

NEWS &&& VIEWS

Issue # 155
October 2011



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Newsletter Editorial

Presidents Report - 2011

PMA / WPA

Joint Conference

Nelson

21 & 22 July 2011

Presentations on

our website:

www.pine.net.nz/

[annual-conference/](#)

[presentations-2011](#)

It is hard to believe that yet another year has passed and the PMA's AGM is upon us once again. While it has been a difficult year in many respects, on contemplation it is pleasing to note that there have been some highlights in the 2010/2011 year.

Of note was the combined PMA WPA conference which was held in Nelson in July of this year. It is heartening to see the two associations working together in order to create positive outcomes for all members and there was a reasonably high level of enthusiasm and optimism from the participants about the direction in which the industry was heading.

I am sure all members will agree that trading conditions have been difficult and at the conference there was a focus on the value added opportunities for timber product producers. Export market opportunities for value added timber products are still there, however, they require development time and effort in order to achieve successful outcomes. One of the lessons learnt by PMA members who travelled on a fact finding mission to India late last year was that the industry needs a focused, cohesive and professional marketing strategy and more involvement in downstream distribution chains. As members we need to create opportunities not only for our selves, but where practicable, for products that other member companies are producing by collaborating with them in order to achieve the best results for all concerned.

Our industry can learn lessons from countries such as Chile who have substantially out-performed us in terms of exports. Low value logs have become an ever increasing proportion of our total exports. Approximately 30% of our total forestry export value is in logs whereas Chile exports less than 1%.

On a more positive note, it is heartening to see that there is progress being made with a WoodCo led timber industry strategy - milestones and timelines have been agreed upon by participants and this can only be of benefit to the industry as a whole.

The Executive Council meetings continue to be a positive forum for robust debate about the industry and the way forward for our members. I would like to take this opportunity to extend my thanks to the council members for the time and effort they give so willingly to participate in these meetings. Thanks also to the co-opted members for their invaluable assistance and guidance.

I would like to welcome and acknowledge the companies who have joined the PMA in the past twelve months. The strength of our organisation lies not only in numbers, but in the knowledge and ideas that you and our existing members bring to the table and provides us with a united and cohesive approach to the difficulties that we all face within our industry. I would encourage you to contact any executive member to discuss issues or ideas that you may have which effect you directly or the industry as a whole.

Finally on behalf of all members, I wish to extend our thanks to Lawrie and Debbie for their outstanding efforts in managing the PMA's activities and finances throughout yet another year.

**NZ Pine Manufacturers—President
John Lemm**

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ForestWood 2012

A New World in Wood
www.forestwood.org.nz

When: Wednesday 21 March 2012

Where: Museum of New Zealand Te Papa Tongarewa, Wellington

ForestWood 2012 is a pan-industry conference being jointly hosted by Forest Owners Association (FOA), Wood Processors Association (WPA), Pine Manufacturers Association (PMA), Forest Industry Contractors Association (FICA) and supported by Woodco, NZ Farm Forestry Association (NZFFA) and Frame & Truss Manufacturers Association (FTMA).

This is the second time that the 4 organisations have held a joint conference which builds on the successes of previous individual and combined industry events/conferences which have attracted world class speakers and presenters.

ForestWood 2012 is a fantastic opportunity for organisations and individuals, with a keen interest in forestry, to engage with decision makers and professional specialists from the forestry industry. Come along and gain an insight into "A New World in Wood".

The conference programme will be announced mid October 2011 in conjunction with registration opening. For full details about the conference visit the website www.forestwood.org.nz

Pick & Mix

FITEC Award Winners 2011

Source: FITEC media release 14th September 2011

Training Company of the Year – Wood Manufacturing: Taranakipine

One of **Taranaki Pine's** core values is 'our team is our future'. The New Plymouth based company shares training resources with other companies in their region. Through training they see more productivity, higher quality, less downtime and waste and reduced accidents.

Modern Apprentice of the Year – Wood Manufacturing: Pacific Wood Products

Cameron Kirby from Napier's **Pacific Wood Products** says he started training to challenge himself and he has just started his latest challenge – an Advanced Level 5 Trade Certificate. Cameron says training taught him to be patient and he has encouraged his colleagues to start their own apprenticeships.

Masters roll out and Woolworths strengthens hardware offer

Source: www.current.com.au

Woolworths will spend up to \$100 million rolling out its Masters big box outlets during the 2012 financial year, with 15-to-20 warehouses planned per year, up to an eventual target of 150 stores by 2016.

In its annual report, Woolworths managing director Michael Luscombe described the first Masters store, in Braybrook in Melbourne, as a "resounding success".

"Our first Masters big box store, which opening at the start of September 2011 in Melbourne, is already a resounding success, with customers immediately appreciative of the high service levels, wide choice and low prices," Luscombe said. "Masters will roll out

between 15 and 20 stores a year."

Masters sells DIY hardware equipment, outdoor lifestyle products and traditional home appliances. A joint venture with US retail giant Lowe's, Masters is seen as a viable competitor to Bunnings.

In further Woolworths hardware news, Luscombe said its small-format offering has been improved.

"We [have] further strengthened the smaller format Danks business during the financial year with the acquisition of Gunns Retail, Becks Home Timber & Hardware, Magnet Mart and Flatman's Home Timer & Hardware," he said.

Alternative to Concrete, Steel

Source: Nelson Mail 9th August 2011



EYE OPENER: TNL Freighting manager Jo Dando, above, shows Wood Processors chief executive Jon Tanner and Pine Manufacturers chief executive Lawrie Halkett around the large wood-span TNL Building.

The success of Nelson Marlborough Institute of Technology's innovative arts and media building has sparked a surge of interest in commercial timber construction.

Gibbons Construction managing director Scott Gibbons said his company alone was involved in about half a dozen commercial and industrial regional projects which would make extensive use of engineered wood products, like laminated veneer lumber (LVL) and glued laminated timber beams (glulam).

As the major subcontractor involved in the \$9 million, three-

storey NMIT building – which has become a showcase for timber and earthquake-resistant technology – Gibbons Construction was actively promoting its use to its clients and using it in its own buildings, he said.

The publicity and feedback the NMIT and other timber buildings had generated meant his company was now regularly submitting prices for timber construction as an alternative to concrete and steel.

It had three projects for large single-storey, wide-span buildings using LVL and glulam on the go in Nelson, he said.

"We are talking to a supermarket chain and a large retailer about using engineered wood products rather than your typical steel."

After some intensive lobbying and help from Nelson Pine Industries, it was able to convince TNL to use timber instead of steel in its new building near Richmond, he said.

Gibbons was also in talks with several parties to use timber alongside steel and concrete in two to three-storey office and commercial buildings in the city.

There was also a lot of enthusiasm among local architects and engineers but, while many in Nelson were converts to timber, there was a lot of work to do nationally to challenge the powerful and well-funded steel and concrete industries, Mr Gibbons said.

Along with companies like NPI and Hunter Laminates, Gibbons Construction felt the wood industry needed to promote, innovate and add value to the "sustainable, renewable forest resource on our doorstep".

"We are just not going to be a four-by-two supplier of timber because that's a commodity-based product."

NZ Wood Design Advisory Centre director Jason Guiver said Nelson was one of the major centres for wood innovation in the country, which included not only processors but engineers like Robin Frengley and Potius Building Systems owners Steve Hussey and Gavin Robertson, whose product was used in the NMIT building.

British Architect says 'Build Christchurch Out of Wood'

Source: 3 News—Hamish Clark

A British architect who has built the world's tallest wooden building is calling on wood to be part of the Christchurch rebuild.

Knox Church is one of the few survivors of the Christchurch earthquakes, and wood is what held the brick and mortar in place. Bricks were cracked and broken in September and tumbled down in February but the Methodist Church is still standing.

"The wood is really flexible, it is brilliant stuff, and the wood is connected by thousands of nails," says structural engineer Stephen Hogg.

Over 1000 commercial buildings in the CBD are to be demolished, almost all built out of concrete and steel.

Wood is lighter and won't suffer the same damage, says NZ Wood's Jason Guiver. "It acts as a series of elastic bands inside the building, so when it is under a lot of force the building will

move around a little bit," he says.

British architect Andrew Waugh toured the red zone and is stunned by the destruction.

He's built the world's tallest wooden building near the centre of London. It's a nine story apartment block with 49 apartments and he believes similar buildings could be constructed inside Christchurch's red zone quickly.

"Prefabricate the walls, the floors, crane them on, and screw them together," he says.

Knox Church is one building that can be saved and will be safe to be in. Engineers say it will be rebuilt and the wooden structure will remain. The bricks will go and be replaced with a more modern earthquake resilient material and Sunday services will be held again.

Wood Council of NZ Strengthens its Focus

Source: NZ Wood media release 1 September 2011

The Wood Council of New Zealand (Woodco) has appointed Jane Arnott to the role of Chief Executive Officer for NZ Wood, the operation that runs the over-arching marketing programme for the forest and wood sector.

Jane will assume full responsibility for the NZ Wood programme that is currently outsourced.

Jane has an extensive background in business strategy, marketing and brand management. Previously she has worked in the transport logistics, manufacturing, construction, forestry and agriculture sectors. Her experience includes investor relations, public affairs, non-financial audits and managing nationwide sponsorship projects across multiple stakeholders.

In making the appointment Woodco Chairman Doug Ducker highlighted the significance of the forest wood sector to NZ's economy and the unique properties and relevance of engineered timber products to residential and commercial construction projects in Canterbury and elsewhere.

"Timber is very much in the public eye and as we embark on the rebuild of Christchurch all of us in the forestry sector want to ensure that stakeholders in the rebuild process are kept informed and abreast of the added integrity that timber gives to both repair and rebuild work," said Mr Ducker.

"We are confident that home owners, property owners and investors who want assurance about the strength and resilience of their buildings will be specifying timber and we are keen to assist," he said.

In New Zealand the forest wood sector benefits from a pan industry marketing approach that promotes the unparalleled economic, social and environmental benefits and life cycle contribution of timber. This is reinforced by extensive collaboration with research and teaching institutions such as the Structural Timber Innovation Company (STIC) and Scion. NZ Wood is also an integral member of the International Wood Promotion Network.

Timber's the way to go

Source: Nelson Mail 20/9/2011

The Nelson Marlborough Institute of Technology's arts and media building has received a ringing endorsement from two international experts in multi-storey timber construction, who say its innovative use of new wood products and earthquake-resistant engineering make it an ideal alternative in the Christchurch rebuild.

Andrew Waugh, who designed the nine-storey Stadhaus in London, the world's tallest wooden residential structure, said the newly opened three-storey NMIT building was impressive and inspiring.

"Internationally, this is a landmark building, unquestionably.

"It is well conceived and executed, simple and straightforward, and you can see there was a real harmony and understanding between the architect and the engineer and the material manufacturer, too," Mr Waugh said during a visit last week.

While he was not an authority on earthquakes, he said, there was massive potential, and it made sense, given how plentiful timber was here, to use it as an alternative to concrete and steel in areas such as central Christchurch.

As it was the world over, the major barrier to this happening was politics and the conservative nature of lawmakers and the construction industry, he said.

"They know what they do and they like to do it that way, and they don't want any more risk."

Mr Waugh, who is designing a multi-storey hotel in London, said he overcame that attitude in Britain by addressing issues systematically, getting people on side and building a team which had the support of the developer, contractor and engineer.

With engineered products such as laminated veneer timber and

cross-laminated timber, it was important to demonstrate to the regulatory authorities that they were different construction materials and methods from regular timber framing, he said.

"They are a leap forward in terms of durability, waterproofing and fire risk."

Mr Waugh was in Nelson with Italian structural engineer Paolo Lavisci to speak at a seminar – one of five throughout the country – organised by the New Zealand Wood Design Advisory Centre to promote the use of timber in multi-storey and high-risk construction.

Dr Lavisci's timber engineering consultancy was closely involved in designing new accommodation for 20,000 people who lost their homes after the 2009 L'Aquila earthquake in Italy, where the use of wood in construction has taken off.

"Now we have completed designs for six to eight storeys, and are designing for 12 storeys for large traditional building companies who just a year ago would never even commission a timber house," he said.

Earthquakes in his country and a lot of testing had shown people that well-designed timber buildings suffered very little damage, were easily repaired and were safer and warmer to live in, he said.

The construction industry, along with architects and developers, was convinced that timber was a good alternative, with more than half the new buildings in L'Aquila constructed of timber.

Dr Lavisci praised the construction methods used in the NMIT building to limit earthquake damage, saying they were new, clever and well executed.



Update from west Potomac Park: Report from NZ's First Light Team

Source: www.firstlighthouse.ac.nz

3rd place overall!!!

Before the final results of Market Appeal yesterday we were sitting in 4th place after climbing the ranks from our original ranking of 9th we made it to 3rd!

The award ceremony took place yesterday afternoon in the main tent on West Potomac Park. The teams, public and media all piled in to fill the tent and here the winners announced.

Market appeal was announced first and to our joy we placed third. Market Appeal is one of the more subjective contests so we really had no idea how it would pan out. Maryland came in second for the contest and Middlebury first.

Before the market appeal contest the rankings sat with Maryland first, Purdue second and SCI-Arc/CalTech in third, we sat just a few points behind the leaders in 4th place. Our high score for Market Appeal turned out to be enough to get us over the line and on the podium, with Purdue and Maryland keeping their spots at the top.

When third place overall was announced the team was ecstatic, it may not have been first place but it felt that way to us. Placing third out of 19 teams felt pretty darn good! People keep saying that this years houses are a step above the previous years. While we may not have been involved with previous Solar Decathlons we would have to agree about the high standard of houses in this competition.

Getting to know the teams and see inside their inventive and inviting houses has been incredible. Our team has had a fantastic time representing Victoria University and New Zealand in the

competition and we've really enjoyed bringing a little bit of our Kiwi lifestyle to the competition.

With the competition over there is one more day for the public to come through and then straight afterward we are into deconstruction. While we had almost seven days to put the house up we have just four to take it down and get it off West Potomac Park. It'll then be back to the crane yard to package up the house and send it back to New Zealand and to its new owner.

Thank you to everyone who has had a part in this along the way. We have been overwhelmed by the support of people here in the US and tremendous support from back home.



Forest and Wood Sector a source of Strength for NZ Economy

Source: *Media Release NZ Wood October 2011*

New Zealand's Forest and Wood sector is a major player in terms of its contribution to New Zealand's economic performance. The findings are contained in a report by NZIER that was commissioned by NZ Wood for the Wood Council of New Zealand (Woodco).

The NZIER Report highlights that in the year to March 2011, the combined exports of forestry and wood-related products earned New Zealand \$4.6 billion. Over the same period the sectors direct contribution to GDP was \$4 billion.

With a 'wall of wood' available to harvest early next decade there is also the potential for exports to increase by a staggering 40% over the next 20 years.

Export Revenue

In the year to March 2011, the combined exports of forestry and wood related products earned New Zealand \$4.6 billion putting these combined exports in third ranking in terms of export value. Forestry and wood-related products accounted for 13.3% of New Zealand's total goods exports.

Over the past 5 years the real value of forestry primary products exports (largely logs) have grown by an average rate of 18.6% per year. This is faster than any other grouping.

Processed wood exports have grown by an average of 3.5% over the past 5 years.

Strong Direct Contribution to GDP

The sector's GDP was \$4 billion in the year to March 2011 – over two and a half times bigger than the contribution of the mining sector, seven times larger than the textiles and clothing sector and over twice as big as the accommodation, restaurants and bars sector.

The forestry and logging sector contributed \$1.77 billion to New Zealand's real GDP in the year to March 2011. It has grown by an average of 2.2% over the past decade. In the year to March 2011, its GDP grew by 12.2%

The wood processing sector contributed a further \$2.3 billion and has grown at an average rate of 0.3% over the past decade.

MARKET ROUNDUP

World Economy

No Decoupling—We're All In This Together

Source: *BNZ Weekly Overview 29 September 2011*

What is happening offshore. Why? Because what happens offshore is highly relevant to us.

- About 30% of what gets spent in New Zealand comes from overseas. If people don't want our stuff our economy will suffer.

Australia's proportion is 20%, US 11%, Japan 13%, China 29%.

- Just under 40% of all NZ bank lending is financed from offshore.

If investors grow weary of banks interest rates will rise and credit become less available.

- Our gross migration flows are the largest percentage wise of any OECD country. If people are faced with falling house prices offshore fewer will shift here, but then fewer of us will leave.

- Our capital markets are shallow and we need offshore foreign direct investment.

- If global capital markets seize up as investors seek low risk assets, our companies will also be starved for new funds.

- Over 25% of us were born offshore, we travel extensively, and our awareness of global issues would put most Americans at least to shame. If we see worrying things happening offshore it will affect our confidence and our willingness to invest, spend, and hire people.

Therefore, if the world is heading into either another recession such as the 0.7% shrinkage of 2009, or simply growth below the average 4% around something like 2%, we will feel the effects here and our growth outcomes for 2012 and 2013 won't be in the order of 3% - 4% but closer to the average annualised quarterly growth rate since mid-2009 of 1.6%.

Our sharemarket will be weak, our monetary policy unchanged through into 2013, our currency will fall, retail spending will be moribund even if recent hefty discounting continues, farmers will not spend their current largess but will continue to pay down debt as will the household and business sectors, the government will struggle to meet its projection of a surplus come 2014/15 and will think about spending cuts and tax increases, our house prices will stay flat, and our productivity record will worsen through lack of investment.

So, what is likely to happen? That of course is the question no-one has an answer to but is why we have since January devoted a special section in the Weekly Overview to our biggest trading partner Australia, the extent to which China is being successful in lowering inflation without crunching growth, developments in the US economy, and progress in the Euro-zone's waltz toward debt

restructuring.

All we can hope to do here is give a clearer understanding of what the issues are offshore, and why the optimal approach remains one of high conservatism with one eye toward planning to benefit from NZ-specific factors, and another to building reserves and strengths for the possibility of a severe dip in world growth and financial markets.

The problems in the US are:

- consumers not wanting to spend for fear of job loss and reduced housing wealth,

- businesses not wanting to hire and invest for fear of weak household spending,

- an impotent Federal Reserve which has used up all its useful ammunition,

- a Federal deficit and debt blow-out,

- inability of the politicians to reasonably debate the issues and agree on a cohesive course of action, and

- a President increasingly viewed as ineffective.

Then we look at the country of most significance to us,

Australia, and note that some sectors like housing, retailing, tourism and manufacturing are effectively in recession, and that although near AU\$500bn of mining and infrastructure projects are on the way, there is encroaching weakness as China slows and export prices fall. The Aussie debate has rapidly shifted from continuing references to a "two-speed" economy to how much China and commodity prices will weaken.

Which brings us to the fourth area we shall look at – **China**. Both ourselves and Australia as commodity-driven countries have always had a tendency toward a cargo-cult mentality. That is one where a person sits waiting for a big airplane to drop goodness from the skies. In this context we and our Aussie cousins sit smugly assuring ourselves that she'll be right because the Chinese will keep buying everything we produce.

But China's growth rate is slowing and may have to slow further in order to contain socially divisive inflation, and scope for a repeat of the stimulatory fiscal and lending policies of 2009 – 10 is very limited this time around. Already commodity markets are easing as realisation of this Chinese risk kicks through with the much watched Reuters/Jeffries CRB Index of commodity prices down 11% from where it was three weeks ago.

New Zealand

Migration

Source: *BNZ Weekly Overview—29 September 2011*

Although we received a population boost following the September 11 2001 terrorist attacks our migration patterns have been different following the Lehman's Bank collapse. Very briefly the numbers worsened, but then a sharp decline in the number of people leaving New Zealand caused the annual net migration inflow to move from 3,569 in November 2008 to a peak of 22,588 in January 2010. Since late-2010 although numbers coming here

have improved, the gross outflow of Kiwis to Australia has risen sharply to reach a net loss of 32,067 in August this year from a loss of just 14,791 in April 2010. The turnaround, as we discussed much earlier this year, has been caused by the low level of the NZD against the AUD, lower unemployment in Australia than NZ, and catch-up departures.

NZ Market

Source: BNZ 7 September 2011

All of the main eight measures we use to gauge the current strength of the residential real estate market around New Zealand have strengthened over the past month indicating that slowly but surely on average things are shifting to a seller market. More and more first home buyers are appearing, prices are perceived to be edging upward, and auction clearance rates are considered to be improving. However there has been a sizeable lift in potential vendors seeking appraisals of their properties, and in the opinion of agents the market balance is only marginally in favour of sellers. Regional variations remain strong.

NZ Economy

Source: Westpac—22 September 2011

New Zealand's GDP grew by just 0.1% in the June quarter, much weaker than we or the market expected, and at odds with a swathe of indicators suggesting that the economy had been gathering momentum through the first half of this year. Revisions adding more than 0.3% to GDP over the previous year softened the blow to some degree, but also served to cast the Q2 performance in an even worse light. At this stage we won't be altering our forecasts for growth in the second half of this year, although the longer-term track will be under review. And we maintain our pick for the next OCR move to be a 25bp hike in January next year, subject to how global financial tensions evolve.

So Why Will the NZ Economy Still Grow

Source: BNZ Weekly Overview—29 September 2011

Taking the strong downside risks to world growth and sentiment into account, why do we still think that our economy will grow next year by close to 3.5? The IMF forecast is for 3.8% growth.

Population growth is expected to be about 0.9% with 0.5% growth in the working age population. More people generally means more spending.

Rebuilding Christchurch. Some 100,000 dwellings need repairs or replacement and although lack of insurance is slowing the process down it seems reasonable to assume that activity will begin in earnest next year. This will provide more work for a wide range of businesses including builders, civil engineers, building material producers and distributors, architects, financiers, and so on.

Farmers spending higher incomes. Wobbles and weakness offshore suggest farmers will exercise restraint in their spending and more especially their borrowing. But history tells what farmers will do with their higher incomes. Already we can see higher spending starting up with farm sales in August almost double last year's levels and rising values of consents being issued for farm buildings. Tractor registrations are also growing. Higher spending will provide more employment in the rural real estate sector, stock and station agents, fertilizer producers, transport companies, chemical producers, installers of dairy sheds and other buildings, fencing contractors, gravel merchants, top dressers, travel agents (holidays overseas), retailers of cars and household appliances and furniture etc.

House building in Auckland. There is a housing shortage in Auckland which we expect will lead to rising construction over 2012 and 2013 though the volume of growth is hard to pick given the difficulties we think people will face finding builders and people baulking at rising construction costs.

Energy sector growth, driven by increasing activity from offshore investors, geothermal generation expansion, investments by companies to boost efficiency/cogeneration.

Film production related to the two Hobbit movies principally.

Forestry, timber processing, driven by rising NZ house construction, rebuilding after Queensland's floods, rebuilding in Japan, continuing growth in China.

The **aging population** will produce growth in the health services sector, fitness classes and equipment, home redesign to accommodate an aging population in their own homes rather than aged care residences, pharmaceuticals, domestic travel (in campervans), property management...

Telecommunications involving the rollout of broadband and the continuing stream of technological developments.

Recruitment because of the slow labour force growth combined with loss of skills and motivation by many increasingly long-term unemployed.

Residential real estate as continued low interest rates, improving employment, population growth and the simple passage of time bring more buyers to the market.

NZ long term strategic value. We have water, can efficiently produce quality food, and may have large energy reserves. Businesses and investors with an eye to the long term are already increasing their NZ exposure and may take the opportunity presented by an easing in the NZD, low funding costs, and low confidence to boost holdings of the likes of farmland. There is also some capacity for stimulatory policies to be applied. The official cash rate is at 2.5% and could be cut as low as the 0% - 0.25% currently in place in the United States though we feel the Reserve Bank would be extremely reluctant to take such a move.

NZ Residential Real estate Market slowly Rising

Source: BNZ Weekly Overview 22 September 2011

Data released this week by REINZ show that in August there were 5,192 dwellings sold around New Zealand which represented a strong 21% gain from a year earlier but a 12% fall from sales in August 2009. In seasonally adjusted terms sales are rising with a gain of 6.2% in the past three months.

Emissions Trading Scheme

Source: NZ Forest Owners Assn. 18 September 2011

Forest owners say that if the government adopts the changes to the ETS recommended by its review panel more forests are likely to be planted. New Zealand needs more forests in order to meet its targets for reducing greenhouse gas emissions.

"New Zealand has based its ETS laws on the wording of the Kyoto Protocol and this has created anomalies that discourage forest owners and farmers from planting," say Forest Owners president Peter Berg.

"The ETS review panels says New Zealand needs to take a hard-headed look at the wisdom of continuing to do this, especially since it is highly unlikely that the protocol will exist in its present form beyond 2012.

It recommends that forest owners should be allowed to replant existing forest in a new location following harvest—something that incurs huge financial penalties at present. It also asks the government to look at self-insurance and averaging schemes which have the potential to eliminate the open-ended risks now associated with carbon forestry, without incurring any costs for the taxpayer.

"Forest owners have been arguing for these changes since ETS legislation was first drawn-up under the former Labour-led Government. We also correctly predicted that rates of new planting would be modes without them."

Australia

Shrinking Plantation Base a Worry for the Future

Source: AFPA 31 August 2011

New figures showing the area of Australian tree plantations has shrunk reflect a problem for the nation's future wood and carbon offset needs, says the Australian Forest Products Association (AFPA).

A report released today by the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) found the overall area of plantations dropped by 0.6 per cent between 2009 and 2010. It has also reported the smallest area of new plantations establishment since the early 1990s. "Australia has a major challenge in meeting our future wood demands. A population of 35 million by 2050 will require 7.1 million new dwellings," said CEO David Pollard. "If we don't plan now for encouraging investment in new tree plantations, we will not be able to domestically supply the wood for homes in the future," Dr Pollard said. "There are two other options for Australia. One, we will build future homes with timber imported from countries with often weaker environmental regulations, or two, we can increase

the use of emissions intensive alternatives such as steel and concrete. "A House of Representatives Committee has been investigating these challenges through the Inquiry into the Australian Forest Industry. The constant pressure on the forest industry to reduce its reliance on native forest management means new policies to enable long-rotation plantation investment for timber building products are desperately needed. "While we look forward to the committee's report, it is clear that Australia needs a new national forest plan to meet the challenge of supplying home-grown wood for the future. "It is worrying that recent government climate policy decisions will not encourage new tree plantation establishment, such as severely restricting commercial plantations from the Carbon Farming Initiative.

This is ironic considering that forestry is a carbon positive industry sector with great potential to reduce emissions, while at the same time supporting jobs in regional communities," he said.

Housing to 2020 Report Highlights Need to Boost Supply

Source: HIA Media Release 1 September 2011

HIA, the voice of Australia's residential building industry, today released the HIA - JELD-WEN Housing to 2020 report. The report provides projections of the underlying demographic demand for housing and the number of dwellings to be completed over the next nine years at a national, state, and local government area.

"Housing to 2020 is the most comprehensive report available regarding the homes Australia builds compared to what we need

to build," said HIA Senior Economist, Andrew Harvey. "The report's projections highlight just how large the aggregate housing supply challenge facing Australia has become."

"HIA estimates that Australia will require in the order of 1.6 million homes over the nine years to 2020, but if we build at the average rate of the last 20 years many areas of the country will have a critical housing shortage by 2020.



**PMA's new
Quality Mark!**

Australian Industry Statistics

Source: FWPA September 2011

FWPA has provided \$830,000 towards a total budget of \$1.3 million for an ABARES project to provide comprehensive industry data across the supply chain. This will include the compilation of industry statistics, regional socio-economic profiling and forecasting of future consumption, production and trade, to inform future industry development and policy design.

The project will provide a series of outputs across the funding period. The first of these was released in May to be followed by others over six monthly intervals finishing in April 2014.

Mill surveys in the first and third years of the project will assist

ABARES to improve the estimates of mill inputs, outputs and employment (and provide one additional means for verifying the volume of logs supplied to Australian mills).

Findings from the mill surveys will be released as separate reports from the broader forestry statistics.

The Housing Industry Association will sub-contract to provide information on the volumes, sources and uses of timber products in residential and light commercial construction (covering new buildings and renovation activities). Data will be collected on a six-monthly basis through a survey of HIA members.

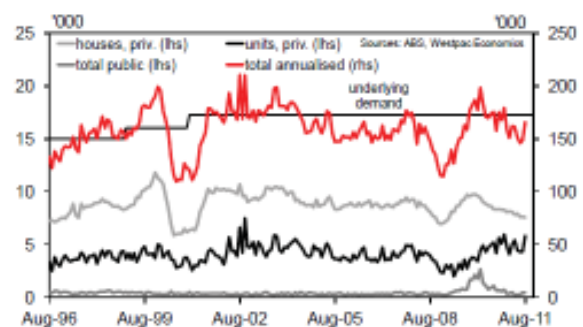
Australian Housing

Source: Westpac —4 October 2011

- Dwelling approvals jumped 11.4% in Aug, led by a big spike in high rise approvals and an expected policy-related rebound in Qld. Conditions were decidedly softer outside these two influences, both of which are likely to drop out going forward.
- Private sector unit approvals spiked 35% in Aug led by NSW 'high rise' developments (i.e. > four storeys). Although there was strength elsewhere as well, this suggests the bulk of the gain was due to 'lumpy' large-scale apartment projects. In contrast, private sector house approvals slipped 1% in Aug to be down 9.5% yr. This was despite a strong rebound in Qld (+16% in Aug) due to projects being held back in order to qualify for a \$10,000 grant from the Qld state government.
- Abstracting from the high-rise spike in NSW and the policy-induced bounce in Qld, the picture is broadly in line with expectations albeit with signs of a somewhat milder underlying down-trend in units but a softer picture for private sector houses.
- The value of renovation approvals dipped 0.4% in Aug, to be down

–0.5% yr – decidedly softer on a 3mth basis. The value of non-residential building approvals jumped 20.3% in Aug, led mainly by a rise in the resource states, but continues to push lower in trend terms.

Dwelling approvals



Australian Dollar

Source: Westpac October 2011

The key forces that will shape the FX markets in coming months are US and Australian monetary policy. Europe's malaise and global growth prospects particularly those of China.

We see no reason to change our call that the AUD will be around parity with the USD by year's end.

ASIA

Source: Westpac Market Insights September 2011

India: Q2 GDP came in at 7.7%, a modest slowdown from Q1. Higher frequency data such as the business surveys, auto sales, credit growth and industrial production are indicative of an economy slowing in the face of tighter policy settings, with interest rate sensitive activity clearly weaker. With the farm sector set to halve its growth contribution and only modest momentum in secondary industry, it is unlikely that Indian growth will meet official targets of between 8% and 8½% as a group in 2012.

Emerging Asia: The Asia region is in the midst of its first real growth setback since global trade 'unfroze' in the June quarter of 2009. With GDP data for the June quarter now to hand for all the economies we cover, the picture is a very underwhelming one. Early indications are that there is little momentum early in Q3, with the possible exception of Indonesia. We have revised regional growth down again this month, with the DUEs now expected to grow just 2½% as a group in 2012.

USA

Structural Insulated Panels - "New Products"

Source: *Wood & Panel USA 2011*

Structural Insulated Panels or SIPs were introduced in North America in the early 1950's, whereas, in Europe it made its presence felt some 30 years later. Huge number of houses are made of SIPs in America.

Overall Thickness: Thermocore panel wall 4" (When 1/2" drywall, accepts standard window jambs, allowing faster, better-looking installation.) Structural wall 4 1/2" and Roof 6 7/16" (+/- 1/16")

Inner/Outer Skin: 7/16" Oriented Strand Board (a structural, exterior-rated composite board).

Insulation Core: It uses a Class I fire rated closed-cell polyurethane foam that contains no formaldehyde or CFCs. Polyurethane foam is a thermoset plastic which does not melt and maintains structural integrity until consumed. It is far more fire-resistant than most conventional building materials. Polyurethane foam does not promote the growth of mold, and serves as its own vapor barrier. It's a common, proven building product that is found in most homes and on store shelves.

Global Timber and Wood Products Market Update

Source: *Wood Resources International LLC September 2011*

Wood fiber costs for the global pulp industry reach new highs in 2011 with the biggest increases seen in Russia, Finland and Western US, reports the Wood Resource Quarterly.

Seattle, USA. Wood fiber costs continued to go up for the global pulp industry in the 2Q/11, having trended upward since early 2009, according to the market report Wood Resource Quarterly (WRQ). The Softwood Wood Fiber Price Index (SFPI) reached US\$109.52 per oven-dry metric ton (odmt) in the 2Q/11, a 3.7 percent increase from the previous quarter and 23 percent higher than two years ago. In local currencies, wood chip and pulplog prices have increased the most in the US Northwest, Western Canada, Russia and Finland. The weakening US dollar against most global currencies in the 2Q resulted in higher fiber prices in all 18 regions covered by the WRQ.

The Hardwood Wood Fiber Price Index (HFPI) reached a new all-time-high in the 2Q at \$116.44/odmt, which was 5.5 percent higher than 1Q/11 and almost 27 percent higher than in early 2009. Recently, hardwood prices have gone up the most in Indonesia, Finland, Russia and Brazil.

Wood fiber prices, which currently are at or close to record highs, have fluctuated quite substantially the past 24 years the WRQ has tracked global forest industry markets. Prices

trended downward during most of the 1990's and early 2000 when they were 60 percent below current levels. This was followed by a substantial increase from 2002 to 2008 with wood costs reaching record levels in early 2008, only to plummet almost 20 percent in late 2008 with the onset of the global recession. In 2009 and 2010, wood fiber markets have strengthened as a result of higher prices for market pulp, limited availability of wood chips from sawmills worldwide and a weakening US dollar against most currencies.

It is interesting to note that the SFPI index has been higher for most of the past 24 years; it was not until 2009 that the hardwood price index surpassed the SFPI. In the 2Q/11, the global hardwood fiber price was 6.3 percent higher than the softwood fiber price as reported in the WRQ.

Wood costs have gone up not only in real terms but also as a percentage of the total production costs when manufacturing pulp. The global average wood cost share of the total cash cost has increased from 52 percent in 2005 to 60.9 percent in the 1Q/2011, according to Fisher International. The wood cost percentage varies from a around 50 percent in New Zealand and Canada to over 70 percent in China, Indonesia and Brazil.

China

Canadian (mainly B.C.) lumber exports to China

Source: *International Wood Markets Group Inc.*

According to the latest import statistics from China Customs, Canadian lumber shipment to China (almost all from B.C.) increased by a whopping 97% in the first six months of 2011 over the same period in 2010. Chinese softwood lumber imports from Canada totaled 3.14 million m³ (about 1.8 billion bf—nominal) for the same period in 2010.

Canadian (mainly B.C.) lumber shipments are increasing so rapidly that total B.C. lumber shipments to China are likely to reach

7 million m³ (about 4 billion bf) or higher for all of 2011 based on the pace set in the first half of 2011. At this rate of shipments, it appears that China could import up to 35% of total B.C. lumber production in 2011! However, a major constraint to further growth could be in shipping logistics, such as container availability and port loading capacity, not to mention the current high lumber inventory levels in China that could also slow the gains in second half 2011 shipments.

China's Imports

Source: NZT&E

China has been trying to rebalance its export dependent economy to sustain growth.

China's imports hit a record monthly high in August, indicating a strong domestic demand despite concerns of a global economic slowdown.

Imports surged by 30.2% from a year earlier to \$155.6bn (£98bn), government data released over the weekend showed.

Exports rose by 24.5% resulting in a trade surplus of \$17.8bn, down from \$31.5bn in the previous month.

The data comes at a time when China has been trying to boost domestic demand in a bid to rebalance its economy.

"August's export and import data showed China's economic growth is driven by domestic demand, not external demand and its growth is still very strong," said Li-Gang Liu of ANZ.

Canada

CLT used at University of British Columbia

Source: dailycommercialnews.com

The University of British Columbia is using cross-laminated timber and glulam in the construction of a biomass power plant as part of its plan to reduce its carbon footprint. A feasibility study determined that CLT would cost more than steel, but officials decided to use timber to increase the speed of construction, said Larry McFarland, principal at McFarland Marceau Architects Ltd. of Vancouver.

The biomass power facility, under construction will be 200 feet long and 80 feet across, McFarland said, adding it will contain about 600 cubic metres of engineered wood product, including CLT and glulam. CLT tends to be used in walls and floors, and consists of wood strips stacked crosswise on top of each other. Glulam tends to be used for columns and beams.

"We were limited to something in the range of about four feet by 12 feet in panel size," McFarland said. "We could get them bigger but they would have to come from somewhere else and we didn't think that would be acceptable."

One design consideration was natural cooling, through a stack effect whereby warm air rises through convection. "We did not want to mechanically ventilate this building if we could avoid it," McFarland said. At the time of the CLT Symposium, McFarland's



firm was working on a fluid dynamics model to show how air would move through the building. Another design consideration was public access. The plant is designed to have a glass wall allowing members of public to look in, see the biomass process and the engineered wood in the structure of the building.

"The building has to tell a story," McFarland said. "It wasn't just concealing a function that no one really wants to know about. The purpose of the building is to demonstrate the commercial and technical viability of a 1.9-Megawatt biomass energy system. UBC plans to use waste from the City of Vancouver's parks and recreation department to fuel the generator."

Engineered wood products markets poised for growth surge

Source: www.ttjonline.com

Escalating demand for cost-effective wood products for building applications, such as flooring and structural panels, is driving growth in the North American and European engineered wood markets.

A new report from Frost & Sullivan, entitled *Strategic Analysis of the North American & European Engineered Wood Markets in Construction & Buildings*, says despite the decline in house building and RMI markets, volume consumption of engineered wood products is expected to pick up due to increasing consumer acceptance.

The engineered wood market is also benefiting from the trend for products which improve the environmental performance of buildings. "In the US, the development of 'green building standards' has been initiated in several states," says the report. "These standards are comprehensive and provide impetus for certified wood and wood products that are associated with low emissions."

The effect was a gradual recovery in 2010, when engineered wood use was encouraged in new housing.

In Europe, the European Commission's Competitiveness and Innovation Programme has possible significant implications for wood composite products. New policies to promote green buildings would also encourage use.

"Europe has the highest level of penetration for engineered wood products in industrial applications, and the ones that benefit from this trend are particleboard, MDF, and plywood," the report says. "The majority of these products catering to industrial applications are specialty and value-added products, such as fire rated and melamine faced."

Glulam use in Europe is increasing and its market penetration is higher compared to that of North America. In Europe, there is greater penetration of engineered wood products in the non-residential construction and industrial markets, while in North America they are more widely used in house building.

Although the prospects for the market look bright, volatile energy costs would continue to be a challenge.

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Calendar of Events

12 - 15 October 2011	Vietnam Wood—Ho Chi Minh, Vietnam (www.vietnamwoodexpo.com)
18—20 October 2011	Wood Show: International Wood & Wood Machinery Show Abu Dhabi
10—14 February 2012	India Wood 2012 Bangalore International Exhibition Centre; Bangalore, India.
12 - 15 March 2012	Woodworking Machinery, Furniture Accessories & Materials Expo New China National Exhibition Centre—Beijing
21st March 2012	<ul style="list-style-type: none"> ForestWood 2012 - Te Papa - Wellington Please mark this date in your calendar. This is a pan-industry conference being jointly hosted by PMA / FOA / WPA / FICA and supported by Woodco, NZFFA and FTMA www.forestwood.org.nz
9th—12th May 2012	DesignBUILD Queensland at the Brisbane Convention and Exhibition Centre. More details to come.
11th—14th July 2012	AWISA—The Exhibition will be held on the 11th to 14th July at the Sydney Exhibition Centre, Darling Harbour, Sydney. Visit: www.awisa.com
4—6 October 2012	MTC Global Wood Mart Kuala Lumpur Convention Centre, Malaysia

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VISION STATEMENT

“To improve the long term profitability and international competitiveness of quality wood products and building solutions and identify how our industry should position itself for a vibrant future.”