

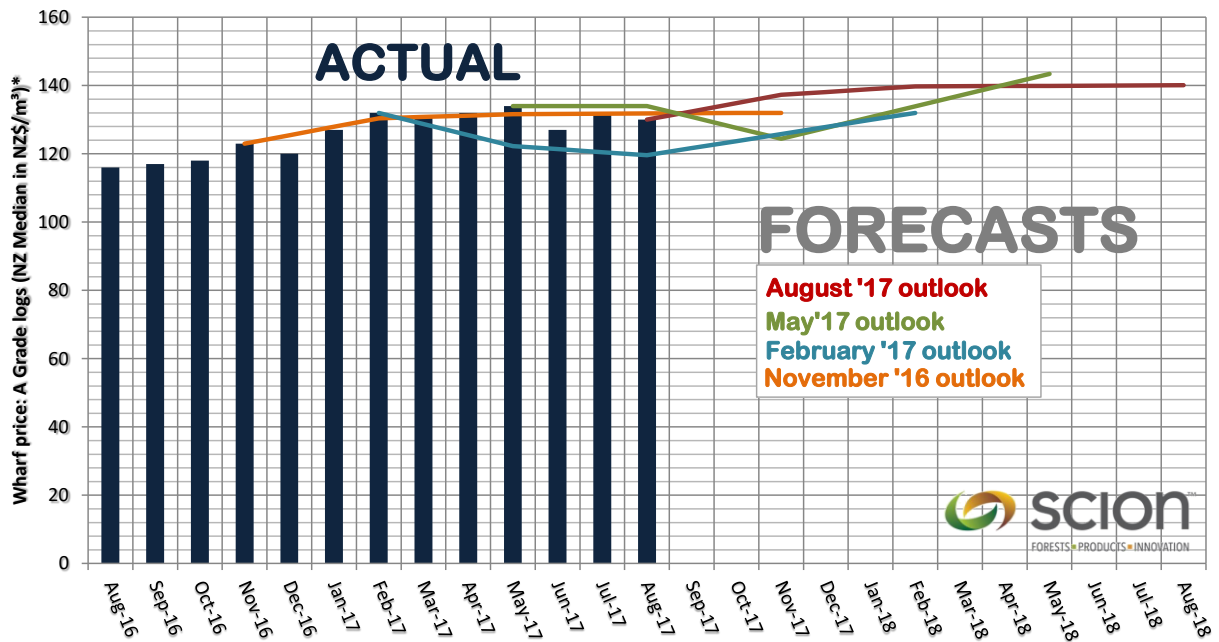
Log Price Outlook – August 2017



This log price outlook can be copied and distributed freely, as long as Scion is recognised as the source. Scion’s quarterly log price outlook is not normally distributed beyond participants within the first month, but the August 2017 outlook has been made an exception.

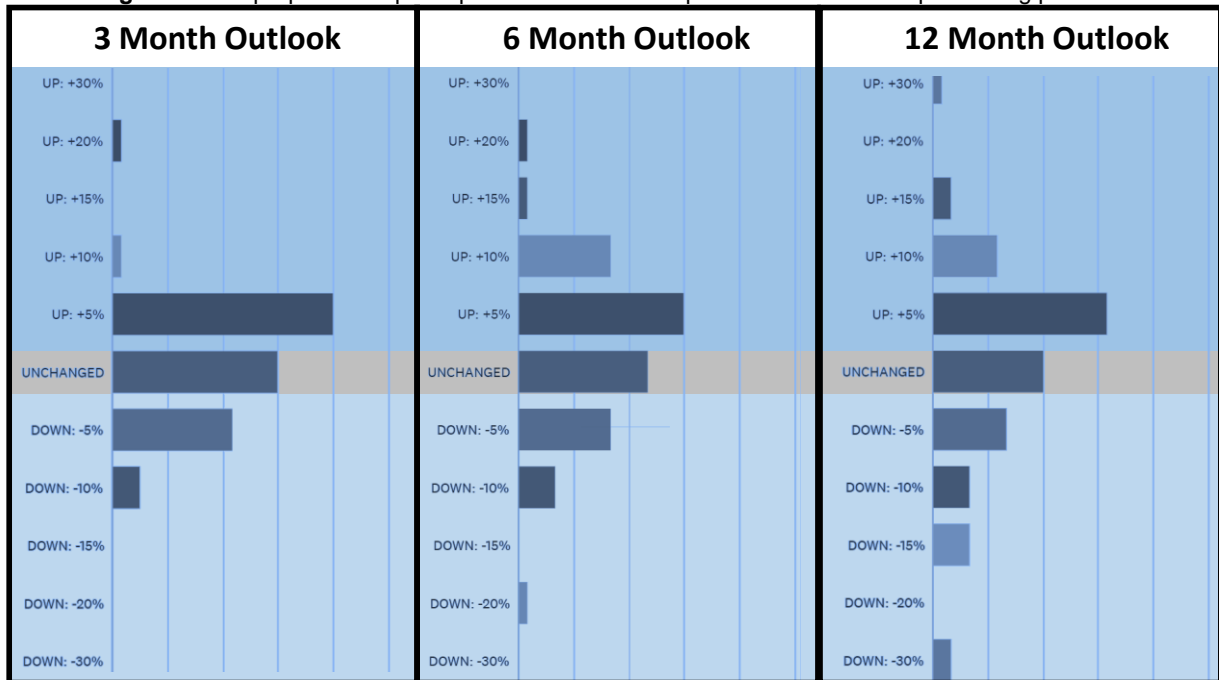
Summary: Sixty New Zealand based and international participants with exposure to different parts in the supply chain participated in this outlook. The majority of participants expect unpruned log prices to trade 5% higher than August prices. More than 47% of participants expect higher prices over the next 12 months. Pruned log prices are also expected to rise. Participants forecasted higher prices for pruned logs consistently over the past four outlooks, but a ceiling value of \$183 is never exceeded. Only 28% of participants expect lower pruned log prices. A small survey concerning issues that affect transport efficiencies in New Zealand is also reported in this article. Infrastructure management and the availability of truck drivers feature high on the list.

Figure 1: Wharf price outlook for unpruned logs



* Data source (dark blue:) AgriHQ

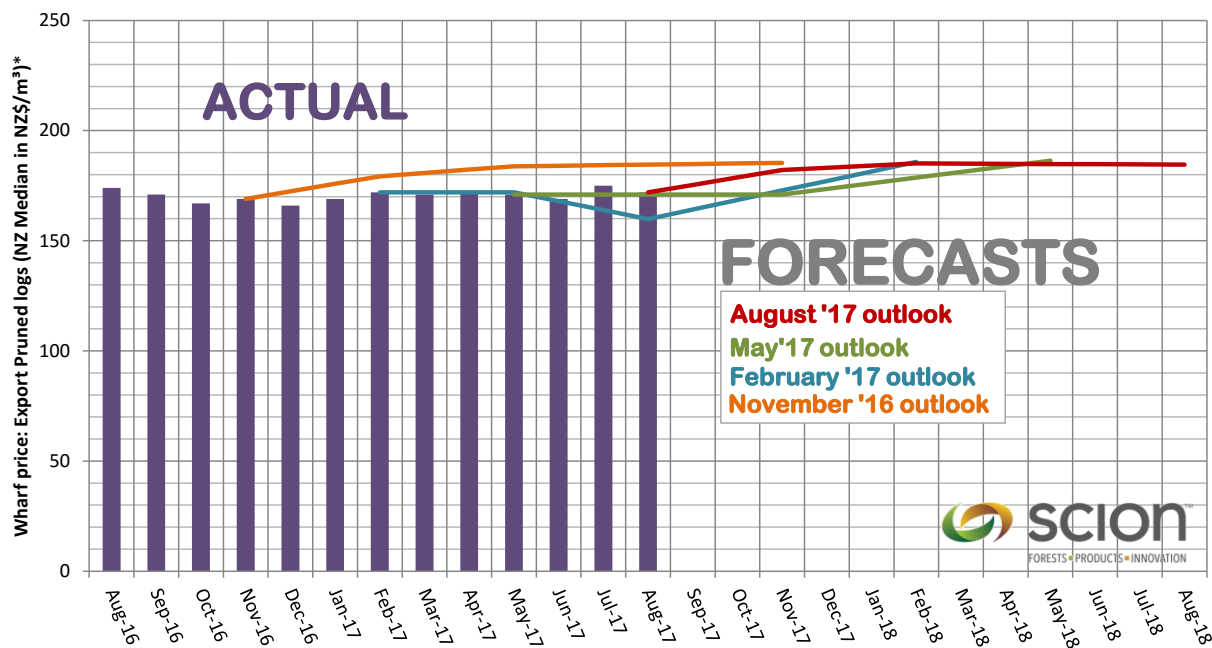
Figure 2: The proportion of participants with a certain opinion about future unpruned log prices



Summary of comments made by participants concerning unpruned log prices:

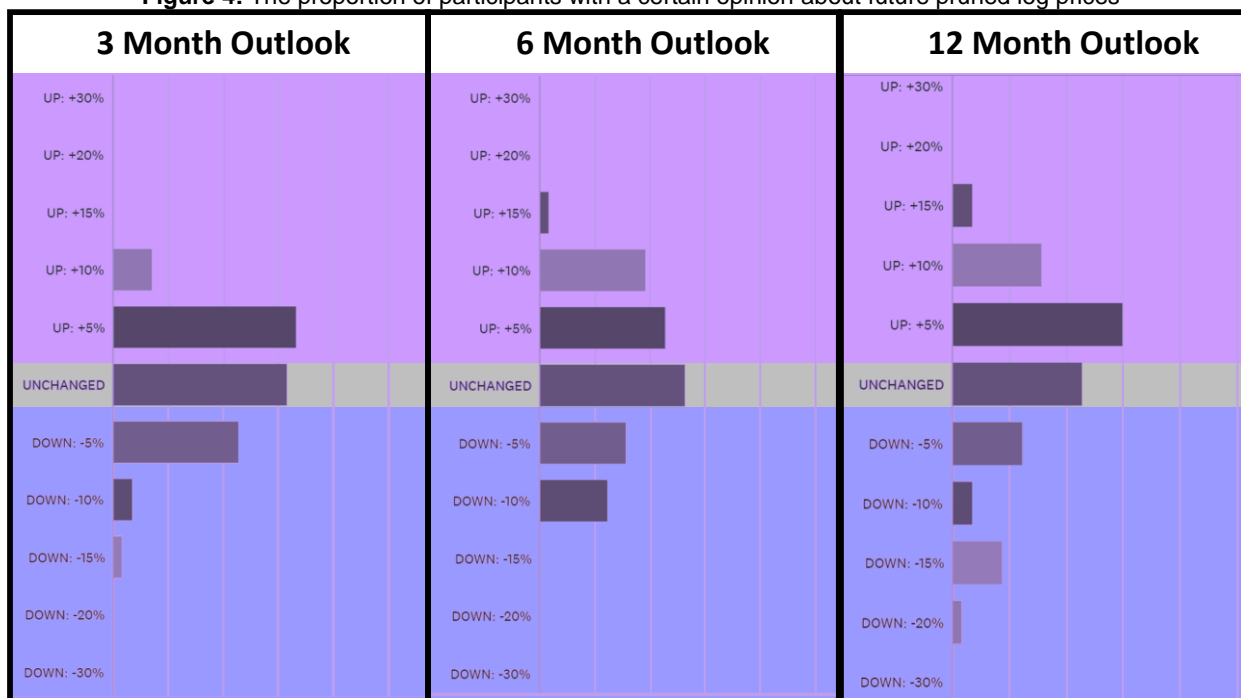
- Construction activity in China, lack of wood from other exporting countries
- Increasing demand for NZ logs
- "Huge Chinese Demand
- Uncontrolled NZ supply (not smart)
- Environmental clampdowns on dust and smoke emissions, and tightening credit in China will reduce log demand in near term, but strong underlying wood demand will predominate theme med-term.
- Return to long term trend line
- Weakening Chinese market. New growth not as rampant as in past
- Global demand for softwood lumber still high and prices will remain high
- Oversupply and exchange rate
- Demand in China & India
- Increasing Chinese demand, tighter domestic Chinese timber supply, increased demand for logs at US PNW mills and limited upside for log exports from Russia
- Continued demand in China. Increasing lumber prices in US and tariffs on Canadian timber. NZ mills will be able to compete better for logs that might otherwise be exported
- Heading into the NZ Spring and Summer, prices will probably go up again - maybe not quite to 5%
- China's debt burden is still a worry, but it's been like that for a while and they're still buying. Something drastic will need to happen to change things.
- Consistent demand and potential tightening of supply due to over cutting in some regions
- China domestic construction and consumption stable
- Main driver: Chinese demand which might slow down a bit in a year's time.
- Currency is having a big role, very hard to predict. Shipping is also a bit volatile. Markets appear stable.
- Exchange rate, global politics and summer time increase in volume. Constrained by availability of harvest capacity.
- Late timing of Chinese new year 2018 will cause a significant stock build triggering a price correction
- China, Korea and Indian demands, will fuel Radiata log sales.
- Buoyant Chinese economy but slowing into 2018
- North Korean nuclear antics is going to undermine confidence in the economies generally.
- NZD will weaken, offsetting CFR price reductions.
- Chinese economy and availability of log carriers

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:

- Strong demand in domestic market
- Better appreciation of radiata pine properties and uses in export markets, continual lift of living standards, and domestic (NZ) demands
- Government policies may change
- No great demand for export pruned. It sits consistently around 5.5% of export.
- Steady demand for clear products in US
- Shortage of suitable supply
- No substitution options from other countries
- Strong demand from domestic purchasers and China furniture market, but price capped by sap-stain issue with export logs

- Pruned still has some issues in export markets like China, even though price are well supported by demand here in NZ. Can't see the price lifting much if at all, because nothing has really changed
- Consistent demand for logs and tightening supply as pruned volume available reduces. I think in the longer term (10 years+) pruned log prices could increase a lot more than this
- Increase in the supply of lower quality pruned logs and weaker Chinese interest in pruned logs in general.

Transport related constraints that negatively impact businesses in New Zealand

Figure 5: Participant opinions about current issues that affect transport in New Zealand*.

	NOT MUCH IMPACT	SOME IMPACTS	SERIOUS IMPACTS	THIS IS REALLY SEVERE
Slow and reactive infrastructure funding models	2%	36%	49%	13%
Poor and/or deteriorating infrastructure	8%	45%	38%	9%
Lack of available drivers	6%	52%	37%	6%
Poor logistics planning	11%	49%	44%	6%
Weather related disruptions	7%	59%	33%	0%
Road congestion	17%	52%	26%	6%
Long truck queues	7%	67%	26%	0%
Low bridge weight limits	12%	62%	25%	2%
Regulatory requirements	15%	69%	15%	2%
Health and Safety pressures on operators	20%	63%	15%	2%
Roadworks/road closures	28%	56%	13%	4%

*(54 participants completed this question)

Acknowledgements

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 20 Nov to 3 Dec 2017.

To access previous outlook reports please visit this web site:

<https://www.scionresearch.com/science/growing-the-value-of-forests/creating-value-and-competitive-advantage/log-price-outlook>

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