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Solid Wood Products

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Report Highlights: Increases in roundwood harvest volumes anticipated over the next decade offer significant wood processing investment opportunities in New Zealand. Softwood log production and exports in 2003 are forecast to increase 6 percent and 7 percent, respectively. Softwood lumber production and exports are forecast to increase 4 percent and 2 percent, respectively.

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

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EXECUTIVE SUMMARY

Despite weaker prices, the total value for all New Zealand's forestry exports increased slightly to NZ\$ 3.64 billion for the 12 month period ending June 2002. In response to larger shipping volumes, the Government forecasts that export value will expand to NZ\$ 4 to 4.6 billion by 2007. At present, the forest products industry is New Zealand's third largest merchandise export earner, accounting for approximately 4 percent of New Zealand's GDP.

Australia continues to be New Zealand's most important export market, accounting for one quarter of all exports in terms of value. Exports to Japan fell 17 percent last year, but Japan was again New Zealand's second largest export market. Sales to the United States and South Korea continue to grow, with each accounting for nearly 15 percent of total export earnings. China is now taking more than 10 percent of all NZ forestry export earnings.

A growing proportion of NZ's tree harvest is being generated by small-scale, private estates. This reflects the tendency of large corporate forest owners to explore additional investment opportunities in downstream processing rather than in producing the forest resource itself.

New Zealand's wood harvest has grown steadily over the past decade as a result of the planting boom experienced during the 1960's. Total production is forecast to exceed 50 million cubic meters by 2025. The trend towards harvesting trees at an earlier age is now slowing, with many industry analysts predicting that the average tree harvest age will soon move closer to 30 years. This reflects current wood processing capacity constraints relative to potential log harvest volumes, combined with the industry's efforts to increase the output of higher value wood products. Log export volumes will continue to increase despite the rising age of harvested trees.

Considerable investment (estimated by the Wood Processing Strategy Group at NZ\$ 3 billion) is needed to expand New Zealand's wood processing capacity. In order to meet this need, the Government has established a Wood Processing Strategy Group to identify investment opportunities in the wood processing sector and facilitate foreign investment.

| | | |
|-----------------|-----------------------------|---------|
| Exchange Rates: | 1 NZ\$ = US\$ | |
| | Calendar Year 2000: | \$ 0.43 |
| | Calendar Year 2001: | \$ 0.42 |
| | Jan. to Sept. 2002 average: | \$ 0.47 |

PRODUCTION

FOREST SITUATION/OUTLOOK

The New Zealand forestry and logging sectors account for about 1.3 percent of national economic activity. Further processing of wood and wood products, paper, and pulp manufacturing account for an additional 3.4 percent of GDP. Forestry directly employs about 23,500 people. The growing importance of the forest industry in New Zealand's economy is being driven by increasing export earnings which reached NZ\$3.7 billion (US\$1.67 billion) in calendar 2001, and an expanding forest resource. Forests cover about 30 percent of New Zealand's land area (8.2 million hectares) of which about 6.4 million hectares are indigenous or natural forests and 1.8 million hectares are commercial plantation forests. Ninety percent of all commercial forests are planted with radiata pine and 5 percent in Douglas-Fir. Approximately 19 million cubic meters were harvested in 2001/02, with plantation forests accounting for 99.7 percent of this total. The New Zealand forestry industry has been adding about 40,000 hectares of new plantations annually in recent years. The amount of harvestable trees is set to increase significantly over the next 2-15 years. This is generally referred to in New Zealand's media as the coming "Wall of Wood". Industry sources, however, often use less dramatic and more realistic language. Taking into account that increases in New Zealand's tree harvest can be reduced in anticipation of slow rates of processing capacity growth, they frequently refer to the upcoming growth cycle as a "Hedge of Wood". Some analysts also argue that increases in capacity utilization of existing mills can absorb some of the anticipated increases in New Zealand's log harvest. In parts of the South Island, processing capacity already is outstripping available log supplies.

Globally, New Zealand accounts for 1.1 percent of the world's supply of industrial wood and 1.3 percent of world trade. New Zealand's major competitors are Australia, Chile, Southeast Asia, the United States, Canada, and Russia. A roundwood equivalent of 13 million cubic meters is exported, in raw and processed form. One third of the New Zealand harvest is exported as logs, with the remainder being milled or used in pulp, paper, and production of other wood products such as medium density fibreboard (MDF) and panel products. New Zealand exported a total of 1,613,300 cubic meters of lumber and 7,244,300 cubic meters of logs in calendar year 2001, up 6 percent and 18 percent, respectively over 2000.

Strategic Indicator Table - Forest Area

| FOREST AREA | | | |
|---|------------------|-----------------|------------------|
| Country: New Zealand Report Year: 2002 | Previous 2000 | Current 2001 | Forecast 2002 |
| Total Land Area (millions of hectares) | 27 | 27 | 27 |
| Total Forest Area (millions of hectares) | 8.17 | 8.2 | n/a |
| --of which, Commercial | 1.77 | 1.8 | n/a |
| ---of commercial, tropical hardwood | 0 | 0 | n/a |
| ---of commercial, temperate hardwood | 0.052 | 0.054 | n/a |
| —of commercial, softwood | 1.718 | 1.745 | n/a |
| Forest Type (millions of hectares) | | | |
| –of which, virgin | 6.40 | 6.40 | n/a |
| –of which, plantation | 1.77 | 1.8 | n/a |
| –of which, other commercial (regrowth) | n/a | n/a | n/a |
| Total Volume of Standing Timber ('000 cum) | 367,000 | 382,000 | n/a |
| –of which, Commercial timber | n/a | n/a | n/a |
| Annual Timber Removal ('000 cum) | 19,400 | 20,700 | n/a |
| Annual Timber Growth Rate (cum/hectare) | 25 | 25 | n/a |
| Annual Allowable Cut ('000 cum) | n/a | n/a | n/a |
| Note: 2001 forestry statistics were released in 2002 and data for 2002 will be released next year | | | |

N.Z. Net Stocked Forest Area and Annual Planted Forest Roundwood Removals

| Year | Area (ha) | Roundwood Cut (000m3) |
|----------------------------------|-----------|-----------------------|
| 1997 | 1,630 | 15,964 |
| 1998 | 1,679 | 16,630 |
| 1999 | 1,731 | 15,689 |
| 2000 | 1,769 | 18,120 |
| 2001 | 1,799 | 19,418 |
| 2002 | 1,830 * | 20,702 ** |
| * Post estimate, ** MAF estimate | | |

Source: MAF

New Zealand Planted Forest Locations

| Location | Area (hectares) | |
|-----------------------|-----------------|---------------|
| | April 1, 2000 | April 1, 2001 |
| North Island | | |
| Northland | 203,458 | 205,105 |
| Auckland | 54,720 | 54,940 |
| Central North Island | 575,607 | 577,385 |
| East Coast | 149,722 | 153,311 |
| Hawke's Bay | 120,934 | 123,367 |
| Southern North Island | 155,777 | 156,934 |
| South Island | | |
| Nelson/Marlborough | 173,606 | 174,132 |
| West Coast | 33,932 | 33,482 |
| Canterbury | 114,244 | 118,147 |
| Otago/Southland | 186,638 | 201,954 |
| TOTAL | 1,768,638 | 1,798,757 |

Source: MAF

Forest Resource Quality

Approximately 40,000 hectares of new planted production forest were established in the year ending March 2000. Fifty-two percent of these plantings were made on improved pastures, 31 percent on unimproved pastures and 17 percent on land where scrub vegetation was the predominant surface cover. An additional 33,600 hectares of new plantings occurred in the year ending March 2001. Provisional estimates indicate that 31,300 hectares of new planting occurred during the year ending March 2002.

New Zealand's planted production forests covered in mid-2001 an estimated 1.799 million hectares. Seventy-one percent of this area is in the North Island versus 29 percent in the South Island. Nearly a quarter of New Zealand's total land area is covered with natural or indigenous forests which are commonly protected as wildlife habitats and recreation areas. Taking commercial plantings into account, 30 percent of New Zealand's land surface is forested.

Radiata pine continues to be the dominant plantation species in New Zealand accounting for 89.4 percent (1,607,726 hectares) of planted commercial forest. Douglas fir is the next most common species, covering 5.7 percent (103,000 hectares) of plantation forest area. The balance consists of hard woods (3 percent) and other softwoods (1.9 percent).

Most of the radiata pine resource is characterized by predominantly young crops. Sixty percent of all radiata pine plantings are less than 15 years of age. This reflects high planting levels in the early 1980's and during the past decade. As a result of this planting activity, New Zealand's harvest is expected to increase significantly over the next 2 to 15 years.

Sixty-seven percent of all radiata pine is pruned. Currently, 995,275 hectares (92.3 percent) of all pruned radiata pine is less than 25 years old. Approximately 167,000 hectares of pruned radiata pine is between 21 and 25 years old, while trees on 78,000 hectares are older than 25 years. Compared with previous seasons, the proportion of older pruned radiata pine trees is increasing.

Wood Quality Initiative

A Wood Quality Initiative (WQI) Research Consortium, led by the NZFIC, is on track to become reality within a few months, along with the establishment of a limited liability company which will manage intellectual property rights. The Consortium will investigate fundamental cell-level wood structure and improved ways to measure wood quality. The WQI Research Consortium is a partnership between industry and government and is based on a co-funding of research projects. An initial NZ\$ 1.5 million of industry money will be matched by NZ\$ 1.5 million from the Foundation for Research, Science and Technology. Shareholders of the new company, WQI Limited, will be made up of forest industry companies.

Wood quality has become an important issue for the forestry industry due to concerns regarding the

stability of sawn timber (stiffness, internal splitting, and resin pockets). This results from the deteriorating quality of radiata pine plantations and quality issues related to the cutting of younger trees. The creation of the consortium reflects a shift in the Government's research funding priorities away from traditional value-chain areas in favor of new product development. This has led to a reduction in Government's funding for 2002 of about NZ\$ 1 million from the prior year. The private sector is making up the shortfall to ensure that NZ's research capability is sustained. Areas that are adversely affected by government funding cuts include climate change and bio-energy research. Funding for a gene technology program and waste treatment technologies, however, have received government funding increases.

Kyoto Protocol Response Bill

The New Zealand Government has committed to the Kyoto Protocol and seeks to ratify in early 2003. In order to fulfill its Kyoto obligations, the Government has submitted a Climate Change Response Bill to Parliament which outlines the Government's official response to the Kyoto Protocol and contains its preferred policies. Industry groups continue to lobby the Government over specific points in the proposed legislation. Key points in the Government's preferred policy package include:

- The Government retains all sink credits and harvest/deforestation liabilities arising from post-1990 (Kyoto) forests.
- Deforestation liabilities are not devolved to owners of non-Kyoto forests (pre-1990).
- New Zealand will not account for forest management under Article 3.4 of the Protocol.
- A mechanism will be developed to encourage the establishment and enhancement of Kyoto forest sinks (note: this may be part of the general Projects mechanism).
- A further mechanism will be considered to encourage the establishment and enhancement of permanent (non-harvest) forest sinks.
- Wood processors and potential new investors in wood processing will have access to the negotiated greenhouse agreements mechanism.
- All forestry sector participants will have access to the Projects mechanism.
- Under the Protocol, New Zealand must determine its definition of a forest by specifying values for certain key parameters from within set limits. New Zealand will select parameters at the upper limit of each of the allowable ranges.

(The full document can be downloaded from www.climatechnage.govt.nz/sp)

Private forest owners and the New Zealand Forestry Industry Council (NZFIC) do not support the Government's policy package because it effectively nationalizes the carbon credits that the forest industry owns. The NZFIC maintains that a potential NZ\$ 1.5 billion in carbon credits should be used for forest industry-related research and development. The Government's preferred policy does not provide such a benefit to the industry as currently proposed. The industry is lobbying the Government to support and accelerate forest industry growth and development via the Wood Processing Strategy (see below).

Recent discussions between a delegation from NZFIC and the NZ Forest Owners Association and senior government ministers may lead to a Government acknowledgment that carbon credits belong to forest owners. The industry hopes that the Government will ultimately agree that New Zealand's carbon

credits will be redistributed back to the forestry sector, possibly through the Wood Processing Strategy. These funds will in turn be used to develop industry infrastructure, encourage new wood processing investment, position and differentiate New Zealand forest products exports in international markets, support the development of biomass energy technologies and markets, enhance New Zealand's biosecurity regime, and fund national biodiversity strategies.

National Standards for New Zealand Plantation Forests

Work currently undertaken by the National Standards Working Group (NSWG) to develop a New Zealand Standard for plantation forest certification that conforms to the Forest Stewardship Council's (FSC) certification has yet to be finalized. The NSWG had hoped to submit the proposed New Zealand national standard to the FSC for its endorsement by the middle of 2002. The major factor delaying the process is the issue of the 'reserve contribution'. Under the FSC standards, forest growers need to maintain areas of indigenous forest, and environmental organizations are demanding an increased percentage of reserve.

The NSWG is a technical committee which consists of 4 stakeholder groups (chambers) representing economic, environmental, social, and Maori interests. The economic chamber represents industry; the environmental chamber represents the Forest & Bird Society, Greenpeace, and WWF; and the social chambers represents workers' interests. The reason for the lack of progress is the debate about the percentage of harvested area that needs to be set aside for natural forest rather than being replanted for on-going production. Until the issue is resolved, the FSC will apply interim measures (based on best practices in New Zealand) against which New Zealand companies are compared in order to obtain FSC certification. FSC interim certification will be available for only a couple of years, making progress on this issue imperative for the New Zealand forestry industry. When the national standard is finalized, chain-of-custody procedures will be developed. Eventually, the industry and environmental non-government organizations will cooperate in market development initiatives based on certified forest products from New Zealand. At present, approximately 30 percent of New Zealand's forests have interim FSC certification. The industry also wants to press ahead to get recognition for sustainable forestry under WTO rules. Eco-labeling and other related issues are due to be discussed at Doha in September 2003 and New Zealand will try (along with the Europeans) to gain preferential market access for NZ timber from sustainable sources.

Forest Stewardship Group Certification Scheme

Private forest owners seeking to gain access to the increasingly important Forest Stewardship Certification (FSC) market can avail themselves of a new FSC group certification scheme provides a cost-effective way to gain access to the FSC marketplace. With a significant portion of New Zealand's corporate forest owners becoming FSC-certified, it is likely that small-scale, uncertified forest owners will encounter marketing constraints for their logs. This could prove to be a particularly important issue in the Southland and Otago regions where small private operators account for 30 percent of roundwood output.

The growing importance in New Zealand of smaller-scale, private plantations over the next five years is reflected in a growth forecast made by the agribusiness company, Wrightsons. Harvested volume from smaller producers in New Zealand is forecast to expand more than 270 percent to 1.6 million cubic meters over the next 10 to 15 years, according to Wrightsons.

Biotechnology

The New Zealand forestry industry's stance on the future use of biotechnology is unclear. While research on radiata pine has been going on for years, the focus has been mainly on gene mapping and the identification of genes that are responsible for particular traits (e.g. straightness, branching angles, and wood density). The use of biotechnology to breed resistance to herbicide sprays applied in keeping plantations weed-free is not compatible with Forest Stewardship Council certification which fosters a reduction in pesticide use.

GM technology will be used mainly for trait research which will accelerate ongoing non-biotech research activities in the field. In particular, two families of traits are of interest to Forest Research: herbicide resistance and reproductive development. In terms of reproductive development, two issues are important: preventing male and female gamete production to prevent the natural spread of genetic material which can also become important from a GM containment perspective. The second aim is to reduce the time when trees become reproductive, which would speed up the selection process by reducing generation times. Another area of research interest is to reallocate energy transfer mechanisms within the trees to minimize reproductive and maximize vegetative growth.

Forest Research has just obtained approval from the government's Environmental Risk Management Authority (ERMA) for the field trial of 660 genetically modified (GM) trees. Forest Research had delayed its application for a field trial pending a clearer picture on the Government's position regarding its moratorium on commercial GM release. The moratorium was initiated in May 2000 and had been set to terminate in October 2003. The trial was applied for under the 'field trial' category and will be underway shortly. The trees will be planted on a contained site for which Forest Research has obtained a 20-year approval. This means that Forest Research can use the site for GM research for the next 20 years provided GM trees do not produce seeds. The trees will be grown to the age of 5 to 8 years before they are removed and only 5 trees will be grown to full maturity and kept under strict containment.

Forest Research indicated that it did not envisage applications for full 'commercial' release or 'conditional' release (a category the Government is trying to introduce) within the next five years. The Ministry for the Environment has just released a discussion paper detailing proposed changes to the Hazardous Substances and New Organisms Acts which will allow the conditional release of new organisms. If approved, conditional release will constitute a new release category in the Act and will be placed between field trials and commercial release categories. Conditional release implies that sufficient buffer zones have been established around animal or plant sites.

SOLID WOOD PRODUCTS SITUATION/OUTLOOK

Softwood Logs

| PSD Table | | | | | | |
|----------------------|---------------|---------|-------------|---------|-------------------|---------|
| Country | New Zealand | | | | | |
| Commodity | Softwood Logs | | | | 1000 CUBIC METERS | |
| | Revised | 2001 | Preliminary | 2002 | Forecast | 2003 |
| | Old | New | Old | New | Old | New |
| Market Year Begin | | 01/2001 | | 01/2002 | | 01/2003 |
| Production | 16000 | 16000 | 16000 | 16557 | 0 | 17610 |
| Imports | 4 | 4 | 4 | 4 | 0 | 4 |
| TOTAL SUPPLY | 16004 | 16004 | 16004 | 16561 | 0 | 17614 |
| Exports | 6975 | 6975 | 6975 | 7570 | 0 | 8070 |
| Domestic Consumption | 9029 | 9029 | 9029 | 8991 | 0 | 9544 |
| TOTAL DISTRIBUTION | 16004 | 16004 | 16004 | 16561 | 0 | 17614 |

An increased availability of wood for harvesting in New Zealand will increase log production 7 percent in 2003 as companies seek to maximize income. A significant proportion of the additional logs will have to be exported likely in the form of logs, given that the domestic market is unable to absorb the increased supply. The growth in log exports reflects the anticipated time-lag before processing capacity is increased to desired levels. According to some industry analysts, the current average sawmill capacity utilization of 80 percent can be increased to 90 percent by 2007/08 which will absorb rising log harvest volumes without the need for significant additional processing capacity. Under a later-cut scenario, which is based on an increased average harvest age of 29 to 30 years (compared with the current 27 years) harvest volume could increase to 27 million cubic meters by 2007/08. Even with plant capacity expansion, exports of logs in the near term are likely to increase at a faster rate than processed wood volumes.

Export sales recovery from the events of September 11 and from the general poor economic performance of New Zealand's main wood products markets has begun. The U.S. economy, while not as buoyant as 18 months ago, is slowly showing signs of recovery. Australia's growth forecasts look reasonable and Korean import demand growth is looking good. Japan's economy is still struggling badly and is forecast to come out of recession only slowly. New Zealand wood product export volumes to Japan have held steady over the last three years. GDP growth in export markets is the key driver of demand for New Zealand's forestry exports. Average forecast GDP growth for the main four export markets over the three years 2002 to 2004, is estimated at 2.2 percent, 3.5 percent and 3.7 percent.

Softwood Lumber

| | | | | | | |
|----------------------|-----------------|---------|-------------|---------|-------------------|---------|
| PSD Table | | | | | | |
| Country | New Zealand | | | | | |
| Commodity | Softwood Lumber | | | | 1000 CUBIC METERS | |
| | Revised | 2001 | Preliminary | 2002 | Forecast | 2003 |
| | Old | New | Old | New | Old | New |
| Market Year Begin | | 01/2001 | | 01/2002 | | 01/2003 |
| Production | 3900 | 3900 | 4000 | 3930 | 0 | 4080 |
| Imports | 15 | 15 | 15 | 26 | 0 | 26 |
| TOTAL SUPPLY | 3915 | 3915 | 4015 | 3956 | 0 | 4106 |
| Exports | 1490 | 1490 | 1540 | 1720 | 0 | 1760 |
| Domestic Consumption | 2425 | 2425 | 2475 | 2236 | 0 | 2346 |
| TOTAL DISTRIBUTION | 3915 | 3915 | 4015 | 3956 | 0 | 4106 |

Softwood lumber production is forecast to increase nearly 4 percent in 2003. Domestic consumption also will increase as construction demands respond to population growth. Lumber (sawn timber) exports from New Zealand's planted production forests are estimated at 1.721 million cubic meters for the year ending June 2002, more than 15 percent over the prior year. The increase in lumber export volumes was influenced by a 30 percent increase in exports to the United States. The United States now accounts for more than 30 percent of New Zealand's softwood lumber exports while the Australian market takes an additional 20 percent. Australia purchases mostly construction lumber. Demand from the Australian construction sector over the past year has been strong, leaving some New Zealand mills unable to fill all of their orders. Expected price increases, however, were not achieved in that market. The United States is a relatively new market and is expanding rapidly, particularly for higher value products such as dried and dressed timber. The market for moldings in the United States has improved steadily. The recent strengthening of the New Zealand dollar has caused some concern to the local industry because of its greater impact on value-added products. New Zealand's lumber exports in 2002 were valued at NZ\$ 863 million, a 12 percent increase over 2001. Growth in export earnings largely reflected increased shipping volumes since prices remained fairly stable over the period.

Softwood Plywood

| | | | | | | |
|----------------------|------------------|---------|-------------|---------|-------------------|---------|
| PSD Table | | | | | | |
| Country | New Zealand | | | | | |
| Commodity | Softwood Plywood | | | | 1000 CUBIC METERS | |
| | Revised | 2001 | Preliminary | 2002 | Forecast | 2003 |
| | Old | New | Old | New | Old | New |
| Market Year Begin | | 01/1996 | | 01/1997 | | 01/1998 |
| Production | 190 | 190 | 195 | 264 | 0 | 270 |
| Imports | 7 | 7 | 7 | 11 | 0 | 11 |
| TOTAL SUPPLY | 197 | 197 | 202 | 275 | 0 | 281 |
| Exports | 90 | 90 | 92 | 102 | 0 | 110 |
| Domestic Consumption | 107 | 107 | 110 | 173 | 0 | 171 |
| TOTAL DISTRIBUTION | 197 | 197 | 202 | 275 | 0 | 281 |

While plywood production in 2003 is forecast to increase only modestly export volume growth will be around 8 percent driven by strong export demand from Australia and Asia thanks to robust building activity. Plywood export volume to Australia increased 36 percent in the year ended June 2002, while exports to the U.S. grew by 164 percent over the same period.

India is seen as a potential growth market for plywood. A plant with an annual capacity of 200,000 square meters is currently being set up in India and logs will be sourced from New Zealand. Despite additional plywood production the New Zealand industry believes that India's growing demand for plywood can only be fully met through larger imports volumes. Laminated veneer lumber (LVL) production will increase in the 2003 to 2005 period as manufacturing plants in Northland and Nelson achieve expanded operational capacity. Most of the additional production will be destined for export markets.

NZ Wood Processing Industry

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

Plantation forest ownership is distributed as follows: 47 percent – registered private companies, 45 percent – registered public companies, 3 percent – local government bodies, 3 percent – central government, and 2 percent – state-owned enterprises.

New Zealand has a well established wood processing industry. The processing industry absorbs

approximately 13 million cubic meters of roundwood log equivalents, with the balance of 7.4 million cubic meters exported as logs. Of the 2001 harvest of nearly 21 million cubic meters, 36 percent was exported as logs, 44 percent was supplied to panel producers and sawmills, 17 percent was used as a direct log supply to the pulp and paper and reconstituted product industries, and 3 percent was used to produce other forest products.

More than 350 sawmills produced 3.9 million cubic meters of sawn timber in the 12 month period ending June 2002. Ninety percent of these sawmills produced less than 20,000 cubic meters. Five panelboard companies in New Zealand produced 1,055,300 cubic meters of fibreboard and particle board during the same period. Six panelboard companies produced a total of 427,000 cubic meters of veneer and 271,000 cubic meters of plywood. New Zealand's four pulp and paper companies produced 1.5 million tons of wood pulp and 846,000 tons of paper and paperboard.

Most sawmilling technology in use today has been imported. The imported equipment usually is second hand and is supplied mostly by Norway, Finland, and North America. Imported equipment is adapted to New Zealand's larger-sized, heavier, and lower density core logs. Drying technology in New Zealand such as that used in dust extractors, ventilators, and kilns is considered advanced.

Wood Processing Investment in New Zealand

(Values in NZ\$ million)

| | Solid Wood Processing | | | Residue Processing | | | Total |
|---------|-----------------------|----------------|-------|--------------------|----------------|-------|-------|
| | New Plant | Plant Upgrades | Total | New Plant | Plant Upgrades | Total | |
| 1988 | 11.0 | 0.0 | 11.0 | 0.0 | 0.0 | 0.0 | 11.0 |
| 1989 | 0.0 | 21.0 | 21.0 | 0.0 | 230.0 | 230.0 | 251.0 |
| 1990 | 20.0 | 0.0 | 20.0 | 8.0 | 50.0 | 50.0 | 78.0 |
| 1991 | 0.0 | 0.0 | 0.0 | 0.0 | 304.6 | 304.6 | 304.6 |
| 1992 | 42.0 | 14.7 | 56.7 | 0.0 | 0.0 | 0.0 | 56.7 |
| 1993 | 41.5 | 41.6 | 83.1 | 1.1 | 8.8 | 9.9 | 93.0 |
| 1994 | 49.0 | 67.2 | 116.2 | 0.0 | 52.0 | 152.0 | 268.2 |
| 1995 | 2.0 | 49.8 | 51.8 | 0.0 | 0.0 | 0.0 | 51.8 |
| 1996 | 1.0 | 4.0 | 5.0 | 10.0 | 58.0 | 68.0 | 73.0 |
| 1997 | 13.0 | 25.4 | 28.4 | 120.0 | 265.0 | 385.0 | 423.4 |
| 1998 | 65.4 | 56.3 | 121.7 | 0.0 | 313.0 | 313.0 | 434.7 |
| 1999 | 1.6 | 4.0 | 5.6 | 10.0 | 0.0 | 10.0 | 15.6 |
| 2000 | 0.0 | 49.0 | 49.0 | 4.0 | 10.0 | 14.0 | 63.0 |
| 2001 | 2.0 | 64.4 | 66.4 | 0.0 | 10.0 | 10.0 | 76.4 |
| 2002 | 85.5 | 33.5 | 119.0 | 0.0 | 7.7 | 7.7 | 126.7 |
| 2003-09 | 400.6 | 55.0 | 455.6 | 0.0 | 0.0 | 0.0 | 455.6 |

Source (MAF)

Other Planned Investment in Primary Processing

Sawmilling activity or primary processing is considered a key factor in determining the future success of New Zealand's forestry industry. The sector is pivotal to further processing into engineered wood products, construction lumber, and re-manufacturing. Hikurangi Forest Farms, Juken Nissho Limited, Carter Holt Harvey, and TDC sawmills are planning four new sawmilling and peeling operations which cumulatively will utilize approximately 2 million cubic meters of roundwood with an output of 1 million cubic meters of sawn lumber. This sawn lumber output will likely consist of 250,000 - 300,000 cubic

meters of re-manufacturing grade sawn lumber, about 350,000 cubic meters of structural grade lumber and close to 350,000 cubic meters of industrial grade lumber. Together, the four operations are estimated to represent an investment of NZ\$ 400,000 - 600,000 million. These four new sawmills and peeling plants could provide re-manufacturing opportunities for an additional 4 to 6 plants (each using 40,000 - 60,000 cubic meters of sawn lumber). At present, no New Zealand firm has announced plans to invest in such re-manufacturing operations

Industry sources indicate that the identified new investments mentioned above will utilize no more than 10 percent of the additional log volume that will come on-stream over the next decade. Industry sources estimate that approximately NZ\$ 3 billion is needed to increase current processing capacity by 50 percent.

Wood Processing Strategy

According to a report by the Wood Processing Strategy Group, wood processing could become New Zealand's biggest export earner by 2025 while offering employment to 60,000 people. The report sets a target of lifting the wood processing industry from its current NZ\$ 3.7 billion export level to more than NZ\$ 14 billion by 2025. Achieving this target will require NZ\$ 3 billion of new investment by 2010. It is projected that the wood from New Zealand's planted forests will double to between 30 million cubic meters and 35 million cubic meters by 2015. By 2025, log output may double again.

Infrastructure Constraints and Solutions

To attract regional and foreign processing investment, it will be crucial to further develop road infrastructure. If this current constraint is not addressed, the New Zealand forestry industry is likely to face serious transport problems. It is estimated that Northland and the East Coast regions on the North Island need approximately NZ\$ 400 million to bring the road infrastructure up to standard. The government has made NZ\$ 30 million available through the National Transport Programme to assist rural transport development.

Transit Zealand has proposed an increase in heavy truck weight limits from 44 tons to 50 tons. On upgraded main highways even larger trucks up to 25 meters in length and weighing up to 62.5 tons would be permitted. The road Transport Forum claims that this change, if implemented, could cut transport costs for a load of logs by NZ\$ 74 while significantly reducing the increase in the number of logging truck trips that will be needed to move the anticipated increase in log output.

The viability of building a NZ\$ 40 million rail link between Marsden Point port and Northland on the North Island is also being considered. If realized, a new 19 kilometer line would accommodate the quadrupling in annual forestry freight projected in that region over the next five years to 4 million tons. The rail solution is favored by the regional council which estimates that road works needed to carry the additional projected freight will cost NZ\$ 350 million. A NZ\$ 17 million upgrade of the Murupara and Kawerau railway lines also has been suggested. Currently, 1.5 million tons of logs and 500,000 tons of

pulp and paper are being carried by rail from Murupara to the port of Tauranga.

The private company, Sea-Tow, is also investigating the possibility of a log barging operation which would be capable of shipping up to 6,000 tons of logs per week from Te Kaha, on the east coast of the North Island, to the Port of Tauranga. With harvest volumes in this zone expected to markedly increase over the next year, such an operation could offer a cost-effective means of transporting logs.

The importance of adequate infrastructure is highlighted by the recently announced NZ\$ 100 million processing investment to be made in Gisborne by Hikurangi Forest Farms (HFF). The processing plant, which was announced by the Government just before the July general elections, will be twice the size of New Zealand's biggest existing plant. HFF, owned by Lingui Developments of Malaysia, committed itself to the sawmill project only after reaching agreements with the central government, the district council and the private company operating the port of Gisborne. With a capacity of about 700,000 tons of logs per year, the sawmill will produce different types of sawn timber for the high end of the market. This compares to a capacity of 200,000 tons for the nearby Juken Nissho plant. HFF is the second largest forest owner in the east coast region with about 27,300 hectares of pruned forest. Its harvest is programmed to increase from a modest level recorded during the past two years to 40,000 cubic meters this year. It should reach 120,000 cubic meters in 2003 and achieve a sustainable cut of around 700,000 cubic meters in the next seven years. HFF indicated it would stage the mill investment over a seven year period to meet projected harvest increases.

Increasing Influence of Small-Scale Forest Owners

The growing importance of small-scale, private forestry plantations in Southland and Otago on the South Island is creating wood harvest coordination problems for wood processors. More than 30 percent of the wood resource from these zones in the southern part of the South Island is now in the hands of private commercial operators. Forecasts are that over the next 20 years, commercial plantations may represent close to 40 percent of annual wood availability. Most blocks are on sites that need drier (summer) conditions to harvest. The problem for wood processors is that supplies to mills can vary considerably as farmers can choose to harvest their trees when opportunities are most favorable to them. Forest owner decisions usually are made on the basis of farm cash flow, tax position, and log prices. How log suppliers and timber processors manage both seasonal dynamics and the longer decade-to-decade peaks and troughs between non-corporate and corporate estates is emerging as a major management issue in the South Island. Processing demand has grown more rapidly than harvest production, leading to tight supplies. This creates the potential for Southland to become a net importer of logs. Logs might be brought in from areas such as Gisborne or even as far away as Australia. This could take advantage of backhaul opportunities created by NZ lumber shipments headed to Australia.

TRADE

OVERVIEW/OUTLOOK

For the year ending June 2002, the provisional fob value of New Zealand's forestry exports rose slightly to NZ\$ 3.64 billion. Within five years, total export value for all forestry product exports is forecast to increase to NZ\$ 4.6 billion thanks mainly to rising export volumes.

Wood Products Trade Overview by Commodity and Value

| Exports | 2000-2001 (July-June) | | 2001-2002 (July-June) | |
|--------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Quantity (000m3) | Value NZ\$ million | Quantity (000m3) | Value NZ\$ million |
| Logs | 6,176 | 695 | 7,571 | 757 |
| Lumber | 1,492 | 769 | 1,721 | 863 |
| Wood Pulp | 729 MT | 620 | 769 | 508 |
| Paper & Paperboard | 461 MT | 577 | 489 | 522 |
| Fibreboard | 605 | 298 | 646 | 291 |
| Plywood | 90 | 135 | 102 | 145 |
| Other Panel Products | 129 | 84 | 135 | 79 |
| All other forestry products | | 429 | | 473 |
| Total Forestry Products | | 3,606 | | 3,638 |
| Imports (CIF) | | 1,192 | | 1,223 |
| Source: MAF & Statistics New Zealand | | | | |

Softwood Logs Trade

| New Zealand Softwood Log Exports | | | | |
|--|----------|------------------|----------|------------------|
| | 2000/01* | 2000/01* | 2001/02* | 2001/02* |
| Destination | 000 m3 | NZ\$ million FOB | 000 m3 | NZ\$ million FOB |
| Korea, South | 3,265 | 335 | 4,242 | 410 |
| Japan | 1,694 | 226 | 1,368 | 158 |
| China | 413 | 43 | 1,280 | 120 |
| India | 262 | 24 | 225 | 21 |
| Philippines | 168 | 22 | 213 | 23 |
| Taiwan | 85 | 10 | 96 | 9 |
| Thailand | 63 | 8 | 47 | 4 |
| United Arab Emirates | 60 | 5 | 27 | 2 |
| Vietnam | 33 | 3 | 24 | 1 |
| United States | 14 | 3 | 16 | 3 |
| Other | 119 | 16 | 33 | 6 |
| Total | 6,176 | 695 | 7,571 | 757 |
| * July-June Year | | | | |
| Source: Statistics New Zealand and MoF | | | | |

Log export volumes for the 2001-2002 (July-June) year reached a record 7.6 million cubic meters. Sales to China increased from 0.413 million cubic meters in the year ending June 2001 to 1.28 million cubic meters in 2002. The South Korean situation has also improved. Log exports to South Korea reached a record 4.24 million cubic meters in the year ending June 2002 compared to 3.265 million cubic meters a year earlier. Export log prices, however, fell 11 percent to an average NZ\$ 100 per cubic meter. This partly reflects increased shipments of lower value logs to China and South Korea.

Log export volumes over the next 18 months are expected to show steady year-on-year growth. A contributing factor is the reasonable growth anticipated in Korea's economy. China is also an export market with promising potential. China's demand is rising and supplies of Chinese-grown tropical hardwood are declining.

Twenty-one million housing projects start each year in China and some 40 million cubic meters of wood are imported annually. To meet their export requirement, China might purchase 1.5 million cubic meters from sources in Australia, New Zealand, and the Asian region during 2002. While pine previously has been banned for use in the construction of houses in China, higher quality logs from other countries are now being considered for inclusion in a new building code and New Zealand hopes radiata pine will be approved. The Chinese market for New Zealand pine logs could grow significantly as shown in the table above by the increase in volume to 1.28 million cubic meters for the year ending June 2002. There

are also positive signs that some companies in the New Zealand forestry industry are cooperating to promote further development of the log trade to China.

Log exports are likely to continue as a major part of New Zealand's forest products export-mix. However, the current high level of log exports is seen by many as a lost opportunity for further processing. While prices and volumes are currently improving to levels seen prior to the Asian economic crisis, the lack of markets for processed radiata pine and tariff escalation indicate that log exports will become an even larger component in New Zealand's export-mix. Log export prices in nominal terms are likely to remain flat over the coming year. Volume increases to China and South Korea, two log markets that concentrate on lower value logs, will lower the average export price. Appreciation of the New Zealand currency also will depress prices paid in NZ dollars. On the upside, the industry anticipates that India can absorb a substantial increase of lower grade logs as Indian consumption may double by 2010.

Softwood Lumber Trade

| New Zealand Softwood Lumber Exports | | | | |
|--|----------|------------------|----------|------------------|
| | 2000/01* | 2000/01* | 2001/02* | 2001/02* |
| Destination | 000 m3 | NZ\$ million FOB | 000 m3 | NZ\$ million FOB |
| United States | 408 | 297 | 529 | 387 |
| Australia | 343 | 209 | 380 | 229 |
| Japan | 292 | 108 | 235 | 79 |
| Taiwan | 140 | 37 | 166 | 34 |
| China | 71 | 31 | 119 | 41 |
| Korea, South | 42 | 9 | 64 | 13 |
| Thailand | 42 | 11 | 53 | 11 |
| Hong Kong | 40 | 18 | 51 | 19 |
| Philippines | 37 | 14 | 30 | 11 |
| Vietnam | 14 | 4 | 29 | 7 |
| Indonesia | 17 | 8 | 16 | 7 |
| New Caledonia | 6 | 3 | 8 | 4 |
| Other | 40 | 15 | 41 | 22 |
| Total | 1,492 | 768 | 1,721 | 863 |
| * July-June Year | | | | |
| Source: Statistics New Zealand and MoF | | | | |

Lumber (sawn timber) exports from New Zealand's planted commercial forests are estimated at 1.721 million cubic meters for the year ended June 2002, up more than 15 percent over the prior year. Lumber export volumes to the United States grew 30 percent, making the United States the dominant export market. The strong demand from the Australian construction sector left some New Zealand mills unable to fill all orders, but failed to lead to price increases. The United States is a relatively new and growing outlet, particularly for sales of higher value products such as dried and dressed timber. Lumber export value in 2001/2002 is estimated at NZ\$ 863 million, 12 percent above the previous year.

Lumber exports to China are used for the production of furniture and other wooden products, which in turn are exported to the United States and Europe. New Zealand's Forest Research's Strategic market Intelligence Group (in association with Forintek Canada) is currently undertaking a comprehensive review of opportunities for softwood products in China. This will focus on better understanding consumers and end-use markets for wood-based products.

One of China's biggest furniture manufacturers recently switched to using New Zealand pine for a major portion of its 'classical' solid wood range. Approximately 20 percent of the raw material used by Classic Beds Manufacturing and its subsidiary, Classic Furniture Global Co, is now New Zealand pine.

The two companies have a combined monthly capacity of 300 containers of furniture items. This will increase sharply when a new 50,000 square meter factory becomes fully operational later this year. Eighty percent of their production is exported to the United States. Due to unreliable local sawn lumber supplies, these companies import nearly all of their raw material needs.

China

New Zealand is trying to influence the new Chinese house building code which is expected to be finalized later this year. It is important for the New Zealand industry and for future trade in timber products that *Pinus radiata* and standard timber dimensions, which apply in New Zealand, are recognized in China's building code. Revised drafts of the Chinese building code have moved away from an earlier prescriptive approach which specified North American species, sizes and grades towards a non-prescriptive, calculated engineering design regime. In recent meetings, New Zealand has sought to ensure that the evolving standards included radiata pine and that the concept of machine-graded timber and its effectiveness were valid as a direct measure of wood stiffness. A group of Chinese officials and technical people has been invited to New Zealand to enhance their awareness of radiata pine in light-frame building construction. They will also be shown machine timber grading, kiln-drying and timber preservation, laminated veneer lumber, finger-jointing, glulam manufacturing and applications. The group will be introduced to quality control in New Zealand timber and design applications.

Japan

New Zealand is currently not price competitive in the lower-end Japanese furniture market but believes that the high-end of the furniture market holds considerable potential. The Japanese market for imported lumber has been depressed due to the weak Japanese economy. Japan remains, however, NZ's third largest market. The market has the potential to expand for engineered wood products for the post-and-beam housing market. Japan is the second largest wooden housing market in the world. Annual construction permits reach 1.2 million, about half of which are for wooden houses. Japan's glulam imports exceed 240,000 cubic meters, six percent of which were supplied by New Zealand in the first half of 2001. Faced with more stringent quality assurance laws, Japanese housing companies are now demanding higher performance and precision from all building materials. Variability in both solid and kiln-dried lumber has driven housing companies towards engineered wood products with greater precision. The company "Japanese and Asian Consumer Solutions" (JACS) is promoting engineered wood products made from New Zealand pine. JACS' marketing efforts target overcoming preconceived ideas in Japan about radiata pine as an industrial lumber suitable only for packaging cases and for use in concrete construction.

Lumber Outlook

The outlook for New Zealand lumber exports remains buoyant in response to favorable market conditions in Australia and in the United States. While Australian housing activity (in terms of the number of building permits) is expected to ease over the coming year, sufficient impetus exists from work-in-progress to prevent a dramatic drop in exports to that market. A significant reduction, however, is expected in calendar year 2004. Australia's own wood production may replace New Zealand product in the structural part of the market. Import demand for New Zealand appearance grade lumber will remain strong. Australia and the United States are forecast to remain the most important lumber markets for New Zealand in the near-term. They are, however, quite different markets. Export sales to Australia consist mainly of construction lumber while U.S. imports stress dried/dressed lumber.

The U.S. market offers major opportunities other than sawn timber, i.e. moldings, door components and dressed boards. The New Zealand industry understands that supply needs to be coordinated to prevent a glut in the market. Market conditions are likely to allow a modest increase (perhaps 3 to 4 percent) in nominal export price levels for lumber over the next 18 months, but a cyclical drop-off is expected beginning in 2004/05. The expected appreciation of the New Zealand dollar, however, will impact adversely on sales revenue in New Zealand dollar terms.

According to the NZ Pine Manufacturers Association, an increased import demand by do-it-yourself sales outlets in the United States will drive overall exports past NZ\$ 1 billion within the next five years. Value-added pine exports now total NZ\$ 475 million, accounting for 13 percent of the wood products industry's NZ\$ 3.6 billion export earnings. American demand for NZ pine is being driven by an increasing shortage of U.S. pine and a growing housing market. Building products in demand included weatherboards, fascias, handrails, doorjambs, moldings, window, door and stair parts, and wall panels and flooring.

Softwood Plywood Trade

| New Zealand Plywood Exports | | | | |
|--|----------|------------------|----------|------------------|
| | 2000/01* | 2000/01* | 2001/02* | 2001/02* |
| Destination | 000 m3 | NZ\$ million FOB | 000 m3 | NZ\$ million FOB |
| Japan | 52 | 104 | 56 | 102 |
| Australia | 28 | 24 | 38 | 36 |
| United States | 1.1 | 1.3 | 4 | 2.4 |
| Samoa | 0.8 | 0.7 | 1 | 0.8 |
| Cook Islands | 0.6 | 0.5 | 0.9 | 0.7 |
| American Samoa | 1.2 | 0.9 | 0.8 | 0.7 |
| Other | 6.3 | 4.6 | 1.3 | 2.4 |
| Total | 90 | 135 | 102 | 145 |
| * July-June Year | | | | |
| Source: Statistics New Zealand and MoF | | | | |

Export demand for New Zealand plywood and LVL in the near term is expected to remain strong throughout Asia thanks to robust building activity. While export volume growth will be good (around 6 percent), price increases for wood panels will be steady due in part to competition from other producing countries.

MARKET DEVELOPMENT STRATEGIES

The New Zealand Economy

Real GDP growth was strong, recording an increase of 3 percent, in the year ending March 2002 compared to 2 percent growth in 2001. The outlook for 2003 and 2004 calls for slower growth of about 2.9 percent and 2.4 percent growth, respectively. Consumer demand will drive GDP growth in 2002-03. GDP growth in 2003-04 is likely to be geared to export growth. Domestic demand grew solidly in the first half of 2002-03. Growth will ease in the two three month periods to December 2002 and March 2003 as current weak export earnings take their toll. Consumption is likely to pick up in response to improving export conditions in 2003-04. The appreciating NZ dollar and lower international commodity prices will take their toll on export revenue in 2002-03. A resumption in growth in the value of exports is forecast in 2003-04 as the global recovery accelerates.

Inflation control methods were changed in September 2002, with the Reserve Bank's inflation target range changing modified from 0 to 3 percent to 1 to 3 percent. This changes the mid-point of the target range from 1.5 percent to 2 percent. The Government believes that this adjustment will better ensure that economic growth is not stifled by an overly restrictive inflation control policy.

The Reserve Bank changed its view on future interest rate increases. It has put further increases on hold in the face of concern about the health of the world economy. Price pressures will remain subdued, and only a small rise in interest rates is forecast. The value of the NZ dollar is expected to increase progressively to reach an average level of NZ\$ 0.478 per U.S.\$ by March 2003, and NZ\$ 0.49 per U.S.\$ by March 2004.

Building Construction Consents

Real residential investment has been strong in the first half of 2002. Latest building consent (permit) figures suggest that robust investment will continue in the short term. The recent rise in interest rates will not dampen demand for housing as it continues to be fueled by population growth. Total new dwelling approvals in the year ending July 2002 were 23,621, an increase of 22.5 percent over the same period a year earlier. This resulted in a strong domestic market for sawn timber. Recent interest rate increases are not expected to slow the housing market in the short term. To the extent that people view home purchases as an investment, rising residential prices increase the return on their investment, thereby offsetting the impact of upwards adjustment in mortgage interest rates.

"Leaky Building Crisis"

A large number of New Zealand homeowners potentially face considerable repair bills to their wood-framed houses. Affected are houses that have been built with untreated but kiln-dried timber which became possible in the mid-'90s after a change in the New Zealand Building Code allowed the use of kiln-dried timber. Over the past year, it has been widely publicized that some houses built with kiln-dried and not chemically-treated timber framing were in an advanced stage of rot. The Building Industry Authority (BIA) has investigated and produced a report which confirms that there are numerous and complex causes for the decay. The report concludes that the factors contributing to the problem include new cladding (siding) systems, complex roof forms, reduced overhang on eaves, flush windows and doors with inadequate flashings, plus a lack of attention to "weathertightness" in building regulations. Problems were also identified in town planning, general cost-cutting, indifferent and declining professional and trade skills, and a lack of on-site supervision. In sum, the decay problem was created by a combination of untreated timber and the lack of 'weathertight' houses.

To remedy the decay problem, homeowners will need to remove and replace house cladding, repair framing and rectify other building deficiencies. The Building Industry Authority has prepared a draft amendment to the durability requirements of the New Zealand Building Code. Under the proposal, all bottom plates of radiata or Corsican pine will be required to be treated with H3 or HI Boric. Additionally, all radiata and Corsican exterior timber wall framing with face-sealed cladding that does not have a drained and ventilated cavity must be H3 treated. While the public is demanding accountability, the report concludes that the issue is far too complex to determine who is to blame. However, the combination of kiln-dried timber framing and insufficient construction standards has created a serious industry-wide problem. It is expected that the issue of liability will not easily be resolved. The Government's principal opposition, the National Party, has proposed to establish a

'Weathertightness Tribunal' which would mediate disputes between the owners of leaky buildings and potentially liable partners. More than 21,000 homeowners may be affected and the total cost to remedy the decay problem is estimated at between NZ\$ 240 million and NZ\$ 3 billion.

Rayonier Sells Operation and Forest

Rayonier completed its withdrawal from the East Coast forestry zone when it sold its Willow Road operation in Gisborne to Pine Sawmills Gisborne Ltd. for NZ\$ 900,000. Rayonier previously sold 33,000 hectares of East Coast forest to the Chinese forestry company, Huaguang Forests. Rayonier remains New Zealand's fourth largest forestry company. It manages commercial estates, sells stumpage, buys timber, and harvests and markets logs. Rayonier MDF also manufactures high-quality medium density fibreboard.

New Zealand Imports of U.S. Forestry Products

| Year Ended June 2002 (provisional data) | Quantity | Value (NZ\$ million, CIF) | % Market Share |
|--|----------|---------------------------|----------------|
| Logs/Poles (m3(r)) | 0 | 0 | 0 |
| Sawn Timber & Sleepers (m3(s)) | 1,748 | 3,628 | 5.1 |
| Wood Pulp (MT) | 7,640 | 7,468 | 60.4 |
| Paper & Paperboard (MT) | 15,919 | 38,417 | 4.5 |
| Panel Products (m3) | 1,183 | 1,674 | 6.4 |
| Furniture & Furniture Parts * | n.a. | 1,788 | 1.6 |
| Other Forestry Products * | n.a. | 29,284 | 7.1 |
| Total * | | 82,259 | 6.7 |
| Source: MoF, Statistics New Zealand | | | |
| Note 1: % Market share by volume for each product group except for * (value) | | | |

The United States is a significant player in the wood pulp import sector, supplying 60 percent of New Zealand's imports for the year ending June 2002. Australia supplies more than 80 percent of New Zealand's imports of logs and poles. Canada and Australia are the main suppliers of sawn timber and sleepers (34 and 27 percent, respectively) to New Zealand. Australia is also the largest supplier to New Zealand of paper and paperboard (54 percent) and panel products (61 percent).

Forest Product Tariffs and Taxes (percent)

These remain unchanged. See NZ0049.

Wood Product Subsidies

This table remains unchanged from NZ0049. Foreign market development activity is undertaken primarily by the New Zealand Timber Industry Federation, which is an affiliation of independent sawmillers. Among other things, the federation provides commercial and economic advice to its members and performs generic marketing and promotion activities. The Federation also works with the government agency, Trade New Zealand, to develop new markets. In general, New Zealand's major wood processing companies in New Zealand do their own wood products promotions and have their own distribution channels in the United States and other key export markets.

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