

# THE ECONOMICS OF MARKETING INDIGENOUS TIMBERS

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Over the last few years the demand for many of our indigenous timbers has been changing, and the species least sought-after in the past may prove to be the most in demand in the future. Changing patterns of usage will dictate demand and this may vary from district to district. Native timbers will still be used in those districts where their use has been traditional—as for silver beech in Southland and rimu in Hawke's Bay—at least for some time in the future, but in the long term they could well be superseded by other products.

The contraction of the building industry has coincided with increased sawn timber production, and these together have created a buyer's market with insistence on higher grades. Such grades as rimu BB are now scarcely required, while there is a glut of BA. Moreover, rapidly rising costs within the building industry are forcing the builder to seek for alternative materials that will lead to reduction in labour requirements and save in wastage. The installed cost of an item is becoming the major consideration. Similar moves are evident in other industries, and, although it is difficult to generalize, the trend is obvious and may well accelerate over the next few years. The increasing use of treated radiata pine, particle board, industrial plywood and other panel products have all played their part in reducing the demand for rimu and other construction timbers. With this reduced demand, the opportunity of obtaining an economic selling price has likewise decreased. This is in marked contrast to the position a few years ago, when there was restriction on cutting rates when prices were relatively high. Increased use of radiata pine began at that time and, because of light weight, ease of handling and good nail-holding properties, it rapidly became the preferred building timber in many parts of the country.

It is worth quoting from the March issue of *Forest Industries Review*. In the "Timber market report" it is stated: "Reports from Westland indicate that major changes in attitudes towards building timbers are occurring in that area—radiata pine is continuing to gain in popularity at the expense of rimu. Local production of radiata, even though it is increasing, is not sufficient to meet demand and additional treated framing timber is being brought in from Canterbury. Meanwhile, stocks of building grade rimu are increasing".

The sawmiller is faced with a lower recovery from his logs owing to decreasing demand for the lower grades, and this obviously increases his costs throughout all processes from logging to selling. Most of this unwanted material goes into the slab fire or burner. And because rimu is not sought after for chipping, there is as yet no opportunity to spread costs

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of sawing into chip recovery. This puts rimu at a distinct disadvantage compared with several other species. In addition, millable bush is becoming more rugged, at greater distance from sawmill and markets, and often with lower per-acre volumes. Roading and logging costs are therefore also increasing. The industry has established a number of modern sawmills over the last few years. This has led to increased depreciation and other standing costs which can be offset only by greatly increased production. Reduced demand means that these costs form a much increased proportion of unit costs.

All these factors are leading to a breakdown in traditional channels of sale, with rimu finding its way on to markets other than through the timber merchants. This breakdown in marketing creates greater competition as the merchant will still try to retain his customers; it also leads to a breakdown in the pricing structure to the detriment of the indigenous sawmiller who, with his increased costs, just cannot afford to sell at lower prices. In some cases rimu BA has been offered on the Wellington market at prices not much more than half those on the Christchurch and Invercargill markets.

Rimu peeler logs, which have enjoyed ready sales for some time, are now also less in demand, as there has been a decline in demand for decorative ply. This is related to a general easing in business activity, but also to the current fashion of using various imported red timbers. Printed papers glued on to particle board, lower grade plys, and hardboard have all replaced indigenous species in some application, and this has led to a decreased price to the producer. Japanese producers have even taken rimu veneers back to Japan to photograph, and produce a printed paper as a substitute for the natural wood. It has often been said that such artificial products are "cold", but this production is difficult to distinguish from the natural wood. The production of peeler logs also reduces the average grade recovery of the remaining sawlog supply, which again has an adverse impact on marketing.

Aluminium joinery and imported veneers are also making inroads into markets for totara and white pine. As the supply of high grades is now very limited, however, there will probably be a continuing good market for these species.

Many of the comments already made apply equally to beech timbers. In many areas, pinhole defects are no longer acceptable. Strong efforts have been made to establish these species on the Japanese market, but success has been limited. Sapstain, pinhole, and the usual seasoning problems (although Japanese buyers claim to have means of overcoming these) have militated against ready acceptance. It is felt that demand for such timbers should rise, but the increase in value reflected in a world price must rise in relation to our own internal cost structure to make them attractive economically. If a market could be established in Japan or elsewhere for clean sawn beech, this could alter the economics of chipping which, on its own, may be a doubtful proposition. In other words, chipping as a recovery to sawing, in both bush and mill operations, would give complete utilization of all solid

wood. Pulping, again by adding extra value to the production, could prove economic where sufficient supplies are available, particularly if there is a captive market—as, for example, the buyer having a financial interest in the operation.

With world shortages of timber resources developing, particularly in long-fibred softwoods for pulping, more attention has been given to using the available hardwoods. Prices for these, on world markets, have increased almost to parity with softwood prices. This is a most interesting development, and could well be the brightest point in the economics of marketing our indigenous species. Although the costs of harvesting beech, with its many defects, is considerably higher than those of harvesting softwoods, its higher density means that less volume is required per bone dry unit (B.D.U.). About 1.7 to 2.0 m<sup>3</sup> of beech are sufficient for one B.D.U., whereas the average for radiata pine is about 2.6 m<sup>3</sup>. This means that the value of beech, on a unit volume basis, is greater than that of pine. While the price of beech, per B.D.U., is about 80% of that for pine, the price per m<sup>3</sup> is about 15% higher. The true worth of short-fibred hardwood chips may also be indicated by the price paid by Japanese buyers for Australian eucalypt chips. The average volume of eucalypts is about 1.7 m<sup>3</sup> per B.D.U. and the price is about 90% of that of pine. The price per m<sup>3</sup>, however, is about 45% more than that for pine, which indicates that returns for beech may be too low.

This analysis paints rather a gloomy picture of current and future market prospects for rimu, and possibly a promising future for beech timbers. One must come to the conclusion, however, that for a timber to be in demand in future, it must be decorative, or so versatile as to allow recovery of wastage, or be suitable for the manufacture of pulp and other reconstituted products.