

### SoFor bidding time on research bids

The Southern Forestry Research group (SoFor), established to take over work discarded by Forest Research, is bidding its time while discussions continue on future contracts.

Discussions have been continuing between the Foundation for Research Science and Technology (FORST), the Rotorua-based Forest Research and industry focus groups in a bid to finalise the 1999/2000 research contracts.

SoFor involves staff at the School of Forestry at Canterbury University, Lincoln University and Landcare as well as industry parties, such as farm foresters. The group's spokesman, Eoin Garden, has recently been appointed to a research focus group assisting the negotiations for the current round of contracts. Mr Garden said he had been appointed as a farm forester rather than in his role with SoFor.

The SoFor group was established because industry and researchers, particularly in the South Island, became concerned that funding may not be available for areas such as alternative species research. While there appears to have been agreement over the major areas of FR's work, there are some areas yet to be resolved.

"I've been asked to be involved in the reference group to assist in the negotiations between Forest Research, the foundation and different groups. The aim is to try to determine the amount of funding for different areas for research that have yet to be decided upon by the foundation."

The process will address the changes for the year 1999-2000 and the contracts already in place. It is not until those issues are resolved that the groups will look at the new contracts where SoFor can become involved in providing a competitive bid for the work.

Mr Garden has said he was prepared to be involved in the current sort out of contracts on the basis that once that round is completed, discussions start on the opportunities available for SoFor.

Mr Garden said he had had a lot

of supportive comment from industry people who had welcomed the opportunity for competitive bidding in research and SoFor's focus on alternative species and farm forestry.

### Log export upsurge

An upsurge in log exports following a downturn two years ago has resulted in shortages in logs and trained labour in the central North Island, according to reports.

The volume of logs being exported has increased to being closer to 1997 levels than at any time since the Asian economic crisis. The Korean market has come back particularly strongly and Japan, while not so firm, is also up and steady.

This, combined with a rise in the US market for good quality lumber product, has put pressure on the supply of logs and in turn seen log prices rise to domestic processing companies.

It's reported in the New Zealand Herald that there are hundreds of jobs for trained pruners available. Foresters say there are hundreds of jobs for trained pruners and warn that if young trees are not pruned, their value could drop sharply.

Forest owners and managers want government training and funding agencies to urgently put in place more coordinated programmes for recruits.

The chief executive of the Forest Owners Association, Rob McLagan, said physically demanding pruning and planting work had got a bad image following layoffs two years ago.

"The people may be there but they have not got the training."

The shortage of workers was being felt on the East Coast, in the central North Island and in Northland.

### Promising outlook for industry

The forestry industry was in a growth phase again last year after a tough time triggered by the Asian economic crisis in 1997. The outlook for this year is just as promising according to a report in the New

Zealand Herald.

The two largest companies - Fletcher Challenge and Carter Holt Harvey - started to report a return in Asian demand for basic wood products last January as volumes of value-added products strengthened in Australia and North America. Later in the year, prices started to recover too.

"It was the first time we've started to head back up after three years of decline," said James Griffiths, chief executive of the Forest Industries Council.

"We've all been amazed at how quickly Asia recovered coupled with that we had really robust construction here in New Zealand and Australia which has created a great demand for lumber and other finished wood products," said Jay Goodenbour, chief executive of Carter Holt Harvey Forests.

The improving market was reflected in the performance of most forestry companies. Carter Holts forestry division, for example, reported after-tax profits of \$55 million for the six months ended September 30, compared with \$41 million in 1998.

Profits were also boosted by cost and job-cutting programmes by the forestry companies designed to make forestry manufacturing operations more efficient.

Meanwhile corporate events during 1999 included the sale of Carter Holt's 30 per cent indirect shareholding in Compania de Petroleos de Chile (Copec) for \$2.5 billion to the Angelini Group.

Carter Holt confirmed the construction of a \$130 million laminated veneer lumber plant to be built near Whangarei this year. To feed the mill, it is planning to build a sawmill nearby and is searching for a foreign investor to help fund the cost of building it.

"We're going to have to make sure we find ways to make radiata the lowest-cost material in the world," said Mr Goodenbour.

"It's not the highest quality when you compare it with other species in the world, so what we have to do is realise that its advantages lie in being low cost."

Fletcher Challenge has a different view. The company, which is more focused on US markets, plans to continue selective pruning of trees, exporting processed wood products to lucrative markets like North America.

Steve Wilton, business director of investment company Forest Enterprises, said the number of domestic investors increased by more than 5 per cent during the year.

The company, which manages forests on the east coast of the North Island and represents about 6300 investors, plans to increase its marketing budget this year.

A bright outlook was also forecast by stock market analysts. Dennis Lee, a forestry analyst with ABN Ambro, predicted growth in Asian and US markets as well as stable commodity prices.

Ord Minnett analyst David Shirer said demand for lower quality logs was expected to remain stable this year in Korea, a major market for New Zealand which was hit very hard during the Asia crisis.

## KLC leads the way in Kaingaroa

Award-winning Rotorua business KLC Ltd is creating wealth and jobs in the tiny township of Kaingaroa.

Once the hub of the local forestry industry, the 100ha village lay abandoned for 10 years when the timber plant pulled out in 1987.

Now signs of life can be detected again

It's been two years since Rotorua accountant Kevin Lewis and a small group of shareholders took up a lease on a 5ha site in the Maori-owned village of Kaingaroa, employed 20 people and set about drying lumber. In November 1997 the first truckload of filleted pine rolled out of the yard.

Two years on, KLC Ltd has 50 workers and its tree kilns run 24 hours a day, seven days a week, drying more than 4000cu m of wood each month - roughly equivalent to 200 truckloads.

Three quarters of it is dried for other people, the rest is KLC-owned wood which is further processed - dressed, cut, packaged and barcoded

ready for sale through hardware stores to DIY enthusiasts in the US and Australia.

"There's a big thrust over the

industry as a whole towards added value products," Mr Lewis said.

In fact, that's why he started the company in the first place.

## MAF Log Prices

The log prices shown in these tables are reported by the Ministry of Agriculture and Forestry for the December Quarter 1999.

*MAF notes: Returns to small growers may be lower than those recorded here owing to scale and buyers' margins. These log prices are historical and indicative only, and may not correspond to actual prices paid, or grades used, in market transactions. The prices are subject to changes when further data becomes available. The sources for this information are Ministry of Agriculture and Forestry industry contacts.*

### December Quarter and 12-Quarter Median As at: 20 January 2000

Generic Log Type & Pricing Point	December 1999 Quarter	December 1999 12-Quarter Median
<b>EXPORT (NZ\$ per JAS m<sup>3</sup> f.o.b.)</b>		
Pruned	171-206	211
Unpruned A Grade	98-119	112
Unpruned J Grade	80-98	87
Unpruned K Grade	83-110	83
Pulp	58-72	51
<b>DOMESTIC (NZ\$ per tonne delivered at mill)</b>		
P1	146-175	167
P2	98-160	136
S1	82-107	98
S2	82-95	88
L1 and L2	50-85	67
S3 and L3	54-68	65
Pulp	24-40	38

### 1999 Indicative New Zealand Radiata Pine Log Prices by Quarter

Generic Log Type and Pricing Point	March 1999 Quarter	Jun 1999 Quarter	Sept 1999 Quarter	Dec 99 Quarter
<b>EXPORT (NZ\$ per JAS m<sup>3</sup> f.o.b.)</b>				
Pruned	186-200	180-198	167-186	171-206
Unpruned A Grade	93-119	104-107	94-112	98-119
Unpruned J Grade	78-89	70-89	71-85	80-98
Unpruned K Grade	52-92	72-83	78-89	83-110
Pulp	47-54	54-62	59-61	58-72
<b>DOMESTIC (NZ\$ per tonne delivered at mill)</b>				
P1	134-180	145-180	146-175	146-206
P2	112-130	108-145	96-160	98-160
S1	75-117	90-101	84-93	82-107
S2	71-97	78-90	78-89	82-95
L1 and L2	50-72	52-86	51-82	50-85
S3 and L3	56-80	45-62	43-65	54-68
Pulp	27-39	28-39	28-39	24-40