

THE NEW ZEALAND FOREST PRODUCTS INDUSTRY REVIEW

2014 Edition



**Port of Tauranga (POT), Bay Of Plenty: the world's largest log export sea port
(-- as well as exporting lumber, wood panels and pulp & paper).
In 2013 the POT exported more than 6.0 million JAS CM of logs: 70% to China**

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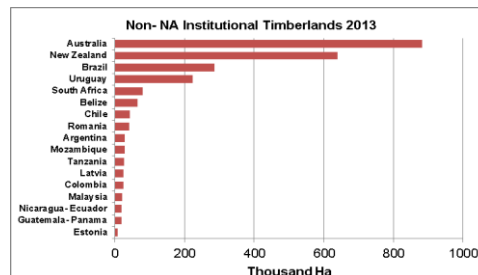
The 2014 edition of "The New Zealand Forest Products Industry Review" is the **9th produced by DANA Publishing.**

This Review has become an important tool for everyone involved/interested in the N.Z. forestry and forest products industry. The Review is **180 pages** and provides **150 tables and charts.** The review profiles/identifies **more than 40 plantation forest owners** (from 3,000 ha to 230,000 ha), together with **more than 50 sawmills;** and all engineered wood products and pulp and paper facilities.

Most New Zealand "industrial" forests now have overseas owners: TIMOs, REITS, Funds, Companies and families. New entrants are Chinese companies: is this the start of a trend?

Invested (Selection)	Invested (Selection)
Phaunos Timber Fund	Matariki Forestry Group
PF Olsen Tisa Ltd	Sunchang Corporation
Blakely Pacific Ltd	GMO Renewable Resources
Global Forest Partners	Rayonier Inc
Emerald Plantations	China National Forest Products Ind. Corp
Craigpine Timber Ltd	Public Sector Pension Investment Board (Canada)
Greenheart Group	New Zealand Superannuation Fund
Timbergrow Ltd	Sunchang Corp
Craigmore Sustainables	New Zealand Redwood Company

After Australia, New Zealand is by far the most popular (non- N.A.) institutional timberlands investment haven. Most properties are keenly bid for by several institutions & Asian FP buyers. Why?



Report Chapters

Introduction:

Business - Political - Commercial Env.:

Economic indicators, government, **five performance benchmarks**, exchange rate trends.

Planting History:

Historical Government dominance replaced by private investment. Major expansion in 1990s turns to net depletion. Why? Species mix changes.

Forest Resources:

The wall of wood; what wall? Harvests have increased sharply but are there market problems? Harvest projections for 10 New Zealand regions out to 2040; and a projection nationally to 2025.

Forest Ownership:

Summary of owners including regional holdings. Profiles provided of over 40 players, in the most comprehensive description publicly available.

Plantation Management & Returns:

Updated Radiata pine, D. fir and Redwood costs/returns. Comparison of Radiata pine regime IRRs 1992, 2001, 2004, 2009 and 2013. Risks.

Log and Woodchip Production:

Production trends to 2013, for domestic and export logs. Contributions to the major markets of China, Korea, India and Japan. Long term \$NZ 2013 real price trends for five domestic and export log grades. Log Exporters. Woodchip export players, statistics and prices.

Pulp and Paper:

Players, capacity, production, ownership changes, future direction. While Chile, Brazil, Uruguay, South Africa and China expand aggressively, N.Z. decides to shrink. Why?

Solidwood Products:

Sawnwood statistics. More than 40 sawn timber producers are profiled in the most comprehensive description publicly available. The important Australian, USA, Japanese and Chinese markets are summarised. N.Z. share of Radiata pine lumber production has shrunk from 50% to 28% since 1999. Why?

Engineered Wood Products:

Plywood - LVL - MDF - Particleboard - Triboard. Players, expansions, closures, markets, prospects. Is a LVL revival occurring? What happened to the MDF industry?

Environment - Carbon - Bioenergy/Fuels:

RMA: forest industry expansion decisions. FSC. The N.Z. ETS and its future. Is a 2014 woodpellet revival on the cards – and biofuels by 2015?

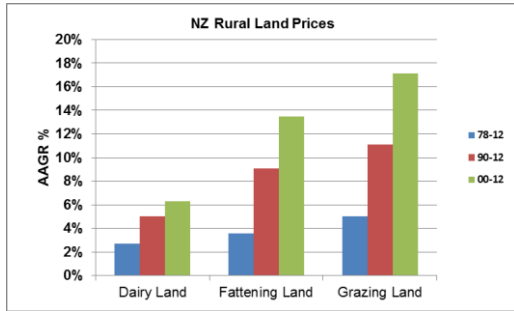
Investment Options:

Rural land, plantations (production and carbon forests), sawmilling, other processing, pulp and paper. Regional reviews.

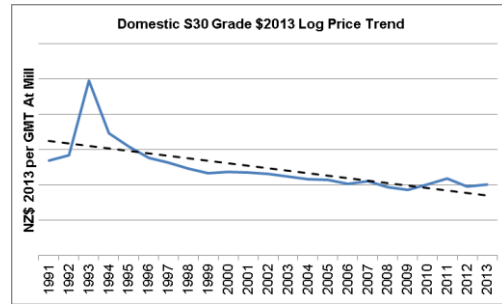
Conclusions:

A six page summary of where DANA concludes the industry is at & where it might be going.

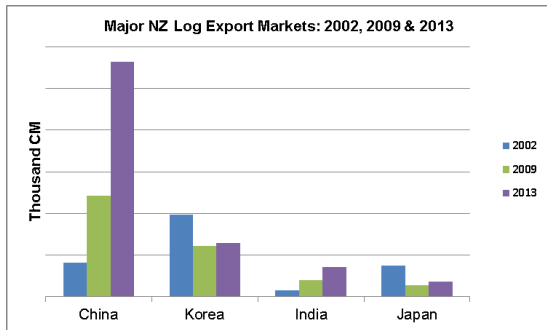
N.Z. rural land prices have escalated sharply, especially this decade. Can trees compete? Are "massive" HBU returns available when forests are sold? If not – then why not?



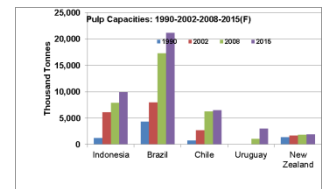
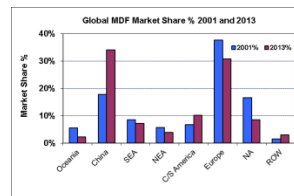
Log prices and investment returns: In 2014 many N.Z. forest owners are excited about strong log demand and prices; but should they be? Trends for Radiata pine pruned and unpruned IRR returns are provided for 1992, 2001, 2004, 2009 and 2013.



Every forest owner just loves China. But is N.Z. too exposed to one log market? What is likely to happen?



International MDF and pulp capacity increases. While several countries have booming and expanding MDF and pulp industries, N.Z. has stagnated over the last 20 years. Why?



About the Authors:

Mr. Dennis Neilson is a Director of the New Zealand- based international forest industry advisory and publishing firm, DANA Limited. DANA has undertaken resources, strategic planning, investment and marketing assignments for several N.Z. and international clients. DANA has also authored/co-authored/published more than 60 multi-client reviews on forestry and forest products topics.
Mr. John Vaney worked in various advisory and management roles with Government forestry departments in New Zealand from 1969 through to 2010 when he retired from the then Ministry of Agriculture and Forestry after working in MAF Policy in Rotorua for 12 years. Since leaving MAF, John has undertaken various assignments as a Registered Forestry Consultant to New Zealand based clients.

Sawmilling: More than 40 sawmills shut from 2003 - 2013 with more than 1.6 MMCM of annual capacity lost. Probably no other country has lost such a large percentage of its sawmill capacity in a decade. What gives?

Region	Mill	Log	Lumber	Region	Mill	Log	Lumber
		Thousand CM				Thousand CM	
Nhhd	CBM			SNi	Allied Pine		
Nhhd	Eastfield			SNi	Kaimata Sawmills		
Nhhd	Kaitiaki Timber			SNi	Taranaki Tongariro		
Nhhd	Bay Lumber			SNi	NZ Sawn Products		
Coro	CHH - Kopu			SNi	Eurocell Ltd		
Nhhd	Budget Timber SMs			N-M	Harvey Wood		
CNI	CHH - Putaruru			Cant	Ashburton Timber		
CNI	CHH - Tokoroa			Cant	Keighleys Cant.		
CNI	CHH Rainbow Mtn			Cant	Hunter Hills Lumber		
CNI	Finnisaw			WC	Coastpine Sawmill		
CNI	Hunters Creek			WC	Inangahua SM		
CNI	CHH Lakesawm Lbr			WC	W Whalley and Co		
CNI	Matangi Sawmills			O-S	Alan Johnston SM		
CNI	Tanner Ltd Tairua			O-S	Blue Mountain		
CNI	Taumararui Sawmill			O-S	Bright Wood		
CNI	Vanner Mill			O-S	Bruce Sawmilling		
CNI	Tachikawa FP			O-S	Central Otago Lbr		
EC	A Nolan Richardson			O-S	Naseby Lumber		
EC	WPI - mothballed			O-S	North Otago SM		
HB	Clyde Lumber			O-S	Gorton Timber		
HB	Waitane Mill			TOTAL			

In 2009, the N.Z. Government passed the world's first (and still only) Kyoto compliant - tree carbon offset allowing Emissions Trading Scheme (ETS). In our 2010 Review brochure, we added a then topical "lemon" cartoon (below) of Nick Smith, the (then) Minister in charge of ETS. But, by 2014, had the N.Z. ETS indeed turned out to be a lemon? DANA gives its views, as does a respected journalist.



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