

PRESIDENT'S REPORT 2008-09

As President of Pine Manufacturers for the past 3 years I have had the pleasure of meeting and interacting with many of the industries leaders and supporters. On many occasions my opinion and views on Forest Industry issues have been challenged, altered and broadened. I would like to briefly share what I believe to be the prominent issues with you, so that you may also consider and influence.

I am not an economist, my opinions and position are in no way prophetic or necessarily solutions – but I do believe they are areas of common interest to the Forest Industry and NZ population that need addressing.

1. Export Revenue Generation

If the NZ economy is to even retain the existing standard of living conditions there must be a much better understanding in the broader community of the importance of export generated revenue and the role that export based companies play in securing this revenue stream. When I say broad I do not just mean politicians or those in charge of macro economic policy, but teachers and secondary school pupils need to be able to recognise export based companies and understand how export revenue balances the countries finances. I am not sure how this can be achieved but hopefully we don't have to get into a position of no return before this understanding can be achieved.

When this broad understanding is achieved it should be simpler to enact policy through our populus based political system and get support for the following sequence of economic reforms;

- Govt Economic Policies and Strategies are developed, accepted and tested against sustainable export revenues being achieved.
- Issues such as exchange rates and interest rates are all managed within these overall strategies. Inflation and internal economic issues become secondary issues.
- Some of these strategies might provide Export based companies' incentives through Tax and Development Funding Agendas to grow or start export-based business.

When these policies are in place then companies (especially foreign owned) will have confidence to invest in this NZ business environment, which would result in;

- Valued added industries growth.
- Employment for our growing population.
- Growth in support industries and skill development.
- Growth in the internal wage economy and hence increased Tax revenue.
- Leading to the ability of central government to spend on community and social services to maintain or improve our standard of living.

I am the first to admit this is a very simplistic view. I also recognise the great work already being undertaken by Export NZ, NZTE and many other Export Initiatives – but just how successful can these be when the NZ currency changes in value against the world's largest trading currency by over 50% in a 12 month period?

2. Forest Products Export Marketing – Individual vs Collective

This is an old issue and is not one we are likely to solve in the near future. We are faced with the opportunity of an increasing Radiata Pine Resource in NZ countered with shortening of traditional Asian tropical forest fibre and increasing costs of traditional Russian log exports into Asia. So there would appear on the face of it to be an opportunity to position NZ Radiata Pine as the fibre of choice to substitute in many emerging markets. Several NZ companies are gaining traction in Asia with Radiata Pine and their exports continue to grow. The first challenge in most of these new markets is the “low value” perception of Radiata Pine. This is usually due to export logs (probably sap stained) being processed with equipment in these countries with value recovery strategies not optimised to Radiata. Over a period of many years it has been sometimes possible to change these perceptions – but I firmly believe that if we can adopt an industry wide strategy of firstly extracting and maximising the value of Radiata in NZ and only exporting product that is fit for purpose the development pathway into new countries will be accelerated and margins improved. This would in my opinion require an industry collective approach to the whole market development from start to finish. Maybe we could select a new emerging target country and only sell through such a collective strategy?

While these are just two issues facing our industry – I remain confident in the future of the NZ Pine Manufacturing industry and I am pleased to see some new investment in plant and machinery occurring over several PMA member companies. PMA will continue to support its members through market development and promotional initiatives and through our cooperative work with WPA have input into lobbying government departments, standards and other NGO’s.

I would like to welcome and acknowledge companies who have joined Pine Manufacturers during the year:-

Full Members:-

Eastown Timber Processors, PurePine Mouldings Ltd, Buildpro Ltd, Nicks Components & Accessories, TimFin Pacific Ltd, Total Fascia Ltd.

Associate Members:-

Access Pacific Ltd, AsureQuality Ltd, Damar Industries Ltd, Fluid Supply Ltd, Lumberlink Ltd.

I would like to acknowledge the input of the PMA Exec members for their open and frank discussions that occur at our meetings and the willingness to share opinions and knowledge of value added manufacturing challenges. I would also like to acknowledge the assistance of our Coopted exec members from MAF –John Vaney, Scion – Bernie Dawson and Ravi Nagasamy from NZTE who is always updating us on market opportunities and initiatives.

Lawrie has again put a huge effort into managing the PMA activities and finances through another busy year, and on behalf of all members I would like to thank him for the discretionary effort and diplomacy required. I would also like to welcome Debbie Fergie who joined PMA as Exec assistant in June.

TONY CLIFFORD
President NZPMA