

Monthly Market Report

January 2025



A very Happy New Year to all readers. For those of us in the commercial forestry sector, there is an air of expectation that 2025 cannot be worse than 2024. The early 2025 signs look promising, albeit there could be some small speed humps just in front of us.

International factors would suggest we might be in for a rough ride as a nation. The new US President appears hell bent on destroying his. Claiming to be focussed on cracking down on crime whilst releasing 1,000 criminals into out of order chaos and beating his chest openly taunting world leaders already at war does not bode well for calmness and serenity.

The immediate impact of the emerging insanities has been positive for NZ exporters now enjoying a low US\$ exchange rate and shipping rates also under downward pressure across break bulk and containers.

Indeed, my FOREX managers have cautioned the illustrious Mr Trump was good for the NZ last time with similar strength in the Green Back built around protectionism measures. I have reminded them at the tender age of close to 80 sane people normally act their age and remove themselves from key decision-making roles.

I have seen many times before the international softwood log trade behaves abnormally to worldly pressures. Indeed, for NZ it is as much about what other nations are attempting to play in our supply sandpit. The scale of NZ operations is ensuring we enjoy lower shipping rates even compared to some like Australia who are much closer to China and India than we are.

Another competitive advantage NZ enjoys is the smallness of our Islands ensuring wood fibre is relatively handy to ports. We think we are hard done by when we get over 100km from a port. Uruguay forests are typically 1,000 – 2,000km to their ports and Australia 300 – 500km from theirs.

Our Stevedoring business are also key players. Whilst Port costs are way too high, we are still very competitive on load rates compared to other supply nations. A long and sustained history in log exports has ensured we have skilled staff, good load rates and safe, continuous improvement practices.

China celebrates their New Year at end of January meaning the market is effectively closed for 3 weeks.

Erstwhile NZ loggers are enjoying better log prices, production levels have increased and we expect China inventory to move quickly from 3mil to 4mil cubic metres. This is the direct consequence of arrivals from NZ.

Prior to New Year, China consumption levels were good and the market steady albeit since November, CFR prices for the indicator A grade have dropped from US\$125 to \$118 per cubic metre. Most commentators are suggesting there is another US\$2 off hanging in the balance. The good news is no one is predicting massive change in our near future.

NZ Forest owners have not felt the impact of price drops with lower shipping rates and a favourable FOREX rate ensuring for most, small increases at port NZ have been the order of the day. The market is effectively hanging on grimly waiting for the orange tariff light to come on (sorry about the pun...not).

Thus, the illustrious DT has the wood fibre market nervously waiting his next move. But as has happened in the past, I predict the market will find sneaky ways around the very blunt instrument called tariff, so whilst DT is pushing his forward, the market will find entry point answers that effectively dodge him and them and supply and demand takes care of the rest. Silly sausage DT.

For India, the market is also under downward pressure as extra arrivals from NZ ensure supply well exceeds demand. This market has also been interrupted by one disreputable India agent who accepted cargo without LC's and that cargo is now sitting in bond in Kandla awaiting the lowest price.

Most commentary is suggesting that volume will quickly move out of the supply chain as seasonal demand picks up and there will be a quick recovery to normality. For the moment China destination sales are netting back to NZ very slightly ahead of India but that will flick very much the other way in February March if the crystal balls readers have picked it correctly.

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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