



MEDIA RELEASE FROM THE SOUTHERN WOOD COUNCIL

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Forestry boosting local economy

Already one of the top earners in the southern South Island, the forestry sector is poised to continue to be a major contributor to the region's economic growth over the next two decades and beyond.

The latest wood flow projections from MAF present a positive long-term outlook for Otago and Southland's forests, and for the wood processing industries they support.

Although the present economic climate is creating a challenging environment for the New Zealand forestry sector to operate in, particularly with high exchange rates and freight costs and a depressed housing market in the USA, the trees coming on stream indicate the sector will endure long into the future.

From the current harvest of about 1.5 million cubic metres, the industry has the potential to sustainably increase production to 2.6 to 2.8 million cubic metres a year in the early 2020's. Most of this increase will come from small to medium size forests established in the 1990's by individuals, farmers, partnerships and smaller corporates.

Not only will this provide on-going and sustainable employment in timber harvesting and transportation in the long-term, but it will provide a significant boost to wood processing and further manufacturing.

What is particularly good news for the region in the long-term, is the growing supply of Douglas-fir; a timber with a strong domestic and international reputation. Extensive planting over the past 15 years means that the harvest will increase from the current level of around 100,000 cubic metres a year, to more than 400,000 cubic metres a year by 2025.

The combined Otago/Southland region currently has 215,700 hectares of forest, according to a new report from MAF and the Southern Wood Council "Otago/Southland Forest Industry and Wood Availability Forecasts."

The plantation estate in Otago and Southland has doubled in size over the past 25 years and the region is the most diversified in commercial forest species. The region has almost half of all Douglas-fir and 43 percent of all eucalypt plantings nationally.

The average age of the estate is just 12.8 years. This means the region has the potential to grow the annual harvest sustainably over the longer term.

These improvements are still some way off though, and the forestry harvesting and wood processing sector is likely to remain relatively static over the next few years with the supply of radiata and Douglas-fir over the next decade remaining reasonably stable. Hardwood fibre is set to increase in this time however, with the maturing of the hardwood plantings established by South Wood Export Limited in Southland.

The current plateau in timber volumes has encouraged processing companies to look at ways of improving productivity. It also provides time for the industry, and infrastructure agencies, to plan for the longer-term growth in supply.

Processing companies are increasing productivity through the use of improved scanning and sawing technologies, which allow more of each log to be turned into sawn timber. They are also further processing lower-grade logs, which may previously have been exported as logs.

The new forecasts provide councils and roading authorities with credible information for future planning. Co-ordinating this growth in timber supply will be a major focus for the industry and for infrastructure agencies in coming years.

Bio-energy and biofuel production from harvest residues has been identified as a potential revenue stream for growers. The processing sector already utilises a high proportion of mill residues, and this trend is forecast to continue.

Investment in new processing over the past 15 years has created a robust local industry, with around three quarters of the regional harvest now processed in some form, meaning more sawn timber exports, and a corresponding decrease in the export of unprocessed logs.

What this means

The forestry sector is, and will continue to be, one of the drivers of the Otago and Southland economy; a significant employer, exporter, and consumer of services.

The eight districts in Otago and Southland all have commercial plantings of forestry. The two largest districts are Clutha and Southland, with about 83,000 hectares each, while Invercargill City and Queenstown-Lakes have under 1,000 hectares each. There are 28 sawmills producing between 500 and 100,000 cubic metres of sawn timber a year, a medium density fibreboard factory, a mouldings facility, a veneer operation and two chip plants.

The forestry and timber processing industries provide significant full-time employment across Otago and Southland. The sector is important not only as a direct employer but as a purchaser of goods and services. This employment contribution will continue to grow alongside the increase in trees being harvested.

“The opportunities in forestry will continue to attract and retain families in rural communities. The industry is particularly attractive to younger people, who are important to supporting rural schools and sporting activities” Southern Wood Council chairman Matthew Hitchings noted.

An important point, often overlooked, is the range and depth of jobs needed to manage the forestry and timber processing industries, including accountants, marketing staff, technicians and IT specialists positions.

The ports of Otago and Southland will also expand to meet the demands of the growing wood supply.



Mr Hitchings pointed out that one of our greatest assets is the skill base within the industry, and the willingness of managers to act collectively. The Southern Wood Council, made up of forest and wood processing interests throughout the province, was formed on this basis. This puts Otago and Southland in a unique and strong position to build the forestry sector's contribution to the economy. "Such a co-operative approach will be critical for tackling the constraints facing the sector, around skills and training, transport planning and operational efficiencies."

The Southern Wood Council and MAF have a series of meetings with local Councils and regional planning staff over the next fortnight to explain the results from the new wood flow projections and impacts on the region through the growing forest resource."

Follow the link to the Southern Wood Council website for the full report:

http://www.southernwoodcouncil.co.nz/pdfs/Otago_Southland_Ind_Profile_2008.pdf

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