



Required Report - public distribution

Date: 9/13/2000

GAIN Report #NZ0049

New Zealand

Solid Wood Products

Annual

2000

Approved by:

David Young
U.S. Embassy

Prepared by:
Rachel Monk

Report Highlights: Based on existing planted forests, New Zealand's available wood supply is forecast to increase from 17.9 million m³ in 1999 to 36 million m³ by 2015. January to June 2000 exports of lumber and logs and poles have been strong, reflecting strong growth in the Asian markets and continued growth in Australia and the United States. With a "wall of wood" coming on in New Zealand, high tariffs and non-tariff barriers, particularly for processed wood products in ASEAN, China, Taiwan, Korea and India, are providing an impetus for New Zealand to strongly support trade liberalization in forest products, especially through regional FTA's. New Zealand's forest industry is developing a national certification system for sustainably managed forests.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Wellington [NZ1], NZ

TABLE OF CONTENTS

EXECUTIVE SUMMARY	Page 2 of 18
FOREST SITUATION	Page 3 of 18
FOREST OUTLOOK	Page 5 of 18
PRODUCTION	Page 6 of 18
Softwood Logs	Page 6 of 18
Softwood Lumber	Page 7 of 18
Plywood	Page 7 of 18
TRADE	Page 8 of 18
Overview	Page 8 of 18
Trade Liberalization	Page 8 of 18
Entry into Japanese Construction Market	Page 8 of 18
TRADE & ENVIRONMENT	Page 9 of 18
Certification	Page 9 of 18
Kyoto Protocol	Page 9 of 18
New Zealand's Domestic Market	Page 10 of 18
Biotechnology	Page 10 of 18
Marketing	Page 11 of 18
TRADE -Softwood Logs	Page 12 of 18
TRADE - Softwood Lumber	Page 13 of 18
TRADE - Softwood Plywood	Page 14 of 18
STRATEGIC INDICATOR TABLES	Page 15 of 18
Forest Area	Page 15 of 18
Forest Product Tariffs and Taxes (percent)	Page 16 of 18
Wood Product Subsidies	Page 18 of 18

EXECUTIVE SUMMARY

New Zealand is a net exporter of forestry products and in 1999 exported 11.2 million cubic meters roundwood equivalent of forest products, up 11 percent from 1998. New Zealand's main forestry exports are softwood logs, sawn timber, woodchips, wood pulp, pulp/paper and panel products. New Zealand wood products compete with United States wood products in some markets.

Based on existing planted forests, New Zealand's available wood supply is forecast to increase from 17.9 million m³ in 1999 to 36 million m³ by 2015. Radiata pine is the dominant species, making up 90 percent of the planted forest area, with Douglas-fir the next most common species, making up 5 percent. Due to the forecast rapid expansion of New Zealand's wood harvest, large investment into New Zealand's wood processing industry and forestry infrastructure are required. Industry officials have calculated that investment of NZ\$5-6 billion (U.S.\$2.15-\$2.58 billion) is needed over the next 10-15 years to sustain the increase in harvest. Industry officials forecast this will come from existing players both establishing new plants and increasing capacity in existing plants, and also from new international companies.

Forestry products exported from New Zealand in the year to 30 June 2000 totaled NZ\$3.1 billion (U.S.\$1.3 billion). This was a dramatic 27 percent increase from the value of NZ\$2.5 billion (U.S.\$1.08 billion) in the June 1999 year. Driving the increase were improved prices for wood pulp, fibreboard, logs and sawn timber and the strong return of key Asian markets. New Zealand's main markets for forestry products in the June 2000 year were Australia and Japan. However, the Korean, U.S. and China markets all showed strong growth. A very weak Kiwi dollar versus the U.S. dollar (down about 20 percent over last year) aided export competitiveness.

With a "wall of wood" coming on in New Zealand, high tariffs and non-tariff barriers, particularly for processed wood products in ASEAN, China, Taiwan, and India, are providing an impetus for New Zealand to strongly support trade liberalization in forest products. Forest industry officials are not relying on WTO negotiations to provide improved market access for New Zealand wood products, instead they are actively lobbying the New Zealand Government to push for regional free trade agreements. The New Zealand Government recently initialed a FTA with Singapore and hopes to launch negotiations this October for a FTA between itself, Australia and ASEAN nations.

Exchange rate: \$NZ:US

1998:	0.5225
1999:	0.5275
2000 YTD	0.4303

FOREST SITUATION

New Zealand's planted production forests covered an estimated 1.73 million hectares as of 1 April 1999. 71 percent of the area is in the North Island and 29 percent is in the South Island. About 33 percent of the entire planted forest estate is in the Central North Island wood region. Other significant forest resources are Northland, Nelson/Marlborough and Otago/Southland regions.

NZ PLANTED FOREST LOCATIONS		
Location:	Area (ha)	
	1 April 1998	1 April 1999
Northland	191,302	199,243
Auckland	53,412	53,414
Central North Island	559,719	569,355
East Coast	138,829	143,623
Hawke's Bay	119,198	120,771
Southern North Island	137,387	147,132
Nelson/Marlborough	167,231	172,490
West Coast	32,607	33,278
Canterbury	107,960	112,332
Otago/Southland	171,298	179,127
TOTAL	1,678,943	1,730,765

Source: MAF and Statistics New Zealand

Radiata pine is the dominant species, making up 90 percent of the planted forest area, with Douglas-fir the next most common species, making up 5 percent. The balance comprises other softwood and hardwood species. About 69 percent of the radiata pine planted forest estate is, or expected to be, pruned to a height of at least four meters. The area of pruned radiata pine approaching harvestable age is increasing. Currently 1.02 million hectares, or 95 percent, of the pruned radiata pine estate is 25 years old or younger. Approximately 160,000 hectares of pruned radiata is between 21 and 25 years old, while 60,000 hectares of pruned radiata pine is older than 25 years.

The planted forest resource is characterized by predominantly young crops with 61 percent being 15 years old or younger, the result of planting during the 1980s, and the high rates of new plantings since 1992. Little planted forest is more than 35 years old, a reflection of the economic rotation age of the dominant species, radiata pine, which is typically harvested between 25 and 30 years.

An estimated 51,200 hectares of new planted production forest were established in 1998. 44 percent of this planting occurred on improved pasture, 47 percent on unimproved pasture and 9 percent on land where scrub was previously the predominant land cover. It is provisionally estimated that 22,900 hectares of new planting occurred during 1999.

New Zealand has a well established wood processing industry. It currently consumes around 11 million m³ of wood annually, with the balance of the harvest being exported as logs. Of the December 1999 harvest of 17.9 million cubic meters:

- 32 percent was exported as logs;
- 38 percent is supplied to plywood mills and sawmills;
- 26 percent is used as a direct log supply to the pulp and paper and reconstituted product industries; and
- 4 percent is used to produce other forest products.

In the same period to December 1999:

- More than 350 sawmillers produced 3.6 million cubic meters of sawn timber. Most mills produced less than 20,000 m³; only 9 percent produced more than 20,000 m³;
- Five panelboard companies produced 770,000 m³ of fibreboard and particle board;
- Six panelboard companies produced 286,000 m³ of veneer and 182,000 m³ of plywood;
- Four pulp and paper companies produced 1.4 million tonnes of pulp and 814,000 tonnes of paper and paperboard.

New Zealand's wood processing industry is concentrated in the central North Island, where the majority of the mature planted forests are located. The major wood processors, who are also New Zealand's major forest owners, have their processing plants close to or within their forests.

New Zealand planted forest ownership has undergone considerable change since 1990 with the sale of cutting rights to much of the State's planted forests, and with the proliferation of involvement from a variety of small scale investors. New Zealand's planted forest estate is mainly owned by the private sector with the Government now only owning 6 percent of the forests. Of New Zealand's total planted forest estate 64 percent is owned by 13 major organizations (with considerable offshore investment, including from the U.S.), each owning more than 20,000 hectares. There will continue to be rationalization of forest holdings among existing companies as well as sales of forests allowing new entrants. Some integrated companies are reported to be considering divesting their forest assets, which show a poorer return on capital than their processing operations. They would secure access to the wood resource through long-term contractual arrangements. Fund managers (particularly from the Northern Hemisphere) are reported to be interested in purchasing the forest assets.

The remaining forests are owned by small companies, local government, partnerships, joint ventures and thousands of small scale land owners. The dominance of large companies in new planting has given way to individuals and groups of smaller investors. These include farmers, individual investors, Maori forestry interests and additional foreign participants. More than 14,000 forests are less than 100 hectares in size, and many of these are individually owned.

FOREST OUTLOOK

Preliminary estimates of new planting for 1999 indicate an approximate area of 22,900 hectares, down dramatically from the 1998 new planting of 51,900 hectares. The Asian financial crisis has had an influence on the level of new investment in forest area in 1999. The New Zealand Ministry of Agriculture and Forestry estimates that new planting from 2000 to 2010 is likely to be around 40,000 hectares per year under a "medium conditions" scenario. New Zealand has 12.6 million hectares of land physically suitable for expanding the planted forest estate. Most planted forest expansion is taking place on rolling to steep hill country. Very little forest establishment has taken place on the most productive farmland because it is too expensive for forestry investors. There is no land bank limitation to continued expansion of forest growing.

New Zealand roundwood removals are forecast to increase to 36 million cubic meters by 2015. This is an 100 percent increase from 1999's roundwood removals of 17.9 million cubic meters. Gaining the best possible advantage from New Zealand's increasing harvest levels will require substantial investment.

New Zealand's increasing harvest levels mean that:

- The relative contribution of each region to the national harvest will change over time. Harvest levels in Northland and the East Coast are forecast to rise quickly. The Central North Island will become proportionately less dominant, but will still grow in absolute terms;
- Radiata pine will continue to be the dominant species, and will account for 90 percent of the total harvest in the short to medium term; and
- The volume of pruned logs will more than double over the next 10 years.

Assuming that log exports continue to be around 25-30 percent of New Zealand's harvested volume, the implications of the above mean that large investment into New Zealand's wood processing industry and forestry infrastructure are required. Industry officials have calculated that investment of NZ\$5-6 billion (U.S.\$2.15-\$2.58 billion) is needed over the next 10-15 years to sustain the increase in harvest. Industry officials forecast this will come from existing players both establishing new plants and increasing capacity in existing plants, and also from new international companies. However, a large deterrent for new international players to enter the New Zealand wood products market, is the large tariffs and non-tariff barriers that New Zealand processed wood products face in international markets. New Zealand forestry officials are lobbying the New Zealand Government to increase efforts to form regional and bi-lateral free trade agreements, that would assist in decreasing or eliminating these tariffs (see trade section for more detail).

Also, the New Zealand Government is setting up a wood processing task force to focus on dealing with the infrastructure problems the New Zealand forest industry faces. One of the major problems faced is roading infrastructure. A large majority of forests planted are in back country rural areas that have very little road access. When these plantations are at harvestable age, large investment will be needed to improve or develop roads that are suitable for logging trucks. Other areas that the Government's task force will cover will be improving labor skills, energy supply and problems that arise under New Zealand's Resource Management Act.

PRODUCTION

Softwood Logs

PSD Table						
Country	New Zealand					
Commodity	Softwood Logs			1000 CUBIC METERS		
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Production	12900	13900	13795	14795	0	15470
Imports	4	4	5	4	0	4
TOTAL SUPPLY	12904	13904	13800	14799	0	15474
Exports	5000	5798	5800	6550	0	7065
Domestic Consumption	7904	8106	8000	8249	0	8409
TOTAL DISTRIBUTION	12904	13904	13800	14799	0	15474

Log exports are a fundamental part of the product mix for the New Zealand forest industry. In the year to December 1999, log exports accounted for NZ \$546 million, or 20 percent of the New Zealand forest industry's total export earnings. The volume of roundwood harvested from New Zealand's forests for the year ended December 1999 totaled 17.9 million m³, a 17 percent increase on the 1998 total of 15.3 million m³. Past planting rates indicate that roundwood removals will reach 36 million m³ by 2015.

New Zealand's domestic consumption is expected to remain relatively static, so log export volumes are likely to rise sharply. The processing industry's log consumption has increased significantly over the last decade, but not at a rate able to keep pace with the increase in wood. International markets have provided a destination for the logs and have, in turn, spurred an increase in new forest planting. However, a heavy reliance on log exports is unlikely to be in the long-term interests of the industry or country, as they are exposed to fluctuations in the international commodity price cycle and to the threat of cheaper cost competitors. Some sawmill owners are looking at ways of increasing their kiln-dried lumber output in order to sell into more differentiated markets.

PS&D Table Changes

The PS&D table changes for all three tables included in this report reflect the changes in production and exports due to revised data from the Ministry of Agriculture and Forestry reflecting larger than earlier forecast forest harvests in the 1999 and 2000 seasons.

Softwood Lumber

PSD Table						
Country	New Zealand					
Commodity	Softwood Lumber				1000 CUBIC METERS	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Production	3440	3620	0	3982	0	4380
Imports	22	15	0	15	0	15
TOTAL SUPPLY	3462	3635	0	3997	0	4395
Exports	1350	1370	0	1720	0	2034
Domestic Consumption	2112	2265	0	2277	0	2361
TOTAL DISTRIBUTION	3462	3635	0	3997	0	4395

The New Zealand forestry industry is pursuing a diversification strategy away from log exports into more value-added wood products. This combined with the increase in roundwood removals of 17 percent, has seen an increase in lumber production of 14 percent, from 3.1 million m3 in 1998 to 3.6 million m3 in 1999. Softwood lumber production is forecast to increase about 10 percent in 2000, encouraged by further export growth.

All of this 14 percent increase has come from existing plants increasing throughput by increasing the number of shifts worked and through mill upgrades, such as replacement machinery and woodflow improvements. While no statistics are collected on kiln drying capacity, sales of kiln dried framing now account for more than 75 percent of the New Zealand market, up from close to zero ten years ago. Manufacturers of kilns are now reporting record sales and report that demand is still climbing.

Plywood

PSD Table						
Country	New Zealand					
Commodity	Softwood Plywood				1000 CUBIC METERS	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Production	170	182	0	218	0	240
Imports	5	6	0	6	0	7
TOTAL SUPPLY	175	188	0	224	0	247
Exports	105	113	0	135	0	142
Domestic Consumption	70	75	0	89	0	105
TOTAL DISTRIBUTION	175	188	0	224	0	247

Plywood production is expected to experience growth of between 10-20 percent over the forecast period, reflecting the increased harvest. However, this growth is likely to be restricted as international competition pushes prices down and keeps them fairly soft.

TRADE

Overview

In global terms, New Zealand is a small player, accounting for 1.0 percent of the world's total supply of industrial wood and 1.2 percent of the world's trade in forest products. In comparison Chile accounts for 1.1 percent of trade, Russia 2.2 percent, Sweden 8.2 percent, and Canada 18.8 percent. However, given the forecast increase in roundwood removals of 36 million cubic meters by 2015, New Zealand softwood exports are expected to rise significantly over the next 5 to 10 years, as the domestic market is small and static; New Zealand's share of world solidwood exports is also likely to increase.

Forestry products exported from New Zealand in the year to 30 June 2000 totaled NZ\$3.1 billion (U.S.\$1.3 billion). This was a dramatic 26.9 percent increase from the value of NZ\$2.5 billion (U.S.\$1.08 billion) in the June 1999 year. Driving the increase were improved prices for wood pulp, fibreboard, logs and sawn timber and the strong return of key Asian markets. New Zealand's main markets for forestry products in the June 2000 year were Australia and Japan. However, the Korean, U.S. and China markets all showed strong growth.

Trade Liberalization

With the wall of wood coming on in New Zealand, high tariffs and non-tariff barriers, particularly for processed wood products in ASEAN, China, Taiwan, Korea and India, are providing an impetus for New Zealand to strongly support trade liberalization in forest products. Forest industry officials are not relying first on WTO talks to provide market access for New Zealand wood products, instead they are actively lobbying the New Zealand Government to push for regional free trade agreements. Two of these of note are the FTA (Closer Economic Partnership) that has just been initialed between Singapore and New Zealand and the proposed FTA between Australia, New Zealand and ASEAN. The New Zealand Government hopes to have the agreement between New Zealand and Singapore in place by January 1, 2001, or shortly afterwards. Under the agreement, tariffs on locally-made goods from each country will be eliminated, and trade in services between the two countries will be liberalized. The New Zealand Government also hoped this October to begin negotiations on a FTA between itself, Australia and ASEAN nations (CER-AFTA). An agreement could lead to some significant forestry export benefits for New Zealand, particularly for value-added wood products, since, according to the industry, some ASEAN nations have 25 percent tariffs on veneer and 10-20 percent tariffs on lumber.

The New Zealand forest industry is also lobbying the Government to pursue bilateral trade agreements. The industry is particularly focusing on China and India, with the goal of lowering tariffs for value added wood products. Chinese membership in the WTO will bring reduced tariffs and the Government is pushing for lower tariffs in India on value-added wood products.

Entry into Japanese Construction Market

After months of lobbying, New Zealand gained competitive access to the expanding Japanese construction market in August. Japan's new Housing Quality Assurance Law recognized that engineered radiata pine products from New Zealand meet all Japan's construction durability standards. Getting access to the lucrative Japanese housing market for New Zealand radiata pine products is a significant development for New Zealand exporters. The laminates and other engineered lumber products covered by the standards represent value-added exports for New

Zealand. New Zealand currently exports more than NZ\$25 million worth of engineered wood products to Japan. The industry estimates that the new standards will enable a substantial increase in the returns to New Zealand from this market.

TRADE & ENVIRONMENT

Certification

Sustainable forestry management (SFM) is a dominant trade and environment issue and certification is now being perceived as a requirement for remaining competitive in the forest products business, particularly in markets like the U.S. and Europe. The international forest industry has actively responded to the need for certification with about 40 certification processes in place or under development around the world. An international working group is looking at ways systems can be linked through mutual recognition arrangements to ensure these national SFM processes don't become non-tariff trade barriers or create confusion in the market place. The just released report of the Working Group proposes an international mutual recognition framework that would serve to link the different programs for SFM that have been developed independently around the world. New Zealand's response to the need for environmental accountability has been to become involved in the international SFM debate. It has also been to understand the significance of challenges and opportunities posed by these processes, closely monitor and influence certification and mutual recognition developments and, now, to design its own reporting system called Verification of Environmental Performance (VEP). The purpose of VEP is to assure customers and stakeholders that the New Zealand forest industry is managed on a sustainable basis and to establish the environmental credentials internationally of the New Zealand plantation industry. Components of VEP are as follows:

1. **Report cards** and supporting documentation which provides a verifiable statement of an organizations's environmental and social performance. The report cards cover both forestry and processing operations and include chain-of-custody.
2. **Auditing** by a qualified third party to provide a certificate of compliance.
3. **Administration and Management** by an independent non-profit organization jointly managed by industry and environmental NGOs.

A number of industry and non-industry groups provided input into the design and development of VEP. Twenty New Zealand exporters tested the proposed VEP concept with customers during 1999. Key findings were that export customer demand certification was expanding, particularly driven by "finished" product users and/or distributors in the US and EU. There was strong support for VEP, provided it was third party audited and would be internationally recognized and was based on ISO 14001 EMS. An evaluation by non-industry stakeholders - including environmental groups, central and local government agencies, and researchers - also came out in strong support for the same reasons as above but particularly for a system that fits New Zealand's approach to SFM and environmental regulations. The New Zealand forest product industry hopes to have its VEP in place within the next six months, which would provide New Zealand's solid wood products exports with a marketing advantage with some consumers.

Kyoto Protocol

The concept of carbon credit trading has gained momentum, and is causing controversy in New

Zealand since the signing of the Kyoto Protocol. New Zealand was among the 38 developed countries which signed up to greenhouse gas emission targets two years ago in Japan. If it is ratified, New Zealand will have to reduce emissions between 2008-2012 to 1990 levels. Forestry owners are concerned that ratifying the international convention on carbon emissions will disadvantage timber production. Land-user groups and the forest sector believe the agreement should not be ratified. With the amount of available wood expected to double in the next 15 years, it will affect New Zealand's ability to process it and add value. It is believed by forestry officials that if the Government ratifies the Protocol, and thereby commits to reducing its carbon emissions there is not much chance of more power stations being built and the trees will go offshore. It is also believed by the forest industry that by ratifying the agreement, foreign investment in the New Zealand forest industry will decrease, and New Zealand's competitiveness relative to developing nations which are not under GHG restrictions, will be reduced.

At the same time, commercial pressures are pressing for ways to trade dirty and clean air. The credits market is a way to offset carbon production. In New Zealand it is estimated that by 2008, the country may have one million hectares of Kyoto-compliant forests. Already up to 500,000 hectares of forest in New Zealand could classify under the Kyoto agreement. The New Zealand Ministry of Environment reports that it is expected that the amount of sink credits available in the first commitment period is something in the order of 100 million tonnes or more for New Zealand,. This could yield as much as NZ \$2 billion (U.S.\$830 million), assuming a NZ\$20 a tonne price for a tonne of clean air. It is reported that the New Zealand Government plans to ratify the Kyoto Protocol in 2002.

New Zealand's Domestic Market

New Zealand's population of 3.8 million and comparatively small manufacturing base cannot utilize the large resource of timber that is available from harvest. Therefore, the size of New Zealand's domestic market is severely restricted and domestic consumption of wood products is fairly static. The construction industry is the primary user of softwood lumber. However, two recent research studies undertaken in New Zealand claim that alternative building materials are carving into timber's traditional home-building market. One study, undertaken by New Zealand's Forest Research Institute, suggests that the timber industry is losing its grip on local markets as building trends shift toward multi-unit developments made of concrete, which is perceived by many to have greater soundproofing qualities. Another study reported that solid wood was losing out in the window, joinery and door markets to alternative materials, such as aluminum and PVC. These studies have prompted the New Zealand forest industry to commence a marketing campaign to promote the positive qualities of wood. The industry is using generic promotion to promote timber use domestically in New Zealand.

Biotechnology

To handle all aspects of genetic engineering in the New Zealand forest industry, the New Zealand Forest Research Institute set up a commercial company for plant and animal breeding. SignaGen Molecular Breeding Solutions commenced operations in August 1998, with a goal of bringing high throughput DNA testing technologies to the plant and animal breeding markets. Support from the New Zealand and overseas forestry sectors continues to provide the major component of the plant business for SignaGen which commercializes tests developed within the Forest Research Genomics Research Group. Analyses for forestry clients include genotype matching,

parentage and paternity testing for production trees, seed parentage verification, gene mapping, marker-assisted selection, transgene assays, and pollen genotyping.

Significant gains have been made by New Zealand Forest Research in the development of DNA markers. These allow researchers to follow the inheritance of hundreds of genes, or multiple chromosomal regions, in a single experiment. When used in this manner, DNA markers can facilitate advanced tree breeding methods by allowing efficient genetic selection of desirable wood quality traits. Genomics specialists have recently discovered a DNA marker for determining wood density in radiata pine. Since the issue of wood quality has become paramount in the forest industry, the ability to eliminate undesirable genotypes before they are even propagated has huge implications in terms of value recovery.

Marketing

Wood New Zealand (WNZ) was established in 1999 as a marketing venture to promote New Zealand wood products in the international market place, effectively giving member shareholders an international marketing department and creating additional leverage for members with an existing in-market presence. The New Zealand forest industry invested NZ\$3 million (U.S. \$1.3 million) into the organizations. In September 1999, WNZ opened a branch in Shanghai, China, through which the organizations made significant progress, including a memorandum of understanding with key Chinese Government agencies, that could see the New Zealand Building Code incorporated into the Chinese system. However, Wood New Zealand suffered from a lack of funding and interest from New Zealand forestry corporations and begun to collect mounting debts. Due to the lack of investment in the organisation, Wood New Zealand was officially closed down at the beginning of September 2000, including the China office. The problem lay in the fact that Wood New Zealand was intended as forestry market development organisation for small and medium sized wood product exporters. But the small to medium forestry players do not have money to invest in the scope such as Wood New Zealand was proposing. Most money in the New Zealand forest industry lies with large companies, most of which are foreign owned with international market capability, and thus do not need to co-operate in industry marketing activities.

With the demise of Wood New Zealand, the New Zealand Pine Manufacturers Association and the New Zealand Timber Federation will facilitate market activities. These two organizations will organize market development activities in South East Asia, Japan and the United States, in the form of trade fairs, seminars and educational promotions. These market promotions will be for the benefit of middle-sized or smaller New Zealand forest companies and sawmillers.

Ban on Native Species

The Ministry of Agriculture and Forestry has banned the exports of lumber, logs and woodchips from natural forests. A complete ban was effective on December 31, 1999. The export ban is to help protect the small proportion of indigenous forests not already protected by legislation. There is no export ban on wood products from plantations. Native woods can be exported in a more processed form like furniture, but with some restrictions.

TRADE -Softwood Logs

NEW ZEALAND SOFTWOOD LOG EXPORTS						
000 CUBIC METERS, NZSFOB, CY						
Destination	1998		1999		2000 YTD	
	000m3	\$/m3	000m3	\$/m3	000m3	\$/m3
Japan	1,879	104.99	1557	104.62	741	138.87
Korea	1,846	81.57	3232	89.88	1528	113.02
China	72	104.44	213	95.77	203	100.00
Taiwan	63	78.72	119	78.99	43	93.02
United States	35	183.86	36	127.78	23	175.65
Thailand	22	71.47	65	63.08	29	100.00
Philippines	70	146.81	173	110.98	103	133.01
Malaysia	4	227.11	17	135.29	2	180.00
India	264	84.96	283	85.16	69	128.99
Others	70	102.41	103	79.61	104	32.69
TOTAL/AVE	4,324	131.82	5798	107.91	2845	117.12
2000 YTD: 6 months to June 2000.						
Sources: Statistics New Zealand, MoF						

After huge falls in exports to Asia with the financial crisis, log exports picked up dramatically through to September 1999 as Korea and Japan moved to replenish depleted stocks. However, prices remained very low and static. Export volumes are expected to remain strong through the 2000 season on the back of a steady recovery in the financial health of the Asian markets and increasing sales to India. A slight lift in log prices is expected from the March 2000 quarter onwards, driven by strengthening demand as Asian economies recover.

Logs and poles exports increased by 34 percent to 5.8 million cubic meters in the 12 months to December 1999. Logs and poles exports were valued at NZ \$546 million, up from NZ \$409 million in the 12 months to December 1998. The main markets for logs and poles were Korea (3,232,000m3, NZ \$291 million), Japan (1,577,000m3, NZ \$163 million), and India (283,000m3, NZ \$24 million).

In the six months to June 2000, logs and poles exports increased by 11 percent to 2.8 million cubic meters from 2.5 million cubic meters for the six months to June 1999. For the same period, the value of logs and poles exports increased by 44 percent from NZ \$232 million for the six months to June 1999, to NZ \$333 million for the six months to June 2000.

TRADE - Softwood Lumber

NEW ZEALAND LUMBER EXPORTS
000 CUBIC METERS, NZSFOB m3, CY

Destination	1998		1999		2000 YTD	
	000m3	\$/m3	000m3	\$/m3	000m3	\$/m3
Australia	384	510.32	360.6	558.79	244.00	642.54
Japan	235	291.15	245	315.92	131.24	421.37
Taiwan	126	250.03	129.2	258.51	70.90	306.06
United States	239	669.99	348.9	663.23	157.10	966.90
Korea	38	220.07	40.5	217.28	16.70	107.78
New Caledonia	8	389.08	9.4		0.00	
Philippines	21	342.13	18.7	352.94	9.60	406.25
Thailand	19	233.93	30.8	217.53	23.87	310.01
Hong Kong	44	383.23	39.5	382.28	21.50	446.51
Indonesia	6	655.91	9.2	500.00	6.39	547.73
China	12	445.23	51.8	401.54	31.54	469.25
Singapore	13	323.04	32.2	1,853.69	15.00	660.00
Others	42	336.78	54	385.90	21.96	785.52
TOTAL	1,187	441.00	1369.7	468.79	749.80	610.74
Note: All years are calendar years except 2000* - 6 months to June						
Source: Statistics New Zealand, MoF						

New Zealand lumber exports are expected to increase strongly from 2000, reflecting further Asian recovery and continued strength in the US and Australian markets. Sawn timber exports increased by 15.4 percent to 1,370,000 m3 from 1,187,000 m3 in the 12 months to 31 December 1999. Sawn timber exports in 1999 were valued at NZ \$642 million, a 22 percent increase from the value of NZ \$524 million the previous year. The main sawn timber markets were United States (349,000m3, NZ\$231 million), Australia (361,000m3, NZ\$202 million), Japan (245,000m3, NZ\$77 million) and Taiwan (129,000m3, \$33 million).

In the six months to June 2000, sawn timber exports increased by 16 percent to 749,000 cubic meters from 647,000 cubic meters for the six months to June 1999. For the same period, the value of sawn timber exports increased by 68 percent from NZ \$272 million for the six months to June 1999, to NZ \$457 million for the six months to June 2000. Lumber exports to China and Hong Kong increased by 31 percent to 101,100 m3 in the year to June 2000. Value to these markets is up 37 percent for the same period.

TRADE - Softwood Plywood

NEW ZEALAND PLYWOOD EXPORTS
000 CUBIC METERS, NZ\$FOB/m3, CY

Destination	1998		1999		2000 YTD	
	000m3	\$/m3	000m3	\$/m3	000m3	\$/m3
Australia	47	505.35	42	671.43	18	783.33
Japan	45	1,537.98	55	1,598.18	29	1517.24
Hong Kong	10	563.85	10	570.00	4	430.00
Taiwan	7	556.96	2	390.00	1	360.00
Korea	0	na	0	0.00	0	0.00
Other	2	1,281.21	5	664.00	1	1720.00
TOTAL	110	951.99	114	1,104.39	53	1167.92
2000 YTD: 6 months to June						
Source: Statistics New Zealand, MoF						

Plywood export volumes were fairly static in the 12 months to December 1999. Plywood exports were valued at NZ \$125 million, up by 23 percent from the value of NZ \$102 million in the 12 months to December 1998. The main markets for plywood were Japan (55,000m3, NZ \$44 million), Australia (42,000m3, NZ \$14 million), and Hong Kong (10,000m3, NZ \$2 million).

In the six months to June 2000, plywood export volumes decreased by 10 percent to 53,000 cubic meters from 59,000 cubic meters for the six months to June 1999. For the same period, the value of plywood exports decreased by 2 percent from NZ \$62 million for the six months to June 1999, to NZ \$61 million for the six months to June 2000.

STRATEGIC INDICATOR TABLES

Forest Area

FOREST AREA

Country: New Zealand Report Year: 1999	Previous 1998	Current 1999	Following 2000
Total Land Area (million hectares)	27	27	27
Total Forest Area (million hectares)	8.08	8.13	n/a
--of which, Commercial ('000 hectares)	1.67	1.73	n/a
---of commercial, tropical hardwood ('000 hectares)	0	0	n/a
---of commercial, temperate hardwood ('000 hectares)	0	0	n/a
---of commercial, softwood ('000 hectares)	1.67	1.73	n/a
Forest Type			n/a
--of which, virgin ('000 hectares)	6.40	6.40	n/a
--of which, plantation ('000 hectares)	1.67	1.73	n/a
--of which, other commercial (regrowth) ('000 hectares)	n/a	n/a	n/a
Total Volume of Standing Timber (thousand cubic meters)	338	353	n/a
--of which, Commercial Timber ('000 cum)			
Annual Timber Removal ('000 cum) 1/	15.30	17.90	n/a
Annual Timber Growth Rate ('000 cum)	13.00	13.00	n/a
Annual Allowable Cut ('000 cum)			n/a
Note: 2000 forestry statistics will be released in 2001, 2001 statistics in 2002 etc.			

Forest Product Tariffs and Taxes (percent)

Country:	Product Description	Tariff Current Year	Tariff Following Year	Other Import Taxes/Fees	Total Cost of Import 2/	Export Tax
New Zealand						

1/

Report Year: 2000						
4401		Free	Free	n/a	Free	Free
4403		Free	Free	n/a	Free	Free
4404		Free	Free	n/a	Free	Free
4405		Free	Free	n/a	Free	Free
4406		Free	Free	n/a	Free	Free
4407	All other	Free	Free	n/a	Free	Free
	4407.10.09	5.0	5.0	n/a	5.0	Free
	4407.10.29	5.0	5.0	n/a	5.0	Free
	4407.10.49	5.0	5.0	n/a	5.0	Free
	4407.10.69	5.0	5.0	n/a	5.0	Free
	4407.10.89	5.0	5.0	n/a	5.0	Free
	4407.24.20	5.0	5.0	n/a	5.0	Free
	4407.25.20	5.0	5.0	n/a	5.0	Free
	4407.26.20	5.0	5.0	n/a	5.0	Free
	4407.29.40	5.0	5.0	n/a	5.0	Free
	4407.91.09	5.0	5.0	n/a	5.0	Free
	4407.92.09	5.0	5.0	n/a	5.0	Free
	4407.99.09	5.0	5.0	n/a	5.0	Free
	4407.99.29	5.0	5.0	n/a	5.0	Free
	4407.99.49	5.0	5.0	n/a	5.0	Free
4408	All other	Free	Free	n/a	Free	Free
	4408.10.09	5.0	5.0	n/a	5.0	Free
	4408.31.90	5.0	5.0	n/a	5.0	Free
	4408.39.90	5.0	5.0	n/a	5.0	Free
	4408.90.08	5.0	5.0	n/a	5.0	Free
	4408.90.19	5.0	5.0	n/a	5.0	Free
	4408.90.29	5.0	5.0	n/a	5.0	Free
4409	All other	Free	Free	n/a	Free	Free
	4409.10.09	5.0	5.0	n/a	5.0	Free
	4409.20.09	5.0	5.0	n/a	5.0	Free
4410		5.0	5.0	n/a	5.0	Free
4411		5.0	5.0	n/a	5.0	Free
4412	All other	5.0	5.0	n/a	5.0	Free
	4412.29.10	5.0	5.0	n/a	5.0	Free
	4412.92.10	5.0	5.0	n/a	5.0	Free
	4412.92.20	5.0	5.0	n/a	5.0	Free
	4412.99.10	5.0	5.0	n/a	5.0	Free
4413		Free	Free	n/a	Free	Free
4414		5.0	5.0	n/a	5.0	Free
4415	All other	Free	Free	n/a	Free	Free
	4415.20.10	5.0	5.0	n/a	5.0	Free
	4415.20.90	5.0	5.0	n/a	5.0	Free
4416		Free	Free	n/a	Free	Free

4417	All other	Free	Free	n/a	Free	Free
	4417.00.11	5.0	5.0	n/a	5.0	Free
	4417.00.21	5.0	5.0	n/a	5.0	Free
4418	All other	5.0	5.0	n/a	5.0	Free
	4418.50.00	Free	Free	n/a	Free	Free
	4418.90.00	5.0	5.0	n/a	5.0	Free
4419	4419.00.01	5.0	5.0	n/a	5.0	Free
	4419.00.09	5.0	5.0	n/a	5.0	Free
4420		5.0	5.0	n/a	5.0	Free
4421	All other	Free	Free	n/a	Free	Free
	4421.10.00	5.0	5.0	n/a	5.0	Free
	4421.90.19	5.0	5.0	n/a	5.0	Free
END CHAPTER						
Pre-fabricated Houses, a subsection under chapter 96		n/a	n/a	n/a	n/a	Free

Source: NZ Customs Working Tariff Document

Wood Product Subsidies

WOOD PRODUCTS SUBSIDIES			
Country: New Zealand	Previous	Current	Following
Year of Report 2000	Calendar Year	Calendar Year	Calendar Year

Total Solid Wood Export Subsidy Outlay (\$US million)	0	0	0
Is there a ban on the export of logs, lumber, or veneer? 1/	Yes	Yes	Yes
Are there export taxes (yes/no)? 2/	No	No	No
Total Wood Production Subsidy (\$US million)	0	0	0
Scope (thousands of hectares)			
Are there other wood products export expansion activities? 1/	Yes	Yes	Yes