the reason is many factory workers take a few extra days off to enjoy the many festive autumn events throughout the nation.

India remains in the BAU department, albeit manufacturing and trading conditions are heading toward the negative. Selling prices are stable in Kandla and demand is just ok. The biggest challenge right now for this market is shipping. Unlike the two-way fixtures which dominate our China Trade, vessels for India have to ballast to NZ with a one-way cart only available. Hire rates are much higher as a consequence, currently running US\$25/m³ above China comparatives.

The number of ships prepared to open for NZ/India cargo is limited. Getting them to turn up on time in NZ is another challenge as they typically have to divert to take on bunker on their way to NZ.

The current selling price in India is US\$26 – 27/m³ above China meaning a better bottom-line NZ if you can find a vessel at the right money and right timing. With the FTA just now around the corner and trade levels likely to increase, shipping should be less of an issue going forward.

Canterbury Sawmills are continuing to experience strong sales levels and a nearly full forward order book. The loss of the Nelson and Northland CHH sawmills is certainly helping the local demand profile. Lumber prices remain stubbornly un-moving but some are suggesting that desperately needs to change as the extra costs of doing anything continue to challenge the whole supply chain.

And just in case there are readers out there who blame timber prices for the extra cost of building a house, I pointed out to one of our very important sawmill customers recently, log prices have not moved since 2018! Perhaps this also needs to change.

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