

timber production from some of these forests. In 1987, when the Department of Conservation was formed, several timber production areas were removed from the state forest park to provide a resource for the timber industry. A small area of exotic afforestation within the Oparara basin lies within the forest park, but Timberlands retains the cutting rights to these trees. Since the Accord was signed the Ministry of Forestry in 1988 carried out an inventory of some potentially commercial areas within the investigation area. They concluded that only very limited areas had any economic viability. The pattern is therefore typically that of small scattered areas of merchantable forest made uneconomic by location and the difficult terrain. Other areas cannot be harvested because water and soil conservation values overrode their commercial use.

The Big Bush long-term hydrological monitoring site is not within the area under investigation for the proposed national park. Two blocks of pines in Donald Creek (of about 20 ha and 10 ha) are being monitored for catchment runoff. They are being compared with two blocks of beech forest which were logged using different methods. Each catchment has a weir with runoff data recorded automatically. The research is managed by Landcare Research New Zealand Ltd. The land and the pines are the responsibility of the Department of Conservation who are currently looking at leasing out the management of the pine blocks.

Mike Cuddihy

Canterbury snow damage

The two large snowstorms affecting Canterbury during the 1992 winter didn't just cause stock losses. There were large areas of forest damaged. Similarities with the 1983 and 1984 Otago/Southland snow damage are evident (see letter by Dennys Guild), with damage occurring on north-east lee slopes where snow drifts occur.

Three major forest owners are affected: Carter Holt Harvey in North Canterbury, the Selwyn Plantation Board, and the Forestry Corporation owned forests of South Canterbury. Ministry of Forestry Christchurch state that extensive areas of private blocks have also been damaged.

The extent of the damage in Canterbury has not yet been quantified. In contrast to the 1980's storms, Otago and Southland growers were not significantly affected.

Market Report – September 1992

Chris Brown

General Situation

The recovery of the New Zealand economy remains centred on the export sector. In the year to June 1992 export receipts increased to \$NZ17.9 billion – a record for any June year. The domestic economy, however, remains weak with any growth likely to be fragile. Domestic indicators are giving mixed signals about the strength and direction of domestic growth. Inflation, presently running at around 1 per cent, appears to be well under control with the NZIER predicting an average inflation rate for the next five years of 1.7 per cent. Interest rates are continuing to decline (notwithstanding aberrations caused by the recent upheavals in the European monetary system) in line with inflation, and assisted by the growing perception of a more fundamentally sound New Zealand economy.

Indications from the consumption sector are less favourable. Housing starts continue to plateau at very low levels, with no real indication of the trend direction for the immediate future. Retail sales weakened in the June quarter after recording three consecutive quarterly improvements. A lower valued New Zealand dollar continues to favour exporters and is a primary force behind Ministry of Forestry forecasts of forest products export earnings exceeding \$NZ2 billion in the year to March 1993 – a nominal increase of 16.7 per cent on the preceding March year. The total value of forestry products exports for the June 1992 year was \$NZ1817 million – an increase of \$NZ240 million on the previous year. Australia remained New Zealand's most important export market, taking 35 per cent of forestry exports by value, while Japan's market share of exports declined 2.9 percentage points on the preceding June year to 26 per cent, although total value of exports to Japan increased by \$NZ3 million in nominal terms. Korea (10.8 per cent) and Taiwan (6.2 per cent) were the third and fourth largest forest products export markets.

Roundwood removals for the year ended June 1992 were provisionally estimated at 14,555,000 cubic metres, a 5.9 per cent increase on the previous June year. Total roundwood removals for 1992 as a whole are expected to remain relatively static, due to reduced harvest levels in the Bay of Plenty forests in

response to the NZFP strike. New planting figures for the 1992 winter planting season are, however, expected to make a strong resurgence. New planting, estimated at 13,000 hectares in 1991, is estimated by the Ministry of Forestry to top 40,000 hectares in 1992 based on surveys of nursery sales.

Log exports for the June 1992 quarter were 1,130,000 m³ – the first time New Zealand log exports have exceeded 1 million m³ in a single quarter. The June figure is likely to have been inflated by a transfer of some of the March 1992 quarter shipments, recorded at 780,000, which appears excessively low.

Sawn timber exports recorded a strong increase in the year to June 1992. Shipments totalling more than 850,000 m³ were reported – an increase of 25 per cent in volume and 33 per cent in value on the June 1991 year. New Zealand sawmillers made marked gains in their share of the Australian market as a result of increased price competitiveness and log supply constraints applying to North American sawn timber competitors. A price war in Australia saw prices in that country fall by as much as 30 per cent, forcing Canadian Douglas fir exporters out of the market and actually enabling New Zealand exporters to increase their market share.

East Coast Forestry Project

The July 1992 Budget announced the inception of a Government forestry planting scheme on the East Coast region. The project aims to establish 200,000 hectares of commercially productive forest on erosion prone land in the East Coast region over the next 28 years. Tenders for first year planting grants under the scheme expired on October 30, 1992.

ITTO Membership

New Zealand became an official member of the International Tropical Timber Organisation in August 1992. Membership will allow New Zealand to play a more direct role in the Organisation's goal of having all trade in tropical timbers based on sustainable forestry by the year 2000.

Forests Amendment Bill

The Forests Amendment Bill, which aims to promote sustainable management of New Zealand's natural forests,

is at the Select Committee stage. The Committee is continuing to hear submissions. The Bill prohibits the export of woodchips and logs from natural forests. It permits the export of beech and rimu sawn timber harvested under a sustainable management plan and also the export of approved manufactured indigenous timber products.

CORPORATE ACTIVITIES

Fletcher Challenge

Fletcher Challenge Ltd (FCL) announced a \$NZ305.1 million operating profit for the June 1992 year. However abnormal losses of \$NZ462.6 million, relating to property write-downs, reduced this to a \$NZ157.5 million bottom line loss. Southern hemisphere pulp and paper operations performed satisfactorily, along with FCL's energy and primary divisions. However, northern hemisphere mills, Canadian wood products, and construction and property all incurred losses. FCL's exports from New Zealand for the June 1992 year were a record \$NZ1.66 billion, a 13 per cent increase on the previous June year.

FCL is reviewing assets for possible sale to help meet the 50:50 gearing target by the end of 1993. Assets being reviewed include the Rural Bank, Cape Horn Methanol, Natural Gas Corporation, and Chilean forestry interests.

FCL has reached agreement to sell its remaining Crown Forest Industries plywood mills in British Columbia for \$NZ92 million. The Kelowna and Armstrong mills will be sold to Riverside Forest Products. Crown Forest Industries, a wholly owned FCL subsidiary, still owns its Elk Falls lumber mill.

FCL subsidiary, Tasman Pulp and Paper, has won a contract to supply 20,000 tonnes of newsprint to India. The newsprint comprises 4 per cent of India's total annual consumption of 500,000 tonnes, and 10 per cent of its imports. In a separate contract Tasman will supply half the newsprint for Thailand's telephone directories. This will involve roughly 4000 tonnes of newsprint.

Fletcher Challenge Canada (FCC) continued a depressing run of results, announcing a tax paid loss of \$NZ68 million for the year to June 1992. This exceeded the \$NZ41 million loss of the corresponding period of 1991 and contributed significantly to 72 per cent owner FCL's result. The depressed North American pulp and paper markets again were the major contributor to the FCC loss.

FCC announced a \$C18.8 million loss for the three months to September 1992. This compares unfavourably with the September 1991 quarter loss of \$C16.3 million but is an improvement on the June 1992 loss of \$C20.1 million.

FCC has sold its 50 per cent stake in Finlay Forest Industries to Finlay Management. Finlay Forest operates a newsprint mill and two sawmills in northern British Columbia.

Carter Holt Harvey

Carter Holt Harvey (CHH) recorded a tax-paid profit of \$NZ193.6 million for the year to March 1992 – an increase of 22 per cent on the previous year. CHH's revenue for the year increased 4.6 per cent to \$NZ2.46 billion. Pre-tax operating profit from the forestry and wood products division increased 31 per cent to \$NZ43 million. Cyclically low prices for pulp and paper halved the contribution of the pulp and paper division to \$NZ61.5 million.

CHH plans to double the output of its Rangiora MDF plant in a \$NZ75 million expansion. The Canterbury Timber Products plant will increase annual output to 200,000 m³, marginally smaller than the Nelson Pine Industries Richmond plant (the world's largest single site MDF plant). The new capacity is expected to be commissioned in May 1994.

New Zealand Forest Products Strike

The longest strike since the Employment Contracts Act became law closed the Kinleith mill for 12 weeks, and the other three NZFP mills for periods upward of six weeks. The dispute centred around NZFP's desire to implement single site employment agreements, and directly affected about 1350 workers. The strike ended with the acceptance of the employment agreements. Industry analysts have estimated the cost of the strike to NZFP to be as much as \$NZ30 million.

Forestry Corporation of New Zealand

The State-owned Forestry Corporation announced a post-tax profit of \$NZ69.3 million for the year ended March 1992. The result is not directly comparable with the previous year result, as in 1991 Forestrycorp had yet to have a formal capital structure established. The profit included a charge for overcut costs of \$NZ35.9 million, required under forestry accounting principles to recognise the quantity of wood cut during a year in excess of a sustainable yield.

The Forestry Corporation has launched a new brand, Red Stag, for its logs, lumber and forest products. The new brand will replace the Prolog brand previously used by the Corporation in the Australasian market.

Corporate Investments Ltd

Corporate Investments Ltd (CIL) reported a bottom line loss of \$NZ119.2 million for the year to June 1992. Oper-

ating profit was \$NZ10.5 million but abnormal losses dragged the result into deficit. CIL's pre-tax forestry earnings declined by 44 per cent on the previous year's result, with CIL having stopped its native woodchip exports. Nelson Pine Industries, in which CIL hold a 50 per cent stake, performed ahead of 1991, with improved markets and increased production capacity.

Radiata Pine Remanufacturers Association

RPRA affiliated wood processors are set to earn about \$NZ20 million this year from exports of value added wood products to the US. A study tour of potential US markets and a display at a four-day Atlanta woodworking machinery and furniture fair has generated around 350 trade inquiries.

Karioi Pulp Mill expansion

The Karioi mill is to be improved and extended over the next 18 months at a cost of around \$NZ20 million. This improvement will be the first phase of a possible two-phase expansion which will raise the mill's capacity by 50,000 tonnes per annum. The initial improvement is expected to add 10,000 tonnes per annum to capacity. Part of the improvement will be an improvement to the mill's effluent system to ensure it meets tighter environmental standards required by the Resource Management Act.

Japanese Joint Venture Eucalypt Plantations

Japanese companies C. Itoh and Oji Paper are embarking on a project to plant 10,000 hectares of eucalypt forest in the South Island as a pulpwood crop. Southwood Export will be responsible for the management of the project. Planting is expected to begin next year on 1600 hectares, with trees likely to be harvested on a 13-year rotation.

Juken Nissho Mills

Japanese forestry consortium Juken Nissho Ltd has announced plans to build two new mills in Northland over the next six years. Juken Nissho anticipate spending around \$NZ100 million on the mills which will produce sawn timber, laminated veneer lumber, plywood and veneer. The new plants will draw on the increased woodflow from the Aupouri forest to which Juken Nissho own cutting rights. The mills are expected to be larger than either Juken Nissho's Masterton or Gisborne plants. The Gisborne mill will be opened in February 1994.