The silver beech industry in transition

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Abstract
The New Zealand silver beech industry is in transition with new opportunities arising in domestic and international markets. Supply from forests managed sustainably under the Forests Act is increasing as is Forest Stewardship Council certified stock. Demand for hardwood timber is also increasing and in the last four years silver beech sawnwood prices have been on the rise. These trends create opportunities for silver beech producers.

There is a need to improve industry performance through better marketing, research and cooperation amongst interest groups. This is beginning to happen. High end niche markets are being targeted to move silver beech prices towards those of equivalent quality temperate hardwoods.

Introduction
Silver beech (Nothofagus menziesii) or tawhai (taw-fai) in Maori, is a medium density hardwood that has similar appearance and workability as some of the high quality northern temperate hardwoods like North American maple (Acer saccharum) and cherry (Prunus serotina). The wood has long been recognised by New Zealand native timber producers as being excellent for furniture, interior mouldings and architraves. Unfortunately, a combination of bad timing, an uncoordinated marketing approach and limited research and technology have created a difficult marketing environment for the silver beech business. However, recent restrictions on native forest logging as set forth by Part IIIA, Forests Act (FA) 1949 have opened a niche for silver beech to complement diminishing rimu in the furniture and home furnishings business sectors. Additionally, changing supply and demand of hardwoods in global markets have provided an opportunity for New Zealand silver beech internationally. Exporting now appears to be an attractive option for beech.

Current Industry situation
Over 70% of New Zealand’s silver beech (tawhai) production comes from Southland, more than half of which is from unsustainably-harvested Maori-owned South Island Landless Natives Act (SILNA) 1906 forest (MAF 2001). There is an increasing number of forest plans and permits registered under Part IIIA, Forests Act 1949 in Southland, bringing production levels from sustainably harvested forest nearer to the unsustainable levels from SILNA forests (MAF 2002). New Zealand 2002 sawn beech production matched sawn rimu production (Fig. 1), whereas 10 years ago it was about one-seventh of sawn rimu production (MAF 2002). This convergence has come about because of an increase in beech production as well as the decline in the rimu harvest.

Fig. 1: Trends in beech sawnwood production versus rimu (MAF 2002).

An important constraint for the silver beech industry has been limited production and marketing. This was seen for example, in the industry’s lack of research and technology and its marketing approach, with little or no effort to match branding and naming of products. Historically, there has been a perceived difference between Southland silver beech and that from elsewhere in New Zealand. There is a shift to improve industry performance as new markets develop and processing investments are undertaken. There are opportunities for regional product differentiation with varying qualities to explore, as with pine (Olson 2003). Production costs in New Zealand are favourable relative to other countries. However, with the recent upswing in the dollar and increased costs of sustainability it has become increasingly important to find high-end niche export markets.

Domestic markets and prices
Before 1998, sawn silver beech prices had changed little in real terms over the previous 20 years. The last four years have seen about a 35% increase in price and this rise is expected to continue in response to greater demand for quality hardwood (I. Macdonald pers. comm.).

Canterbury and Auckland have a higher concentration of furniture and sawn hardwood customers and therefore consume much of the
Silver beech supply. Smaller volumes go to Southland, Otago, Timaru and Wellington. The recent economic boom in Queenstown has seen demand grow there, mainly for interior decorating of high-end homes (I Macdonald pers. comm.). Silver beech has had to compete in New Zealand with darker rimu-lookalikes. With recent rimu shortages, a number of furniture makers and architects have found silver beech a suitable replacement in furniture and interior decorating applications. Most furniture makers who have switched to beech stain the wood to match the darker-coloured hardwoods. According to industry experts there will likely be a five to ten-year lag period before New Zealanders display a broader acceptance of the natural coloured silver beech features (Piebanga pers. comm.).

Substitutes on the domestic market include value-added wood imports such as furniture and furniture parts and joinery, temperate and tropical sawn hardwood imports, New Zealand-grown exotic hardwoods, and timber and nontimber substitutes (MAF 2002). All of these have increased over the past ten years except for joinery products imports and New Zealand-grown sawn hardwood (Figs. 2 and 3). Sawn silver beech volumes have increased as the wood becomes more competitive in the markets in response to diminishing rimu supplies. This trend should continue as silver beech gains a greater presence and recognition in the New Zealand furniture and architectural industries.

**Global hardwood trade**

On a global scale, major end user groups of sawn hardwood are given in Table 1. Global trade in sawn hardwoods has been characterised by significant changes with increased environmental awareness leading to demand for environmentally-certified wood products. Global sawn hardwood production volume has decreased by 23% in the last decade, while trade between countries in sawn hardwood volumes has increased by 52% for the same period. In 2000, global trade of sawn hardwood was 20% of the global trade of sawn softwood (Donnelly et al. 2003).

The future supply of sawn hardwood and plywood from tropical sources, particularly Southeast Asia, is uncertain due to over-harvesting and environmental concerns over the resource sustainability. China is the largest importer of sawn hardwood, followed by Italy and the USA. The top exporters are USA, Malaysia and Indonesia (FAO 2002). In Europe, Italy, Spain and Holland are the top sawn hardwood importing countries (ECE Timber Committee 2002). Although the largest volume of European sawn hardwood imports comes from tropical countries, an increasing share is sourced out of Eastern Europe from such countries as Slovakia, Croatia and Latvia (ECE Timber Committee, 2002). Global sawn hardwood trade has been significantly impacted by increased demand for environmentally-certified hardwood products. Companies in Western Europe and the USA increasingly require FSC-certified wood for their products (Thompson 2003).

The fine furniture market is well suited to specialty sawn hardwood and sliced veneer applications characteristic of silver beech. The major furniture suppliers in 1999 were Italy, Denmark, Spain, and Germany, while the major
importers were USA, Germany, France, and the UK. Major new exporters include Poland, the Baltic States, Malaysia, Indonesia and China. Europe, North America and Japan have large investments in these new furniture exporting countries (UN-ECE/FAO 2001).

In Australia the furniture manufacturing industry is highly fragmented, making it difficult for individual firms to achieve scale economies. Lowering the import tariff in the 1990s has led to increased imports of low-end furniture into Australia, principally from Southeast Asia and China (Donnelly et al. 2003).

The global fine furniture market has maintained a series of niches internationally that are well suited to specialty-sawn hardwood and sliced veneer applications as is achievable with silver beech. These applications are for specialty niche markets that have particular marketing requirements most often requiring specialist distributors and stockists (Thompson 2003).

The USA and UK flooring markets take a range of species and grades typical of the beech product range, including natural and rustic grades with varying lengths and widths (UN-ECE/FAO 2001).

Opportunities for export market entry including certification

New Zealand's favourable export environment provides an excellent position for producers to enter international markets. Current markets for New Zealand's silver beech sawnwood are Australia, Europe, and Asia. Most Asian markets have opened up in response to the need for FSC-certified hardwood for products supplied to Western Europe and USA home improvement retailers. Silver beech is potentially competitive in the certified high-end furniture and architectural industries in Western Europe and USA. In promoting their product, sustainable silver beech producers can use the New Zealand clean green image, as well as sustainability, support to the local economy and Maori, which are upheld by both FSC and New Zealand's existing forestry regulations such as the RMA and FA.

Though much of the export market potential for silver beech depends on the availability of FSC-certified product, only 12182 hectares of New Zealand silver beech forest are certified. More forest will need to be certified if future market demand for FSC-certified product is to be met. Another 50,000 hectares of private beech forest nationwide are under Part IIIA FA 1949 plans and permits (MAF-IFU 2001) fulfilling management requirements that are not dissimilar to the FSC requirements.

Conclusion and summary

With its excellent properties silver beech has the potential to be competitive in high-end niche hardwood markets, both domestic and international. In particular, there are developing markets for character grade and wide boards as well as FSC-certified products for southwestern USA and Western Europe. Opportunities also exist for the other New Zealand beech species in flooring, tool handle, mouldings and furniture applications.

However, entry level prices remain lower than the wood quality implies and the products need to be positioned in export markets with quality hardwoods such as maple and cherry. Downgrading silver beech by marketing it alongside lower quality species would jeopardise sustainability. The higher end markets are necessary to support the increased costs of sustainable harvesting; i.e. higher cost harvesting methods as well as additional cost from plans and permits and perhaps FSC certification.

Development of high-end markets requires a coordinated marketing approach where there is collaboration between beech producers, forest owners and government, supported by research and development.

References