

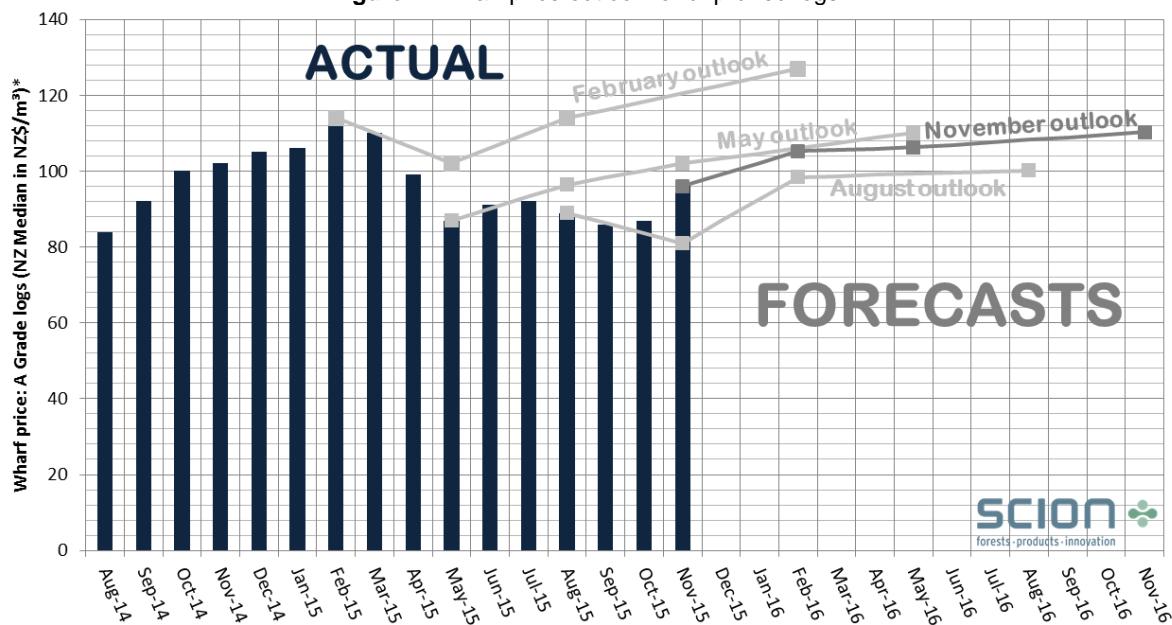
## Log Price Outlook – November 2015

# China Inventory oversupply Demand

Discipline: Ports  
 Supply: Credit  
 Construction: India  
 Wages: Plywood  
 Growth: World-economy  
 Hardwoods: Exporters  
 Regulations: Domestic  
 March: February  
 Chinese-new-year: Ocean-freight  
 Malaysia: Indonesia  
 Exchange-rate: Housing  
 Demand: Off-take

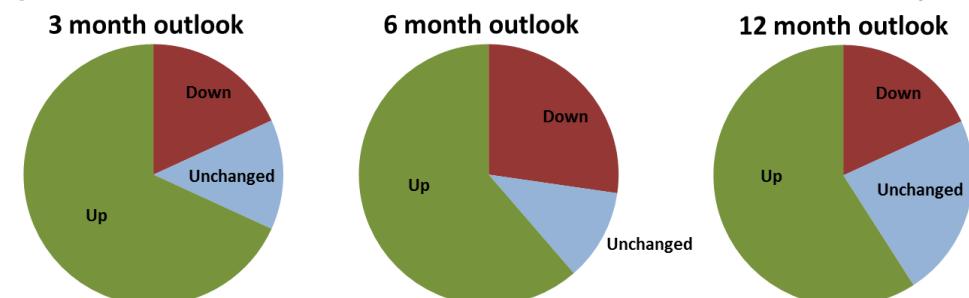
**Summary:** This report provides a brief overview of a web based log price opinion outlook that was carried out during November 2015. 45 people participated, including forest companies, processors, consultants, traders, shipping and researchers in New Zealand and abroad. In contrast to August, the majority of participants are now optimistic and forecast a 5% to 10% rise in unpruned log prices over the coming year. They caution that the recent steep price hike is likely to be a short term correction. Figure 1 compares the November outlook (dark grey) against the earlier outlooks collected in 2015. Figure 2 displays the proportion of participants with a particular sentiment towards future prices. The outlook on pruned log prices remain similar to August, although pruned logs are now trading from a higher base (see Figure 3). The November outlook included a question about value loss along the supply chain. Participants' inputs are being analysed and can be provided at a later stage; if you are interested please contact me.

Figure 1: Wharf price outlook for unpruned logs



\* Data source (dark blue:) AgriHQ

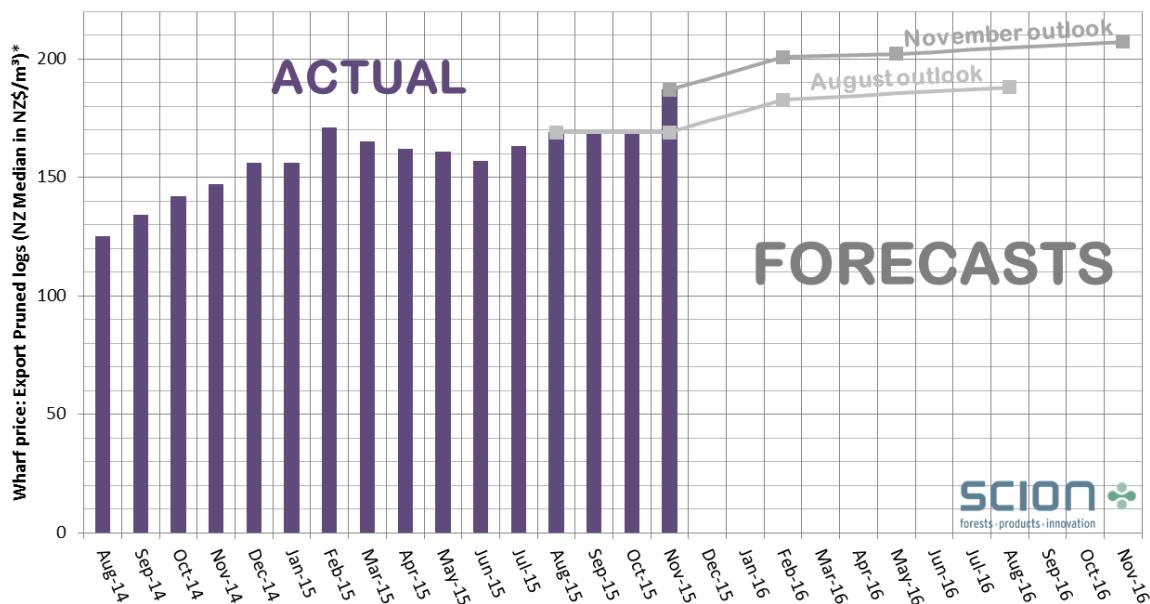
Figure 2: The proportion of participants with a certain opinion about future unpruned log prices



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

- Growing demand in China and India, China not expected to be as high as in the past
- China is facing increasing wages and environmental regulations
- There is an over-response to low log stocks in China, but still not enough demand to continue strong upward trend
- A future oversupply due to the higher prices will slow down the markets
- Although inventories are lower, port off-take is still weak so won't pull prices up by very much
- Chinese New Year will act as a brake in February and March
- Ocean freight remains low
- \$NZ/\$US Bias
- The news out of China continues to be negative. Construction remains low while housing is hugely oversupplied
- Modest growth in world economy
- NZ exporters raising the price too quickly
- China's economy will start to recover in 2016
- Credit facilities are tight
- Increased prices over last 4 weeks are unsustainable
- This may be only a supply/demand balance correction rather than a signal that prices are returning to previous levels

**Figure 2: Wharf price outlook for pruned logs**



\* Data source (Purple:) AgriHQ

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

- Low demand of American markets
- USA starting a large number of moderate sized single home construction
- Increasing wages and processing costs within China
- Big focus on pruned log processing in China and more robust markets
- Differentiation between treated and untreated pruned logs will become more apparent
- The supply of pruned log is lower than unpruned, but prices will follow similar trajectories
- Shortage of supply with a strong market for clearwood
- CFR prices are up, freight and exchange rates are favourable
- Pruned log purchases in China expected to go down
- Slowly increasing supply but more rapidly increasing demand both domestically and for export
- Christmas slowdown of harvesting and continued strong demand for clearwood products will lift prices
- China demand and pressure from domestic demand forcing prices up
- There is a general shortage of pruned from corporate forests
- There is a shortfall of pruned in the CNI so export will only occur if prices are higher than domestic



Scion would like to acknowledge and thank [Wood Matters](#), [Friday Off-cuts](#) and [Woodweek](#) for publicising the Log Price Outlook. The next log price outlook will take place from 15 to 26 February 2016. This information has been distributed exclusively to persons who participated of the outlook forecast – Thank you for your contribution.

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