

The FORME Report

NZ RADIATA PINE LOG PRICES: 1st Quarter 2020



Grade	Market	SED	\$ Low	\$ Mean	\$ High	Trend
Pruned P40	Domestic	40cm	\$163	\$176	\$186	↓1
Pruned P35	Domestic	35cm	\$149	\$174	\$193	↓1
Pruned P30	Domestic	30cm	\$129	\$151	\$173	↓3
S40	Domestic	40cm	\$133	\$140	\$147	↑4
S30	Domestic	30cm	\$117	\$126	\$131	↑1
S20	Domestic	20cm	\$102	\$114	\$121	-
L/R	Domestic	22cm	\$71	\$82	\$93	-
Pulp logs	Domestic	10cm	\$31	\$47	\$58	↓3
Pruned P40	Export	40cm	\$143	\$161	\$174	↓22
Pruned P35	Export	35cm	\$146	\$152	\$158	↓5
AO Grade	Export	40cm	\$108	\$113	\$124	↓21
A Grade	Export	30/35cm	\$94	\$111	\$131	↓21
K Grade	Export	20/26cm	\$95	\$100	\$104	↓26
KI Grade	Export	26cm	\$78	\$92	\$112	↓22
KIS Grade	Export	10cm	\$76	\$85	\$102	↓23

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.

Commentary

Export price slump, domestic prices static

Export log pricing continued the 2019 price recovery during Jan 2020, but Chinese shutdown over the CNY period followed by the lengthy Covid-19 economic shutdown in both China and New Zealand has seen a further 16-21% drop in pricing for most export grades. Domestic pricing remained relatively unscathed but expect to see domestic pricing follow suit for the Q2 period.

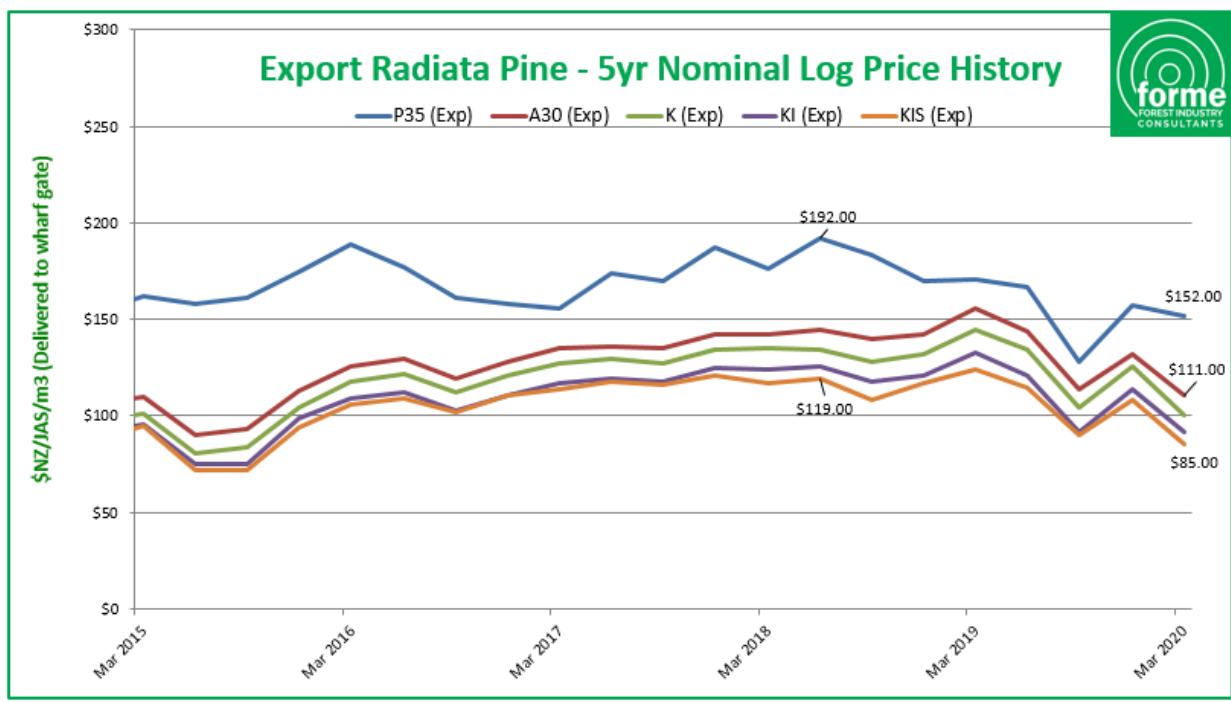
NZ harvesting resumes on the 28th April after four weeks of Level 4 lockdown and indications are promising for very strong demand from China after the lengthy layoff.

Outlook

Despite a lengthy lock down, domestic processors are preparing to start up 28th April and although they were expecting price reductions, are finding they are being challenged again by rising log export pricing that at best will see them incur a no change scenario since pre lockdown.

The NZ domestic construction market is poised to start well in May, the timber supply chain is empty, and merchants are confident about planned timber price rises. However, expect a dip in new housing and commercial construction activity by June/July 2020 unless the NZ government provides a robust stimulus package. Perhaps with all the projected unemployment post lock – down they will try and deliver on promises to deliver on fixing perceived housing shortages in NZ. Proposed reductions to LEV levels will help. The expected lack of immigration will probably overall see the NZ housing new build market cool later this year.

China, the main market for NZ logs will start well but probably also dip in June/July as normal summer pressures there lead to increased supply from Europe unless, the recent European winter was warm enough to create runaway conditions in the European Spruce Beetle infestation. This may cause increased harvest levels seen there over the past 18 months, slow and eventually wane.



Domestic log prices and demand remain steady. With the decline in woodlot activity, domestic processing is more reliant on their long-term suppliers.

