
Investment in New Zealand forestry cause for celebration

A groundswell of overseas and domestic investment interest is building up in the forestry sector, Minister of Forestry John Falloon said on January 31.

Mr Falloon said that a total of nearly \$1.5 billion had been invested in the sector in the last two years.

"That level of investment in new forest planting, forest purchase and forest processing is a real achievement. New Zealand forestry is competing successfully against thousands of other investment options to win the foreign and New Zealand investors' dollars," he said.

Following taxation changes last year, new planting would be back to around 31,000 hectares in the 1992 planting year, Mr Falloon said. The 'cost-of-bush' regime which applied previously had slashed new plantings from 54,000 hectares in 1985 to just 13,000 in 1991, he said.

"Interest in forestry is now so great that individuals and organisations who want to plant but have not pre-ordered seedlings are likely to find there are none available."

The sale of cutting rights to the Crown's forests had allowed domestic companies to expand their interest in forestry and had allowed overseas investors to establish a forestry base in New Zealand, paving the way for further expansion of the industry.

"The private sector, both domestic and international, has made a long-term commitment to New Zealand forestry through the investment of over \$1 billion in Crown Forestry Licences. These firms now have the trees and wood supply to encourage further investment in downstream processing."

The Japanese joint-venture Juken Nissho which has purchased significant interests in Crown forests in Northland, northern Hawkes Bay and the Wairarapa, was a good example, Mr Falloon said.

"Early in February Juken Nissho will celebrate the opening of a processing plant in Masterton on which they have already spent \$30 million. They have also restructured the financially troubled Kaitaia triboard mill and have won planning approval to construct another forest product processing facility in Gisborne. This represents an enormous investment and one that is clearly for the long term. Juken Nissho is in the process of increasing the nation's foreign exchange earnings and creating real jobs for New Zealanders.

They have the particular advantage that they have established markets already available for the products they will be producing.

"They are only one of a number of companies involved in substantial investment in New Zealand forestry. Nor is all of the investment from offshore. Tasman Pulp and Paper's Kawerau mill has undergone a major upgrade, as has NZFP Pulp and Paper's Kinleith mill, he said.

The appeal of New Zealand plantation forestry to large offshore interests was further shown by the recent purchase of Carter Holt Harvey shares by

North American forestry giant International Paper. The decision of the Weyerhaeuser Corporation to form a strategic alliance with the Forestry Corporation of New Zealand, was yet another example.

"Only last week New Zealand's largest company, Fletcher Challenge announced the formation of a joint venture with several United States institutional investors for the joint ownership of forests in the Nelson/Marlborough region. These developments are proof of the growing interest in New Zealand – and forestry especially – as an investment opportunity," said Mr Falloon.

Strategy Study applauded

"The Strategy Study released on February 5 by the Forest Industries Council is an excellent example of the planning required for New Zealand's major industries to compete successfully in world markets, said Forestry Minister John Falloon.

"The Apple and Pear Board and the Dairy Board have long been aware of the realities of the international business environment. They have committed a great deal of energy and resources into developing totally integrated approaches to export performance.

"They link market intelligence, business analysis, Research and Development, and value-added processing, back through to production. The returns their suppliers are receiving speak for the success of the formula," he said.

It was pleasing to see the meat and wool industries in particular, were now actively developing their own strategic plans, Mr Falloon said.

"We are good at production of land-based products, but not at maximising processing advantages, although there are notable exceptions and the rate of change is accelerating.

As an example, the new Juken Nissho mill in the Wairarapa which the Prime Minister has just opened was the type of development New Zealand had to promote, Mr Falloon said.

"In the Wairarapa venture Juken Nissho will apply Japanese technology plus years of experience to the produc-

tion of laminated veneer lumber from radiata pine.

"This development has all the hallmarks of success in that it uses a comparatively low quality log, proven technology and has access to a burgeoning market – the Japanese housing industry, as well as a very strong capital input from one of Japan's largest trading houses – Nissho Iwai.

"That is the formula for the future, which the Forest Industries Council recognises.

"Their vision of developing an internationally focussed, market-led New Zealand forest industry based on profitable value-added processing and an expanding forest resource promises all New Zealanders a brighter future."

National came to office with the objective of maximising the benefits to the New Zealand economy from 'Green Gold'. This required an internationally competitive environment to encourage the enormous investment needed to process our increasing woodflows in the years ahead, said Mr Falloon.

Macro-economic policies and infrastructure reform were creating the right climate, and New Zealand was now attracting foreign investment in forestry at a rate of millions of dollars a week.

\$760 million has been invested in new plant and equipment in the last year.

"We are now seeing a coherent industry framework being developed from within the sector to capitalise on the better business climate."