

The state of the forestry and forest product industries in New Zealand

THE STATE OF THE INDUSTRY AND TRADE

Forest Harvesting

Roundwood removals from New Zealand forests have increased by over 25 per cent over the last two years and currently stand at 13,306,000 m³ for the year to March 1991 (see Table 1). This is consistent with the expected increase in harvest over the next two decades as a result of the planting boom of the 1960s and 1970s. Removals over the past 18 months have exceeded expectations as forest owners began harvesting younger trees to generate cash. The Ministry of Forestry is presently revising its existing woodflow estimates to account for this precipitant cutting. Provisional new estimates show that wood flows from the plantation estate will average 14.4 million m³ per annum for the period 1991-95, and 17.3 million m³ for 1996-00.

Table 1: Roundwood Removals
(years ending 31 March)

Year	Total (,000m ³)
1987	9,613
1988	9,688
1989	10,619
1990	11,871
1991 (provisional)	13,306

Planting

New planting rates have been in decline since 1985. For the 1991 winter planting season, new plantings are expected to be

at a 25 year low of 13,000 hectares, though restocking is estimated to be occurring on about 95 per cent of all land harvested. Estimates of current nursery stocks indicate new planting will recover to 31,000 hectares in the 1992/93 planting year. This recovery is likely to be the result of three factors:

- The abolition of the "cost of bush" taxation regime, which now allows planting and maintenance costs of forestry to be deducted from any income in the year the costs are incurred.
- Declining interest rates which reduce the cost of capital and improve the attractiveness of forestry returns.
- Increased public awareness of forestry.

Log Exports

Since June 1986, New Zealand's log exports have increased by 732 per cent, to 3,295,000 m³ for the year to June 1991, with New Zealand presently holding around 7 per cent of the Pacific Rim log market. Increasing wood supply and low investment levels suggest this level of log exports will continue and possibly increase for the next few years.

Sawmilling

Any increase in domestic processing in New Zealand, particularly through sawmilling, is inhibited by weak demand in both the New Zealand and the Australian housing markets. For the June 1991

year, sawn timber exports increased by 30.8 per cent to 718,000 m³, with Australia receiving 57 per cent of this volume. Total sawn timber production for the June 1991 year was 2,167,000 m³.

Pulp and Paper

The outlook for pulp and paper continues to be poor, with markets not expected to turn until late 1992. Production of wood pulp for the year ended March 1991 increased by 9.2 per cent on the previous year to 1,348,000 tonnes. Exports for the same period were 611,400 tonnes. The modernisation programmes at New Zealand's two large Kraft mills are essentially complete, which, in tandem with specialisation in fewer grades of paper, should enhance international competitiveness.

Corporate Sector

The New Zealand forestry industry is dominated by two companies, Fletcher Challenge Ltd (FCL) and Carter Holt Harvey (CHH). Both companies have spent 1991 with the stated aim of reducing their debt/equity ratios. CHH announced two major share issues, which collectively raised about \$NZ545 million. CHH also sold off their stakes in Pan Pac, Bridge Oil, and are seeking to float their Australian subsidiary, Sinsmetals. They are actively seeking a buyer for their stake in Chilean firm Copec. For their March 1991 financial year, CHH declared a tax-paid profit of \$NZ162 million, a 15 per cent decline on the previous year.

Fletcher Challenge also reported a decreased profit for the year to June 1991, down 16.2 per cent to \$NZ555 million post-tax. FCL have made several purchases in 1991, including stakes in the Cape Horn Methanol plant in Chile, and a New Zealand energy company, Southern Petroleum. FCL have targeted two of their Canadian mills for sale.

RESEARCH

Restructuring of Scientific Research

The Ministerial Science Task Group has recommended the establishment of ten Crown Research Institutes (CRIs). Forestry will be represented in two CRIs: "Forestry and Wood Products", and "Land Environments". The "Forestry and Wood Products" CRI will comprise a large portion of the existing Forest Research Institute, though its basis for funding will change to a more market-oriented system.

Applications for consultant recognition

The following individual has applied for recognition as a General Forestry Consultant in New Zealand and overseas.

David A. Elliott, Rotorua.

Also the following have applied for a review of recognition as General Forestry Consultants.

Ian L. Barton, Auckland.
Keith C. Chandler, Rotorua.
Peter D. Clark, Rotorua.
Peter F. Olsen, Rotorua.
Peter F. Wallis, Rotorua.

Under the NZIF constitution, any members of the Institute may send objections in writing to the:

**Registrar of Consultants, NZ Institute of Forestry,
P.O. Box 19840, Christchurch.**

SECTOR ISSUES

Sale of New Zealand Timberlands Ltd

Government's intention to sell off all State-owned forests held under the New Zealand Timberlands Ltd banner was announced in the July 1991 Budget. The Timberlands' estate comprises 43 forests totalling approximately 121,000 hectares. The intention is to sell Timberlands as a going concern in a competitive tendering process, though consideration will be given to offers on individual forests.

Joint Venture Study

A report reviewing the structures and restrictions for the establishment of forestry joint ventures has recently been prepared. The report is aimed at encouraging increased investment in rural areas through joint ventures with farmers.

Resource Management Act

The Resource Management Act, which took effect on October 1, 1991, establishes an integrated and consistent structure for the management of natural and physical resources in New Zealand. The Act creates planning, consent and enforcement procedures that are common to most resource uses, including forestry.

Environmental Accord

Conservation groups and the New Zealand Forestry industry have signed an environmental accord intended to preserve natural forests and stop large-scale land clearance for plantation forestry. The accord recognises the need to protect and preserve remaining natural forests and aims to define areas inappropriate for plantation forests, while recognising that commercial forests have a role to play as a renewable source of fibre and energy.

Ministry of Forestry

New General Manager (Policy) for Ministry of Forestry

The Ministry of Forestry has appointed Helen Algar to the position of General Manager (Policy). The appointment follows the promotion of John Valentine to Secretary of Forestry.

Ms Algar's 15 years' experience with the New Zealand Wool Board has given her a strong background in international marketing and policy issues.

Through Ms Algar's appointment the Ministry has gained additional experience in the export market field. A key role for the Ministry is to forge a partnership with the forest industry which is facing a period of tremendous growth.

Ms Algar comes from a textile technology background and has substantial international market development experience. During her time with the Wool Board she also served as Board Secretary and as Manager, Policy Analysis and Research.



Helen Algar

Appointment of establishment unit convenors for CRIs

Dr Frank Wood and Dr Andy Pearce have been appointed as Establishment Unit convenors of the Forestry and Wood Products CRI and the Land Environments CRI.

As convenors they will begin to put into place the basic administrative support systems for CRI establishment boards which are due to be appointed by the end of November.

Dr Wood is the Chief Director of the Forest Research Institute at Rotorua. He has been in this position since June 1991. Dr Wood is an agricultural science graduate from Massey University and has a Ph.D in zoology. He has worked

for DSIR, MAF Technology and MAF Qual. Dr Wood has had a wealth of experience involving reorganisation and implementation of new policies. He works in Rotorua.

Dr Pearce is the Director of the Forest and Wildlands Ecosystems Division of the Forest Research Institute. He is a science graduate with a Ph.D in geological sciences. Dr Pearce has worked as a project geologist for a private company in New Zealand, as a lecturer at a Canadian University and at the Forest Research Institute. He has been at FWE since 1974. Dr Pearce works in Christchurch.

COMMUNITY TASK FORCE

In July the Government announced the setting up of the Community Task Force scheme, a new work experience programme helping job seekers back into employment and carrying out projects that are of value to the community. Job seekers are expected to work for three days a week but could, for example, work six days on end followed by an eight day spell. The idea is to give job seekers a chance to gain new experience, good work habits, a work record, improved self esteem and greater confidence.

To be eligible for the scheme, projects must:

- * be additional to work which would normally be done;

- * not displace existing workers from jobs they are currently doing;
- * be project based (i.e. structured into a finite period);
- * be a minimum period of three months and a maximum period of six months;
- * result in a benefit to the community;
- * not be regular or ongoing maintenance work.

There is scope within the scheme now for Government to provide free labour (but not transport, tools, or materials) to private land holders for projects such as environmentally based protection/production afforestation and perhaps for tending work which would be uneconomic without the help of the Community Task Force scheme.

Because of the associated conserva-

tion benefits afforestation projects over much of the country, most notably the East Coast and the South Island High Country, could qualify for such free labour.

The Ministry of Forestry is exploring the possible role that it could play in the facilitation of afforestation projects under the Community Task Force scheme. It may also be possible to get further financial and material support from agencies such as the local authorities, industry, iwi and environmental groups. Government also has a role in assisting the new Landcare groups that are being established and perhaps providing funding where there may be obstacles to change to more sustained land use.