NZ Softwood Log Exports

- FIEA WOOD MARKETS ASIA CONFERENCE
- Auckland 27-28 July 2005

- Brief History of the Log Trade
- Examine the Main Markets in detail with an Outlook for each Market
- Discuss the Influence of Sea Freight on Log markets
- Predictions for the Future
Roundwood Removals from Exotic Forests (1960 – 2004)

Million m³

Log exports (1960 – 2004)

Million m³
Wood Markets Asia 2005

**Percentage of annual harvest exported as logs (1960-2004)**

![Graph showing the percentage of annual harvest exported as logs from 1960 to 2004. The graph includes a peak in 1989 after the sale of State Forests.]

**Export Logs Main Markets**

![Bar chart showing the export logs main markets from 1981 to 2005 (est). The bars represent India, Korea, Japan, and China, with a significant increase in exports over the years.]

1/9/2007
NZ Log Exports to Korea

million m³

2000 2001 2002 2003 2004 2005 (est)

S Korea - Softwood Log Imports

1000 m³

2002 2003 2004 2005e

Other
USA
Australia
Russia
NZ
Korea Outlook

- Wood processing industry in flux. New large sawmills will defeat small sawmills
- Number of sawmills diminishing. All bigger sawmills have MDF business. Does MDF subsidise the sawmilling business? Can Korea MDF survive China attack?
- Plywood industry is major Radiata user. Can this sector survive China attack?
- Will Korea Govt. relax hurdle on apartment construction?

NZ Log Exports to China

<table>
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<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005 (est)</th>
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<tr>
<td>m3</td>
<td>0.2</td>
<td>0.4</td>
<td>0.6</td>
<td>0.8</td>
<td>0.6</td>
<td>0.4</td>
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China Softwood Log Imports

Million m3


Russia
NZ

China Market in 2003

Wood Markets Asia 2005
China Market in 2005

- NZ squeezed into southern China and some of Yangtze basin
- If freight allows CNF price decrease then market share may increase. But only if NZ supply regulates itself.
- China’s overstretched internal rail system may allow radiata logs to creep back more share in Southern China
NZ Log Exports to Japan

Japan Outlook

- Continued slow decline of A Grade sawlog demand. There will be two or three survivors.
- In two to three years demand may drop to about 500,000 Cbm per annum and stay at this level for some time.
- Unlikely J grade will make any great resurgence to the plywood business.
- Domestic Cedar subsidy about USD 130 / Cbm !!!
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**Daily Hire Rates**

USD / day

- Jan 2003 USD 20 / Jas
- Nov 2003 USD 40 / Jas
- Dec 2004 USD 48 / Jas

USD/ NZD exchange rate vs freight

- Exchange rate - RHS
- Freight - LHS

1/9/2007
Summary

- The log export market is primarily an arising market where grades are not required for domestic processing.
- Freight has played a major role in decreasing market share in last 2 years
- NZ may be able to get back some market share if freight keeps dropping
- Log export volumes probably will range in 5-7 million Cbm in next 2-3 years.
- Almost all of Korea's plywood and MDF requirements could be serviced from China using Russian logs. Scary?
- NZ is now in a series of vicious one year cycles in Korea that overflow to China
- India is a log market that could be developed if we spend money on generic promotion and technical assistance