

PRESIDENT'S REPORT

The forest industry organisations structure was revamped in 2006, which led to the formation of Woodco as the association of associations.

The Woodco format has been very positive for **Pine Manufacturers** and its members. **Pine Manufacturers** CEO, Lawrie Halkett, alongside immediate Past President Owen Griffiths, represents Pine Manufacturers at these meetings. Woodco has provided a credible and focused line of representation to central government, but equally important it has allowed the individual member associations to concentrate efforts without duplication in areas of particular interest.



In this respect I am pleased to report that **Pine Manufacturers** and its members have been able to make steady progress on a number of projects during the last year. The spirit of collaboration between companies in areas of common interest has been fostered and facilitated by the **Pine Manufacturers**. To name a few projects;

- The Structural Glulam team has recently released under the new brand Stratalam, updated span tables and a first rate web site for specifiers. www.stratalam.co.nz
- The Solid Wood Building group have done fundamental research on the benefits of solid wood homes, they now have a range of professional publicity material available, a new logo and a website will soon be released.
- A subset of the Australian Exporters group is working on a marketing plan to position our products positively in the minds of the specifier and consumer.
- **Pine Manufacturers** has been the lead industry association in driving the establishment of the Solid Wood Initiative (SWI), a research consortia which will focus on primary and secondary processing and is expected to get underway in the first quarter of 2009.
- The Solid Timber Innovation Company (STIC) has now been formed and has secured funding of which a collective of **Pine Manufacturers** members are among its founding members.

These projects have been led and driven by individuals from **Pine Manufacturers** member companies and facilitated by **Pine Manufacturers** Executive. These few projects referenced here are consistent with the **Pine Manufacturers** methodology of "doing a few things well" and fit the overall Association vision to "increase market preference" for our products.

Several of these projects have benefited from Forest Industry Development Agenda (FIDA) funding and it must be acknowledged that the external resources employed and professional output of these projects would not have been possible without that assistance.

Most of you will agree it has been a tough and challenging past twelve months for those directly linked into the money chain of making and selling manufactured products, both domestically and into our main export markets. Towards the end of the 2007 calendar year there were warning signals coming from NZ and USA markets of slowdowns in housing starts. With export supply chains being up to three months, most companies were still busy with back orders in the first ¼

of this year – but the USA market never emerged from its winter slowdown. The NZ market held up until the middle of the year but is now down with new house consents issued in July, 35% down on the same period last year. The Australian market has been steady albeit with regional differences but some softening is now emerging for the balance of this year.

I understand that most (but not all) NZ manufacturers are sitting on surplus manufacturing capacity at this time.

So – what can we do about it? There is no silver bullet that I can pass on but it is when times are tough that you can take time to reflect and consider the future directions of your business. In the short term if you are “bagging and tagging” commodity products for export you will also need to be considering how you get your company into a position of being world competitive. It is a global market out there and getting more global by the day.

I recently did a comparative freight cost calculation for forestry products from logs through to manufactured products into Asia. The freight content on logs was as high as 50% of the CIF price and a finger joint moulding was as low as 5% of the CIF price. This means the tyranny of distance hurdle is quite low for any country wanting to trade manufactured products on a global scale. I know it doesn't explain the current phenomenon of log exporters stuffing round things into square holes and sending them 10,000 km – but I feel that is a short term aberration.

The other alternative to being lowest cost is to invest in some element of differentiation for your products. This may not entail a major revision to your product range or market focus, but rather it could be something such as the adoption of a new treatment or paint process, a new or improved method of packaging products. These small improvements are probably not defensible over a long period but it may help to initiate a culture of product and process improvements that keep you on the front of the wave for longer. The ultimate position is to have a product that is defensible through product design and patent registration – but this route is not for everyone.

I remain very confident about the future position of remanufactured products from NZ. Why is that?

The USA market is still the largest importer of softwoods. Market research conducted in 2007 shows an underlying long-term demand for 1.5 million new house starts per annum. The USA market readily accepts softwoods in construction and interior and exterior trim applications and there remains a shortage of domestic hardwood species. Recent federal legislation has strengthened the bans on imported lumber from illegal logging.

The Australian market is forecasting demand for one million new homes over the next five years, based on a modest 1.6% population growth. They have a net shortage of domestic forest products and will rely on imports for many years to come. NZ based manufacturers have long standing relationships with customers there and we can service the market with better quality and in shorter delivery times than most of our global competitors.

The NZ market has always had an affinity with wood in construction. Rising steel and energy costs will increase the costs of competing products to timber. The NZ Wood campaign only needs to increase the specifier and end consumer preference of wood by a few % to make a large difference to total demand.

In all these markets there is a mega trend in the construction industry towards larger building companies. These project builders recognise and can take advantage of the improved efficiency of using manufactured products in the build process. They also recognise the warranties and definable performance characteristics of manufactured products.

I will close with a vote of thanks to Lawrie and Janice for their sterling effort over the past year – keeping everyone on track and informed is no easy ask with a geographically diverse membership.

See you all at the conference in Napier. If you are not there you will definitely miss out on a major industry networking and educational experience.

Tony Clifford

PRESIDENT