



**Media release from the Southern Wood Council
December 22**

The economic benefits of Otago's forestry

The flow of logs through the ports of Otago and Southland continue to be strong, as Zealand log shipments from New Zealand reach a record high.

Volumes over the last six months have grown significantly as Asian markets rebound from the recession, with log shipments from throughout New Zealand for September 2009 totalling 905,000 cubic metres.

Log exports from New Zealand to China from April-June 2009 were up 80 percent on the first three months of 2009. Growth in this market has been steady since the end of 2007.

Locally, Port Otago reports there has been a log volume increase of 64 percent in six months from April to October this year, compared to same period in 2008. There has been a small expansion of the area devoted to log storage at Port Chalmers as a result.

Log exports from Southport at Bluff have also risen, with the main exporter Ernslaw One shipping between 10,000 and 12,000 cubic metres of radiata and Douglas fir logs each month, predominantly from its Blue Mountain forest, but also on behalf of other growers.

New Zealand's log market is being driven by China's growth, and in particular its focus on infrastructure development (NZ\$62.6 billion this year). The New Zealand log supply is competitively priced compared to Russia, China's traditional supplier.

The radiata pine logs exported to China and Korea are being used for a variety of uses, primarily industrial and construction lumber, while much of the lumber from logs sawn locally is exported to Asia and used for furniture.

Over half of the wood harvested from Otago forests, including those owned by Wenita and City Forests are being shipped as entire logs to both markets monthly.



Wenita Forests is averaging 15,000 cubic metres a month, mostly harvested from its Mt Allen forest near Mosgiel, but also from blocks at Berwick and Kaitangata. CEO Rodger Hancock said exporting to China currently represents over half of the company's log harvest; the rest being processed into timber locally for the domestic or export market.

City Forests is loading an average of 12,000 cubic metres onto ships each month, harvested from forests around Dunedin, most going to South Korea. However CEO Grant Dodson reports increasing demand for its logs from China, with several enquiries being received each week.

Local business PF Olsen is also exporting logs on behalf of private woodlots, mostly from Otago but also from Northern Southland; shipping 4000 cubic metres of logs out of Port Chalmers every six weeks. Rayonier Asia Pacific Ltd also ships a small amount of logs from the port each month.

The forest owners agree the growth in this market is timely for an industry that has been challenged by the impact of the recession on the building market, the rising exchange rate, and with the uncertainty that the Kyoto Protocol and the Emissions Trading Scheme has cast over replanting in recent years.

It has created more options for forest owners.

"The increased demand from China which emerged earlier in the year came at a good time for forest owners and harvesting contractors, and is providing on-going work in the region," Mr Hancock said.

Ernslaw One Regional Manager Phil de la Mere agreed, saying it is positive for the industry, particularly as the demand appears to be on-going in what is a new market for Ernslaw One. "China is a huge economy with a huge demand, and is where business is being done now."

But while the increased demand and improved prices for logs is welcome in this recessionary climate, profitability continues to be an on-going concern to the Southern



Wood Council on behalf of its members, given the rapid rise in the exchange rate over the last six months as well as a spike in freight costs.

“China has presented us with welcome new opportunities for selling our wood, but profitability is the issue and all forest owners big and small are subject to these same market forces. Margins are being hammered by the soaring dollar, and are eroding returns on what should be a valuable export industry for the province,” Southern Wood Council chairman Grant Dodson said.

“The high NZ dollar is impacting on the country’s export economy, and will continue to be of major concern to all New Zealand exporters,” he summarised.

The Southern Wood Council Inc was set up in 2001 to promote, encourage and coordinate the sustainable economic development of the forest products industry in Otago and Southland. One of a few truly independent groups of its type in New Zealand, it includes all the major forest owners within the region (ownership or management of over 140,000 hectares of production forests with an annual harvest of over 1.2 million m³ of wood), the larger wood processing and manufacturing companies, the port authorities, and each of the three economic development agencies from local councils.

For further information contact Grant Dodson on 03- 467-7722.