

New Zealand Forestry sector looks to \$20bn industry by 2025 **08 October 2003/Lumber and Building materials Daily**

New Zealand's forestry sector is still confident it can expand into a \$20 billion dollar industry by 2025, despite its current struggles.

As part of a plan to meet outlined goals of a wood processing strategy launched last year, New Zealand Trade and Enterprise has issued a report highlighting growth opportunities.

The report was issued last week when the forestry sector was reeling under pressures from:

- Relatively static log and lumber prices and demand.
- The New Zealand dollar's appreciation against the US dollar.
- Significant freight cost increases.
- Energy price hikes.

To improve growth, the industry had to add more value to wood products, the report says.

"New Zealand cannot ignore growth trends which see double digit growth in secondary processed wood products while the value of trade in primary products like logs and lumber have been in decline."

But the report added there were "no quick fixes or silver bullets for the forestry sector."

Describing the wood products sector as a pyramid, the report said New Zealand's slice of the lucrative customised solutions market (where buyers order custom made and designed products) at the top of value scale was "extremely small" by world standards.

On the next level, it also suffered from having small processing capacity to turn raw materials into remanufactured products.

At the bottom of the scale, the report said New Zealand had substantial forestry commodities but lacked "world class technology" and had insufficient primary processing to handle both the current and projected volume of wood.

To expand, the industry needed growth strategies for each part of the sector.

Improved quality and productivity, cost reduction and larger market share and coverage were cited as being essential to increase the industry's commodity segment.

New technology, product development and differentiation were needed to improve manufactured products, while creative innovation and design as

well as increased customer-focus were required to boost the lucrative custom-made business.

By developing value-added processing initiatives and adding worth to existing pine plantations, the industry could be worth \$20 billion by 2025.

"By 2025 we want to grow the industry from 4 per cent of gross domestic product to 14 per cent, with 60,000 people employed compared to 23,500 today," the report said.

Meanwhile, in the next three to five years New Zealand Trade and Enterprise and the industry would develop strategies to market value-added products to the US, Asia, the Middle East and Europe.