

March 2026 Market Update

Marcus Musson, Forest360 Director

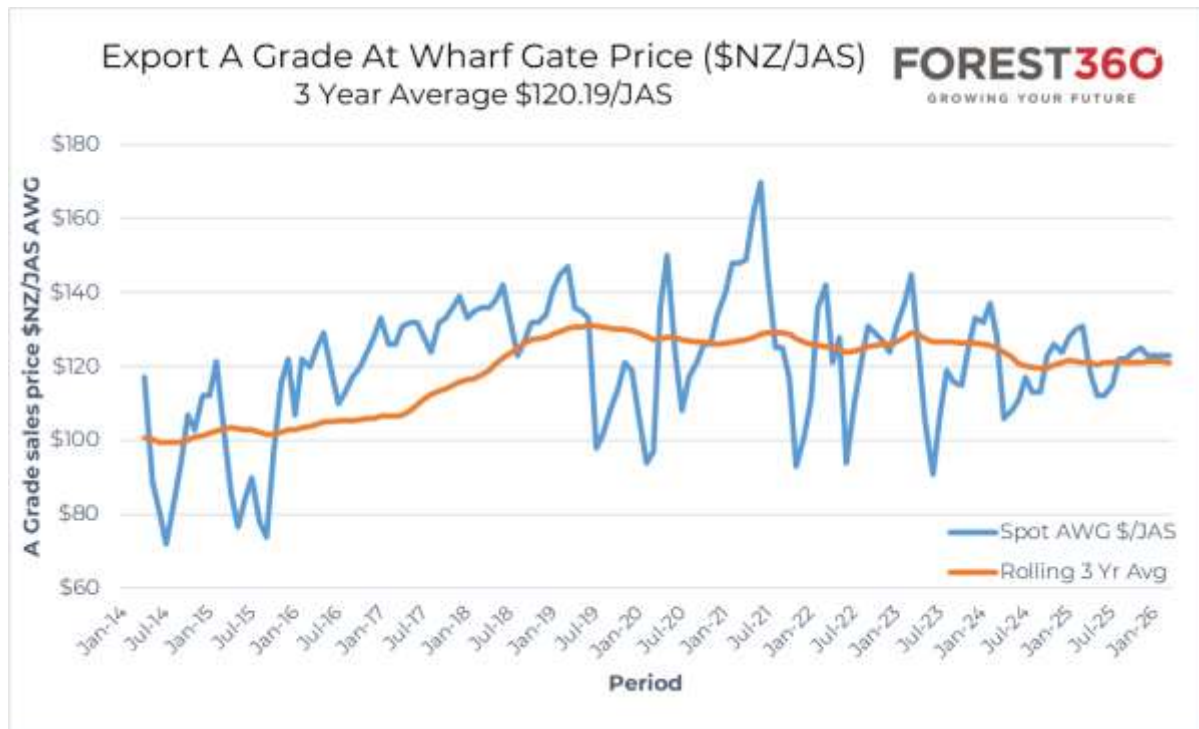
Opinion Piece

Autumn, the season with one foot in summer and the other in winter. Unfortunately, most NZ'rs feel that the 2025/26 summer also had a foot (or maybe a foot and a half) in winter with plenty of rainfall and below average temperatures over most of the country. Summer also tends to be the season we now get significant storm damage. This is highlighted with the tragic slip at Mt Maunganui, the storm damage on the East Cape which created around 11,000 slips in one event and a recent windstorm that caused significant wind damage to forests in the Wanganui and Rangitikei districts. Let's also not forget the two cyclone sisters, Hale and Gabrielle that wreaked havoc on the coast were both in summer. NZ's summer camping holidays are becoming more of a dice roll than a craps table.

So here we are heading into Autumn feeling a bit ripped off and then Trump decides to go all out on Iran. It's no secret that the Iranian regime have been poking the grizzly for a while and we all know the Trump ego is one bear that doesn't like to be poked. However, the adage that if you're going to kick a tiger in the backside, you'd better have a good plan for its teeth has rung true for the Don with the Iranians shutting down the Strait of Hormuz. This hasn't been ideal for world fuel prices with around 20% of global supply transiting the Strait. Oil prices have jumped around 30% and we're looking down the barrel of plus \$3/litre diesel in NZ if the Strait stays closed.

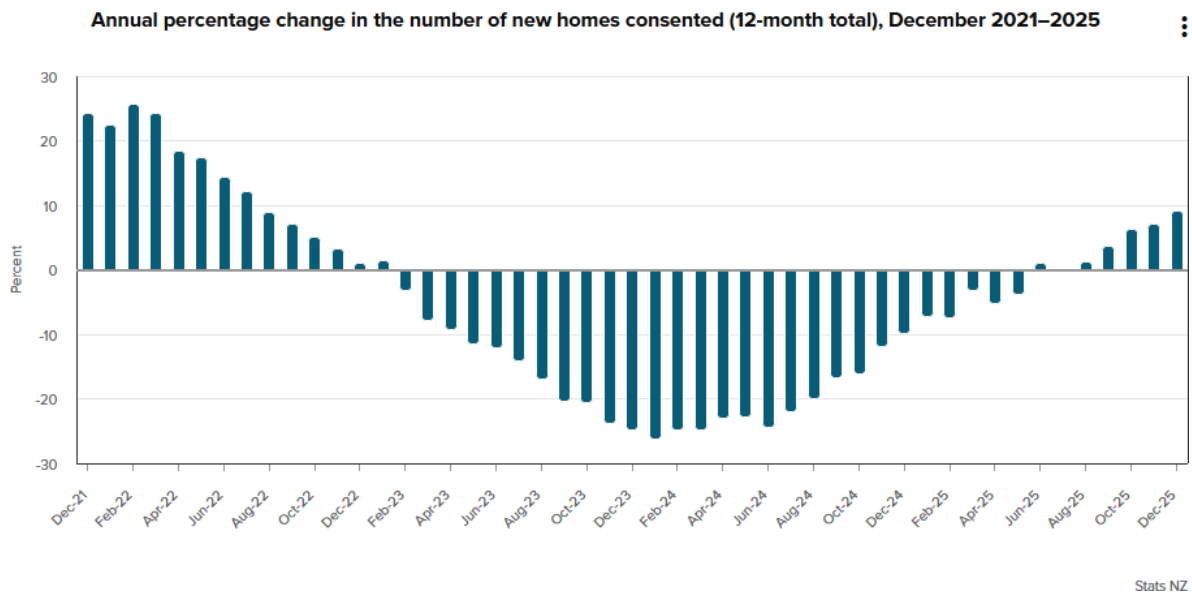
Those of you that jumped into EV's will be smarting as the rest of us have to forgo our morning latte in order afford to get to work. Industry, however, relies on diesel to keep the wheels of commerce turning and any significant increase will feed back to the consumer in one form or another. Unfortunately, the forest industry is a particularly fuel-heavy industry. Rule of thumb is that it takes around 4 litres of diesel to turn trees into logs and put them onto a log truck and, assuming a 100km cartage distance, another 2 litres to get them to the port or sawmill. If you take the current increase in fuel cost of around \$1/litre, you're looking at \$6/tonne straight off the forest owners' bottom line (\$8/tonne if you're 200km from markets) – thanks Don.

Unfortunately, this scrap also affects bunker oil prices, meaning shipping costs are heading north also. It's well known that shipping companies are like the four horsemen of the apocalypse and will take any opportunity to increase prices where they can. Current vessel offerings to China are up at least \$US10/m³ on February numbers and some have settled as much as \$US15/m³ up. India charters are eyewatering in comparison and many are throwing the boat in reverse and heading to different markets.



While March export prices have continued the longest flat run in memory with A grade in the early to mid \$120/m³ territory, April will likely be a different basket of apples. The Chinese New Year holidays are over, and everyone is back at work with sawmills fired back up and wood flowing through the system. In market log inventories grew expectedly during early March and now sit at around 3.5 million cubic metres, which with offtake heading back to the 55,000m³/day mark gives approximately 60 days' supply. Although a reasonable chunk of this inventory is aging and there will be demand for fresh volume (especially from the furniture sector) this level makes it reasonably difficult to lever any significant price increases, especially enough to cover the increases in shipping. Having said that, uplift is expected to seasonally increase to 70,000m³/day into April which will reduce the inventory position reasonably quickly and the CFR price has moved up a few \$US to around \$US120/m³ in the past week.

The domestic scene is looking a bit rosier with January 2026 consents for new dwellings up 1.9% and for the year ended January, the actual number of new dwellings was up 9.3% on 2024. Meanwhile, consents data from Stats NZ, which is a good predictor of future wood demand, shows 5 months in a row of consents growth that was greater than the previous month. Unfortunately, though, the consent stats don't seem to be manifesting into reality with unpruned sawmillers still feeling the pinch.



Sales remain hard won and there is a feeling that many are holding off hitting the go button with uncertainties around the middle east and the looming NZ election. Pruned sawmills are still walking uphill on struggle street as European and US demand for clearwood has stalled and the tariffs still hang heavy in the air.

NZU prices have bumbled along with poor demand and lower transactions. Current spot price sits a shade over \$44/NZU which is not going to get anyone fizzy. Once again, the election may come into play here with a potential change in government and policy direction.

So, April is looking untidy and might be the month that we need to brush the rust off the steel undies and brace ourselves for an end to the longest run of export price stability in memory. NZ supply will undoubtedly reduce in response to both reduced prices and increased fuel related costs. How long this sticky period lasts will depend entirely on how long and sharp the tigers teeth are – at this stage they look quite pointy.