

Forest Companies more optimistic

Major forestry companies are reporting a more optimistic view of the world following a difficult year. Carter Holt Harvey has reported that export volumes rebounded in the first few weeks of 1999, setting a foundation for price improvement in the year. The company reported sales in the December quarter fell 7 per cent to \$713 million, from \$768 million a year earlier. The quarterly sales figures were issued in conjunction with the December-year financial results of CHH's majority shareholder, International Paper of the US, which showed a sharp drop in global earnings for the December quarter. However, CHH reported that it was combating the commodity market downturn of the past year by working closely with customers to supply a broader range of products. Asian demand for log, pulp and paper materials continued to be low, but volumes were beginning to improve and sales of processed products were increasing. The extent of the recovery will depend on whether processors respond by over-supplying the market. Meanwhile, Fletcher Challenge Paper has also reported that paper exports to Asian were beginning to recover. FC Paper, which has its newsprint head quarter in Sydney, says the shift has helped reduce costs, halving the number of sales staff and saving a large amount in travel time and costs. The company expected the Asian market would take another 18 months to completely turnaround but says the worst is over.

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Indicative MAF Log Price Trends Point to Changes

The following log prices are reported by the Ministry of Agriculture and Forestry:

December 1998 Quarter Indicative Log Prices		
Generic Log Type & Pricing Point	December 1998 Quarter	December 1998 12-Quarter Median
EXPORT (NZ\$ per JAS m ³ f.o.b.)		
Pruned	190-240	215
Unpruned A Grade	99-114	114
Unpruned J Grade	61-85	94
Unpruned K Grade	53-87	90
Pulp	41-48	51
DOMESTIC (NZ\$ per tonne delivered at mill)		
P1	147-183	179
P2	115-183	137
S1	79-117	100
S2	71-100	90
L1 and L2	65-75	69
S3 and L3	56-79	68
Pulp	30-40	42

r = revised n/a = not available

1998 Indicative New Zealand Radiata Pine Log Prices by Quarter				
Log Type, Pricing Point and Market	Mar 1998 Quarter	Jun 1998 Quarter	Sep 1998 Quarter	Dec 1998 Quarter
EXPORT (NZ\$ per JAS m ³ f.o.b.)				
Pruned - Japan, Korea	216-257	245-255	210-240	190-240
Unpruned A Grade - Japan	114-128	115-139	106-112	99-114
Unpruned J Grade - Japan	68-103	65-96	64-84	61-85
Unpruned K Grade - Korea	67-112	62-105	60-76	53-87
Pulp	43-45	n/a	44-48	41-48
DOMESTIC (NZ\$ per tonne delivered at mill)				
P1	145-190	165-203	147-183	147-183
P2	103-165	158-171	117-163	115-183
S1	92-105	87-95	83-101	79-117
S2	72-99	80-90	80-95	71-100
L1 and L2	59-63	72-88	57-84	65-75
S3 and L3	50-83	n/a	45-60	56-79
Pulp	37-43	31-55	30-38	30-40

MAF notes: Returns to small growers may be lower than those recorded here owing to scale and buyers' margins. These log prices are historical and indicative only, and may not correspond to actual prices paid, or grades used, in market transactions. The prices are subject to changes when further data becomes available. The sources for this information are Ministry of Agriculture and Forestry industry contacts.