

The FORME Report

NZ RADIATA PINE LOG PRICES: 1st Quarter 2022



Grade	Market	SED	\$ Low	\$ Mean	\$ High	Trend
Pruned P40	Domestic	40cm	\$185	\$190	\$196	↑3
Pruned P35	Domestic	35cm	\$180	\$188	\$195	↑1
Pruned P30*	Domestic	30cm	\$145	\$145	\$145	↓1
S40*	Domestic	40cm	\$143	\$143	\$143	–
S30	Domestic	30cm	\$133	\$140	\$158	↑6
S25	Domestic	25cm	\$97	\$121	\$136	↓1
S20	Domestic	20cm	\$103	\$116	\$122	↓1
L/R	Domestic	22cm	\$72	\$84	\$94	–
Pulp logs	Domestic	10cm	\$40	\$50	\$58	↑1
Pruned P40	Export	40cm	\$155	\$190	\$229	↑31
Pruned P35	Export	35cm	\$139	\$144	\$149	↑27
Pruned P30	Export	30cm	\$143	\$153	\$163	↑23
AO Grade	Export	40cm	\$127	\$135	\$145	↑14
A Grade	Export	30/35cm	\$116	\$129	\$146	↑22
K Grade	Export	20/26cm	\$100	\$120	\$139	↑24
KI Grade	Export	26cm	\$100	\$111	\$126	↑24
KIS Grade	Export	10cm	\$92	\$104	\$122	↑24

Note: The log prices stated above are for radiata pine logs delivered to wharf or mill gate (export prices are reported as NZ\$/JASm³ AWG and domestic prices have been converted to NZ\$/m³). Log prices are indicative of the last quarter only and may not necessarily fit with actual grades and prices paid in recent market transactions in your region.

* Single sample

Commentary *Export price recovery*

The price for export logs has risen steadily through Quarter 1 with domestic log pricing 'steady as she goes'. March has traditionally a big month for log production in New Zealand due to good weather, good log prices and a high amount of workdays (23 this year). However, due to interruptions in the supply chain caused by Covid absences and weather events, log production was lower than expected. The biggest issue was at the ports, with marshalling companies recording reduced hours in reaction to staff illness.

Quarter 1 was also dominated by high fuel prices increasing the cost of production by as much as 15%. This is a direct loss to the forest owner and some small forest owners have decided to delay harvest until more stability in the export market.

Ocean freight - 76,442 (4%) of the merchant fleet workers in the world are Ukrainian. Many of these workers may have returned home to defend their homeland. This reduction in labour as well as other supply chain disruptions due to Covid and the Russian invasion of Ukraine have increased concern for global supply chains.

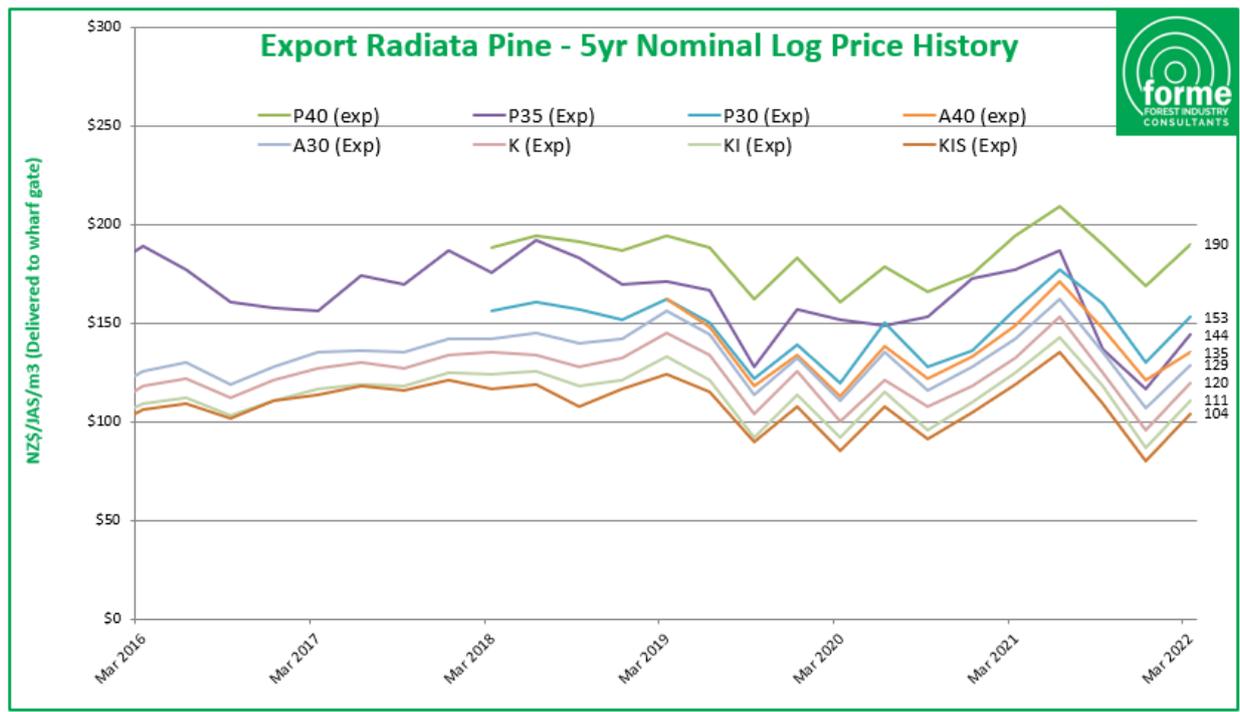
Oil is a major cost component in ocean freight cost and has been extremely volatile during March. In early March the price of Brent crude peaked near US\$130/barrel before dipping to

below 100 USD and is now back to US\$120/barrel. Increased uncertainty has also contributed to sharply rising freight costs. Log exporters are preparing for 80 USD shipping rates from New Zealand to China. These increased costs will likely reduce supply from Uruguay to China where there is approximately 40 sailing days as opposed to 18 sailing days from New Zealand.

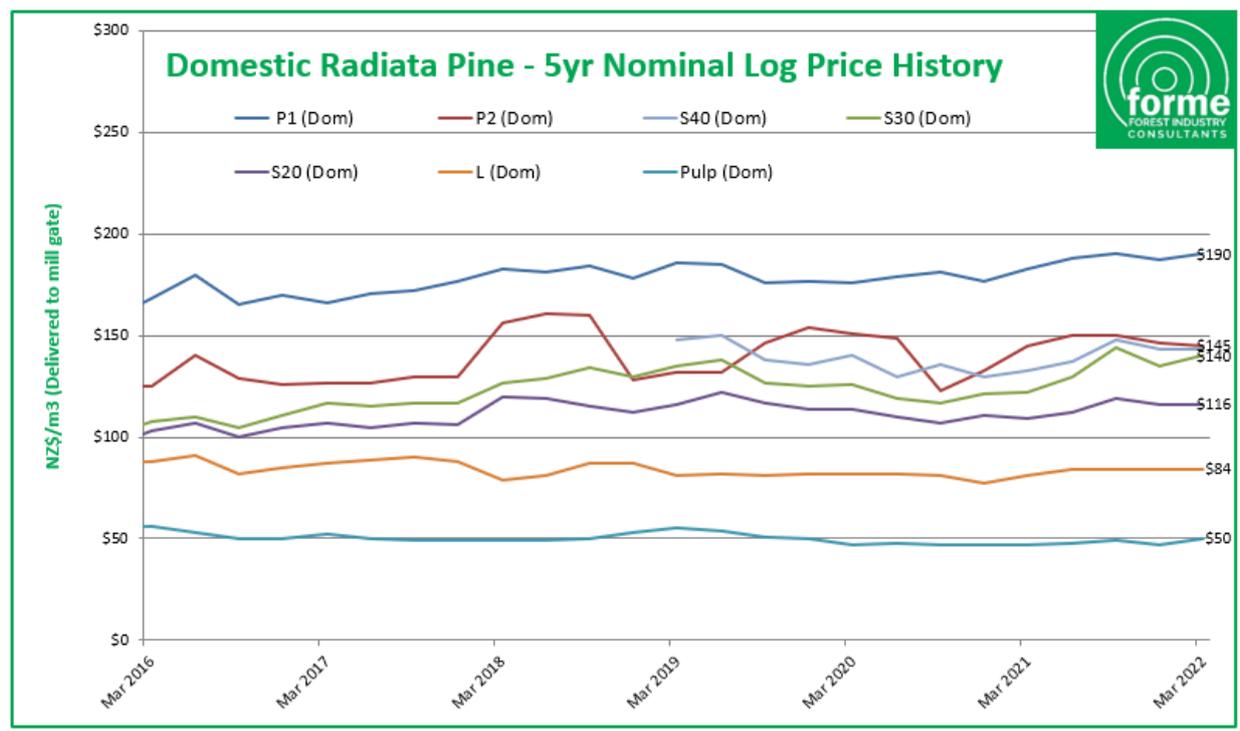
Exchange rates - The NZD has strengthened against the USD over this year. This has limited AWG price increases for New Zealand forest owners. The CNY has weakened against the USD reducing the buying power of Chinese log buyers. Chinese log traders are likely to be lining-up bargain purchases in Russian rubles (RUB).

Outlook – specific responses to your queries

1. Russia – would like to sell logs or lumber or anything to China currently to generate cash for war and survival, but they are limited because,
 - a. Demand for sawn lumber in China will increase as JV partners in Sawmilling ventures in Russia withdraw from Russia (SA, Scandinavian partners). This opens opportunities for NZ timber and log exporters when China demand picks up again.
 - b. Russia will try to sell logs to China who can only trade with them in RMB or Roubles. The former can only be spent in China and the latter is almost worthless except in Russia so eventually cost of production to harvest logs in Russia will exceed the limited cash benefit.
 - c. Log harvest in Russia is/has drifted to far east of China for economic transport and is becoming less competitive. The ban is less likely to present a major threat to NZ log exporters now, even when Covid effects reduce.
 - d. Reducing softwood available in South America expected next 3 – 4 years (will impact India again who will need to come back to NZ for log supply they get in Uruguay now, when freight costs allow later), reduced availability in Australia due to fires (and a trade ban by China against Australia). USA Southern resources reduce soon (...). NZ has the only uncommitted softwood resource in the world – and that reduces in a few years' time. Expect rising log prices globally and especially in NZ.
2. Strong evidence of likely expansion and new production is emerging in NZ. Australia is seriously compromised after Black Sunday fires burnt major areas of softwood.
3. NZ log exporters are expecting log prices to ramp up to September so, yes.
4. Energy cost rises are impacting margins in forests and wood processing (Sawmillers etc). Costs of production are rising, and margins are falling. Sea freight is a critical factor which is worsened by trade imbalances and container disruptions.



Export price recovery.



Stability in domestic log pricing.