

Southland District Council set for bumper forestry crop

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Robert Steven

High demand for logs, both domestic and international, has been driving up prices throughout 2017.

The Southland District Council's forestry operation is set to post a big surplus this year, driven by soaring log prices.

At the SDC Service and Assets Committee meeting on Wednesday, IFS Growth Limited forest manager Reece McKenzie said the net surplus for the council was expected to be at least \$1 million above expectations.

Reporting on the situation to March 31, McKenzie said 45 per cent of the harvest target of 46,000 had been met so far.

The report stated that \$2.3 million worth of timber sales had been made from Dipton and the Waikaia forest, a figure which was projected to rise to \$4.6 million by the end of the council's financial year (June 31).

The overall net surplus is expected to reach at least \$2.1 million, \$1.3 million more than the \$813,000 budgeted at the beginning of the year (with the surplus already at \$907,000 by March 31).

McKenzie said the result was an "all-win" situation.

As well as yields increasing by 50 tonnes per hectare, "exceptionally good" log prices had also helped drive the surplus.

Compared to what had been budgeted at the beginning of the year, log prices had risen more than \$20 per tonne, and had not yet peaked, McKenzie said.

"[Prices] have continued to rise over the last couple of months, which is great timing for the council's harvesting – which is being done in the later half of the year."

McKenzie said changing demand from Asian markets, in particular China, was responsible for driving up the prices.

"That's why we've moved from our more established markets like America, who were after your more top-quality logs, whereas the Asian economies can certainly make anything out of a low end grade of log.

"They've really brought up those lower log prices, which has been fantastic.

"This is also something that has only been happening in the last two years really – prior to that those lower end log prices were sub \$20-\$30 on what we're getting these days," he said.

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