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Exports are a major component of overall sawn timber production

- The New Zealand domestic market consumes around half the sawn timber produced, though this includes production which is subsequently remanufactured and exported
- The domestic market however is of greater importance to structural sawn timber millers. URS estimates around 80% of structural sawn timber is consumed domestically
- Exports are more important for non-structural/appearance grade products and for industrial grades

In 2009 New Zealand softwood sawn timber production totalled 3.66 million m3

- Australia 48%
- USA 5%
- China 12%
- Taiwan 2%
- Japan 3%
- Vietnam 7%
- Other SE Asia 6%
- Middle East 4%
- Other 7%
- Other 7%
Export markets influence domestic log prices

- Domestic sawn timber demand has a limited influence on NZ sawlog prices
- Strength of log export markets is a more significant determinant on domestic unpruned sawlog prices

The last seven years have been challenging

- The late 1990's and early 2000's saw significant growth in New Zealand sawn timber exports.
- Since then the USD:NZD exchange rate has moved from 0.41 in Oct 2001 to 0.71 in Jul 2010.
- US housing market has collapsed.
- Volumes exported to other markets have increased significantly over the last six years though in value terms Australia and the US are still very important.
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Can the decline in New Zealand sawn timber exports to Australia be reversed?

- New Zealand’s sawn timber exports to Australia have been declining over the last decade
- There has been increased competition from other suppliers most notably European
- And…
Australian softwood sawn timber production has grown dramatically over the last 20 years

- Overall trend in sawn timber consumption in Australia has been relatively flat for the last decade
- But increased domestic softwood use as it has replaced hardwoods and imports

![Graph of Australian sawn timber production]

Australian supply of softwood sawlogs limited

- For the next 20 years there is limited capacity for softwood sawlog harvests to increase significantly from current levels
- Since forecasts were developed, approximately 25-30,000 ha have been destroyed by fire
- Increases in longer term are contingent on new planting and replacement of some hardwood plantations

![Graph of Australian forecast softwood sawlog availability]
Opportunity for New Zealand to compete

- Australian sawmillers have invested heavily in improving efficiency in recent years.
- Overall production is similar to NZ (about 4 million m3 pa).
- Australia has 6 mills with the ability to process > 500k m3 of logs pa (c.f. NZ which has 4, of which 2 concentrate on structural).
- Australia has 6 mills in the 250-500m3 pa log input range (c.f. NZ which has 4, of which 2 concentrate on structural).
- European suppliers in particular have developed distribution channels to allow product to be readily distributed in Australia and have set up mills to be able to produce Australian grades and sizes.
- Also threat from steel framing

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Will the US recover?

- Since the onset of the global financial crisis in 2008, demand in the US has collapsed.
- The seasonally adjusted annual housing rate of housing starts was 2.3 million in Jan 06, 1.2 million in Nov 07 and 0.6 million in May 2010.

Imports have fallen off dramatically

- The earthquake in Chile has exacerbated this drop off.
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China – the elephant in the room!

China - softwood log imports

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume (million m³)</th>
</tr>
</thead>
<tbody>
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China - softwood sawn timber imports

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Properties of radiata will be an issue developing markets for increased volumes of unpruned sawlogs

• Most of the future increase in harvests is going to be of unpruned sawlogs
• New Zealand sawmillers will need to overcome technical barriers if markets for structural timber are to be developed/grown
• More mature resource in many regions should help stiffness
• Possible approaches:
  • Develop non-structural markets for knotty radiata timber
  • Work to ensure standards to not discourage use of radiata pine
  • Improve processing by adoption new technology e.g. sonic testing of logs
  • Embrace new processes and technologies eg wood hardening, acetylation, thermal modification
  • Engineered wood products
  • Provide technical solutions eg STIC, Uni of Canterbury

Forecast harvests

Source: MAF, split non-declining yield scenario
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“Green building” provides a real opportunity, BUT

- “Green building is the practice of creating structures and using processes that are environmentally responsible and resource-efficient throughout a building’s life-cycle: from siting to design, construction, operation, maintenance, renovation, and deconstruction” - Wikipedia, 2010

- Wood has a great story to tell
  - Truly renewable
  - Absorbs and stores carbon
  - Forests have positive impact on soil stabilisation, water quality etc

- BUT, need to ensure standards recognise this.
  - logic defying aspects – Green Star bike rack
  - Push for life cycle analysis
The Emissions Trading Scheme

- Will add some costs, but will also add costs to competing materials
- Should improve profitability of growing trees, which may result in:
  - Higher land costs
  - Lower log costs?
  - But won’t benefit pre-1990 forests

Summary

- Opportunity to recapture market share in Australia
- Need to develop markets for clear lumber as an alternative to high value US market
- China has vast opportunity but need to compete with low cost suppliers from Russia & North America
- Need greater sophistication in processing to ensure consistent product characteristics and performance
- New Zealand wood has a good story to tell, but need to ensure it is told.