

New Zealand's Sawmilling Industry Consolidation Nearing Completion

The New Zealand sawmilling industry has endured a major ongoing consolidation over the last decade. Most global sawmilling sectors have suffered closures and consolidation, but probably not on the acute scale experienced in New Zealand. A new DANA Review of the N.Z. industry identifies more than 30 sawmills which have closed since 2003, reducing annual log demand by 2.4 million cubic metres (almost 15% of recent sawlog harvest) and lumber output by 1.2 million cubic meters.

Closures accounted for around 25% of the total number of "industrial" sawmills operating in 2003. Particularly hard hit was the structural lumber sector, producing for the N.Z./Australian housing market; and mills focussed on cutting Mldg. & Btr. lumber for the USA.

New Zealand's richest man, Graeme Hart (Rank Group) closed four structural sawmills; including one which he paid a lot of money for, just so he could immediately close it down. However, his moves have actually helped the sector remove a chronic lumber oversupply, and in 2010 have enabled him (and others) to force through the first decent lumber price increases in years.

The USA Mldg. & Btr. lumber grade market became the sizzle market of the 1990s. Forest owners and sawmillers both expected dazzling returns from pruned logs, and from subsequent knot free lumber destined for the USA market. Alas the market has faded in both volume and price terms for almost a decade, and is unlikely to recover for many years, if ever. New Zealand exports of lumber to the USA have fallen from almost 550,000 cubic metres at its peak in 2002, to less than 170,000 cubic metres in 2009; a reduction of 70%. Imports into the USA are down almost 30% in 2009 alone. No wonder several sawmillers gave up the ghost on this market.

In contrast to the 32 mill closures, there have been two new mills opened since 2003: one a tiny mill and one a large mill based on imported second hand equipment.

Lumber markets have finally strengthened in early- 2010. If price increases stick, and the NZ FX behaves itself, perhaps this massive consolidation is nearing an end.

Source: 2010 New Zealand Forest Products Industry Review. DANA Ltd.
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