

SEEING THE WOOD FOR THE TREES

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Indigenous and plantation forests are vital to New Zealand society for a range of sometimes competing values and uses. While there have been many achievements, it has been argued for some time that the forestry sector has yet to fully deliver on its potential. This potential not only includes economic and social returns but a role in ensuring the sustainable management of land, water resources and biodiversity, and mitigating climate change.

»» PRODUCT OF THE FUTURE

Critics who believe forestry should be consigned to the dustbin of history need to think again. MAF's work reveals a fascinating set of future opportunities, such as complementary crops, wood residues for energy production and new products from woody biomass, in addition to the expected growth in demand for our existing wood products from an increasing global population and urbanisation trends. Other opportunities exist, such as the environmental benefits of developing forests. Forestry's future contribution to local communities, tourism and energy production is also significant.

FORESTRY SECTOR STUDY

The importance of forestry to New Zealand, now and into the future, prompted MAF to lead a proposed series of primary sector studies with forestry. The *Forestry Sector Study* was published earlier this year with the aim of providing an in-depth and future-focused evaluation of New Zealand's wood industry.

The study surveys and describes the setting in which New Zealand forestry exists currently, including the structure of the industries and wood availability. It also takes into account institutional frameworks such as forest ownership, industry associations and regulatory issues. It scans the dramatic changes in the Government's role in forestry over the last 20 years and explores the roles that underscore the importance of ongoing partnership between industry and Government.

The study also examines the inputs needed for the forestry sector to operate, such as land, people, finance, energy and transport. MAF looks at the effect of these inputs on the industry's competitiveness on the world stage. The resulting analysis exposes some concerning trends that need attention.

MAF also explores the sector's outputs, including profits, jobs and environmental services such as soil conservation and carbon capture – now and into the future.

Realising these opportunities will, in part, be determined by the research direction and innovation applied by the sector over the next few years. The study highlights future research priorities, particularly in forest growing and wood processing, as well as how to make gains from research and innovation, such as in biomaterials, engineered wood products or new construction systems. Included in this analysis are the challenges of turning innovation into profits. It's from this that the beginning of a road map for action by industry and Government (as an investor) can evolve.

»» CLIMATE CHANGE

Forestry has become high profile here and overseas for its role in responding to climate change. Climate change is perhaps the most pressing issue facing humanity today, and is inextricably linked to the many opportunities and challenges for New Zealand forestry. The two can no longer be talked about as separate issues, and various drivers of climate change are expected to generate major changes to forest management.

»» THE WORLD STAGE

For more than 150 years, New Zealand has been sending timber to the world, and today around 70 percent of our forest production is exported. There are, however, considerable risks if we fail to take advantage of global trends. Understandably, the study has a particular focus on the international influences on New Zealand forestry, how these will shape the sector and how the sector needs to respond.

New Zealand's isolation has meant that indigenous flora and fauna and the plantation forest estate are free from many of the pests and diseases that affect other countries. However, increasing trade and travel, and climate change, are elevating the risk of pests and diseases entering New Zealand and becoming established. MAF has examined the nature of the risks and how forest health and biosecurity are managed in New Zealand. In addition to the biological risks, there are the physical risks – fire is the one we hear about the most but is it forestry's most immediate threat?





FORESTRY AND SOCIETY

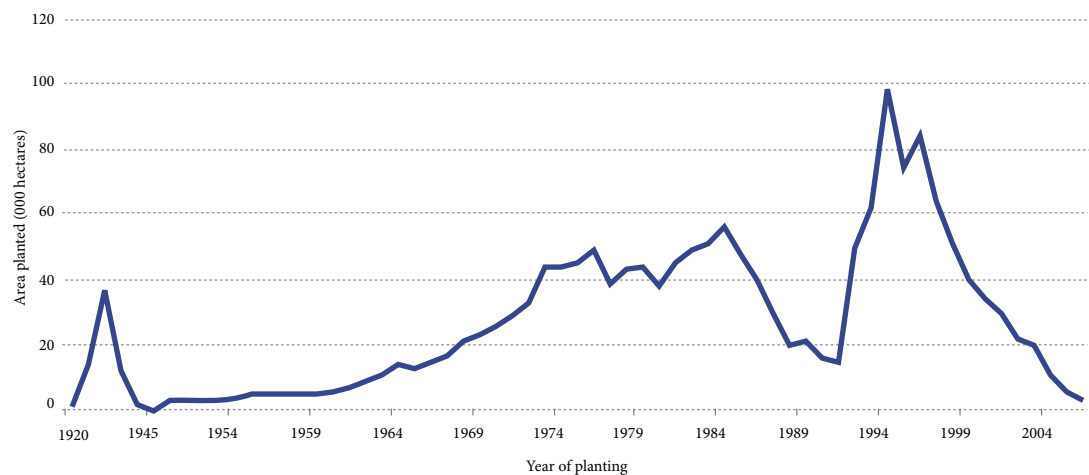
Ultimately, the management of any resource and the production of goods and services from that resource serve the well-being of the local, regional, national and/or international communities. It is critical that forest managers and producers understand the values, perceptions and attitudes of the societies they serve, and that societies understand the true nature of the forestry sector.

»» CHALLENGES AHEAD

The study highlights the challenges ahead for a sector that is characterised by the continued dominance of radiata pine, limited investor confidence and a low level of new planting. In spite of the majority of forests being replanted, deforestation of exotic forests for different land uses is exceeding afforestation. The result is a shrinking forest estate. Added to this is a recent fall in harvesting volumes short of the expanding “available” plantation wood supply, while harvests from indigenous forests are negligible.

The good news is that, since 2000, there has been significant growth in veneer, plywood (including laminated veneer lumber), fibreboard and lumber production, and a renewed focus on the use of engineered radiata pine timber products. However, the recent economic crisis has

FIGURE 7.1: EXOTIC AFFORESTATION IN NEW ZEALAND



Source MAF.

put downward pressure on demand for processed products. Currently, only about 60 percent of exported wood products are processed, while the remainder are exported in a raw form.

Like many other parts of the economy, the sector is having difficulty in attracting skilled labour and new recruits for training. Over recent years, there appears to have been a low level of commitment by the sector to a long-term strategy, including research and development. However, the creation of the Wood Council of New Zealand (Woodco) and recent government assistance through the Forest Industry Development Agenda (and more latterly the Primary Growth Partnership) are all efforts at investing in a stronger future.

»» WHAT'S NEEDED

MAF has identified some issues that both industry and Government need to be aware of and be responsive to going forward. For example, it is evident that short-term market signals have had a surprisingly strong influence on long-term investment in forests, and predicting investment patterns beyond the short-term is problematic. Therefore, a stable regulatory and investment environment is important.

Market dynamics can change quite markedly over the short and medium terms, so an agile and nimble sector is essential. For instance, changes in India's domestic regulatory regime opened a log market opportunity virtually overnight, while in affluent markets, certified sustainable forest management has become essential.

»» UNFULFILLED POTENTIAL

Almost everyone involved in forestry in New Zealand would agree that the original expectations of a vibrant, export-oriented forestry sector have yet to be fulfilled and that the industry is currently unable to fully utilise the available wood resource. Our wood processing mills are generally small by international standards, and there was no significant productivity growth in the wood processing, forest growing and harvesting industries between 1996 and 2006.



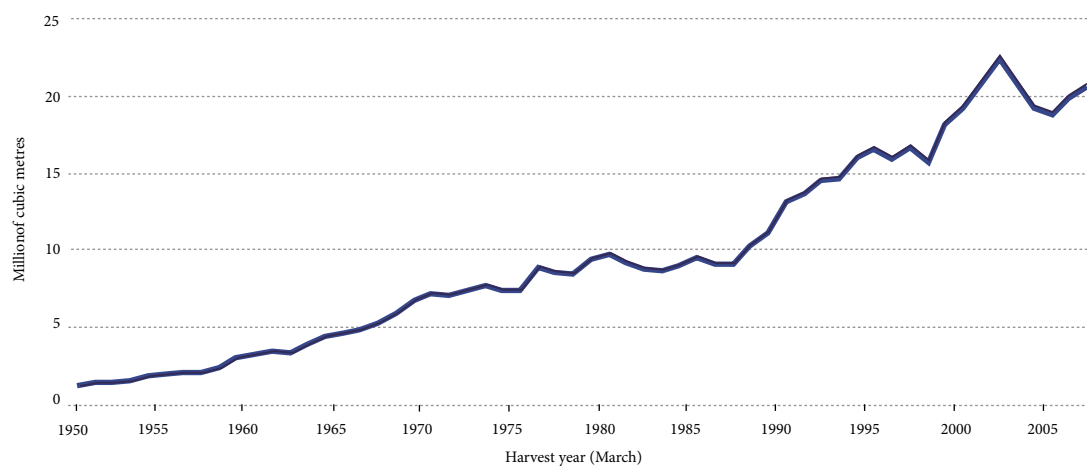


The forestry sector has relied mainly on market growth in a relatively small number of markets to sell its products, rather than increasing market share and market diversification. There is clearly much work to be done to export more and higher-value products to global consumers.

»» ENVIRONMENTAL VALUE

Forests have always provided environmental services, but receive little financial recognition because their services can be consumed by everyone. Nobody can be excluded so owners cannot charge for the benefits the forests provide. But a growing global environmental awareness, particularly around issues related to sustainability and climate change, is changing this situation. Such opportunities, combined with timber production and demonstrated sustainable forest management, have the potential to expand a highly valuable forest estate.

FIGURE 7.2: HARVESTING FROM PLANTATION FORESTS



Source MAF.

More online

The *Forestry Sector Study* is available on the MAF website at:

www.maf.govt.nz/forestry/publications

MAF'S VISION

It is clear that forestry will remain a major pillar of New Zealand society for as far into the future as we can see. The sector has the potential to substantially increase its contribution to the economy, environment and society. Based on enhanced knowledge of the sector, MAF has formed a vision for the next 20 years that sees:

- › an innovative and profitable forestry sector that takes full advantage of increasing demands for timber and wood products;
- › an extended and sustainably managed forest resource, providing valued “environmental services”.

»» EXECUTION IS KEY

The *Forestry Sector Study* has identified the many areas industry needs to focus on to move forward and prosper. How the sector takes advantage of the strengths and mitigates the threats will determine if the opportunities are taken up, and the degree to which the vision becomes reality. MAF is committed to working closely with the sector as it shapes its future.

