

RECENT EVENTS

Forestry Corporation disestablished

After three and a half years managing the Crown's forestry assets under the State Owned Enterprise Act the New Zealand Forestry Corporation was disestablished. During its existence it sold 246,706 ha of forest.

From December 1, 1990 the management of those forests which the Crown has decided meanwhile to retain in public ownership will be by three distinct organisations, formed initially under the Corporation as a shell. The new organisations are:

Bay of Plenty Forests (165,300 ha)

Forestry Corporation of New Zealand Ltd

Chairman: Mr C.J. Fernyhough

Chief Executive: Mr Tim Cullinane

20 Pukaki Street, Rotorua

Phone (073) 479-012, Fax (073) 479-103

West Coast Forests (21,400 ha)

Timberlands West Coast Ltd

Chairman: Mr Rex Loach

Chief Executive: Mr David Hilliard

105 Tainui Street, Greymouth

Phone (027) 80-113, Fax (027) 80-374

All Remaining Forests (363,600 ha)

New Zealand Timberlands Ltd

Chairman: Mr Graham Scott (Alternate

Mrs M. Goddard)

Chief Executive: Mr Mark Ford

Mayfair House, 44-52 The Terrace, Wellington

Phone (04) 710-210, Fax (04) 711-231

Maximising forest

returns is

major aim of new State Owned Enterprise

The new State Owned Enterprise formed to manage seven Bay of Plenty forests, the Waipa Sawmill and the export division of the former Forestry Corporation has emerged as a major new force in the timber industry.

Forestry Corporation of New Zealand Ltd starts in business with a turnover of more than \$200 million, more than half of which is in log sales overseas.

The new Chief Executive is Tim Cullinane, formerly Managing Director of

ICL Computers International Limited. He is quick to dispel any impression that the new enterprise is merely a temporary guardian of unsold State forests, shepherding log sales until a buyer can be found for the forests.

"Forestry Corporation is here for the long haul," he told NZ Forestry. "Our task is all encompassing, from the planting, replanting and management of the forests in our care, to making decisions on New Zealand processing operations,

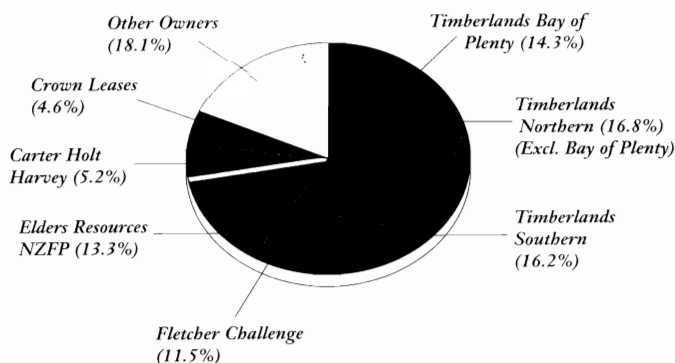
and on domestic and overseas sales.

"We have not been formed to cash in on an existing resource but to ensure that the maximum value is achieved, on a continuing basis, for a renewable resource."

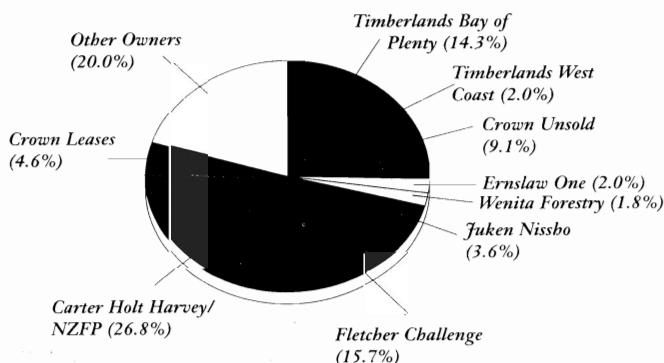
A share float to the New Zealand public is already being talked about.

Mr Cullinane says the country must be realistic in the popular call for further processing of timber in New Zealand, rather than the exporting of logs.

NEW ZEALAND
PLANTATION FOREST
OWNERSHIP BEFORE
ASSET SALE
As At October 1989



NEW ZEALAND
PLANTATION FOREST
OWNERSHIP AFTER
ASSET SALE
As At November 1990



"New Zealanders have to understand the scale of the increases in wood supply that will arise from New Zealand forests in the next 15 years. Basically we are looking at an increase from 10 million cubic metres a year to 20 million cubic metres a year.

"We can plan for only a small increase in domestic consumption, so the vast bulk of it will have to be exported.

"To export this as processed timber products requires three basic things – the ability to produce processed products that are internationally competitive, the ability to gain entry to overseas markets, and the desire by consumers to buy what we're offering.

"The truth is that international acceptance of radiata other than for low-grade uses such as boxing and packaging has lagged well behind our ability to produce superb quality timber suited to a multitude of uses from framing to panelling and furniture. We have a massive education and marketing job to do.

"Even then, processing in New Zealand involves major capital expenditure. To cope with the increased output of New Zealand's forests in the next 15 years would take some \$6 to \$7 billion invested in processing industries. When you are investing that sort of money you have to be very sure you're right."

Mr Cullinane said the assessment of current and future processing options is a key part of the planning work already being undertaken by the new State Owned Enterprise.

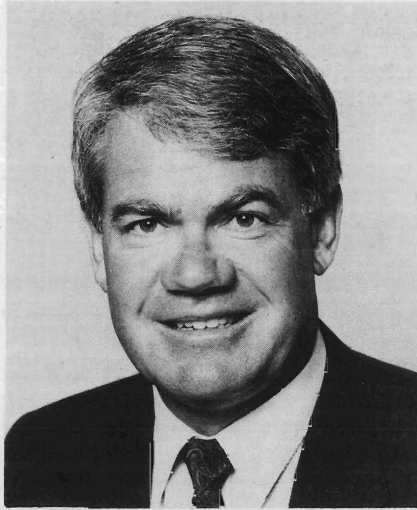
"We have to plan the wise use of the present and projected wood resources. We have to replant to ensure that these forests produce in perpetuity. And we have to strive for excellence of product to compete internationally. This goes right back to genetic research to get top seedlings, and carries on through the management of the growing forests to the processing and handling operations.

"My personal view is that we can also do more to promote radiata internationally, and can explore some new markets.

"However, we need to remember that although the timber industry is a major one in New Zealand, and a major earner of overseas funds, we are as yet still a small player by world standards, supplying less than 1% of the world's timber needs. In the Pacific rim countries we are a much more significant supplier, principally of one timber species, although we will also have Douglas fir to offer for some time yet.

"Radiata pine is therefore a niche market, and we have to find ways of developing that market to maximise the return to New Zealand."

Mr Cullinane said one of the advantages New Zealand has is that the public generally understands the fact that



Tim Cullinane

radiata is a crop to be harvested and managed in the national interest like any other crop.

"Other countries are increasingly facing restrictions on the export of timber from their native forests – such as we already have here – and there is international concern about the felling of

hardwood forests in South East Asia and in South American countries.

"We, on the other hand, are fortunate to have extensive man-made forests, grown to be harvested and replanted on a regular cycle to ensure a yield in perpetuity.

"Hardwood shortages may create new markets for New Zealand radiata, in the same way that the use of versatile treated radiata has already taken much of the pressure off New Zealand's own native forests.

Mr Cullinane said people who criticised the overseas sale of logs should remember that the conversion of a radiata seedling worth a few cents into a mature export log worth hundreds of dollars in Japan, Korea or China is a massive added value exercise already, creating significant employment and economic activity during the 25-year growing cycle.

"We will be assessing what can be done to increase the value of that log, as well as what can be done to process that log into products with a secure and rewarding future on the international market."

Bright outlook for NZ forestry exports to Japan

Don Wije-Wardana (who recently attended an International Tropical Timber Organisation meeting in Japan)

The Japanese market

Japan imports 84 million m³ of wood products annually, 87 per cent of the country's consumption. Of the total imports, 35 per cent of logs, 18 per cent of lumber and 98 per cent of plywood come from tropical countries. A study commissioned by ITTO suggests that while the volume of imports over the next 10 years is likely to remain around the same level, the share of tropical wood imports will decline sharply. The decline will be largely in the supply of logs and plywood.

The declining trend in tropical wood supply was confirmed by Malaysia, which is the largest exporter. Malaysia is agreeing to a study recommendation suggesting drastic reductions in felling of forest in Sarawak. The strong presence of conservation NGOs who were lobbying not only the delegates but also the Japanese media and the importers made it clear the conservation movement will continue to press for halting the felling of tropical forests.

A meeting with the Japan Lumber

Importers Association indicated the impact of this on the Japanese buyers. Its Executive Director, Mr Matsuki, said they are looking seriously for sources of wood to replace tropical timber, especially to plantation forest suppliers who are not subject to the same environmental constraints. Also, supplies from Russia, a major non-tropical wood producer, have declined by about 10 per cent over the last three years. This further complicates their wood supply outlook.

End uses of radiata pine

One factor which has prevented radiata pine being used in construction has been its non-approval for building and construction under the JAS standards. While limited approval has been given for both lumber and glue laminated timber recently, this has not helped in creating a major demand.

There were several indications from the Japanese that this situation is going to change. Matsuki indicated that contrary to what was believed earlier they