

Authors pull no punches in review of forest industry in New Zealand

So much turmoil for so many sectors – and all at the same time

LEAD author of the just completed 12th edition of the NZ Forest Industry Sector Review – the first since late 2017 – says he can't remember when so many sectors of the industry faced so much turmoil ... all at the same time.

Dennis Neilson has worked on all 12 editions and the new release includes nine chapters and almost 100 tables and charts with more than 40 forest owners and 50 sawmills and all other wood processing companies profiled.

Land use conflicts between farming and forestry, long buried from the 1970s,



Author Dennis Neilson with Russia spruce logs at the Russia-China border 2018. Russian logs and timber are the greatest threat to NZ wood exports.

have been resurrected, says Neilson.

In mid-2020, forest owners and pastoral (hill country)

farmers are juking it out by political lobbying in the media and even with concurrent television adverts running together in July and August.

Efficiencies and automation of agriculture and migration to bigger towns have decimated rural communities.

“But the fading populations of dozens of these broken towns do not want trees under any circumstance, and especially with an influx of NZ forestry workers to spoil their colonial-era gin and tonic soirees,” Neilson said.

“This is in spite of a lifeline being offered by forestry.”

Many of these towns grew up dotting the landscape when 20 km was as far as a horse and buggy could travel in a day. In some districts 80% of these towns are past their useful purpose, which was when there had to be (long since closed) dairy factories and a freezing works on every corner.

In 2019, 60% of the total NZ harvest of 35.9 million cub m was exported as logs.

For forest owners this was the financially sensible thing to do, given prices and the ability of especially China to utilise lower-grade logs not commercially killable in New Zealand.

One example is the small log KIS grade (U grade in Australia with sed down to 12 cm) where China veneer log prices are double those of pulp logs, the only alternative use in New Zealand.

To the Minister of Forests and some sawmillers, this was heresy.

“HEADWINDS BUT NZ STILL ATTRACTIVE LOCATION FOR INVESTMENT”

However, in any event, the previously stable China log market has become very volatile in both demand and pricing from 2019 and into 2020. It is likely to remain that way until (if) the Covid-19 crisis ends, and also when the huge oversupply of beetle-killed spruce log exports from Europe to China diminishes. This could continue for at least two to three years.

The globally unique position of New Zealand to support a large ‘pruned log’ processing industry to produce clear lumber for markets in Oceania, the US and Europe is under threat. Major forest owners stopped pruning some years ago. The current ‘bubble’ harvest of private

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pruned forests will be gone in the next decade. International demand for clear timber exceeds demand but many owners still refuse to start or re-start pruning.

The sawmilling industry has not been able to mirror the growth in the major log harvest industry – especially in timber exports. Indeed, exports to its previous major market Australia had by 2019 shrunk to only 27% of what it was in 2000. The NZ Forest Industry Sector Review provides details of 55 sawmills which have failed in the last 17 years.

Production and exports of plywood, MDF, particleboard and paper have all shrunk in the last several years, and pulp is static.

However, in spite of several headwinds, New Zealand is still seen as very attractive location for institutional fund



Dennis Neilson (left) with one of his 24-year-old pine trees in Hawkes Bay.

managers and forest products companies to invest. Prices paid for limited transactions in 2018-2020 have been surprisingly good. The huge Australian TIMO New Forests continues to increase its NZ-based forest assets.

The government has legislated to allow carbon forestry to provide attractive returns – in itself the major cause of land use conflict in

mid-2020.

Volatile log markets, conflicts over land use and between domestic processing versus log exports contrast with some seriously

“ INNOVATION IN THE WOOD PROCESSING SECTOR

innovative work being done by some forest owners and processors. One company has a strategic target of '50 by 50' which is to have radiata pine growing at 50 cub m a year by 2050; and it is well along that trajectory which would be twice the current growth rate.

There are also several innovative things being done by the wood processing sector, including the recent completion of the largest and most efficient sawmill in the southern hemisphere, the construction of a major new CLT plant, expansion in the manufacture of thermo modified timber' (TMT) and a seriously good (and patented) post and pole making and installing process.

All in all the new DANA review makes for an interesting and seriously informative read, with the authors pulling no punches.

THE 12TH EDITION OF THE NEW ZEALAND FOREST PRODUCTS INDUSTRY REVIEW



DANA
KNOWLEDGE. GROWTH. RETURNS.

This Review has become an important tool for everyone involved/interested in the N.Z. forestry and forest products industry.

- 156 pages
- Profiles of:
 - 43 forest owners
 - 52 sawmills
 - All N.Z. EWP and pulp/paper owners
- 100 tables and charts

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