

# **NZ Specialty Wood Products**

## **Developing Regional Strategies**

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# **New Zealand is ideally placed to produce specialty wood products for export markets!**

- Available land and energy in many regions with export ports.
- Favourable climate for fast growing species.
- Species suited to complementary land use.
- Some forest resources already established.
- Renewed industry interest in diversifying NZ's wood supply.
- Excellent forest management and wood processing practices supported by research capability.
- Government supporting regional economic growth that including incentives for afforestation.
- Stable business environment.
- Promising export markets.

# Related benefits

- Diversification of forest estate – risk mitigation against reliance on single species.
- Strengthen domestic processing.
- Increase regional economic development.
- Improve financial diversification/early cash flow.
- Develop resilience in face of climate change.
- Import substitution e.g. cypress cladding replacing imported cedar.
- Flowering eucalypts support bees & native bio diversity.

# Strategic Planning

Strategic planning is an organization's process of **defining its strategy including:**

- to set priorities,
- to focus energy and resources,
- to strengthen operations,
- to ensure that employees and other stakeholders are working toward common goals,
- to establish agreement around intended outcomes/results,
- to assess and adjust the organization's direction in response to a changing environment.

# Strategic planning delivers a process not a document

Strategic planning involves a process of :

- Identifying vision and goals.  
**(SWP MBIE proposal provides overall vision & goals)**
- Assessment and analysis of resources.
- Consultation with all stakeholders and other parties that are part of 'community of interest'.
- Identify priorities and establish strategic action plan.
- Regular review of progress and outcomes.
- Update and re prioritise action plan as required.

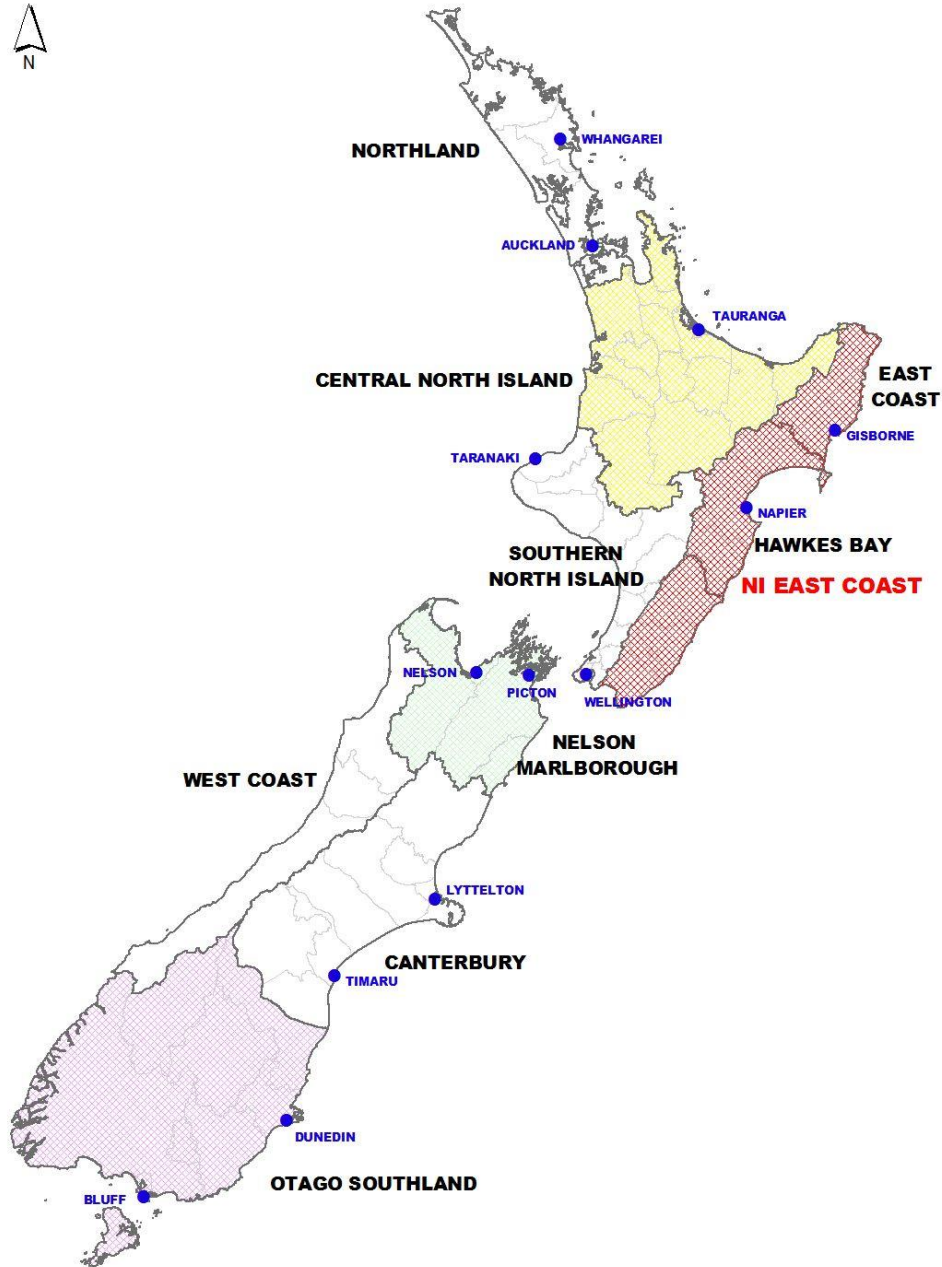
## **RA1.3: Delivering specialty wood products to export markets through embedding regional strategies**

- Developed in collaboration with key investors.
- Based on knowledge of emerging forest resources and matching to existing infrastructure and new processing technology.
- **SWP's goal is to undertake four regional specialty wood product development strategies** that result in optimised value chains being established to deliver 'fit for purpose' export products based on existing or new resources and using existing and new processing capability/technology.

# Regional strategies

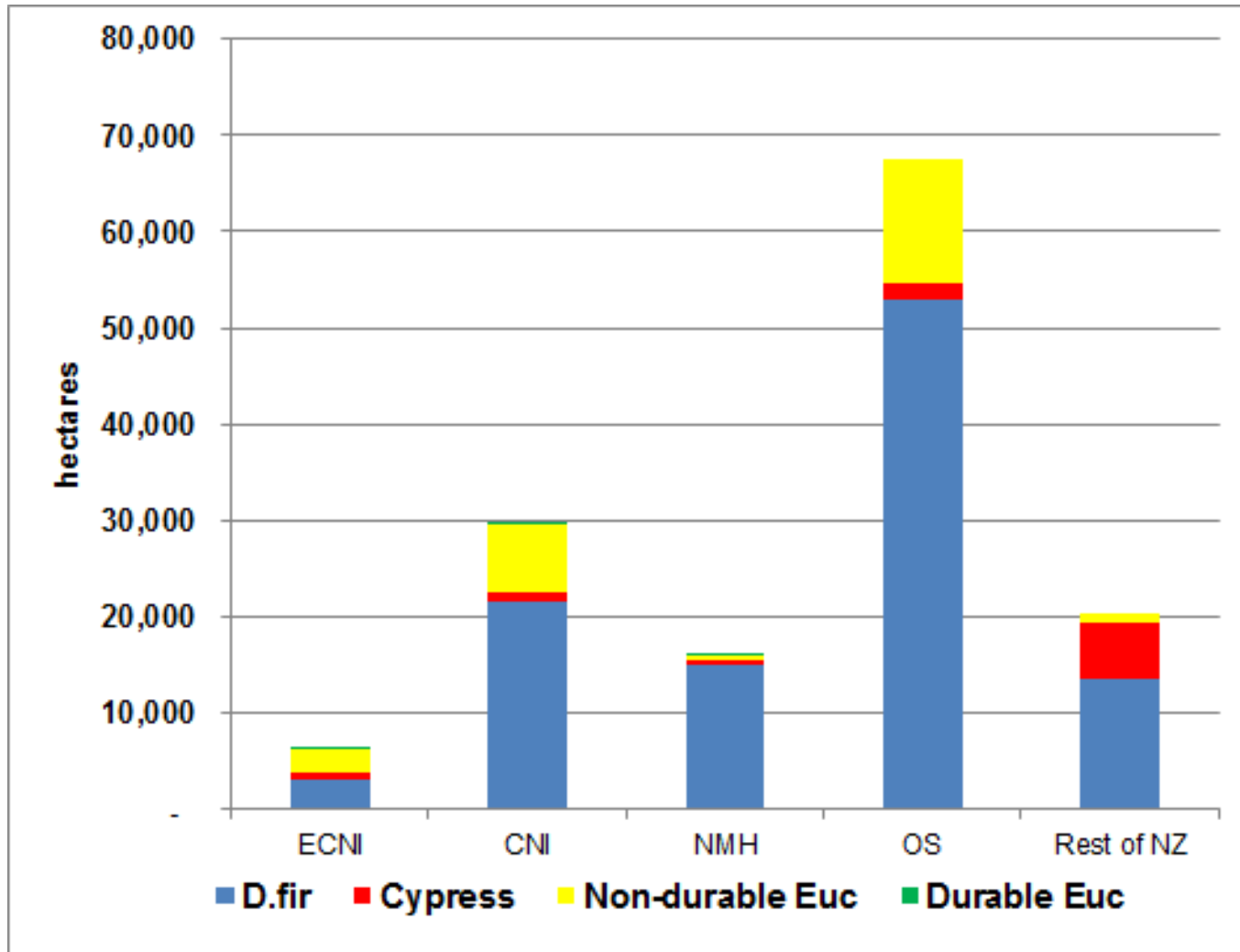
- **“First-mover” regional development strategies**
  - Marlborough/Nelson, East Coast North Island, Southland/Otago and Central North Island.
- **Key investors are located in these regions**
  - JNL, SWEL, Blakely Pacific, Ernslaw One
  - Processing capability includes LVL and sawn wood products
  - NZDFI already has a vision and strategy for Marlborough/Nelson and East Coast North Island.
  - Supported by seed producers and forest growers  
Proseed, NZDFI, Timberlands, FGLT, NZFFA, Te Tumu Paeroa and LTFT.  
And working with other wood processors, regional councils and EDA’s.
- **Centred around existing resource, wood processing capability and export ports.**

# SPECIALTY WOOD PRODUCTS PARTNERSHIP REGIONS





# Current regional resources of speciality wood product species – MPI NEFD 2014



# Analysis of forest resources

- Analysis of NEFD indicates that the existing resource of speciality species already in the ground could produce 460,000 m<sup>3</sup>/annum
  - Eucalypts (non-durable species *E. nitens*, *E. fastigata* and *E. regnans*)
  - Douglas-fir
  - Cypresses
- **Recommendation: That NEFD data for each region be evaluated and characterised as to the quality and availability of the existing resource.**
- Note: NZDFI strategic goal is to establish 100,000 ha of new naturally-durable eucalypt hardwood forests by 2030.

# Durability of SWP species

Table One: Natural Durability Classification of SWP species					
SWP Species	AS 5604 In ground	What's New— 245 In ground and recent Scion research	AS 5604 Above ground	AS 5604 Indoor - Lyctid susceptible	AS 5604 Indoors Termite resistant
C. lusitanica		3			
C. macrocarpa		3			
C. ovensii		2?			
E. bosistoana	1		1	S	R
E. globoidea	2	2		NS	-
E. fastigata	4		3	S	NR
E. regnans	4	3	3	NS	NR
E. nitens	4		3	S	NR
P. menziesii	4	3	4	NS	NR
<b>Other Species of Interest</b>					
A. melanoxylon	3		-	S	-
P. totara –old growth		1			
S. sempervirens	2	?	2	NS	R

# Product options from SWP species

	Wood properties	Species	Market
High value indoor furniture, interior linings and flooring; OEL; radiata/euc – ply/LVL	Stiffness and stability some durability, appearance	Non-durable eucalypts	Australia Asia
MGP10 structural lumber OEL Fine chemicals from waste streams (incl thinnings)	Stiffness  Alternative product streams	Douglas-fir	Australia  Europe
Furniture, interior linings, outdoor cladding, decking	Natural durability, appearance	Cypress species	Domestic (with export opportunity)
High stiffness pine/eucalypt LVL Sawn heartwood: NZ teak/rosewood	High stiffness Natural durability, stability, colour	Naturally durable eucalypts (on stream in 2026 )	Japan  China/India

# Regional opportunities

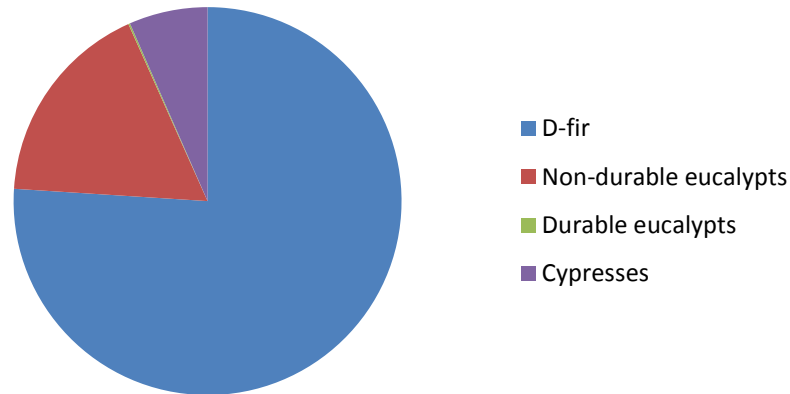
Strategic Regional Opportunity				
(Investors)	Climate/soil	Processing	Species	High Value Products
Otago/Southland (SWEL, FGLT Ernslaw One Blakely Pacific)	Cold, frost-snow prone	Sawmilling and product manufacture	<i>E. nitens</i>	High quality joinery, panelling and flooring timber
		Sawmilling	Douglas-fir	OEL, Chemicals
North Island East Coast (JNL,FGLT, NZDFI)	Drought prone sites and fertile erodible soils	Sawmilling Rotary peeled veneer	Durable & non durable eucalypts	Class1 and Class 2 durable hardwood High stiffness LVL Posts and poles
Marlborough/ Nelson (NZDFI , FGLT, NZFFA)	Drought prone sites and/or fertile soils	Sawmilling Rotary peeled veneer	Durable eucalypts	High stiffness LVL Class1 and Class 2 durable hardwood Posts and poles
	Cold, frost-snow prone	Sawmilling	Douglas-fir	Structural
	High rainfall, cool sites and fertile soils	Sawmilling and product manufacture	<i>E. fastigata</i> <i>E.</i> <i>regnans</i> Cypresses	High quality joinery, panelling and flooring timber
Central North Island (Timberlands FGLT, NZFFA)	High rainfall, cool sites and fertile soils	Sawmilling and product manufacture	<i>E. fastigata</i> and <i>E.</i> <i>regnans</i> Douglas-fir Cypresses	High quality joinery, panelling and flooring timber High stiffness structural timber

# Barriers to overcome

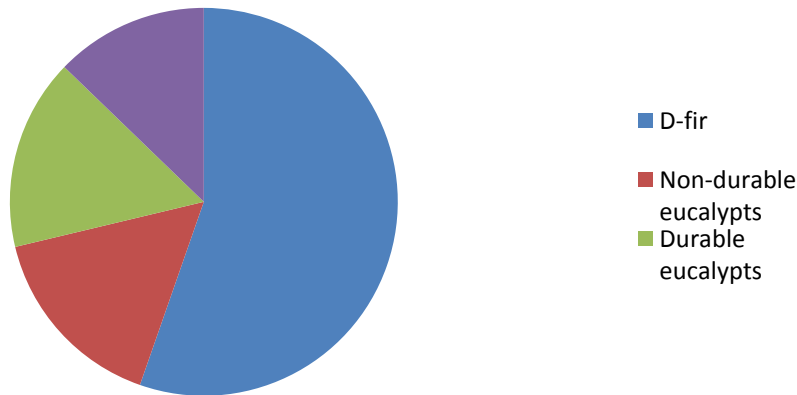
- Processing challenges
  - Particularly important for eucalypts.
  - Currently limiting potential returns and new plantings
- Lack of scale, geographically dispersed resource
  - Requires sufficient volume within economic range of processing infrastructure.
  - **Need innovation in small scale harvesting systems.**
- Need to cluster future planting to achieve scale
  - currently ownership is fragmented.
  - **Strategies will identify optimal planting areas.**
- Species need to be successfully matched to sites
  - **Decision support and productivity modelling needed for growers.**

# Plantings projected to increase

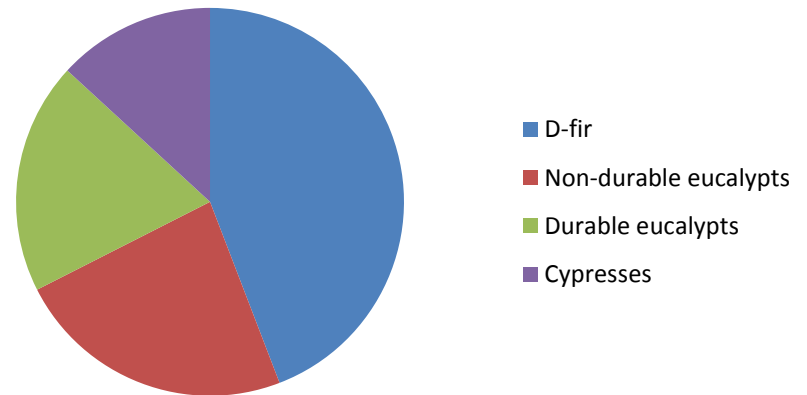
2014 - Total area 143,000 ha



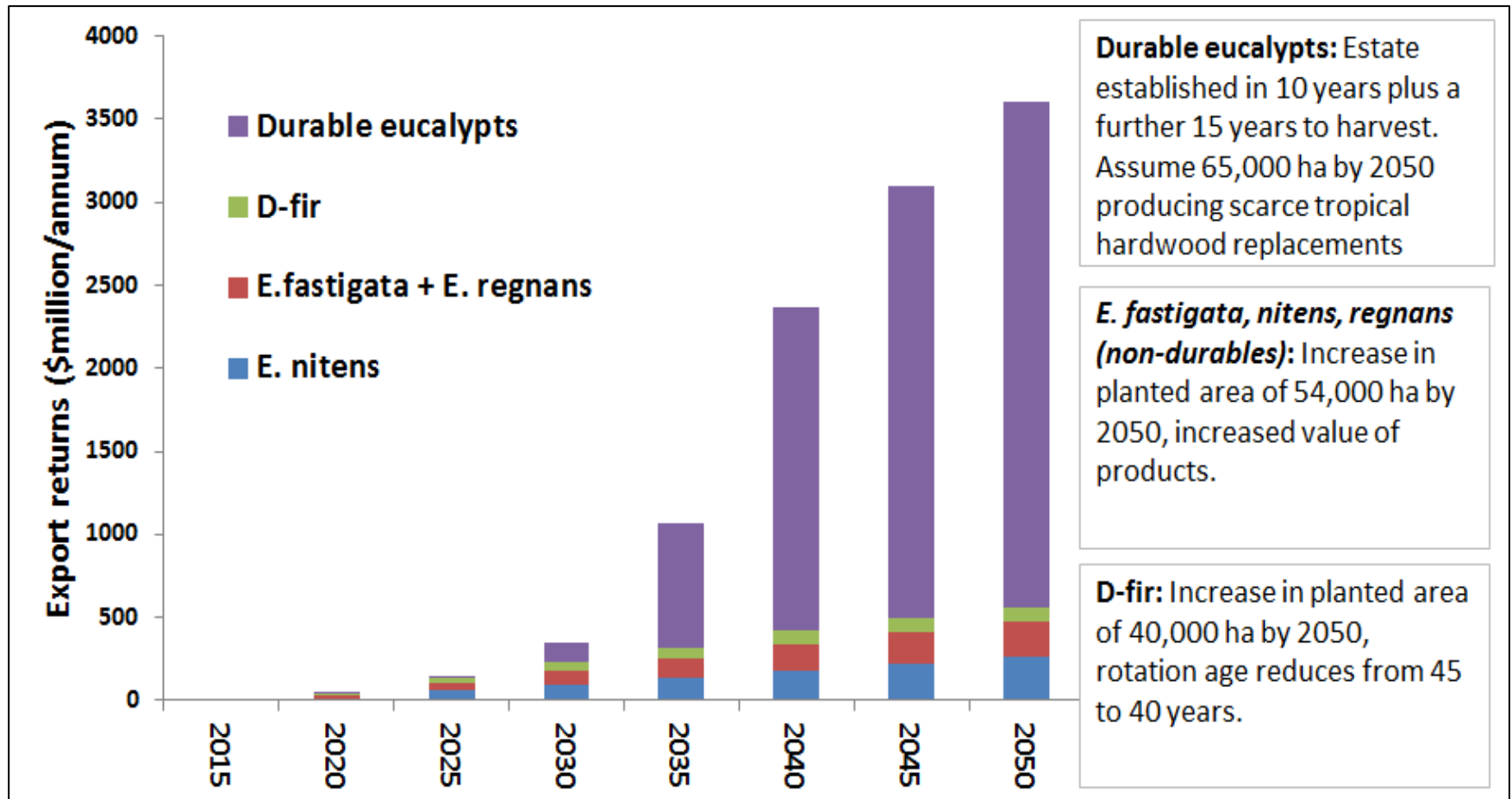
2030 - Total area 234,900 ha



2050 - Total area 337,400 ha

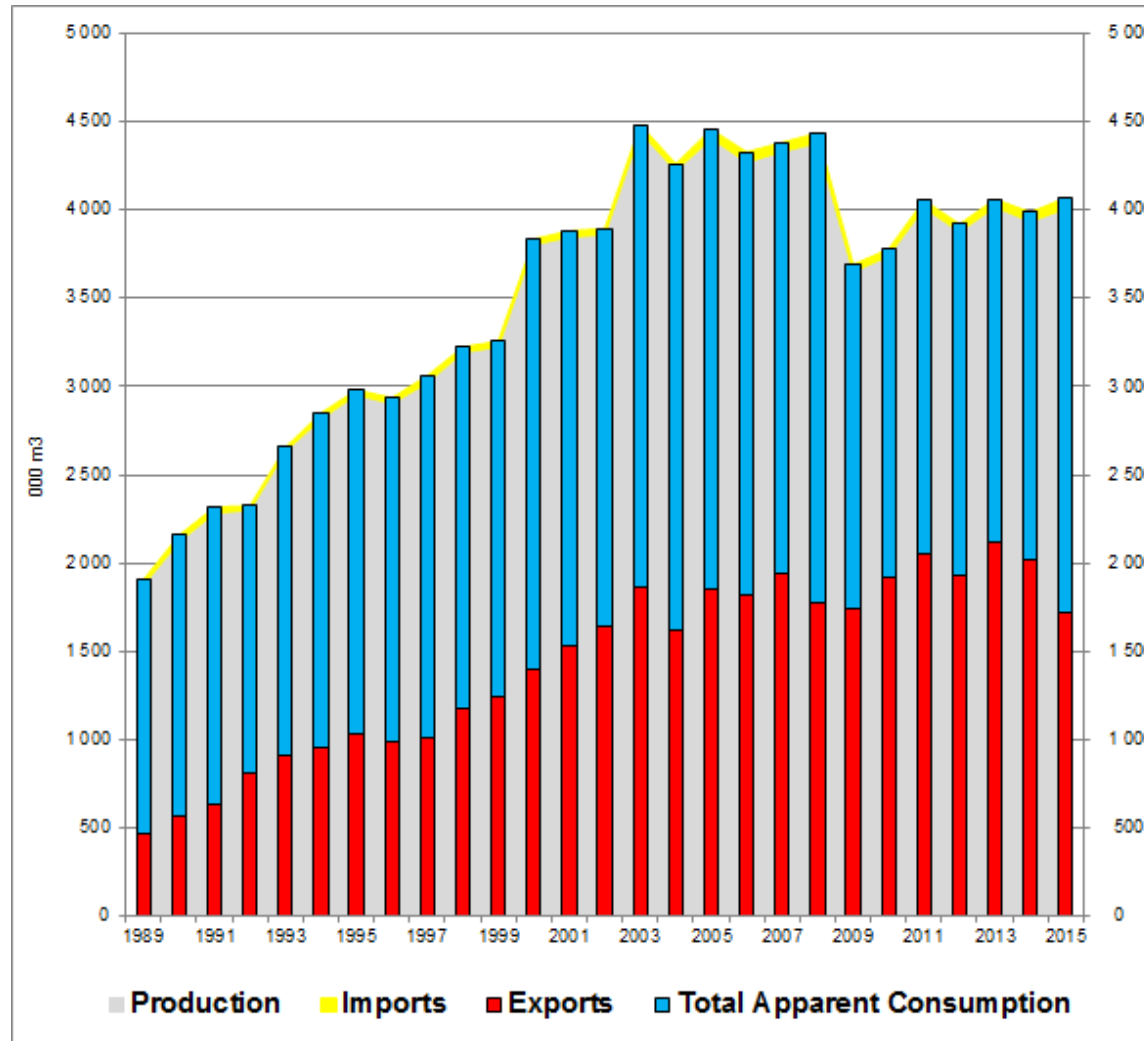


# Potential exports from target species





# Current NZ exotic sawn timber production, imports, exports and apparent consumption

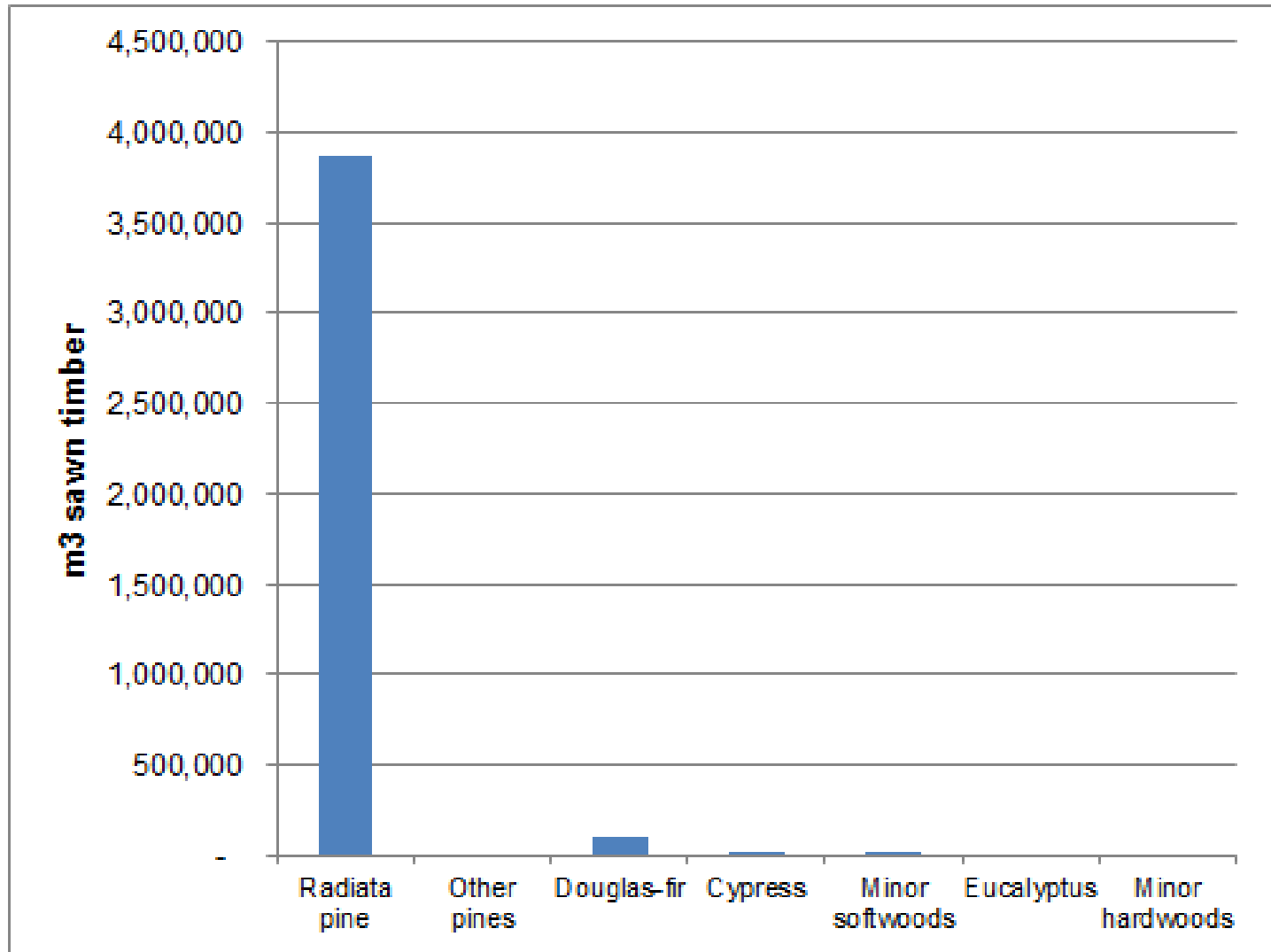


Imports 5 year average 48,000 cubic metres

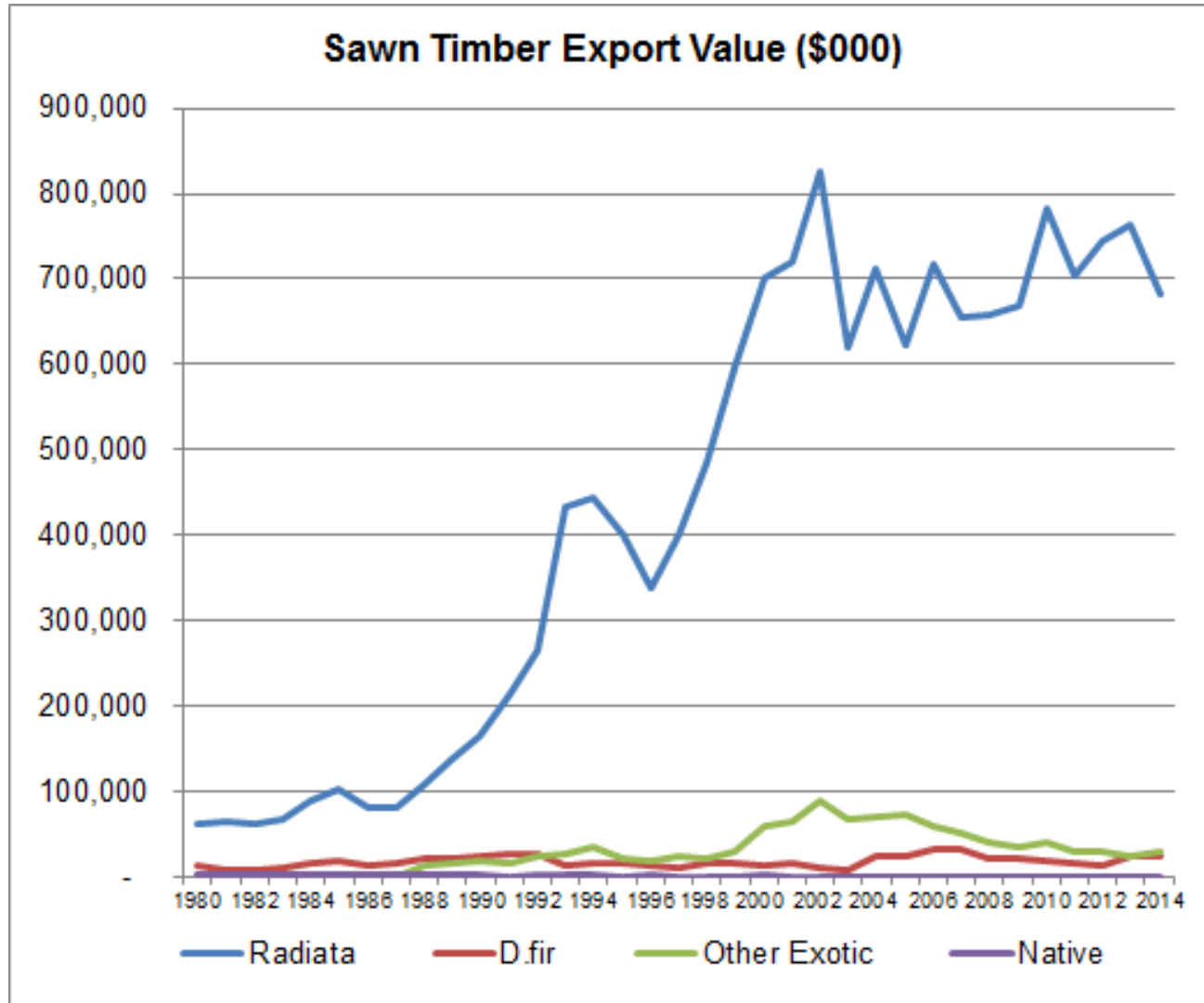
Domestic sales 5 year average 2.0 M cubic metres

Exports 5 year average 2.0 M cubic metres

# Current mix of NZ exotic sawn timber production



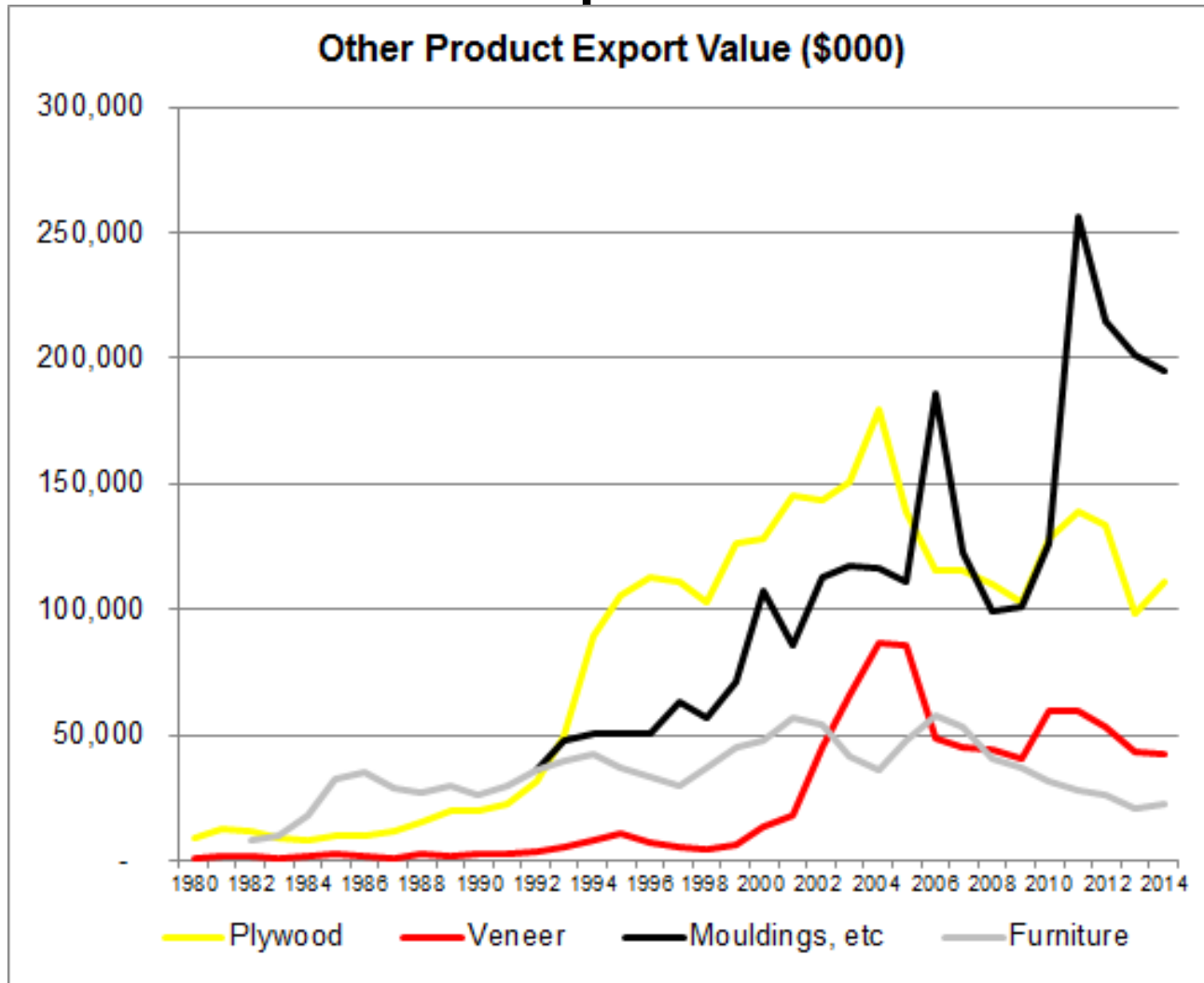
# Current sawn timber export value



5 year average export value of radiata sawn timber is \$735 M

5 year average export value of D.fir and other sawn timber is \$50 M

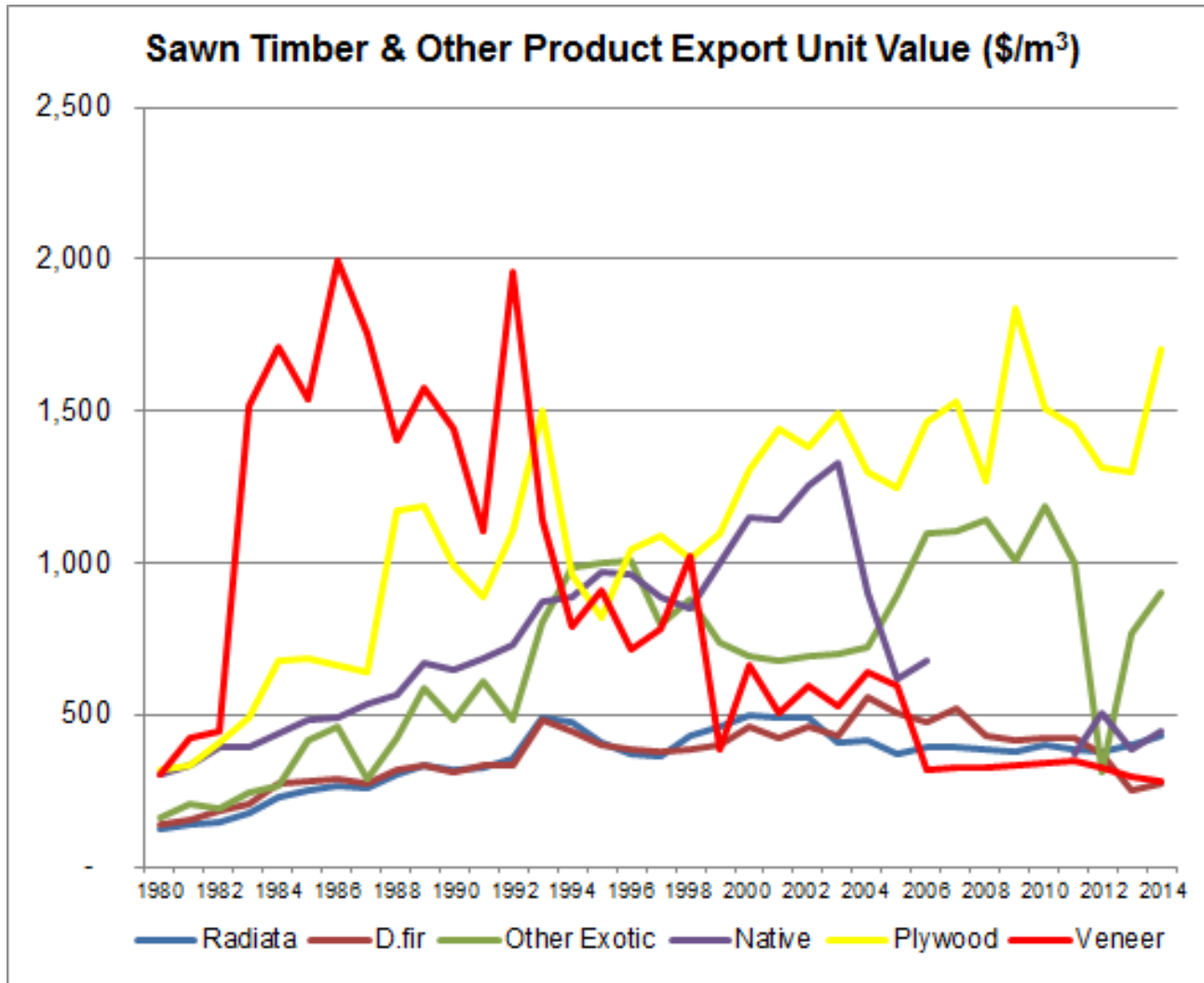
# Current other wood products export value



5 year average export value of mouldings is \$199 M

5 year average export value of plywood/LVL is \$122 M

# Current unit value for sawn and other wood products exports

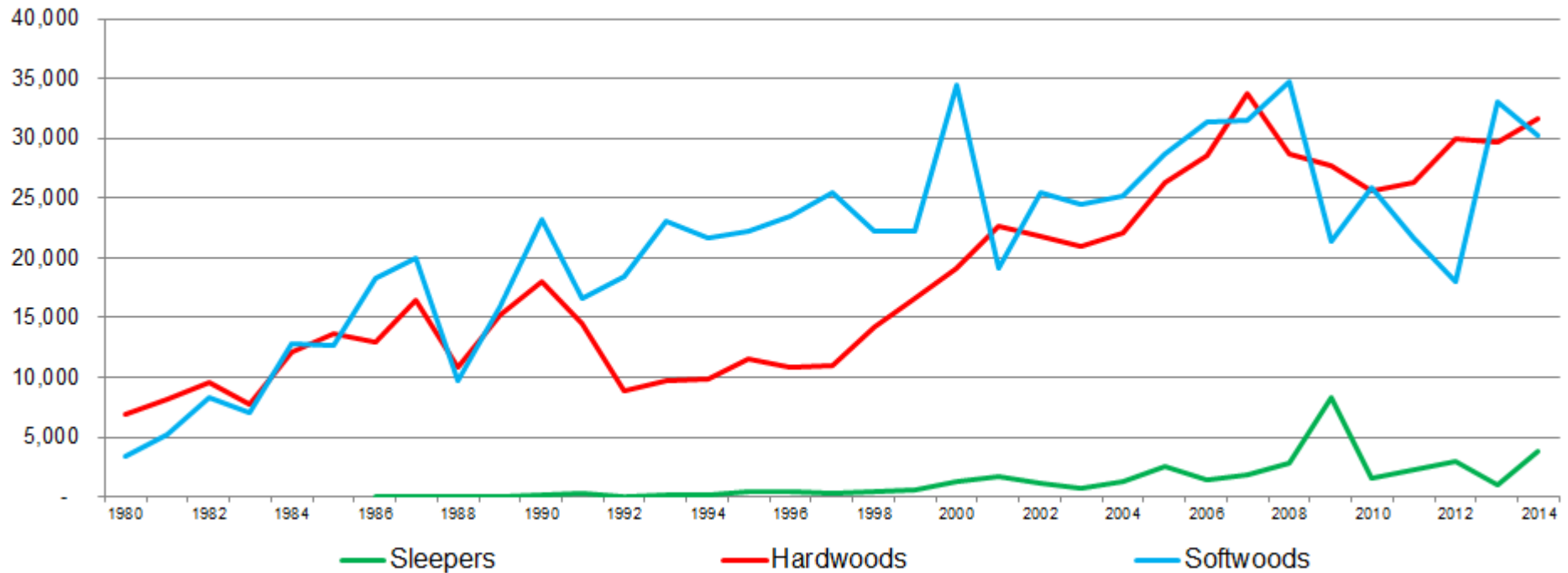


5 year average export value of plywood/LVL is \$1,450/m<sup>3</sup>

5 year average export value of Radiata pine is \$399/m<sup>3</sup> and D.fir is \$349/m<sup>3</sup>

# Current sawn timber import value

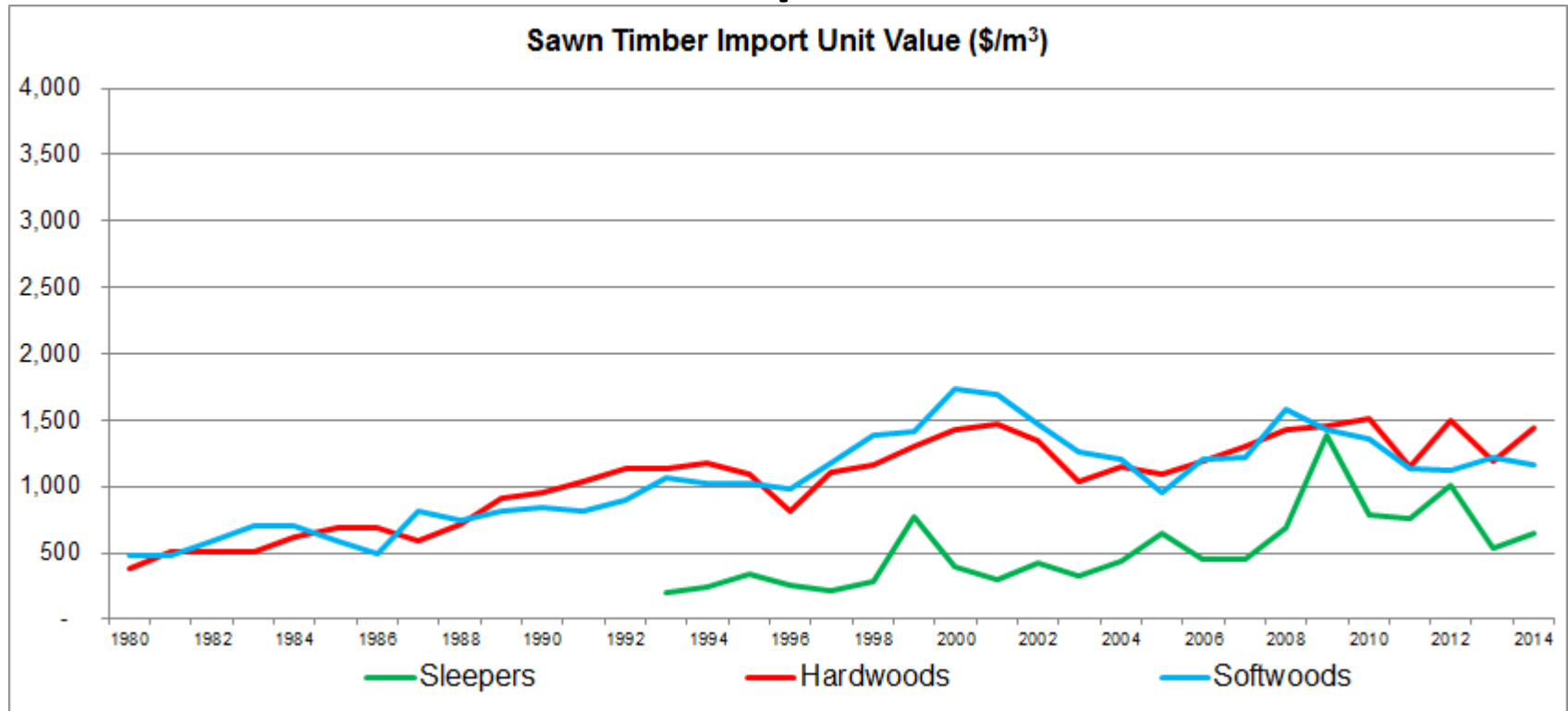
Sawn Timber Import Value (\$000)



5 year average value of imported hardwood is \$27.6 M

5 year average value of imported softwood is \$24.3 M

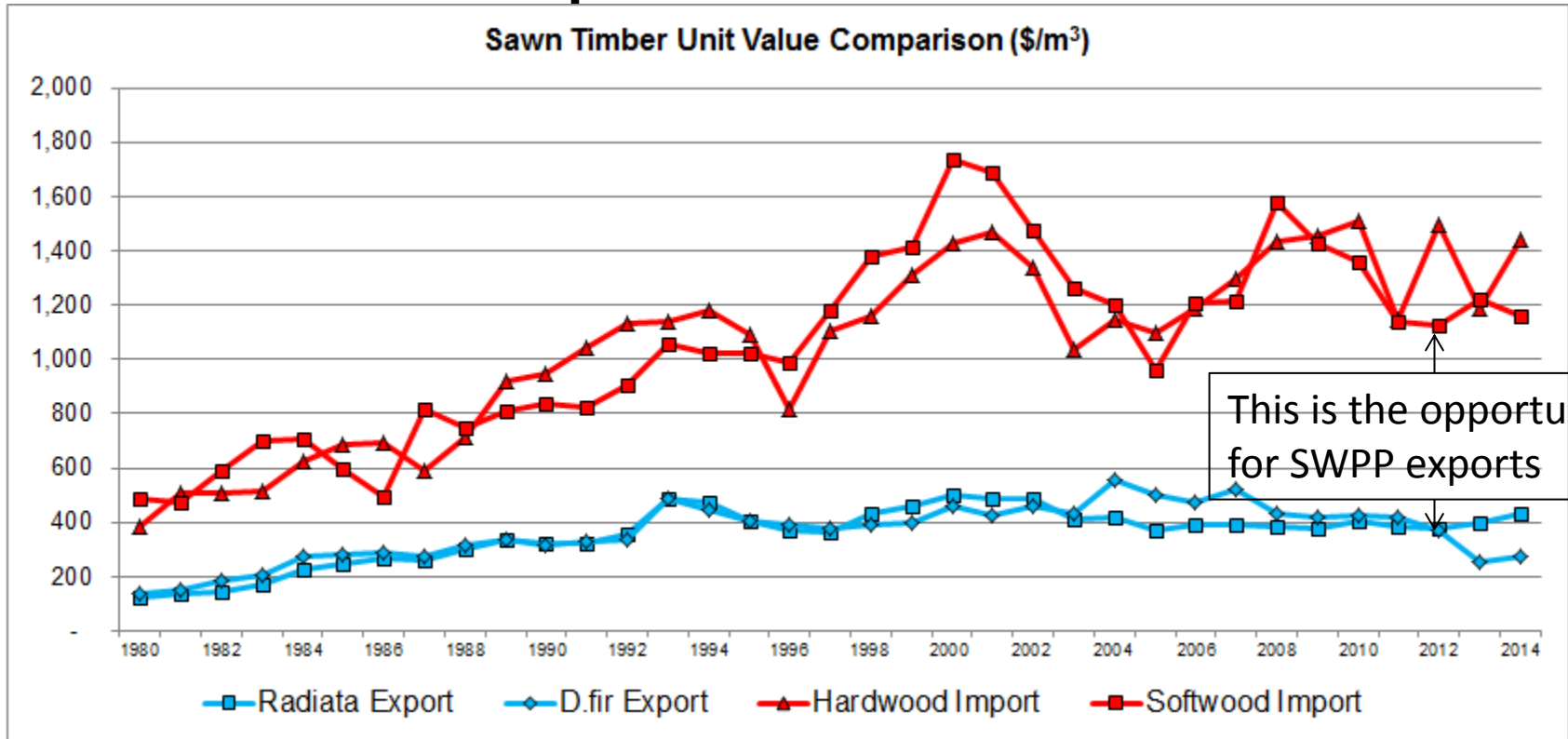
# Current unit value of sawn timber imports



5 year average  
unit value of  
imported  
hardwood is  
\$1,355/m<sup>3</sup>

5 year average  
unit value of  
imported  
softwood is  
\$1,202/m<sup>3</sup>

# Comparison of export sawn timber value to import sawn timber value



This is the opportunity for SWPP exports

5 year average unit value difference of imported softwood over export radiata is \$803/m<sup>3</sup>





# Today's retail timber prices in Christchurch

<b>New Zealand Grown Timbers</b>	<b>Price ex Christchurch yard – 1 cubic metre (150x50 clears)</b>	<b>Durability</b>	<b>Density</b>
Radiata clears	\$1,170	4	510
Radiata Accoya	\$4,320	1	512
Macrocarpa	\$2,410	3	485
Saligna	\$2,980	3	660
Pilularis	\$2,980	2	720
Rimu	\$5,055	3	650
Silver Beech	\$2,655	3	565

# Today's timber prices

<b>Imported Australian Timbers</b>	<b>Price ex Chch yard – 1 cubic metre (150x50)</b>	<b>Durability</b>	<b>Density</b>
Tasmanian Blackwood	\$6,550	3	625
Tas oak (E. regnans)	\$3,580	4	620
Jarrah (E. marginata)	\$4,230	2	820
<b>Imported Asian Timbers</b>			
Kwila	\$3,900	2	870
Malaysian kauri	\$2,340	1	660

# Today's timber prices

<b>Imported American Timbers</b>	<b>Price ex Chch yard – 1 cubic metre (150x50)</b>	<b>Durability</b>	<b>Density</b>
Western Red Cedar	\$3,325	2	385
US White oak	\$3,910	4	640
Yellow Cedar	\$2,746	2	480
<b>Imported African Timbers</b>			
African Rosewood	\$4,330	2	900
Sapele Mahogany	\$3,095	2	640
Wenge	\$9,030	2	880

# Market access and branding

Several investor companies have existing channels to market via their parent company including:

- Juken NZ Ltd
  - Parent company Wood One Corporation, Japan
- Southwood Exports Ltd
  - Parent company a JV between Itochu Corporation and Oji Paper Company Japan
- Ernslaw One
  - Parent company Oregon Group Malaysia
- Blakely Pacific
  - Parent company Port Blakely Pacific, USA

# However new markets need to be developed.

- Market research and development strategy required for NZ specialty wood products.
- A report on domestic marketing of specialty timbers just completed by Devcich for Farm Forestry Timbers. This report to be presented to SWP PSG.
- Opportunity to investigate the potential for developing a trademark/brand for use on both export and domestic sales.
- This may unify the marketing effort of farm foresters, forest growers and wood processors, and provide NZ traceability in international markets.

**Recommendation: That FFR investigate seeking an 'In Market' AGMARDT grant.**

**Recommendation: That a SWP industry working group be established to focus on market research and development.**

# Development of regional strategies

- Each strategy will be unique with different planning timeframes but a common process.
- An action plan for delivering new speciality wood products value chain based on one or more of the investors business case(s) is the principal objective.
- Also to ensure the new value chain has a 'social licence to operate'.

# Regional strategies consultation programme

- Investors – commenced September 2016.
- A SWP summary document for consultation to be drafted.
- Regional consultation documents for Otago/Southland to be drafted in collaboration with SWEL, Blackley Pacific, Ernslaw and City Forests.
- Consultation with Otago/Southland forestry growers; wood processors; local iwi; regional forest industry organisations; local government; economic development agencies; MPI and NZTE.

**Recommendation: That a regional working group for consultation and implementation of each strategy be established.**

# Government's Regional Growth Programme

Strategies need to be consistent with government's 'Regional growth programme'. <http://www.mbie.govt.nz/info-services/sectors-industries/regions-cities/regional-growth-programme>

**Regional Growth Programme** aimed to further investment, raise incomes and increase employment opportunities by identifying growth opportunities in selected regions.

The programme is jointly run by the Ministry of Business, Innovation and Employment (MBIE) and the Ministry for Primary Industries (MPI) working in partnership with stakeholders – businesses, iwi and Māori, and councils in each region.

Regions already with 'regional growth studies' and underway in the programme are:

- [Tai Tokerau/Northland](#)
- [Bay of Plenty](#)
- [East Coast \(Gisborne and Hawke's Bay\)](#)
- [Manawatū-Whanganui](#)
- [West Coast](#)

NZDFI is included in the East Coast growth study.



# Vision Mātauranga

- Government's policy is to unlock the potential of the Māori economy.
- Significant land holdings managed by other entities under Crown Forest Licences now owned by iwi.
- Māori forest ownership/management is approaching 40% of the total forested area.
- Iwi are cautious investors.
- Ngāi Tahu is directly involved through Proseed.
- Lake Taupo Forest Trust (Ngāti Tuwharetoa) is an investor and has recently planted trials of durable eucalypts.
- Te Tumu Paeroa (Maori Trustee) is an investor with 21% of current TTP land holding in forestry. Is working on developing an overall organisational forestry strategy. Currently has 2-3,000 ha of *E. nitens* forests in Southland.
- Scion has long-standing relationships with the East Coast iwi Ngāti Porou.
- **How else can iwi be engaged in SWP?**