

Monthly Market Report

March 2025



The good steady run of reasonable pricing across export log sales over the last 5 months is now facing some head winds as a number of factors line up to potentially see some downward pressure on wharf gate log prices in Q2.

A weakness in demand in China is being primarily driven by a combination of tariff concerns, domestic prices dropping and manufacturers lacking confidence. This is having a broader cumulative impact with most export agents experiencing buyers starting to refuse to issue contracts and Letters of Credit. Most are saying they believe prices will drop and they are waiting to see where the bottom is.

Whilst we might otherwise have a sense of history repeating, this time any movements being quoted appear to be suggesting a few dollars only. All are quoting the Trump factor as causing as much nervousness amongst China manufacturers as any single element.

Increases in shipping costs are starting to be the order of the day with up to US\$2 per cubic lifts for some voyages. The Red Sea Conflict is not helping. With Houthis rebels attacking commercial shipping, hundreds of vessels are diverting to the longer route around Cape Horn to get to the UK and Europe.

Some commentators have suggested shipping costs are returning to slightly above where they were pre COVID. This is not good news for those with an expectation the new levels could be short lived.

Erstwhile back in China, the total softwood log inventory has remained unchanged at about 3.9mil m3 and off port sales have been running along at around 60,000 per day. Again, the market fundamentals are not entirely unfavourable, so we do not expect the market to crash as it did in Q1 2024.

Recent stimulus packages announced by the China government are not thus far adding economic revival to the extent of fixing a massively over stocked housing market. Some commentary has suggested there will be better times ahead as a consequence of the Government targeted spend.

In India the signs are more promising. February log vessel arrivals totalled 7 with the same number predicted in March. This is about the right number with inventory falling and some of the distressed cargo held in bond also starting to move.

Whilst we can expect to see better price stability in India, shipping remains the most significant challenge, both in terms of cost and availability. The net impact of the current tariff on NZ logs is being quoted as the largest ticket item currently preventing us from growing our market share.

At present NZ logs sold to India customers attract effectively a US\$7 per cubic metre tariff. Thus, many forestry eyes are focussed on our Prime Minister and Trade Minister Todd McClay as they attempt a Free Trade Agreement.

The removal of the tariff could add NZ\$50 mil + per year to export earnings through a combination of tariff removal and the additional market share that would be created.

In a scale context this does not sound like a big number. In reality, the total wood product sales from NZ to India in 2024 was \$76mil. Clearly there is much to be done to develop this market. Kiwi Leaders have started by treating this as a front and centre issue. This has the forest industries wide support with clear evidence India has much to offer NZ forest owners.

Our domestic sawmill owners seem mostly happy with sales levels just so so. Most seem to believe the impending winter could present scale challenges but there is a consensus new house starts are back on the rise and new sales enquiries at reasonable volumes increasing

As with the log grade, the current firming of the NZ\$/US\$ exchange rate is not helping the bottom line. The perverse is if the illustrious President Trump succeeds with the current tariff impositions, this should help strengthen the US\$ thus bring the Kiwi back down.

The next 2 months could be interesting. If China domestic prices swing back up due to demand, we will be Ok. If they do not, it will be batten down the hatches and slow the number of log vessels leaving NZ. Kiwi loggers taking a good long week off at Easter would help.

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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