

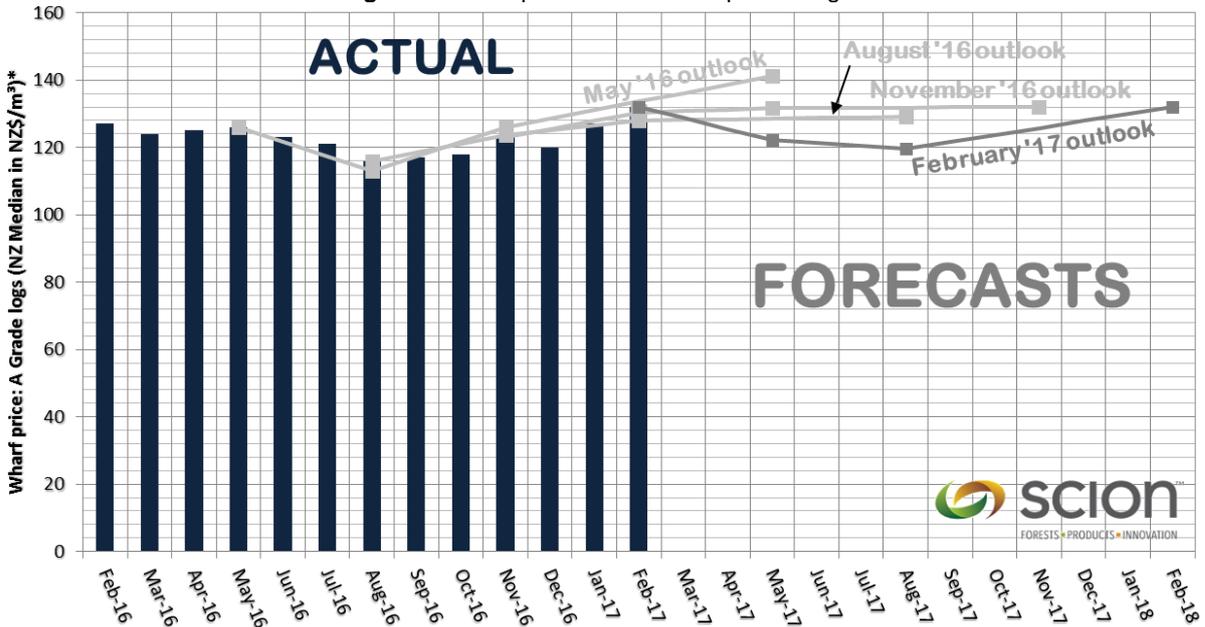
## Log Price Outlook – February 2017



**This log price outlook has been distributed exclusively to participants  
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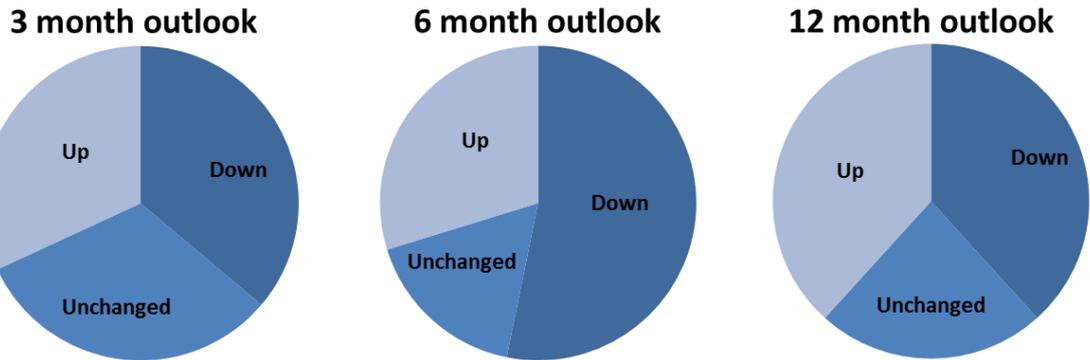
**Summary:** This log price outlook is a collation from 48 people who enjoy exposure to different parts of New Zealand’s log supply chains. The outlooks for both pruned and unpruned logs are negative, especially towards August 2017. China remains the biggest driver. Construction is under pressure and environmental laws in China are expected to influence saw milling in the future. Changes in trade between the USA and Canada could also see additional logs making their way over the Pacific. Issues concerning Trump and the USA have dropped significantly since the November 2016 outlook. Forklift based indexing reveal positive industrial activities in New Zealand, India, China, Japan and Australia.

**Figure 1: Wharf price outlook for unpruned logs**



\* Data source (dark blue:) AgriHQ

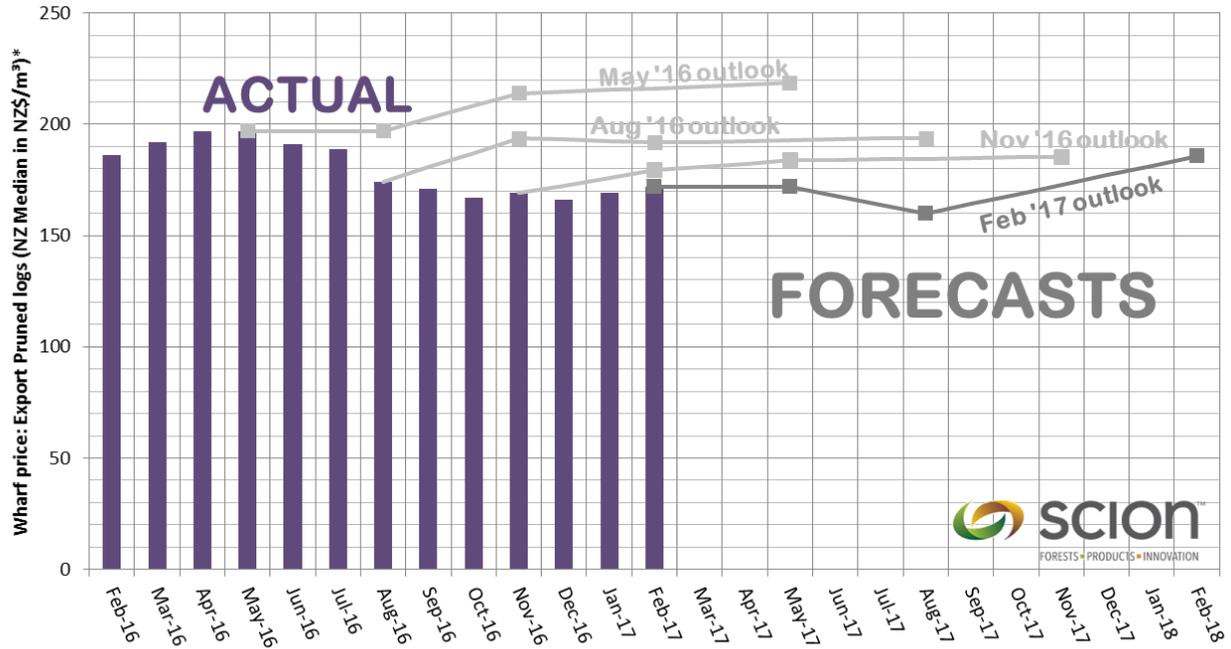
**Figure 2:** The proportion of participants with a certain opinion about future unpruned log prices



**Summary of comments made by participants concerning unpruned log prices:**

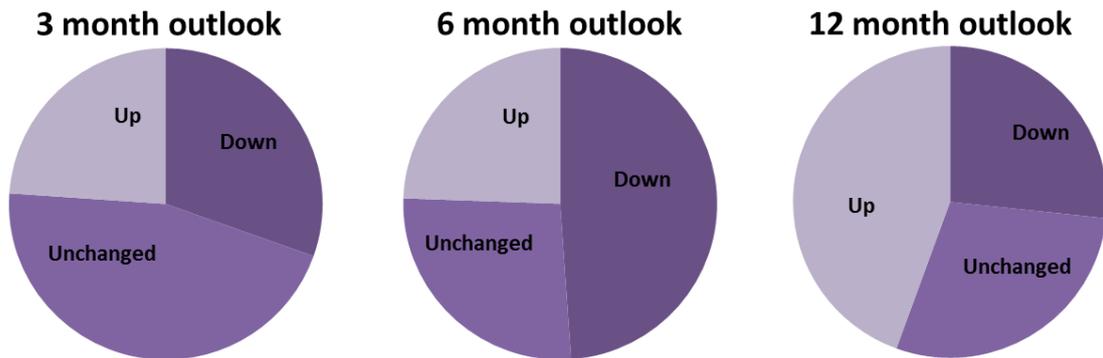
- Canada may export more logs if US impose tariffs.
- China moving to higher value applications, e.g. furniture.
- China's domestic economy and construction currently rely upon central Government stimulus. This may not be sustainable due to high levels of debt and other macro-economic factors.
- Chinese government's strict environmental policies - family-run factories will be closed across the country. Chinese market is full of uncertainty, along with rumours.
- Chinese market is expected to remain strong in 2017, although it is still suffering from too much private debt, especially in the construction sector. But construction is too important for the Chinese government to let it fail.
- Chinese RMB exchange rate and other import costs in China rising impacting the profitability of importers. Radiata prices in China currently at a record high in RMB.
- Continued export demand in China.
- Currency outlook uncertain due to US-China trade war and early harvest of planting boom.
- Freight rates will come under pressure.
- In the longer term China's restrictions on domestic harvesting will influence the markets.
- Increased lumber demand in US will pull wood from BC. China will want more wood from NZ
- More local competition for depleted forest resource near export ports.
- Near-term effect of Chinese New Year, high on-wharf inventory levels.
- NZ Dollar and election uncertainty.
- NZ is over-supplying the Chinese market based on unsustainable high current pricing.
- Pacific Hardwood supply is tighter.
- Reduced USA export log supplies.
- Strong NZ domestic demand.
- The Trump factor is creating uncertainties.
- US export duties on Canadian lumber exports will push up US log prices but could create softer Canadian log prices. At the same time lumber prices that include US export taxes should be under pressure during the quieter months (October to January).

**Figure 3: Wharf price outlook for pruned logs**



\* Data source (Purple:) AgriHQ

**Figure 4: The proportion of participants with a certain opinion about future pruned log prices**



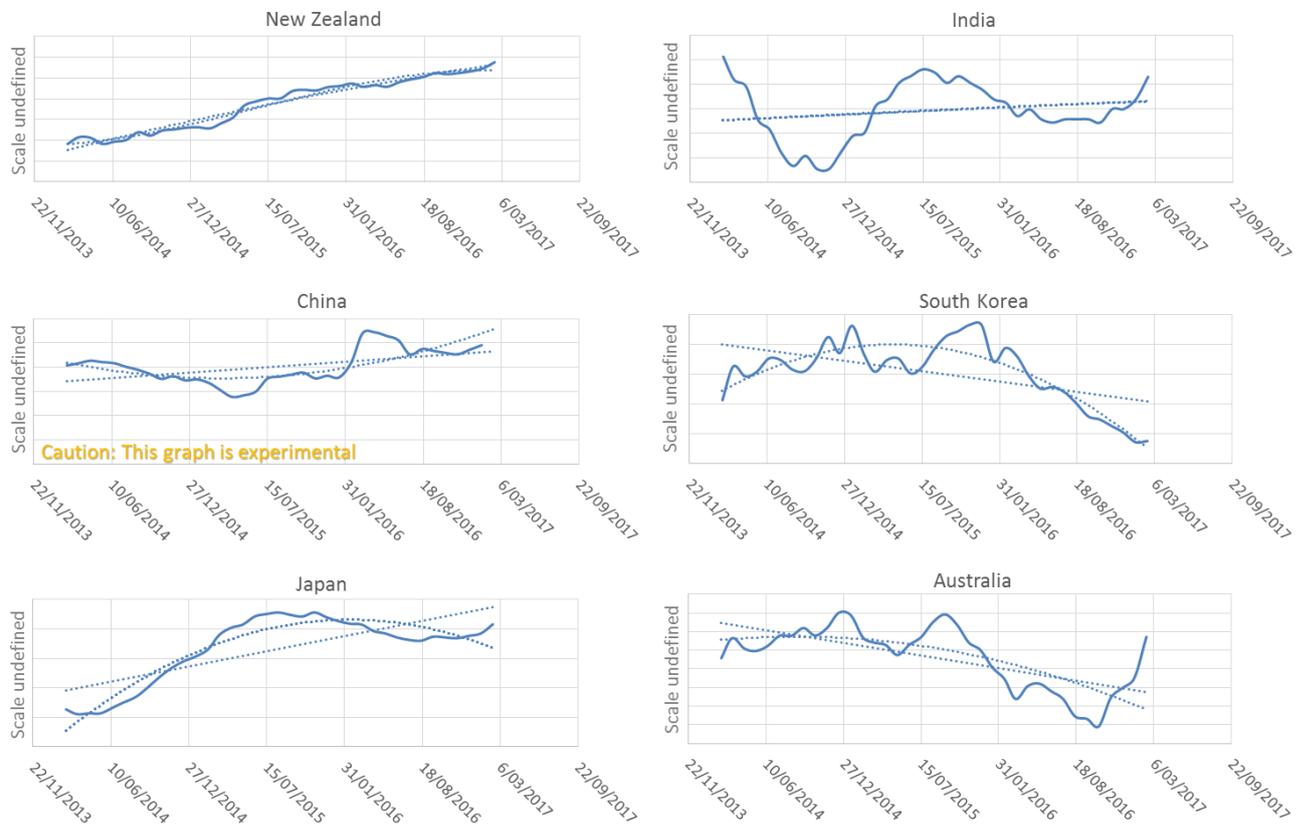
**Summary of comments made by participants concerning pruned log prices:**

- Supplier-imitated price increases due to domestic demand
- Log quality remains a concern
- The Chinese are moving away from clear lumber from pruned logs to defected, finger jointed and/or edge glued clear panels. The days of supplying sap-stained pruned logs are coming to an end.
- Pruned price recent declines has reset the expectation, its better value now than previously, should hold value.
- Prices to be soft in the next 3 to 6 months, due to slow down by NZ mills
- Customers need restored confidence in pruned logs to allow for price appreciation.
- Pruned log prices are currently depressed and are likely to be driven by the Chinese domestic economy.
- Supply of pruned will get tighter
- Stronger China domestic demand, stable exports to China.
- Shortage of supply will force prices up slightly if demand remains the same.
- Chinese buyers are not keen on pruned logs for reasons of quality; sap-stain and cracking

# 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 5:** Forklift sales, marketing and maintenance indicators for different countries



Scion would like to acknowledge AgriHQ for allowing us to include some of their data in this report. Woodweek (<http://www.woodweek.com/>) and Wood Matters (<https://nz.pfolsen.com/market-info-news/wood-matters/>) are thanked for helping to promote the Outlook. The next log price outlook will take place from 18 to 28 May 2017.

To access previous outlook reports please visit this web site:  
<https://www.scionresearch.com/research/value-chain-optimisation/log-price-outlook>

Thank you for your contribution.

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