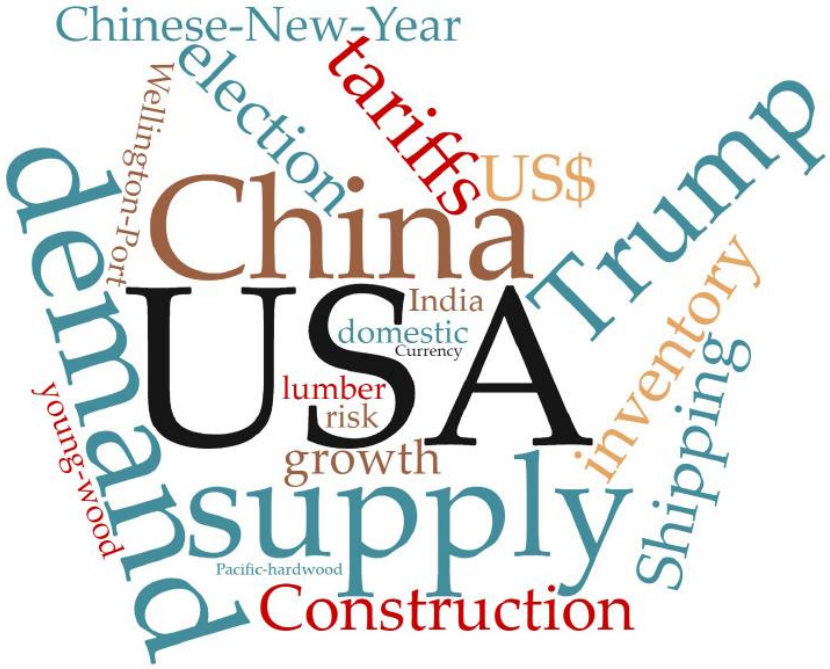
Log Price Outlook – November 2016



This log price outlook has been distributed exclusively to participants
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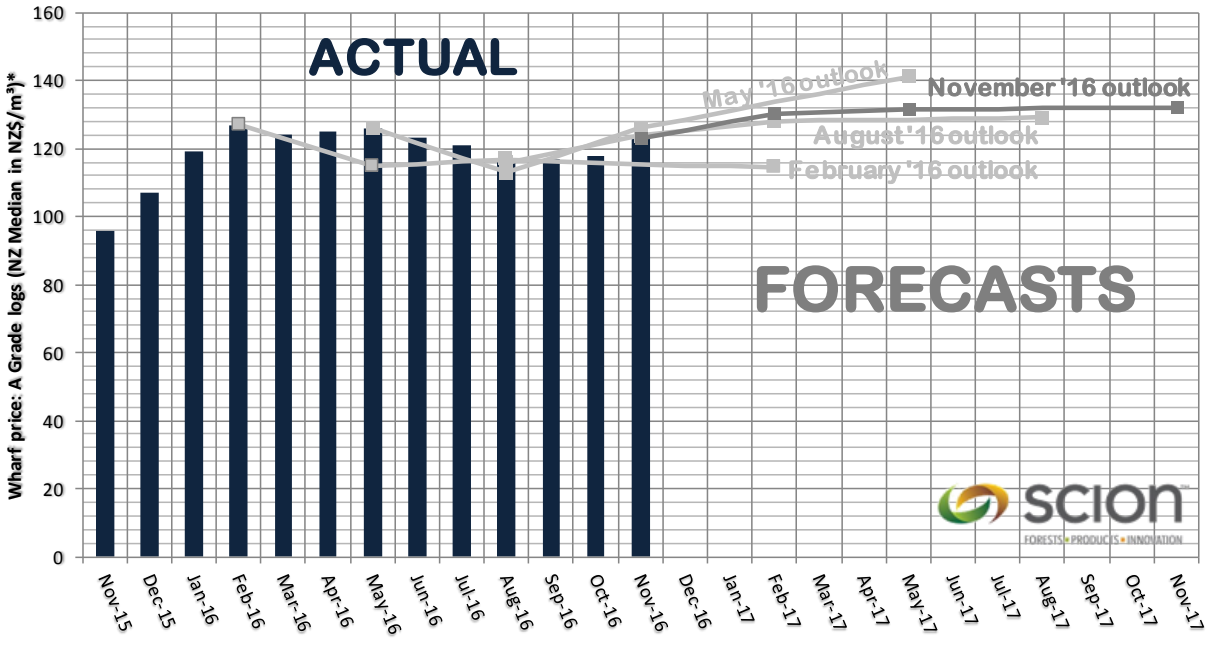
Summary: This log price outlook was generated by combining the opinions of 54 persons during the second half of November 2016 in New Zealand and abroad. While the word cloud of issues above depict many new dynamics in the market, the price outlook for unpruned logs is remarkably similar to August's predictions. The majority of people anticipate unpruned and pruned log prices to rise over the next six months. Lead indicators based on forklift sales, marketing and maintenance indicate a slowdown in South Korea, Australia and China, stable conditions in Japan and New Zealand and a rise in industrial activities in India. The report also briefly reflects on participants' feelings towards price-coupled log supply agreements in the domestic market.

Figure 1: Wharf price outlook for unpruned logs



* Data source (dark blue:) AgriHQ

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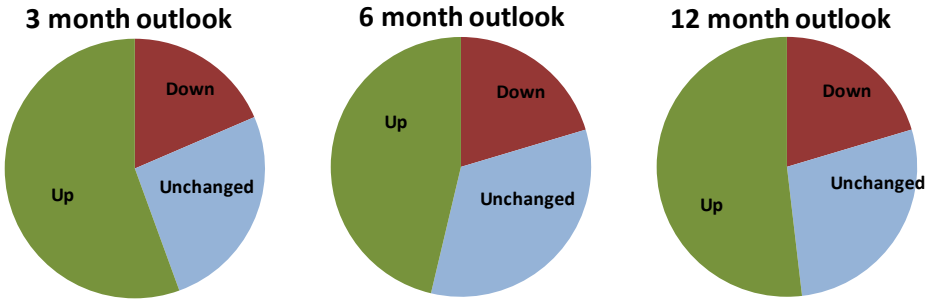
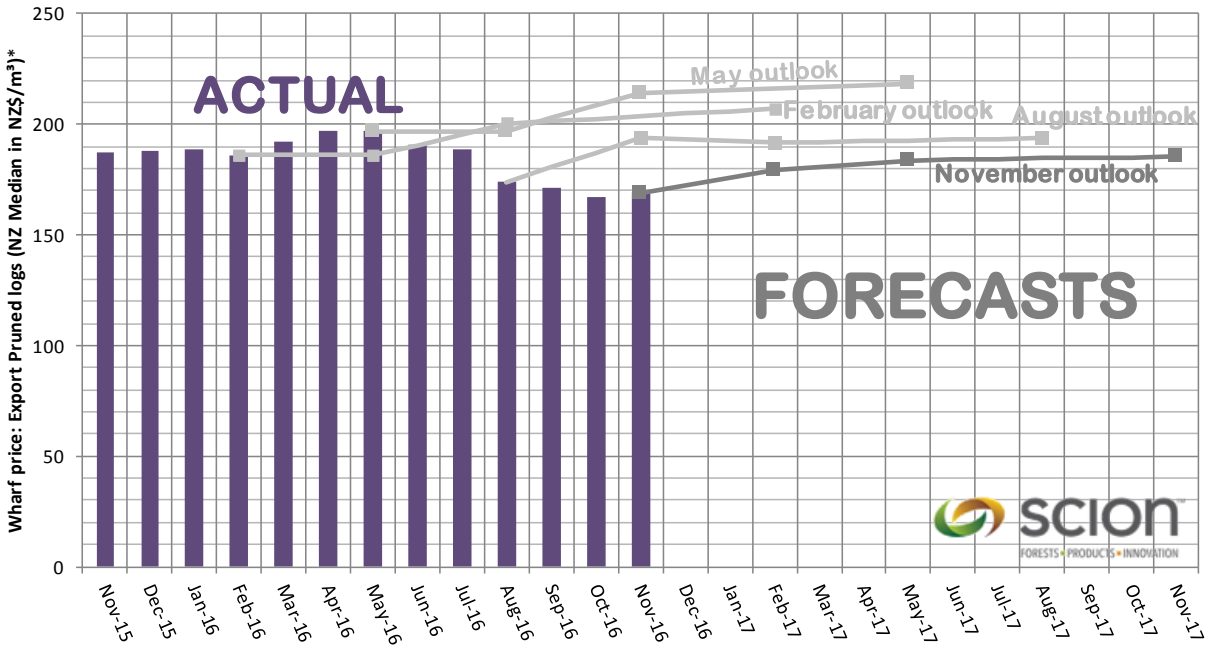
Figure 2: The proportion of participants with a certain opinion about future unpruned log prices



Summary of comments made by participants concerning unpruned log prices:

- Tighter supply out of NZ for older trees
- Continued reduction in domestic softwood supply from China has increased demand in India
- Strong demand locally and low stocks in China with high uptake
- India out of action for several months
- Northern hemisphere winter slowdown but warmer temperatures have helped construction
- Temporary loss of Wellington export market
- Construction sectors appear to be picking up
- Difficult to predict post Trump, expected little increase in demand from China
- Unstable global economic situation due to USA's elections and the demand of China and want for exports by Asia
- Assuming Trump imposes tariffs on goods import from China, this will reduce the global economic growth
- Domestic growth in China continues at least until the Chinese New Year in 2017
- US Economy will see a global change in commodities
- Shipping rates keep going up
- CFR prices seem relatively stable in China but there is some upwards pressure on shipping prices
- Well balanced log inventories in China for the moment
- Hard to pick price movements with so much uncertainty regarding Trumps tariffs on China, hopefully they won't be anything like stated and that was all election bluster so have stuck with small increases in prices 3 to 6 months ahead because other markets (e.g. China and Aisa) remain strong. However this makes it hard to pick 12 months out so an unchanged price seems prudent.

Figure 3: Wharf price outlook for pruned logs



* Data source (Purple:) AgriHQ

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Summary of comments made by participants concerning pruned log prices:

- China is not as aggressive on pruned as they use to be
- Strong demand from China but still sap-stain and quality issues
- Still negativity in the market towards NZ radiata pruned logs
- Pruned log prices are really about the domestic market
- Increase prices for Bark off sap-stained sprayed logs
- If woodlot harvesters continue to harvest trees greater than 25 years old, then the prices are unlikely to move much
- More demand than supply of pruned logs
- Stabilising demand for fresh sap-stain free pruned logs
- Initial uncertainty and then levelling off due to shortage of pruned log volume
- Growing demand in the furniture sector and possibly in plywood
- Bit more bullish with pruned prices because there is a shortage locally

Industrial Lead Indicators based on Forklift Industries

An increase in the number of forklifts in an industry corresponds with increasing numbers in wooden pallets and packaging material. The figures below illustrate indexes of internet activities that can be associated with forklift purchases and maintenance in six countries where New Zealand timber and logs are sold.

Figure 4: Forklift sales, marketing and maintenance indicators for different countries

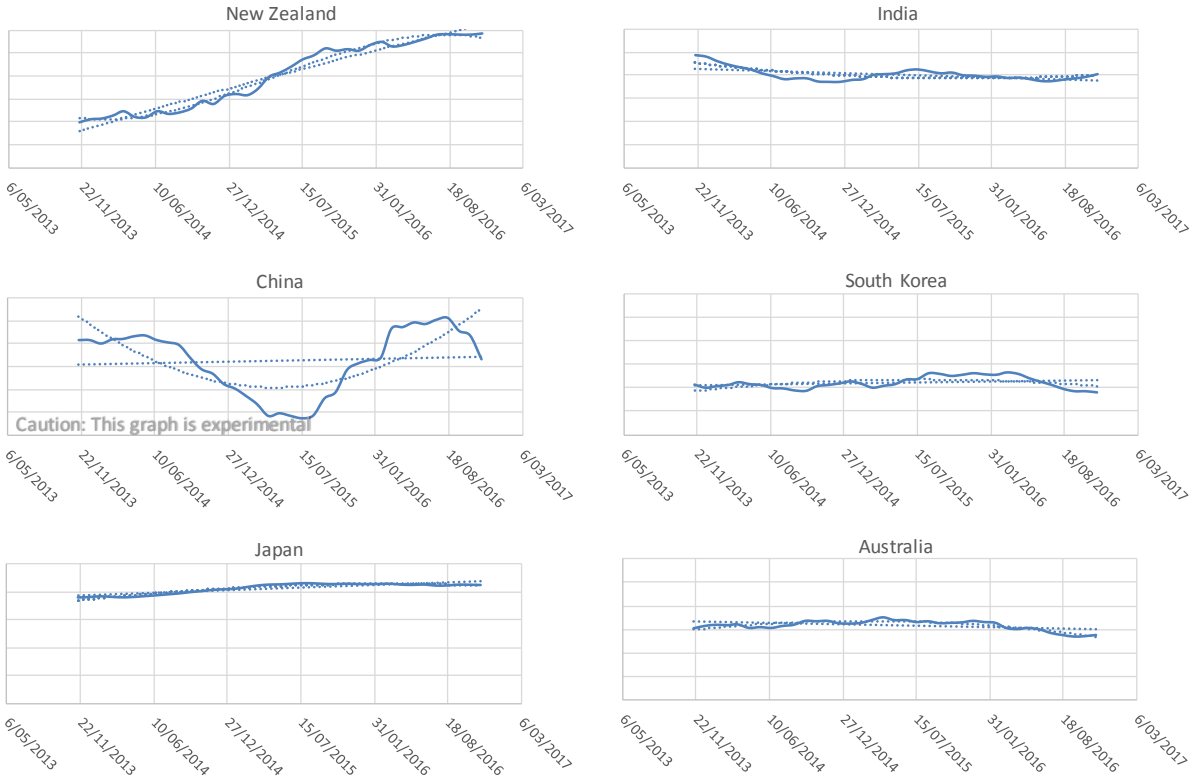

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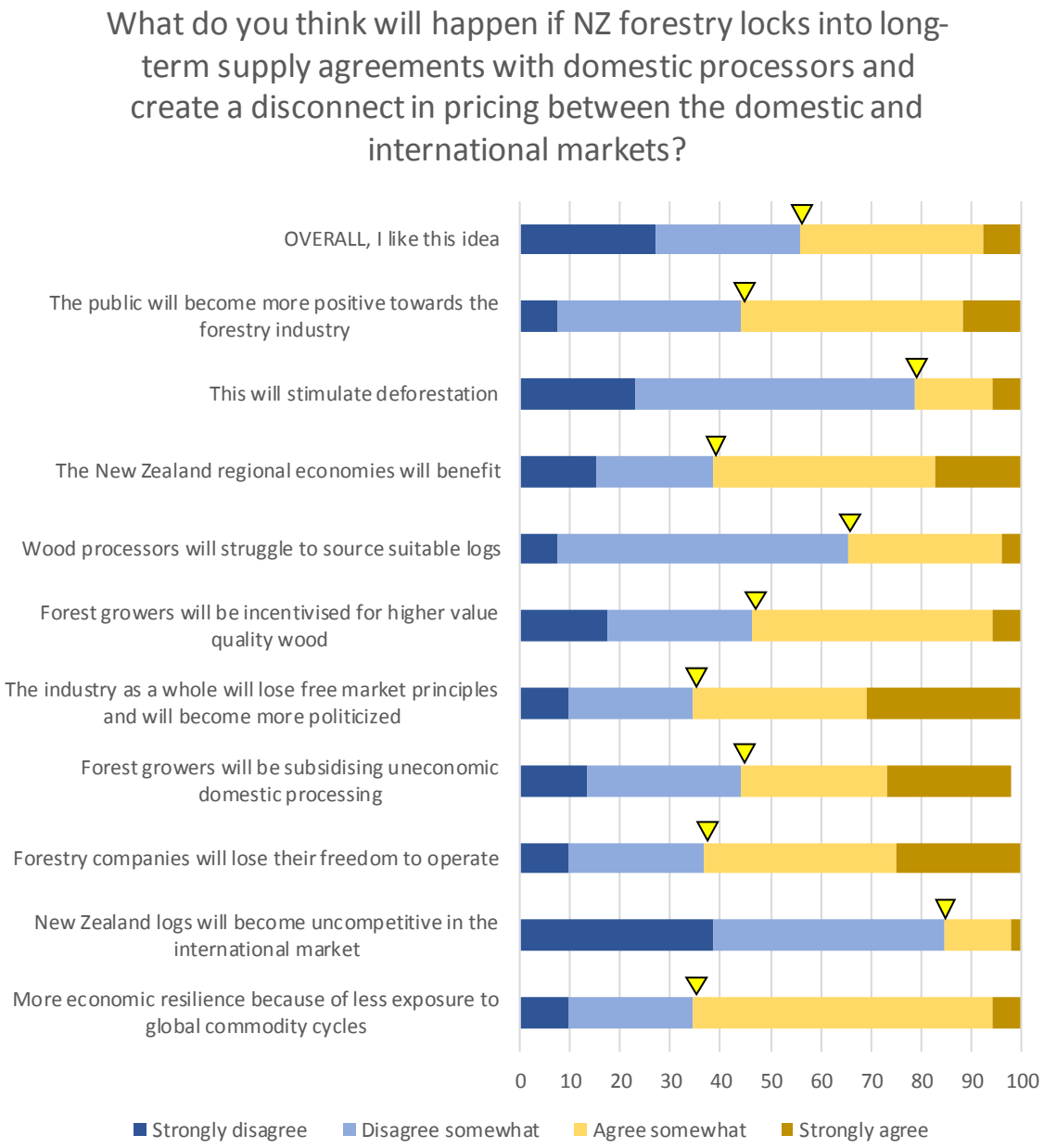
Figure 5: Participants' opinions concerning dynamics on the implementation of different log pricing regimes in the domestic markets.



Scion would like to acknowledge AgriHQ for allowing us to include some of their data in this report. Woodweek (http://www.woodweek.com/) is thanked for helping to promote the Outlook. The next log price outlook will take place from 13 to 27 February 2017. To access previous outlook reports please visit this web site:
https://www.scionresearch.com/research/value-chain-optimisation/log-price-outlook

This information has been distributed exclusively to persons who participated of the outlook forecast
Thank you for your contribution.

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