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Solid Wood and Forestry Report

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Report Highlights: Total round wood removals reached a record 23.6 million cubic meters for the year to September 2010, driven largely by export demand. While production is at a record level, the timber industry is facing challenging times. Foresters and loggers are benefiting from increased volumes and improved prices but the milling, panel, and fibreboard sectors are struggling with profitability due to an increase in the price of logs, a drop in domestic demand, and the strong New Zealand dollar.

Executive Summary

New Zealand is endowed with abundant forest resources comprising approximately 30% percent of total land area. Total forest area, estimated at nearly eight million hectares, is made up of 1.74 million hectares of plantation forest and 6.25 million hectares of indigenous forest. Approximately 33% of the indigenous forest is privately owned. The remaining 67% is in the public domain. Only timber produced from privately-owned indigenous forest land can be harvested.

Area planted to plantation forest in New Zealand has been trending downward since hitting a peak in 2003. However, this trend may be reversing itself. There was an estimated net increase of between 5,000 and 6000 hectares in planted area in 2010. There are several factors accounting for the increase including higher log prices, increased confidence levels, and the potential for an increased revenue stream associated with the sale of carbon credits under the Emissions Trading Scheme. Forecasts indicate that a slightly greater increase in planted area is expected for 2011.

According to estimates by the Ministry of Agriculture and Forestry (MAF), total round wood removals reached a record 23.6 million cubic meters for the year to September 2010, driven largely by export demand. While production is at record levels, the timber industry is facing challenging times. Although foresters and loggers are benefiting from increased volumes and improved prices, the milling, panel, and fibreboard sectors are struggling with profitability due to an increase in the price of logs, a drop in domestic demand, and the strong New Zealand dollar. Round wood removals for the September 2011 year are forecast to reach between 23.4 and 24.5 million cubic meters.

Forestry is New Zealand's third largest export earner after dairy and meat. Leading exports are pulp and paper followed by logs and lumber. Total forestry exports reached a record US $2.83 billion for the year to September 2010, up 33% from the previous year. The increase was underpinned by a 50% jump in receipts for log exports, mainly to China. China is the number one export destination for New Zealand logs followed by South Korea and India. Log exports to China were up 32% to 5.7 million cubic meters in the year to September 2010. (New Zealand's free trade agreement with China, signed in 2008, did not impact on the market access terms for logs as logs, sawn timber and wood pulp already entered China duty free.)

The New Zealand Government has implemented several programs to encourage additional tree plantings including the Permanent Forest Sink Initiative PFSI, which is aimed at establishing forests for garnering carbon credits; the Afforestation Grant Scheme (AGS), which is designed to encourage planting of trees in small forests and on farms; the Sustainable Land Management Hill Country Erosion Program (HCEP); and the East Coast Forestry Project, which was set up in 1992 to promote the planting of commercial forests on severely eroding land.

Over the medium term, log production is forecast to continue to expand. According to MAF forecasts, production could reach between 25 and 27 million cubic meters per year by 2015, and between 35 and 37 million cubic meters by 2025. Most of this increase would come from smaller, fragmented forests on marginal, steep land.

Forest Situation/Outlook

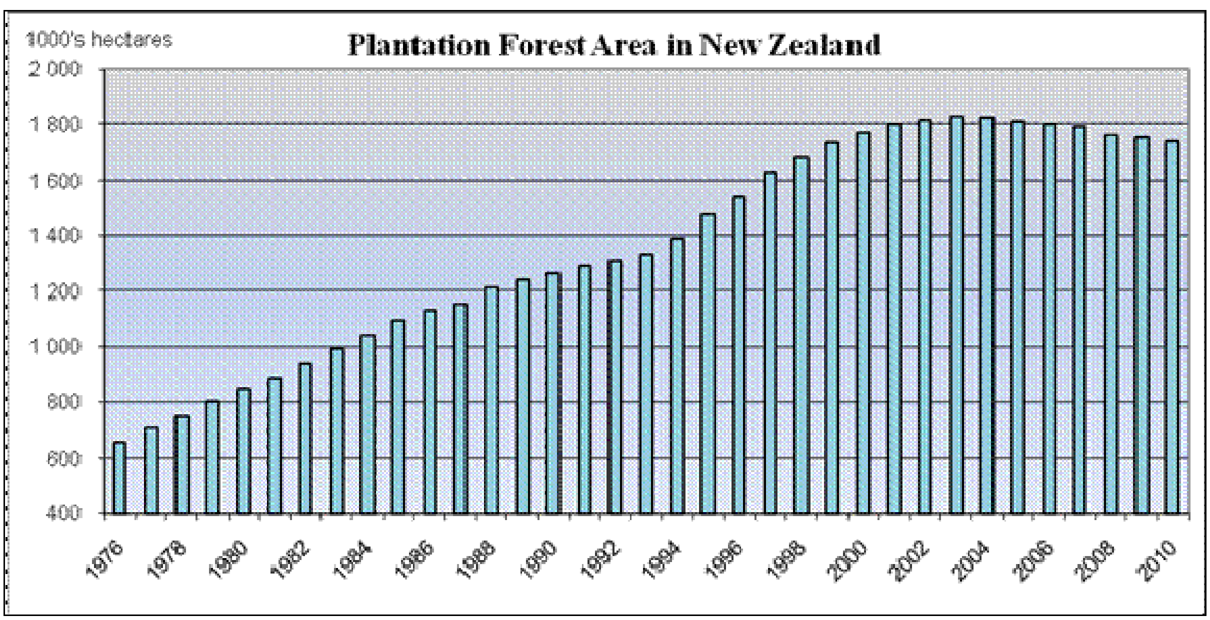
New Zealand is endowed with abundant forest resources comprising approximately 30% percent of total land area. Total forest area, estimated at nearly eight million hectares, is made up of 1.74 million hectares of plantation forest and 6.25 million hectares of indigenous forest. Approximately 33% of the indigenous forest is privately owned. The remaining 67% is in the public domain. Only timber produced from privately-owned indigenous forest land can be harvested.

Exotic Plantation Forests

As of April 1, 2010, the New Zealand Ministry of Agriculture and Forestry (MAF) estimated the net stocked area of exotic plantation forest at 1.74 million hectares (as compared to approximately 6.25 million hectares for indigenous forests). The April estimate reflects a decline of approximately 13,000 hectares (0.7%) compared to the previous year.

Area planted to plantation forest in New Zealand has been trending downward since hitting a peak in 2003. However, this trend may be reversing itself. There was an estimated net increase of between 5,000 and 6000 hectares in planted area in 2010. There are several factors accounting for the increase including higher log prices, increased confidence levels, and the potential for an increased revenue stream associated with the sale of carbon credits under the Emissions Trading Scheme. Forecasts indicate that a slightly greater increase in planted area is expected for 2011.

The decline in plantation forest area that occurred between 2004 and 2009 (estimated at 89,000 hectares) was largely the result of a land use shift away from forestry to dairy farming, reinforced by a lack of confidence in prospects for the industry at that time. Implementation of the Emissions Trading Scheme (ETS) in January 2008, which aimed at curbing greenhouse gas emissions, brought in high deforestation penalties and effectively halted the land use change away from forestry. Higher log prices, domestic planting programs, and more stability concerning emissions trading policy (notwithstanding an upcoming review of the ETS) encouraged plantings in 2010 and this trend is expected to continue in 2011. This is a step toward the stated Government goal of an additional 20,000 to 30,000 hectares per annum.



Source: New Zealand Ministry of Agriculture and Forestry

Indigenous Forests

At 6.25 million hectares, indigenous forests in New Zealand cover approximately three and a half times the land area of exotic plantation forests. Of the total planted to indigenous forests, approximately 67%, or 4.2 million hectares, is in state control. The remainder is privately owned. The bulk of state-owned land is managed by the Department of Conservation for conservation, biodiversity, catchment management, and recreation purposes. At present, harvesting timber from government owned indigenous forests is not permitted. Only timber from privately owned land can be harvested.

According to MAF estimates, timber harvested from privately owned indigenous forests in the year to September 30, 2010, totaled 16,600 cubic meters compared to 23,600,000 cubic meters for plantation forests. Under indigenous forest management legislation, harvesting must be done on a sustainable basis.

Currently, indigenous trees from 50,000 hectares are permitted to be harvested, which would equate to an annual harvest of approximately 78,000 cubic meters of logs. MAF estimates that between 250,000 and 300,000 hectares of privately-owned indigenous forest land could be sustainably managed for harvesting. A sustainable yield from this resource could be on the order of 300,000 cubic meters per year. However, contacts report that log/timber prices received for indigenous species are not high enough to offset the higher costs of extraction with enough of a margin for forest businesses to increase production of indigenous timber. At the moment, these logs must be processed within New Zealand at an approved mill. MAF is conducting a review of the current policy which some industry contacts think will result in a recommendation that this regulation be removed.

Harvesting Outlook

Over the next twelve months, the outlook is for between 23.4 and 24.5 million cubic meters of roundwood to be harvested. While production could be even higher, it will be limited by the availability of mature trees suitable for lumber production, and infrastructure at ports, which is already stretched.

Over the medium term (2015), MAF forecasts indicate production could reach 25 to 27 million cubic meters of logs per year and, by 2025, between 35 and 37 million cubic meters. Most of this increase would come from smaller, fragmented forests on marginal, steep land. Realization of this forecast will depend on supply and demand conditions over time.

National Exotic Forest Estate Statistics			
Area and standing volume statistics *(see note 1)*	**1-Apr-08**	**1-Apr-09**	**1-Apr-10**
Forest area			
Net stocked area (ha) *(see note 9)*	1,761,000	1,751,000	1,738,000
Harvested area awaiting replanting (ha) (note2)	47,500	46,400	55,300
Total forest area	1,808,500	1,797,400	1,793,300
Growth characteristics			
Standing volume (000 m^3)	445,933	456,874	467,063
Average standing volume (m^3/ha)	253	261	269
Area-weighted average age (years)	15.2	15.6	15.9
Area by species (note3)			
Radiata pine (ha)	1,575,000	1,568,000	1,556,000
Douglas-fir (ha)	111 000	109 000	110 000
Cypress species (ha)	9 000	9 000	10 000
Other softwoods (ha)	26 000	26 000	25 000
Eucalyptus species (ha)	25 000	25 000	24 000
Other hardwoods (ha)	15 000	13 000	13 000
Radiata pine area by tending regime			
Pruned with production thinning (ha)	213 000	216 000	217 000
Pruned without production thinning (ha)	706 000	728 000	708 000
Unpruned with production thinning (ha)	34 000	31 000	37 000
Unpruned without production thinning (ha)	622 000	593 000	593 000
Planting statistics Year ended (note 4)	**31-Dec-07**	**31-Dec-08**	**31-Dec-09**
Total estimated new planting (ha) (note5&6)	2 400	1 900	4 300
Replanting (ha) (note6)	34 700	31 300	32 500
Harvesting statistics Year ended (note7) (2009 nos note6)	**31-Mar-08**	**31-Mar-09**	**31-Mar-10**
Area clearfelled-all species (ha)	41 400	41 800	43 500
Area clearfelled-radiata pine (ha)	38 500	37 700	39 200
Volume clearfelled-all species (000 m^3)	18 663	19192	20588
Volume production thinned-all species (000 m^3)	195	190	146
Total volume removed -all species (000 m^3)(note8)	18 858	19 382	20 734
Average clearfell yield -all species (m^3/ha)	451	459	473
Volume clearfelled -radiata pine (000 m^3)	17 753	18 095	19 192
Average clearfell yield - radiata pine (m^3/ha)	461	480	489
Area-weighted average clearfell age for radiata pine (years)	27.9	28.3	28.4
Estimated planted forest roundwood removal (000m^3)	20 388	19 847	

Notes:

1.Source: National Exotic Forest Description as at 1 April 2009, and provisional release 1 April 2010 Ministry of Agriculture and Forestry, 2010.

2 *In the National Exotic Forest Description provisional release 2010, the area of harvested land that is awaiting a land use decision has been reported in the area awaiting replanting.*

3. Individual entries may not add to totals due to rounding.

4. The forestry figures released in the National Exotic Forest Description provisional release 2010, and in particular, new planting estimates, may differ from those produced in the Agricultural Production Survey by Statistics New Zealand. These surveys use different survey frames and designs.

5. The method used to estimate new planting is described on page 6 of National Exotic Forest Description as at 1 April 2009, Ministry of Agriculture and Forestry, 2010.

6. These figures have been rated up from the 2009 NEFD survey results by 800 & 1800ha. The 2009 survey only sought data from owners with 1000 hectares of forest or more. These estimates have been rated up based on the 2008 NEFD survey results for owners with less than 1000 hectares of forest.

7. All volumes are reported as recovered volumes inside bark.

8. Another estimate of roundwood removals from planted forests was 18.85 million cubic meters for March 2009 year. Source: Annual log and roundwood removal statistics, Ministry of Agriculture and Forestry, 2009. This is an indirect estimate that uses conversion factors for each forestry product to estimate the total roundwood input that would be required to produce total forest product outputs. It is included here as a comparison with the direct estimate of the total volume removed from the 2009 NEFD Survey

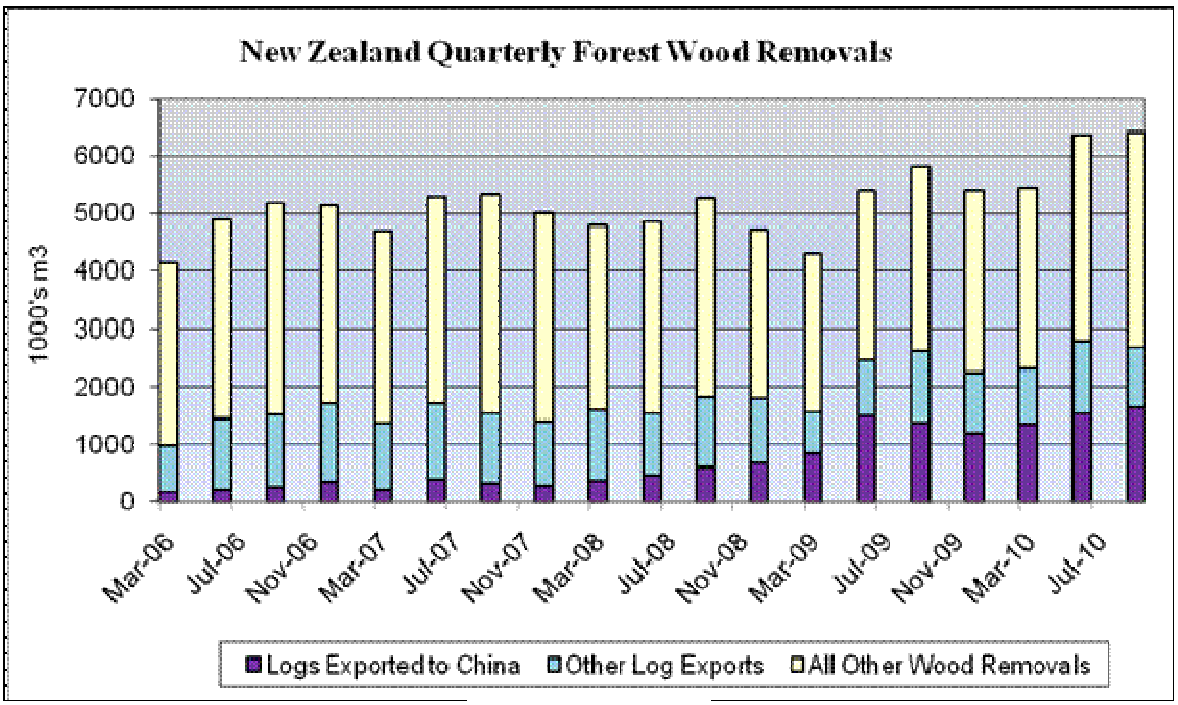
9. The decrease of total forest area between 1 April 2009 and 1 April 2010 should not be taken as a measure of deforestation. There are a number of factors that have

resulted in a reduction in total forest between the two years. These include differences in survey coverage, responses and remapping of areas by forest owners. An estimate of deforestation will be included in the full 2010 NEFD report.
The national exotic forest estate description as at April 1, 2009 published by MAF can be found at:
http://www.maf.govt.nz/mafnet/publications/nefd/national-exotic-forest-2010/index.htm

Solid Wood Products Situation/Outlook

According to MAF estimates, roundwood removals reached a record 23.6 million cubic meters for the year to September 2010. This was largely driven by an increase in removals to supply log exports, up 13.4% to 10,003 million cubic meters, while saw logs removals fell by 3% to 6,209 million cubic meters. This is the sixth consecutive quarter that log export volumes have totalled more than two million cubic meters, largely due to increased demand from China. Export logs and saw logs make up approximately 69% of the total estimated roundwood removals in New Zealand.

Log exports, as a percentage of total removals, are becoming increasingly important to the New Zealand forestry industry. Over the last decade, the average proportion of timber exported as logs was 33%, as compared to 42% during the four quarters for the year ending September 30, 2010 and 45% for the second and third quarters of 2009. Prior to the boom in log exports, the last time a quarter was above 40% was June 2003 (41%).

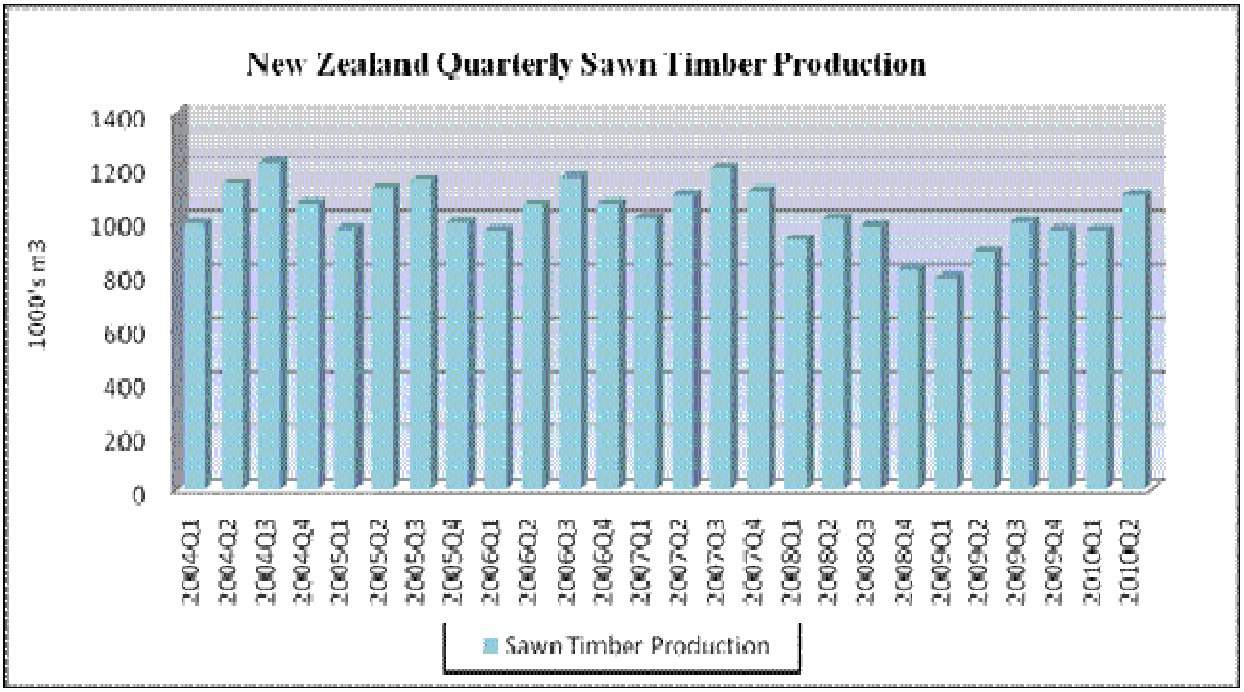


Source: MAF, Statistics NZ

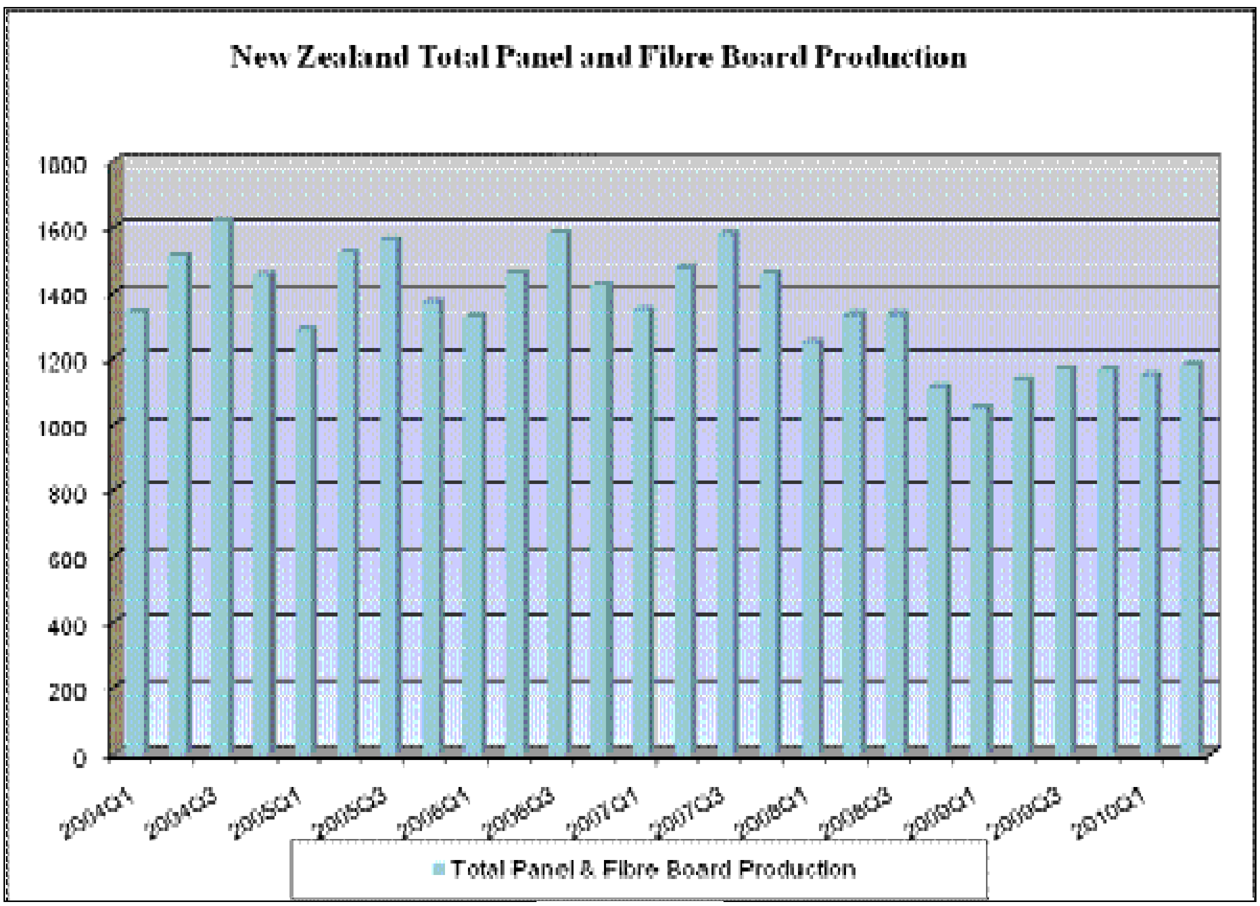
Quarterly Estimated Round Wood Removals from New Zealand Forests (Unit: 1,000 cubic meters)										
Indigenous Forest		Removals from Planted Production Forests								Year Ended
Quarter Ended	Removals	Saw Logs	Peeler Logs	Small Logs	Pulp Logs	Export Chips	Export Logs	Plantation Removals	Total Removals	Total Removals
Jun-01	**15**	1 822	186	361	888	136	1 799	**5 192**	**5 207**	**19 505**
Sep-01	**15**	1 973	197	375	817	114	2 026	**5 502**	**5 517**	**20 105**
Dec-01	**13**	1 770	177	381	879	127	2 051	**5 385**	**5 398**	**20 671**
Mar-02	**14**	1 761	176	362	920	79	1 506	**4 804**	**4 818**	**20 940**
Jun-02	**11**	2 057	228	343	885	101	2 020	**5 634**	**5 645**	**21 378**
Sep-02	**10**	2 253	241	355	817	94	2 036	**5 796**	**5 805**	**21 667**
Dec-02	**9**	2 053	244	350	798	61	2 317	**5 823**	**5 831**	**22 100**
Mar-03	**8**	2 009	256	324	788	92	1 714	**5 183**	**5 192**	**22 473**
Jun-03	**8**	2 030	266	378	593	72	2 355	**5 694**	**5 702**	**22 529**
Sep-03	**10**	2 048	269	352	814	73	1 852	**5 409**	**5 418**	**22 142**
Dec-03	**8**	1 851	257	354	801	52	1 618	**4 933**	**4 941**	**21 252**
Mar-04	**6**	1 811	248	365	849	81	1 488	**4 842**	**4 847**	**20 908**
Jun-04	**9**	2 077	291	365	799	31	1 340	**4 902**	**4 910**	**20 116**
Sep-04	**6**	2 216	314	373	816	67	1 413	**5 200**	**5 206**	**19 904**
Dec-04	**5**	1 951	288	370	850	36	1 278	**4 774**	**4 780**	**19 742**
Mar-05	**5**	1 768	276	308	821	65	1 092	**4 329**	**4 335**	**19 230**
Jun-05	**6**	2 029	311	368	811	80	1 293	**4 892**	**4 898**	**19 218**
Sep-05	**6**	2 080	301	386	825	62	1 370	**5 024**	**5 030**	**19 042**
Dec-05	**6**	1 790	243	371	859	53	1 439	**4 754**	**4 760**	**19 022**
Mar-06	**7**	1 743	265	354	740	66	965	**4 133**	**4 139**	**18 827**
Jun-06	**5**	1 909	288	385	819	49	1 425	**4 873**	**4 877**	**18 806**
Sep-06	**5**	2 087	344	384	811	52	1 495	**5 173**	**5 178**	**18 954**
Dec-06	**5**	1 920	292	326	838	65	1 692	**5 132**	**5 138**	**19 332**
Mar-07	**3**	1 814	274	315	816	100	1 361	**4 679**	**4 682**	**19 875**
Jun-07	**7**	2 014	327	331	881	61	1 701	**5 315**	**5 322**	**20 348**
Sep-07	**4**	2 197	338	335	876	100	1 531	**5 377**	**5 381**	**20 540**
Dec-07	**6**	2 043	286	322	885	103	1 384	**5 021**	**5 027**	**20 422**
Mar-08	**2**	1 715	254	302	851	100	1 582	**4 804**	**4 806**	**20 536**
Jun-08	**5**	1 826	313	290	739	86	1 523	**4 777**	**4 782**	**19 996**
Sep-08	**6**	1 778	336	322	825	122	1 800	**5 183**	**5 189**	**19 804**
Dec-08	**2**	1 486	263	289	774	63	1 778	**4 653**	**4 655**	**19 432**
Mar-09	**3**	1 429	171	284	780	22	1 547	**4 233**	**4 236**	**18 863**
Jun-09	**1**	1 554	157	275	857	51	2 447	**5 341**	**5 342**	**19 423**
Sep-09	**4**	1 740	194	315	850	68	2 586	**5 752**	**5 756**	**19 989**
Dec-09	**4**	1 692	204	302	897	67	2 241	**5 402**	**5 406**	**20 740**
Mar-10	**6**	1 689	229	289	857	90	2 293	**5 446**	**5 452**	**21 955**
Jun-10	**4**	1 936	392	298	846	85	2 792	**6 350**	**6 354**	**22 967**
Sep-10	**3**	2 012	442	311	885	75	2 677	**6 403**	**6 406**	**23 617**

Source Monitoring and Evaluation, Innovation and Research Policy, Ministry of Agriculture and Forestry.

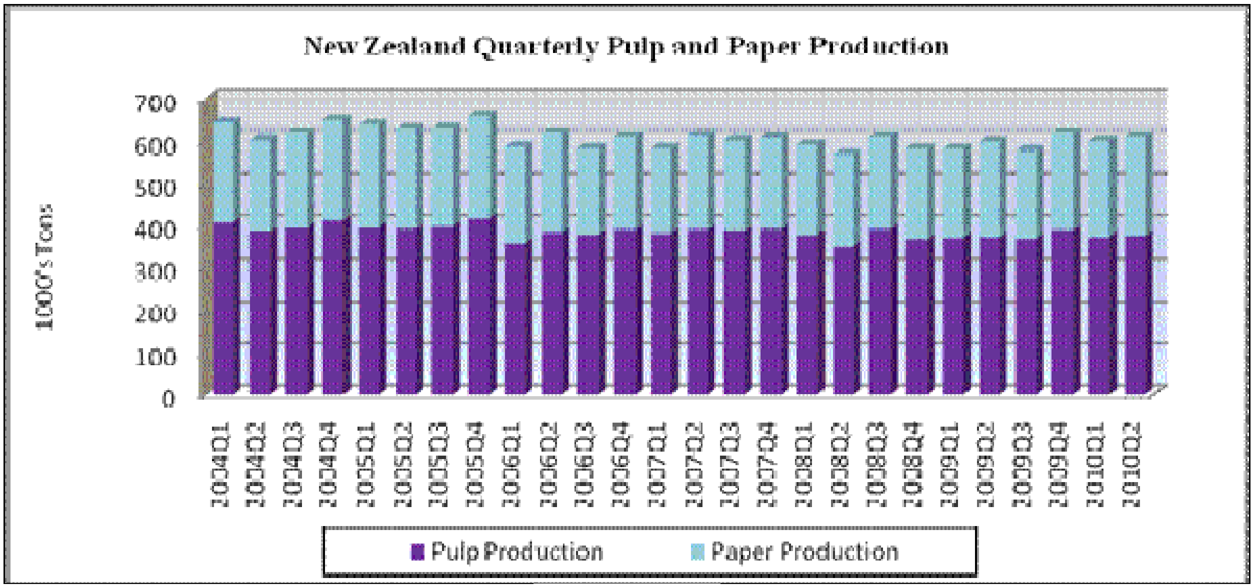
1. *Individual entries may not sum to totals shown due to rounding.*
2. *There has been a change in methodology for reporting indigenous sawn timber from September 2007.*



Source: Statistics NZ



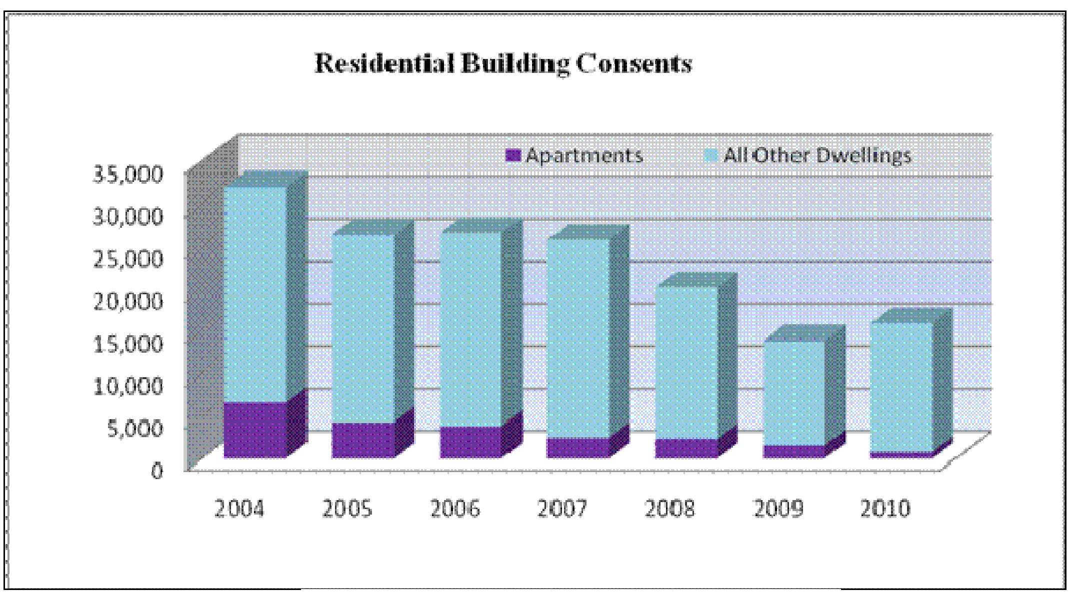
Source: Statistics NZ



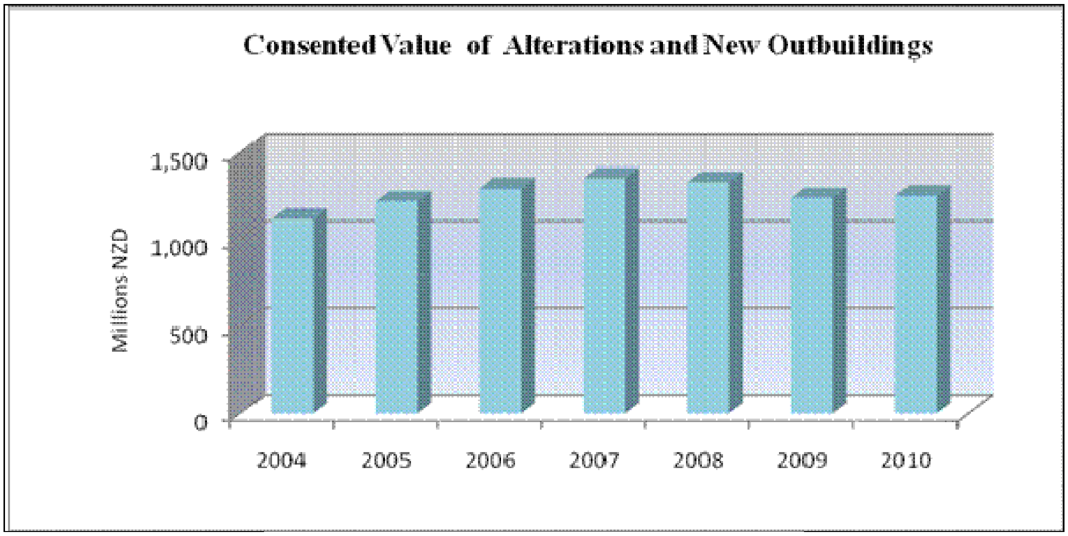
Source: Statistics NZ

While wood production is on the rise, the timber industry is facing challenging times. Although foresters and loggers are reaping the benefits of increased volumes and improved prices, the processors in the milling, panel, and fibreboard sectors are struggling with profitability. The price of logs has been rising for the last 18 months, domestic lumber demand is down, and foreign exchange rates (primarily the USD) have been unfavorable. (Australia is an exception as the Australian dollar has strengthened relative to the NZ dollar making NZ exports to Australia more attractive.)

Some of the challenges faced by domestic wood processors are evidenced by the continued closure of sawmills and the scaling back of production. The prime sawmill in Gisbourne on the North Island has been closed; plans to build a mill in Hikurangi have been shelved; and at least four major sawmills have announced production cuts. While these developments are no doubt painful for those involved, some believe that they will lead to a further rationalization of the sector and enhance the industry's international competitiveness.

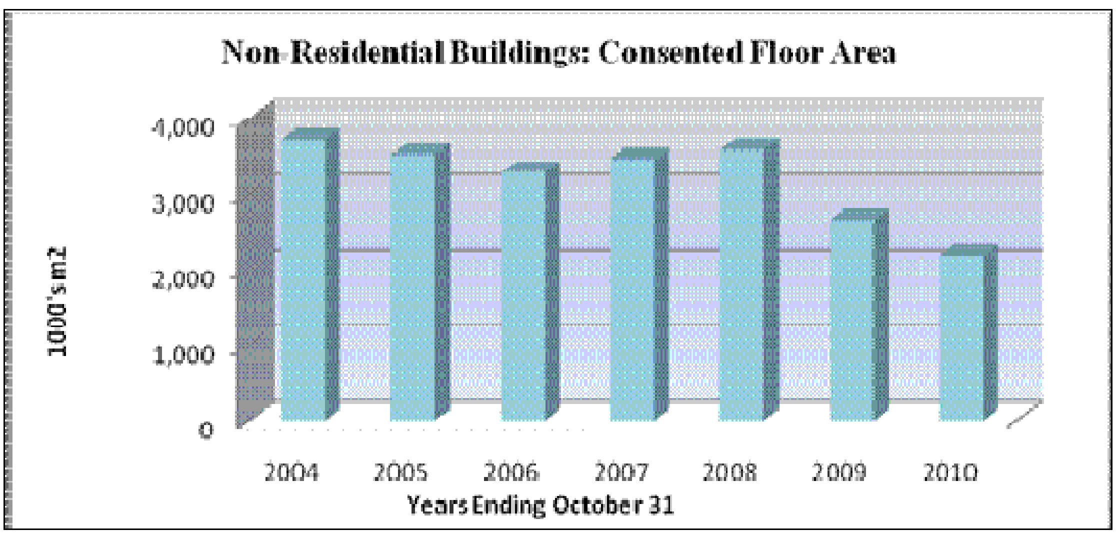


Source: Statistics New Zealand Note: Year Ending October 31

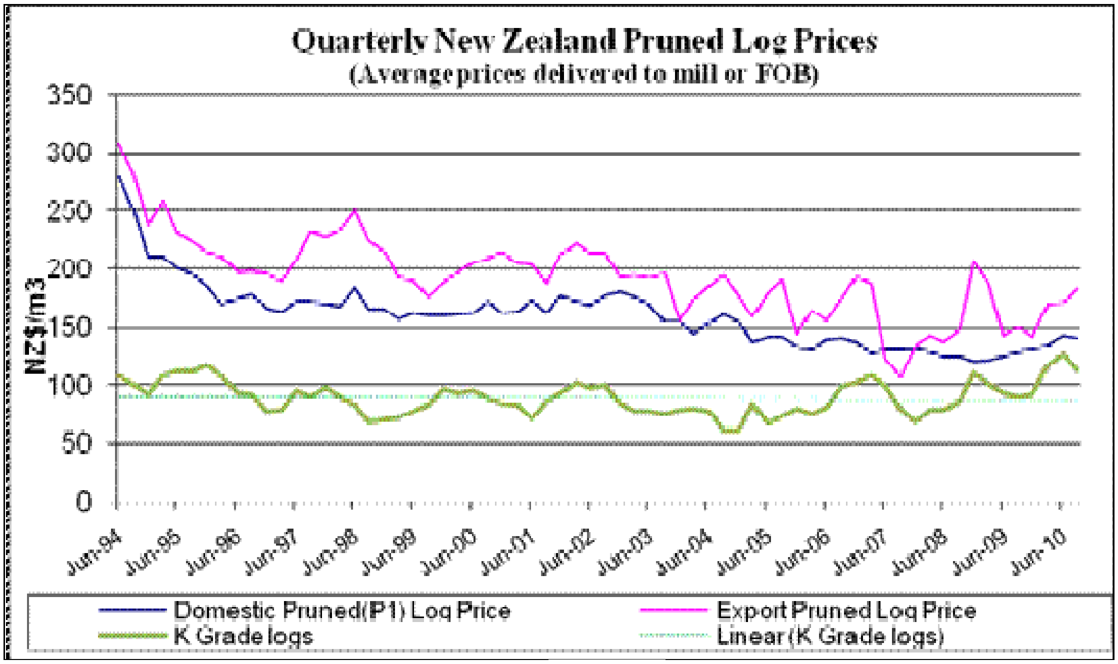


Source: Statistics New Zealand Note: Year Ending October 31

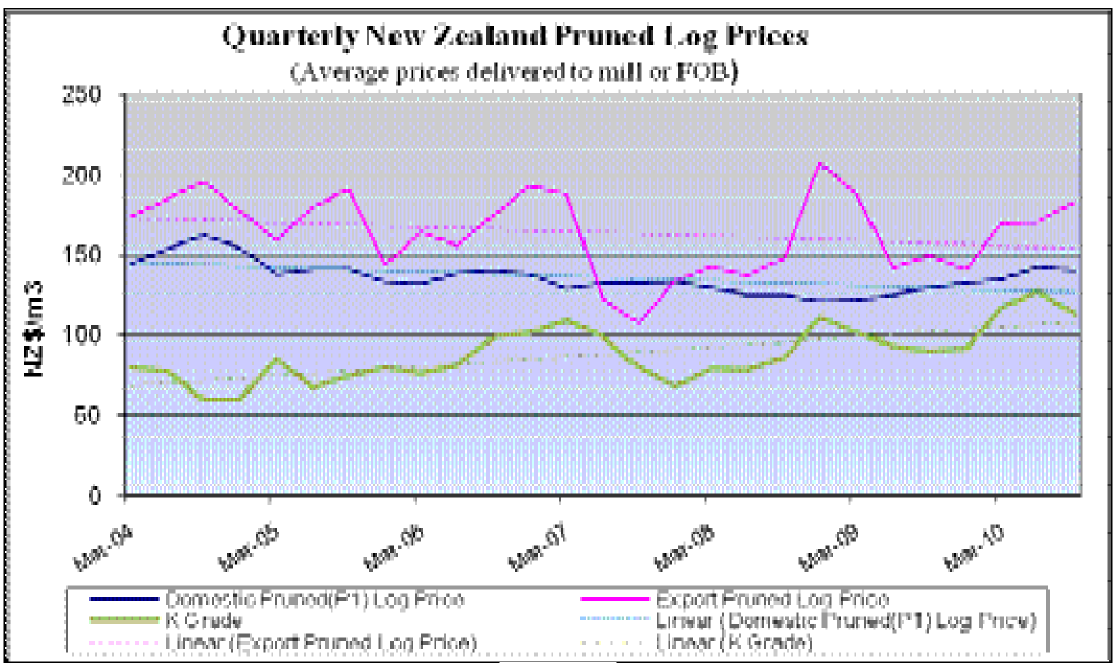
The construction sector in New Zealand is still experiencing challenging economic times, especially the non-residential component. One bright spot is that renovation projects are still going ahead. Also, rebuilding associated with the 7.1 Richter scale earthquake in Canterbury late last year may provide the stimulus needed to kick start the construction sector. Repair and rebuilding work is expected to stretch into the billions of NZ dollars. This work is likely to start to become noticeable in the second quarter of 2011.



Source: Statistics New Zealand



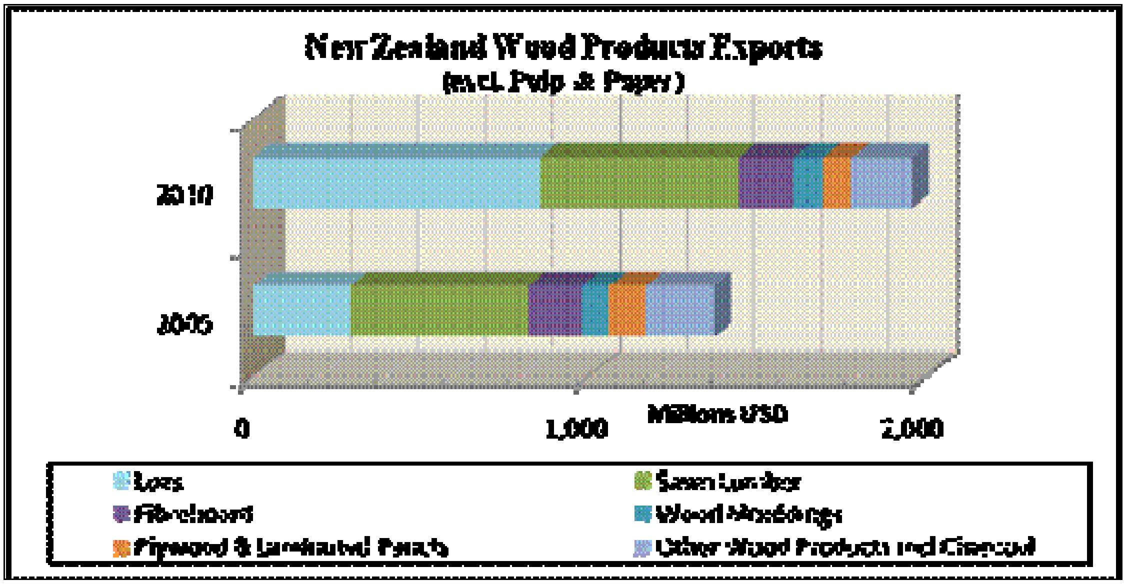
Source: MAF



Source: MAF

Trade

Total forestry exports (including wood pulp and paper) reached a record US $2.83 billion for the year to September 2010, up 33% from the previous year. Leading exports are pulp and paper accounting for 31% in 2010, followed by logs at 30% and sawn lumber at 21%. The major export markets are China, Australia, Japan, South Korea, and the United States.



Source: GTA
Note: Year Ending September 30

The increase in exports was underpinned by a 50% increase in receipts for log exports, mainly to China. Log exports to China were up 32% to 5.7 million cubic meters. Imposition of the Russian log export tax, which resulted in fewer logs exported to China from Russia, along with competitively priced radiata pine logs from New Zealand, helped strengthen China's position as New Zealand's number one export destination for logs. China now accounts for 57% of New Zealand's log exports, up from 52% in 2009. The expanding gap between Chinese domestic timber production and demand for wood products suggests that China will continue to be an important destination for log exports. Estimates from New Zealand's Forestwood 2010 Conference expect the deficit to grow from an estimated 100 million cubic meters at present to 150 million cubic meters over the next five years.

Log export volumes to Korea and India, which are the second and third largest log export destinations, were down 24.8 percent to 545,000 cubic meters and 1.4 percent to 288,000 cubic meters, respectively.

New Zealand Export Statistics								
Wood In The Rough W/N Stripped Of Bark Or Sapwood, Or Roughly Squared (Logs) HS code 4403								
Year Ending Series: September 2005 – 2010								
	Quantity in Cubic Meters (M3)						%	share of
Partner Country	2005	2006	2007	2008	2009	2010	increase in 2010	total 2010
China	639977	795023	1300069	1698004	4311878	5676915	32%	56%
Korea South	2967044	3085121	3254362	3042079	2474064	2470412	0%	25%
India	229897	427592	503361	589615	757714	1021693	35%	10%
Japan	973393	815375	890845	738651	637201	715313	12%	7%
Taiwan	87380	88160	85347	73472	61330	69355	13%	1%
United Arab Emirates	89630	57664	157278	72515	69769	52066	-25%	1%
Thailand	5723	2043	5323	3349	9364	25068	168%	0%
Vietnam	9033	14218	15707	16511	19714	13089	-34%	0%
Indonesia	0	11791	18215	13317	4667	4954	6%	0%
Maldives	231	16	773	700	276	3519	1175%	0%
Rest of World	30850	26502	54719	41608	12566	3686	-71%	0%
World	5033158	5323505	6285999	6289821	8358543	10056070	20%	100%

Source: GTA

Sawn timber export volumes were up 7% to 1.95 million cubic meters. The major export destinations for sawn timber are China (up 2.4%), followed by Vietnam (down 1%), Australia (up 14.5%), and the US (up 22%). The gradual pickup in the global economy following the global credit crisis and subsequent economic downturn is driving the increase in demand.

Total panel product export volumes were up an estimated 7% to 168,683 cubic meters. The major export destinations for panel products are Japan and Australia, up an estimated 8.5% and 1% respectively. These two destinations account for nearly 93% of all panel exports.

New Zealand Export Statistics for all Wood, Pulp and Paper Products (HS codes: 44, 47, 48)							
Year Ending Series: September 2000 – 2010							
	United States Dollars						%
Partner Country	2005	2006	2007	2008	2009	2010	Total Value
China	227,021,968	251,203,050	365,222,116	353,227,503	500,822,703	743,975,030	26%
Australia	574,587,017	436,900,172	526,395,668	614,945,923	426,192,154	564,705,513	20%
Japan	422,759,134	324,030,894	370,967,615	357,735,157	289,934,492	354,637,789	13%
Korea South	216,832,555	248,752,685	314,828,672	289,597,401	235,238,290	297,869,395	11%
United States	285,319,329	270,682,636	235,963,873	208,528,623	138,168,772	167,385,445	6%
Indonesia	52,240,426	80,906,087	72,062,126	94,192,701	86,968,899	118,490,583	4%
India	22,378,600	36,422,432	52,456,746	61,184,119	60,971,109	105,095,189	4%
Vietnam	26,149,955	35,536,383	51,171,474	51,949,292	53,048,892	68,447,420	2%
Taiwan	41,639,951	51,241,582	56,960,648	57,012,765	40,464,958	61,648,064	2%
Philippines	77,808,114	58,829,434	57,472,479	57,774,740	47,422,880	55,312,550	2%
Rest of World	202,354,450	211,326,192	279,640,656	320,844,737	241,596,387	291,809,846	10%
Total Exports	2,149,091,497	2,005,831,550	2,383,142,072	2,466,992,958	2,120,829,534	2,829,376,828	100%

Source: Global Trade Atlas

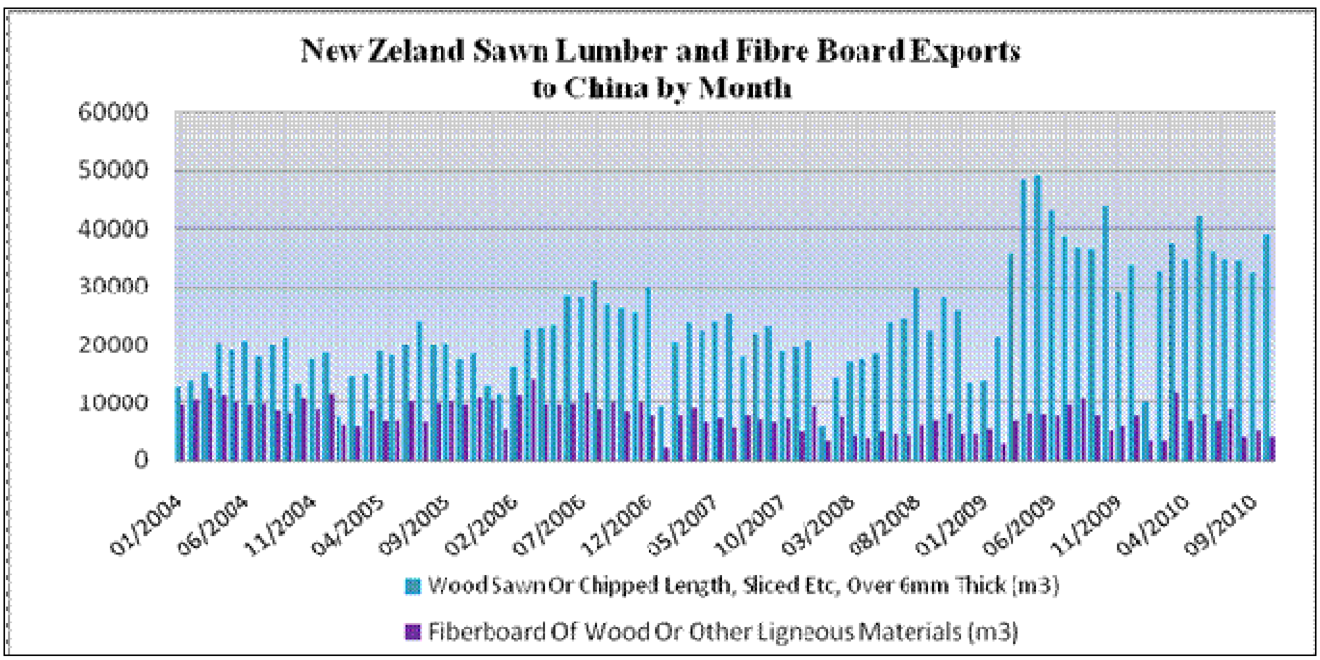
New Zealand Export Statistics for all Wood and Wood Products (HS Code: 44)						
Year Ending Series: September, 2005 - 2010						
Partner Country	United States Dollars					
	2005	2006	2007	2008	2009	2010
China	101,217,188	134,503,731	186,769,327	205,976,166	399,726,990	612,897,061
Australia	259,645,493	219,662,115	244,814,422	288,854,665	194,859,954	281,528,800
Japan	349,932,920	276,484,432	303,716,900	288,811,070	217,352,189	277,498,816
Korea South	172,858,305	196,771,906	251,002,231	227,821,213	191,195,165	226,283,287
United States	272,652,216	258,582,045	224,787,619	194,739,522	124,684,529	156,692,006
India	18,497,788	30,810,012	45,400,787	53,436,867	52,793,400	93,632,980
Vietnam	19,631,936	29,998,526	39,453,111	40,804,105	48,499,169	65,601,864
Indonesia	17,729,816	30,274,825	33,257,560	26,223,582	23,825,035	31,175,926
Taiwan	25,345,340	27,105,880	25,938,367	27,884,803	20,612,727	31,072,517
Philippines	44,993,478	29,687,952	24,843,256	21,887,524	21,368,963	27,941,781
Rest of the World	87,068,653	100,181,354	159,277,700	176,505,019	128,169,598	155,174,529
Total Exports	1,369,573,131	1,334,062,775	1,539,261,279	1,552,944,535	1,423,087,721	1,959,499,564

Source: Global Trade Atlas

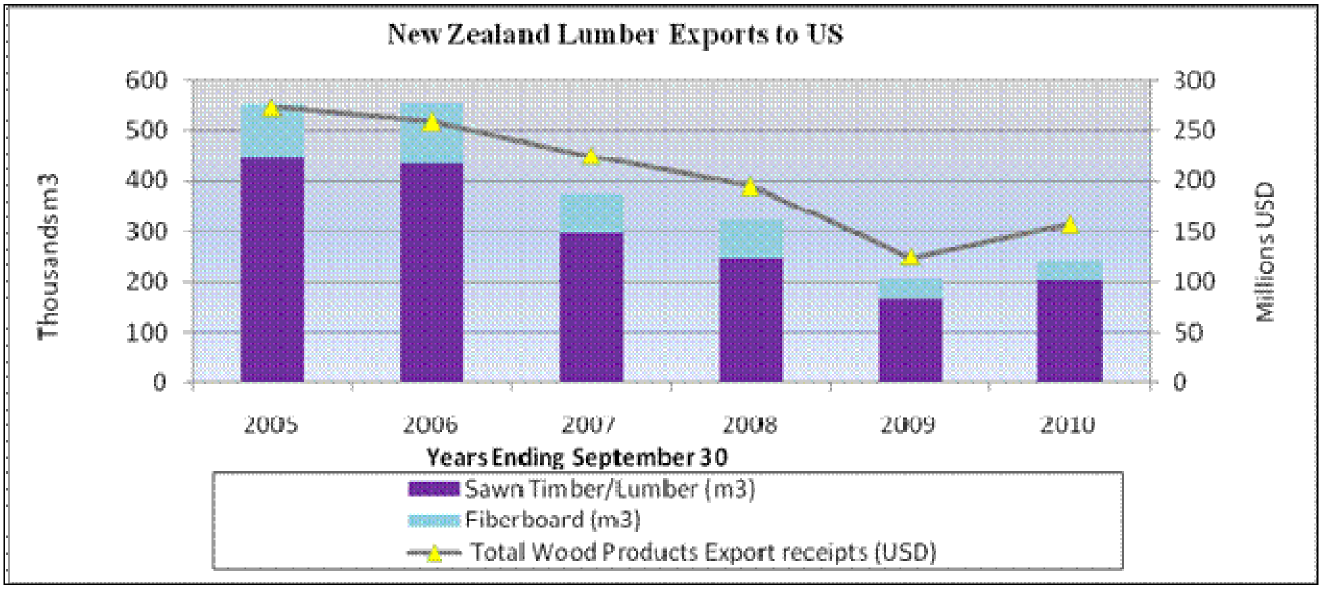
New Zealand Export Statistics for Wood Pulp and Paper (HS Codes: 47 and 48)						
Year Ending Series: September 2005 - 2010						
Partner Country	United States Dollars					
	2005	2006	2007	2008	2009	2010
Australia	314,941,524	217,238,057	281,581,246	326,091,259	231,332,200	283,208,342
China	125,804,780	116,699,319	178,452,789	147,251,337	101,095,713	131,077,968
Indonesia	34,510,610	50,631,263	38,804,566	67,969,119	63,143,863	87,314,657
Japan	72,826,215	47,546,462	67,250,715	68,924,087	72,582,303	77,138,973
Korea South	43,974,250	51,980,779	63,826,441	61,776,188	44,043,125	71,586,109
Malaysia	19,312,590	20,962,961	24,482,608	25,134,619	22,221,518	37,527,887
Taiwan	16,294,611	24,135,702	31,022,281	29,127,962	19,852,231	30,575,547
Thailand	14,058,177	17,902,264	23,531,004	26,201,703	14,797,682	29,581,832
Philippines	32,814,636	29,141,482	32,629,223	35,887,216	26,053,917	27,370,769
Hong Kong	20,614,834	14,491,653	11,141,238	20,046,485	15,957,617	14,666,876
Rest of World	84,366,136	81,038,834	91,158,676	105,638,447	86,661,646	81,051,035
World	779,518,366	671,768,775	843,880,793	914,048,422	697,741,813	871,099,997

Source: Global Trade Atlas

Source: Global Trade Atlas



Source: Global Trade Atlas



Source: Global Trade Atlas

Policy

New Zealand Government Planting Programs

The New Zealand Government has implemented several programs to encourage additional tree plantings including the Permanent Forest Sink Initiative PFSI, which is aimed at establishing forests for garnering carbon credits; the Afforestation Grant Scheme (AGS), which is designed to encourage planting of trees in small forests and on farms; the Sustainable Land Management Hill Country Erosion Program (HCEP); and the East Coast Forestry Project, which was set up in 1992 to promote the planting of commercial forests on severely eroding land.

The PFSI, AFS and HCEP are currently under review as they were all introduced before the advent of the Emissions Trading Program (ETS), which was implemented in 2008. MAF has initiated consultations to determine if these programs are the best way to meet carbon sequestration, erosion control and water quality improvement goals. The East Coast Forestry Project will also be reviewed but the review is limited to its cost effectiveness, implementation issues and opportunities, and inter-actions with other forestry schemes. The ETS for forestry will not be included as it is part of a wider ETS review scheduled to take place in 2011.

(For more information see: http://www.maf.govt.nz/consultation)

Illegal Logging

In December 2009, the New Zealand Government adopted a policy to address the legality and sustainability of New Zealand's timber trade. The policy specifies international, bilateral and domestic steps to address the issue. For instance, the Government is actively participating in international negotiations advocating for the adoption of a Reducing Emissions from Deforestation and Degradation (REDD) mechanism, which is intended to reduce illegal logging in rain forests. It is also supporting efforts to have Kwila listed in Appendix II of the Convention on International Trade in Endangered Species (CITES). Bilaterally, New Zealand is seeking to develop a joint strategy with Australia to address illegal logging and sustainable forest management, especially in the Asia Pacific region and potentially within the context of free trade agreements. Domestically, the

Government, in consultation with industry, developed a voluntary code of practice to encourage the verification of the legality of imported timber and timber products and under took consumer awareness raising activities providing consumer information on legality and sustainability. Further information on both of these initiatives can be found on the MAF website under illegal logging: http://www.maf.govt.nz .

Trade Policy

The New Zealand Government has negotiated several free trade agreements (FTAs). The following agreements are in force:

- New Zealand-Hong Kong, China Closer Economic Partnership (NZ-HK CEP entered into force on 1 January 2011)
- New Zealand-Malaysia Free Trade Agreement (MNZFTA entered into force on 1 August 2010)
- ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) - 2010
- New Zealand-China Free Trade Agreement (NZ-China FTA) - 2008
- Trans-Pacific Strategic Economic Partnership (P4) - 2005
- New Zealand-Thailand Closer Economic Partnership (NZTCEP) - 2005
- New Zealand-Singapore Closer Economic Partnership (NZSCEP) - 2001
- Australia-New Zealand Closer Economic Relationship (CER) - 1983

In addition, the New Zealand Government is currently negotiating the following FTAs:

- New Zealand-Gulf Cooperation Council Free Trade Agreement (NZ-GCC FTA negotiations have been concluded but not yet signed)
- Expansion of the Trans-Pacific Strategic Economic Partnership (TPP)
- New Zealand-Korea Free Trade Agreement (NZ-Korea FTA)
- New Zealand-India Free Trade Agreement (NZ-India FTA)
- New Zealand-Russia-Belarus-Kazakhstan Free Trade Agreement (NZ-RBK)

For wood products, in general, there are no significant tariff advantages stemming from the latest FTAs to come in to force, however they do provide a framework to work out trade related issues especially SPS and non-tariff barriers.

Market Promotion Activities

Wood Council of New Zealand (Woodco)

The Wood Council of New Zealand (Woodco) was successfully incorporated under the Incorporated Societies Act 1908 on March 2, 2006. Woodco is a pan-industry body which represents the common interests of the forestry and wood processing sectors.

Woodco's members are the following associations: Wood Processors Association; Forest Owners Association; NZ Farm Forestry Association; Pine Manufacturers Association; Forestry Industry Contractors Association. The Woodco Strategic plan can be seen at:
http://www.pine.net.nz/conference/Woodco%20Strategic%20Plan.pdf

The “NZ Wood” promotional program is a domestic marketing initiative of Woodco. Visit http://www.nzwood.co.nz for more details.

Pine Manufacturers Association (PMA)

Members of the PMA (http://www.pine.net.nz/) have formed several groupings to jointly promote their products. Initiatives to enhance wood exports include:

- The PINENZ quality mark is a new quality initiative that applies to existing engineered timber products exported from New Zealand into the Australian market. The PINENZ mark is awarded exclusively to New Zealand pine manufacturers that pass an independently assessed comprehensive audit to ensure their processes and procedures meet required Australian Standards.
- The India Marketing Group is working to promote and increase exports to India.

Forest Stewardship Council (FSC)

The Forest Stewardship Council (FSC) is an independent, non-governmental, not for profit international organization established to promote the responsible management of the world’s forests.

It provides standard setting, trademark assurance and accreditation services for companies and organizations interested in responsible forestry. Products carrying the FSC label are independently certified to assure consumers that they come from forests that are managed to meet the social, economic and ecological needs of present and future generations. FSC maintains representation in 50 countries.

As of June 2009, 56% of plantation forest in New Zealand was FSC certified. Approximately 54% of the total harvest for the 12 months to June 2009 was FSC certified logs.

In New Zealand, there are concerns with the certification process because of the use of pesticides for possum and dothostroma control. In principle, FSC doesn’t allow pesticide use; however, New Zealand has a dispensation at present. Also there are issues over how reserves (unharvested areas) are accounted for with FSC looking for 10% of the land area under each forest designated as a reserve. In total, New Zealand plantation forests can comply but some individual forests may be under this level. For additional information, please visit: www.fsc.org or http://www.nzfoa.org.nz/ and search on ‘FSC’.

Appendix 1. Useful Links for Further Information

MAF Situation and Outlook for New Zealand Agriculture & Forestry Report:

http://www.maf.govt.nz/mafnet/rural-nz/statistics-and-forecasts/sonzaf/2009/09-forestry.pdf

MAF Forestry Site

http://www.maf.govt.New Zealand/forestry/

New Zealand Forest Owners Association Website

http://www.nzfoa.org.nz/

New Zealand Forestry Facts & Figures

http://www.nzfoa.org.New Zealand/index.php?/File_libraries_resources/Facts_figures/Facts_Figures_2007_-_2008

Scion Reports on the future for Bio-Energy in New Zealand

http://www.scionresearch.com/__data/assets/pdf_file/0005/5783/Large-scale-bioenergy-from-forestry.pdf

http://www.scionresearch.com/__data/assets/pdf_file/0014/6800/Bioenergy-Options-Transition-Report.pdf