
Australia and New Zealand softwood markets

Forest resources, domestic markets, and international trade

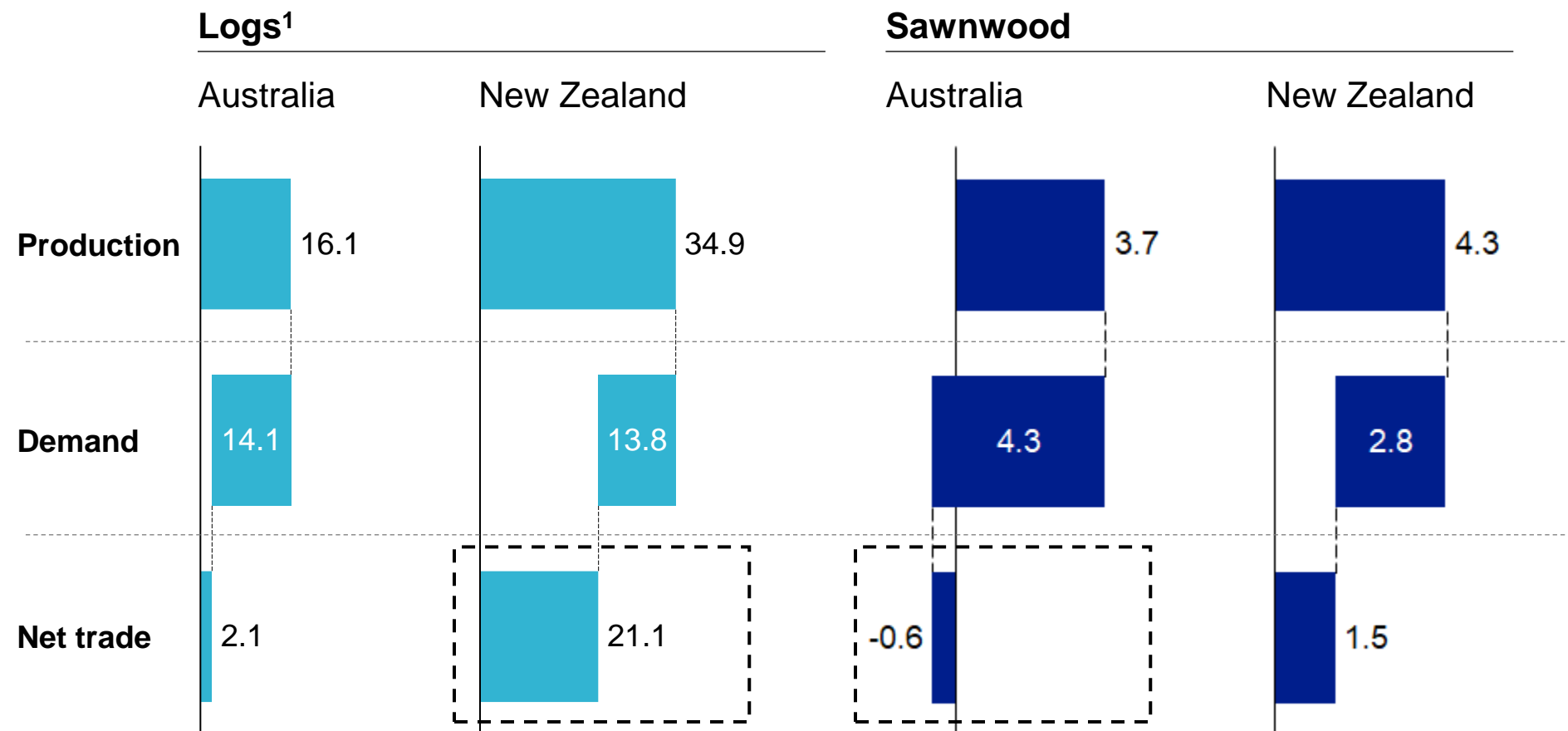
72nd International Softwood Conference, Taormina, Italy

17 October 2024



New Zealand is large log exporter, Australia a sawnwood importer

Softwood balance, 5-year average (2018-2023); Million m³



Logs

Australia is a small exporter
 NZ exports 60% of harvest (26% of global, #1)

Sawnwood

Australia imports small but growing
 NZ is a minor exporter (1% of global)

1. Coniferous industrial roundwood, including sawlogs and pulplogs (85% of NZ production is sawlogs, 60% of Australia)

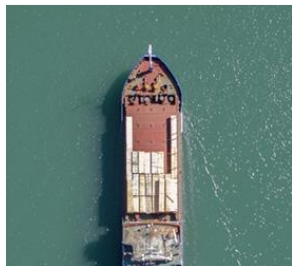
Agenda



1. Softwood forest resources




2. Sawn softwood markets



3. International trade in softwood logs and sawnwood

Although Australia is a vastly larger country, New Zealand has more softwood plantations

 Tree cover (>75% canopy density)

Forest resources of Australia and NZ, 2023

Million hectares

	Australia	NZ
Land area	768	26
• Non-forest	634	16
• Forest	134 ¹	10
Forest management	134	10
• Natural / protection ²	132	8
• Plantation	2	2
Plantation species	1.7	1.8
• Hardwood	0.7	<0.1
• Softwood	1.0	1.8



1. Mostly scrubland; 2/3 has <50% canopy cover. ~10 m ha with >75% canopy
 2. Natural forests in Australia and NZ are not used intensively for wood production

SOURCE: FAO FRA; NZ MPI; ABARE; Global Forest Watch

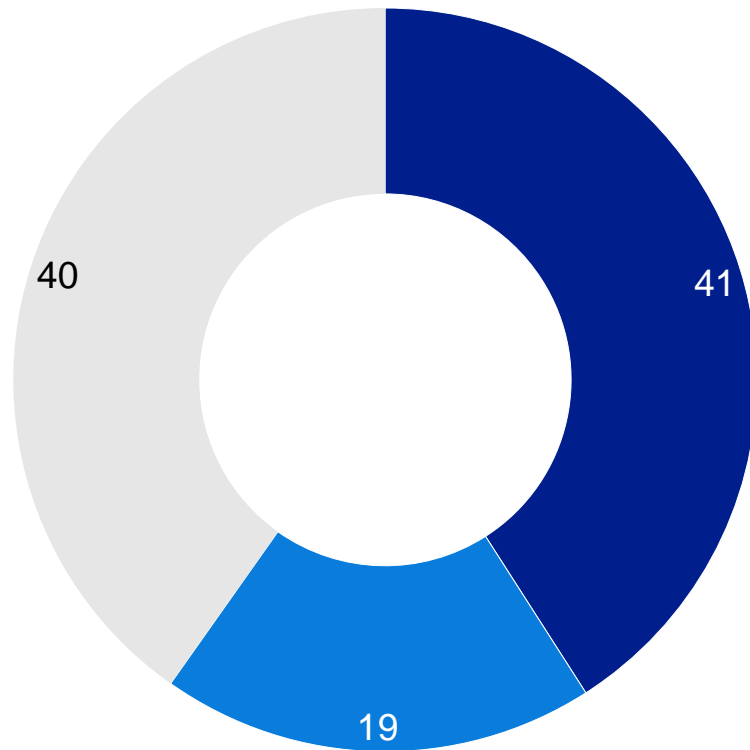
Radiata pine is the main softwood plantation species

Plantation species mix, 2023

■ Radiata pine ■ Other softwood ■ Hardwood

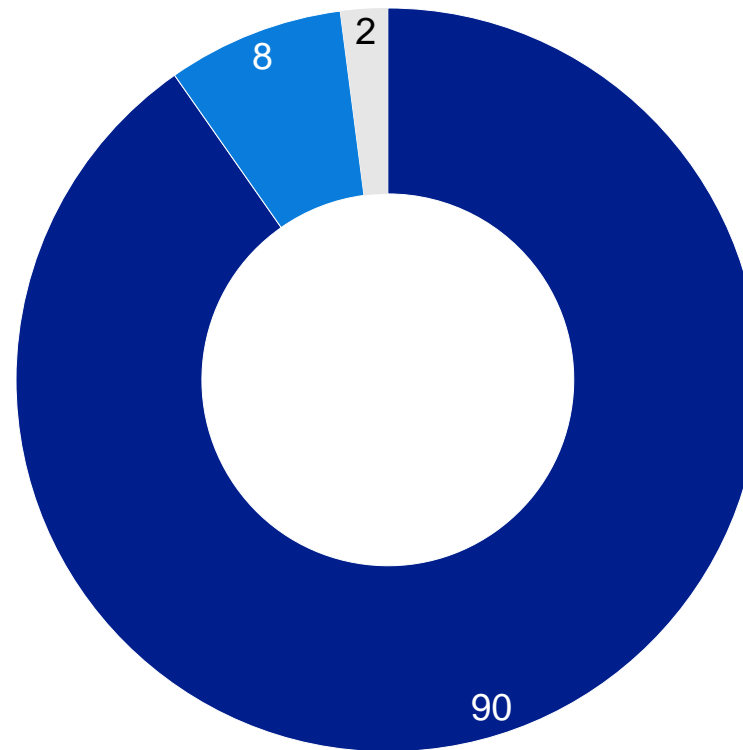
Australia

100% = 1.7 million ha



New Zealand

100% = 1.8 million ha



Radiata pine

- Native to California
- Introduced in 1800s following extensive trials
- Hardy, suited to broad range of conditions
- Biosecurity risk

Other softwood species

- Southern pines *P. elliotii* *P. caribaea* (Australia)
- Douglas fir and cypress species (NZ)
- Far less common, for special markets / sites

SOURCE: NZ Ministry of Primary Resources; ABARE

Radiata pine management is typically a ~28-year sawlog regime

Typical radiata pine management regime, New Zealand

Planting



- ~1000 seedlings /ha
- Selectively bred, national program, growth rating
- Manual operation

Thinning



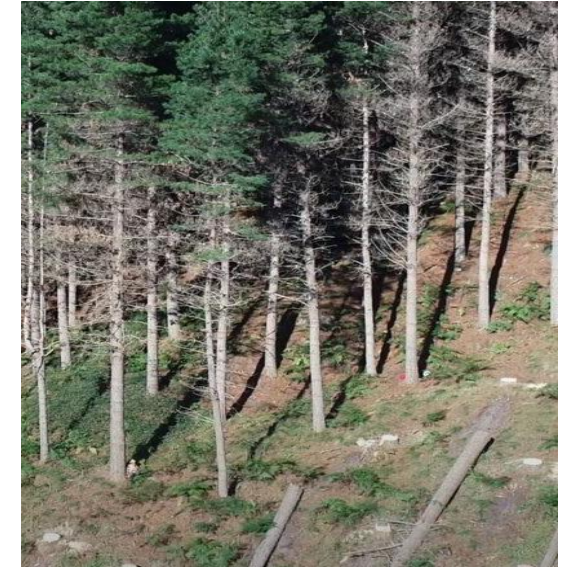
- Mostly thinning to waste
- First to ~800 then ~400 trees /ha
- At ~6 and ~9 years

Pruning



- For knot-free clearwood
- Remove bottom 1/3 of branches each "lift"
- 40% of NZ forests, mostly small woodlots

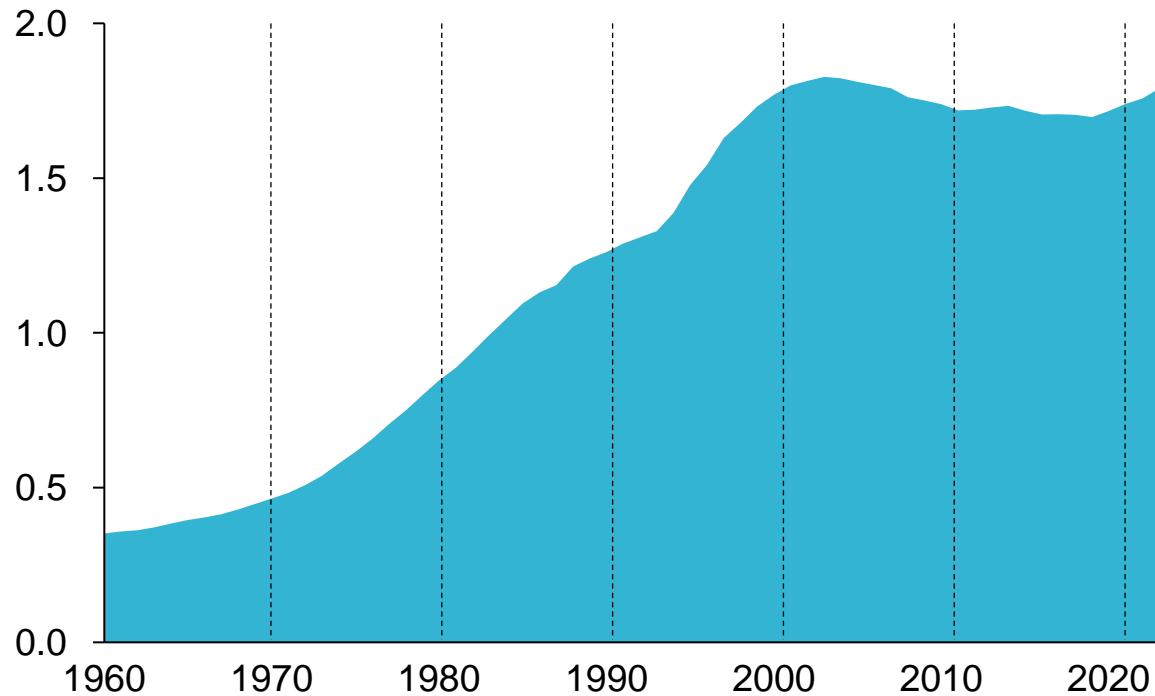
Harvesting



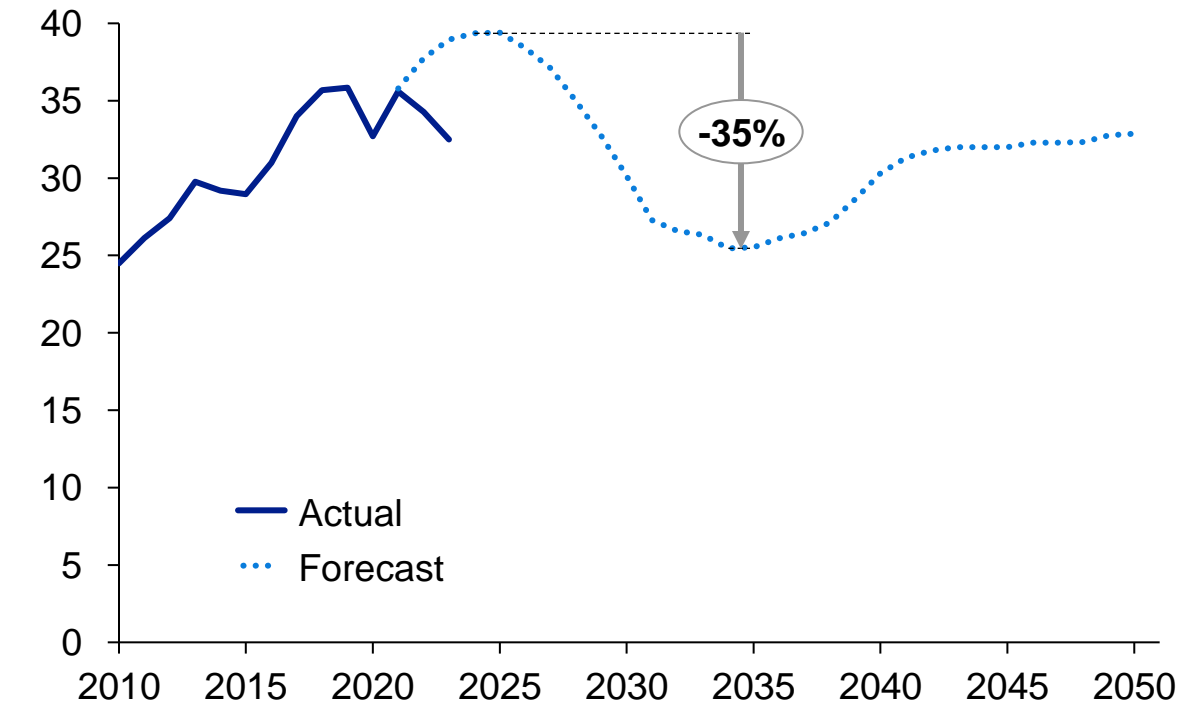
- At ~28 years
- Yield ~500 m³/ha
- Mechanical on flat/rolling
- Cable logging on steep

NZ's harvest is expected to peak in 2025 then decline by a third

New Zealand planted forest area 1960-2023; Million hectares



New Zealand softwood log availability forecast; Million m³

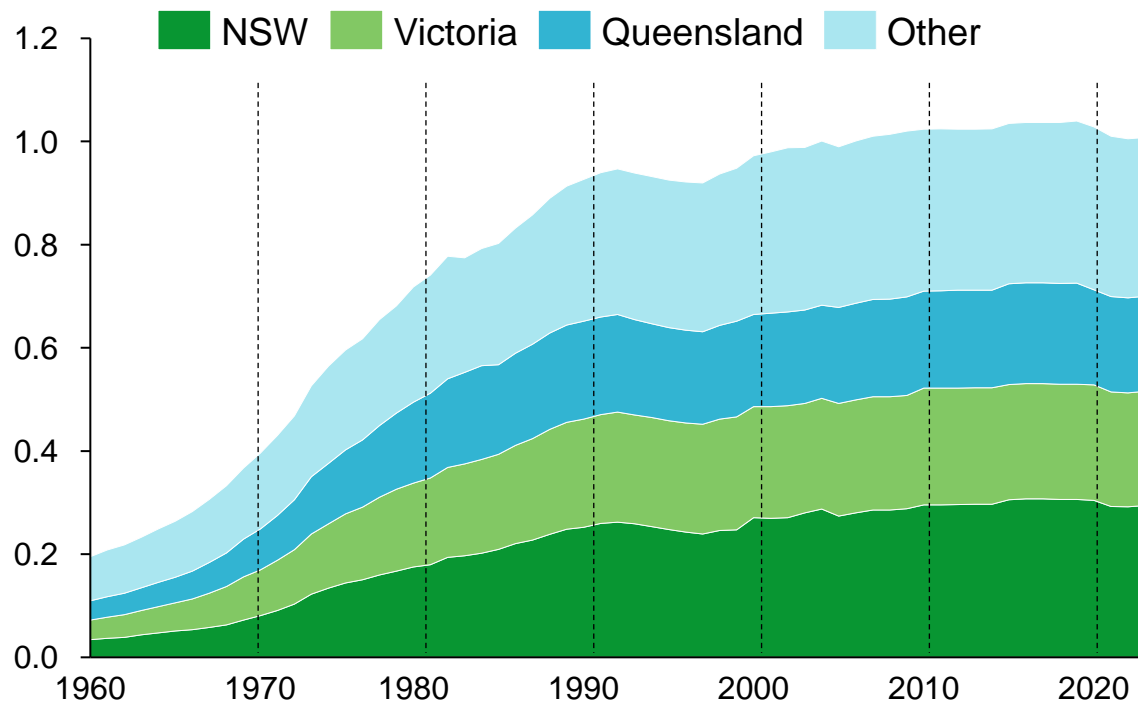


- Plantation area peaked in 2003. Recent increase in planting (carbon forestry) will not mature until ~2050.
- Harvests expected to peak in ~2025 then decline.
- We expect lower peak and shallower trough: weak demand (China, India) and infrastructure constraints.

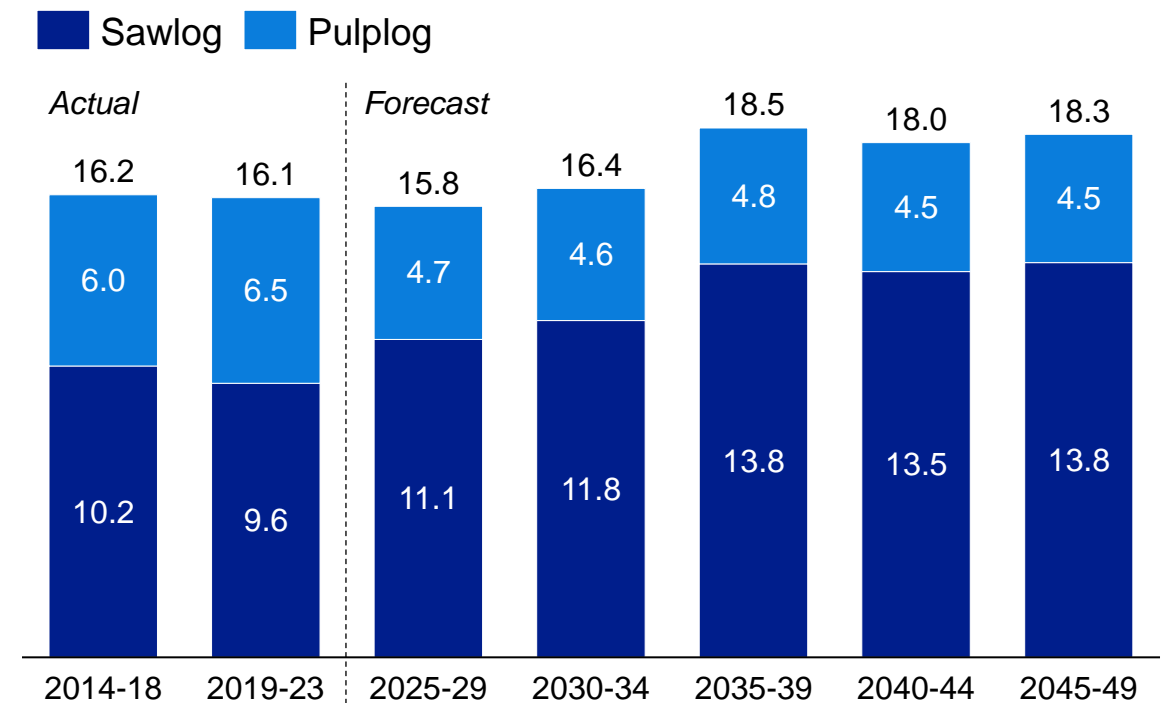
SOURCE: NZ Ministry for Primary Industries, National Exotic Forest Description (2023) and Wood Availability Forecast (2021)

Australia's softwood harvest is forecast to grow slowly

Australia softwood forest area 1960-2023; Million hectares



Australia softwood log availability forecast; Million m³



- Planted area peaked in 2010s. Area reaching harvest age will continue to grow over next ~20 years.
- Slow growth in harvest forecast until 2040, to ~15% higher than current.
- Key risks: forest fires, competition from log exports (India, and China if lift 2020 ban).

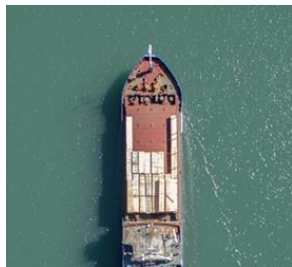
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1. Softwood forest resources

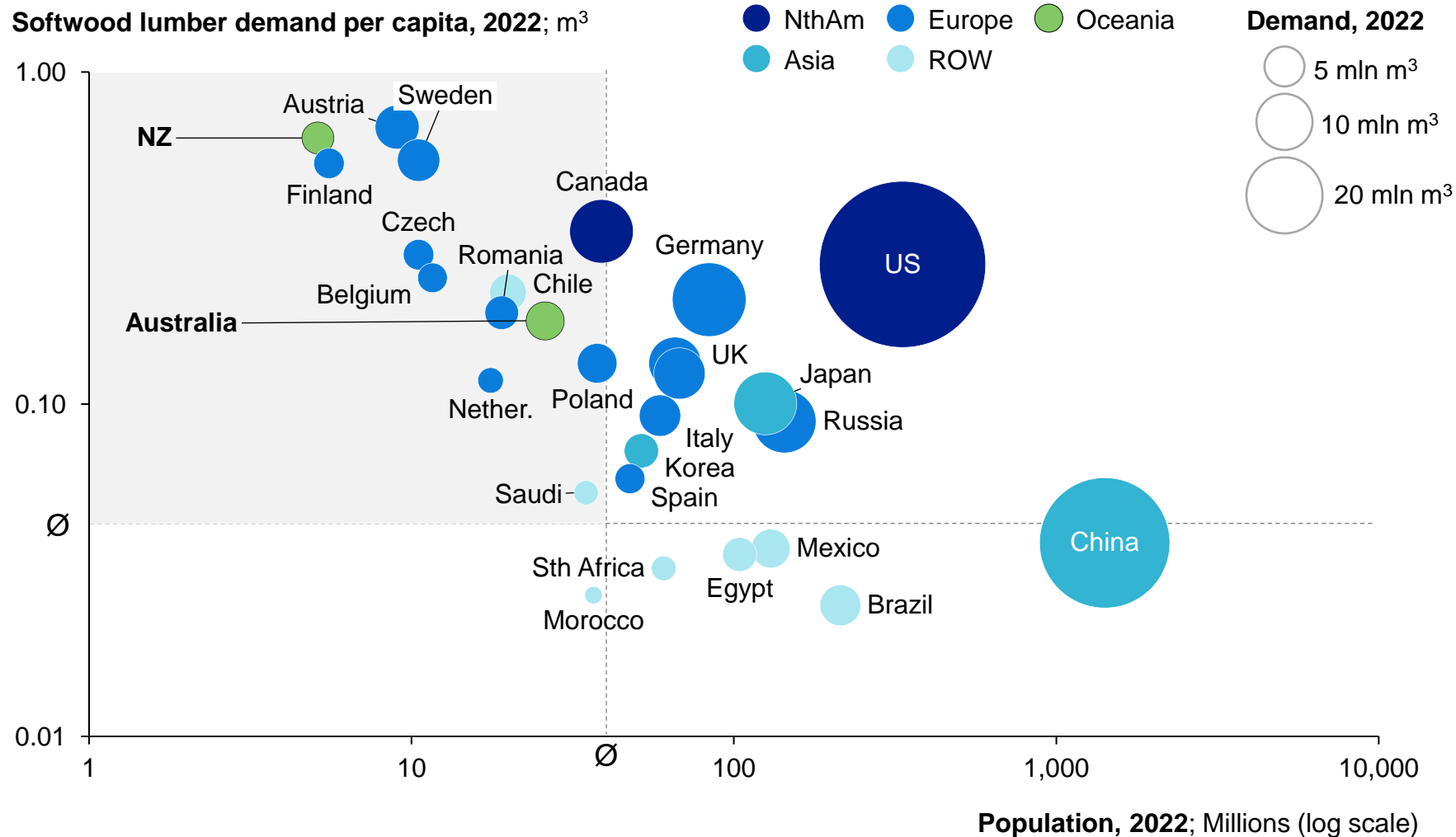


2. Sawn softwood markets



3. International trade in softwood logs and sawnwood

Australia and NZ are relatively small markets for sawnwood



- **Small countries with high per-capita demand for wood**
- **Australia:** population 26 mln, demand 5 mln m³ – comparable to **Poland**
- **New Zealand:** population 5 mln, demand 3 mln m³ – comparable to **Finland**

SOURCE: FAO; Customs data; IMF World Economic Outlook April 2023

Demand growth driven by demographics and wood use tradition

Wood use tradition



- Tradition of using wood in housing, packaging, furniture
- Historical availability, established practices
- Earthquake safety of buildings
- Pull from builders, buyers and architects
- Kept alive with new solutions, e.g. CLT for multi-family homes

Population growth



- Population growing, mainly through immigration
- Australia's population grew by 37% (1.4% pa) in 2000-23.
 - 30% were born overseas.
- NZ's population grew by 34% (1.3% pa) in 2000-23.
 - 27% were born overseas.

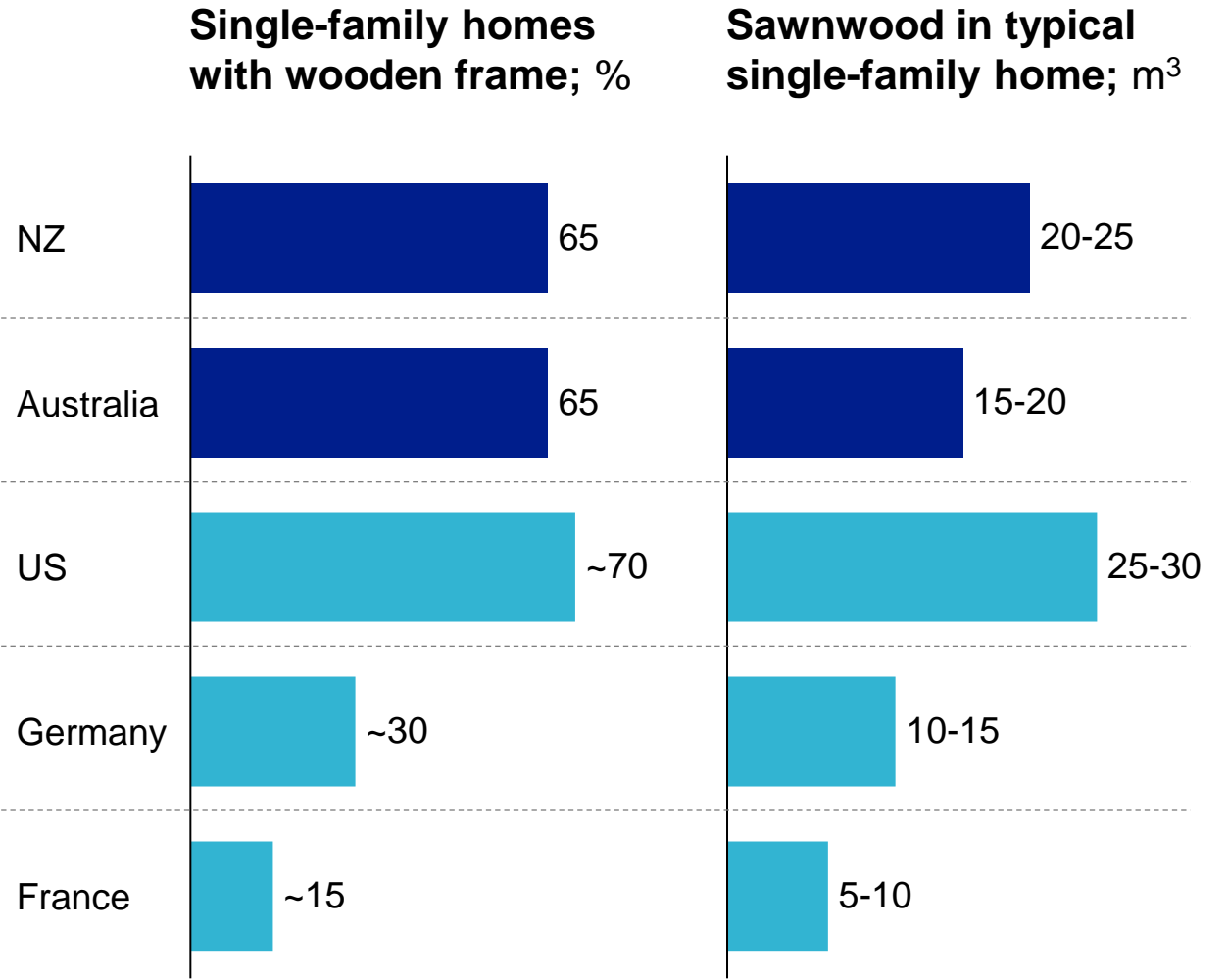
Urbanization



- Cities are growing, requiring new homes
- Large housing deficit – low dwellings per capita, vacancy, and affordability
- Governments making large commitments to stimulate building, e.g. ~6 AU\$ bln in Australia's 2024-25 budget¹

1. 1 \$bn in Housing Support Program, 1.9 \$bn in Rent Assistance, 1.9 \$bn in Housing Australia Future Fund and Housing Accord

Most homes are single-family (detached) with wooden frame

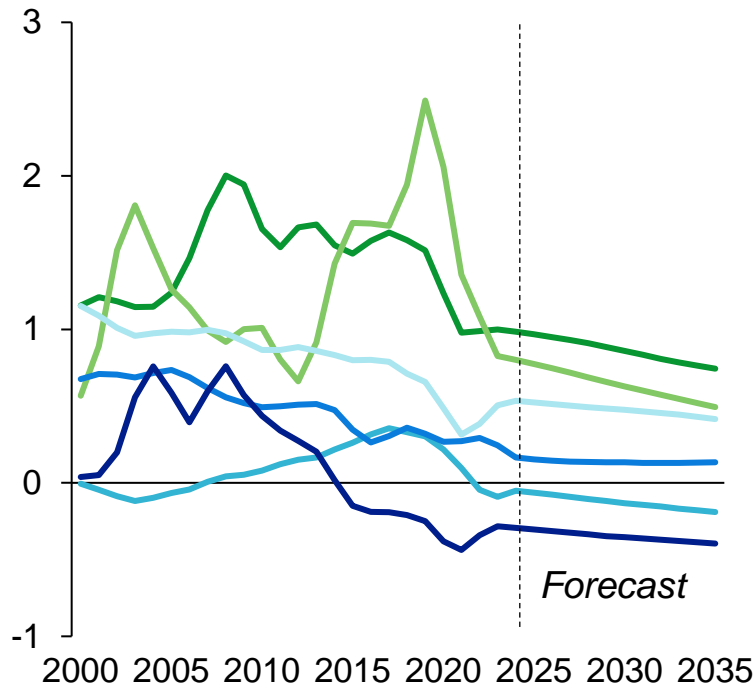


SOURCE: National statistics; Building associations; Interviews

Demographics suggest continued strong growth in home construction

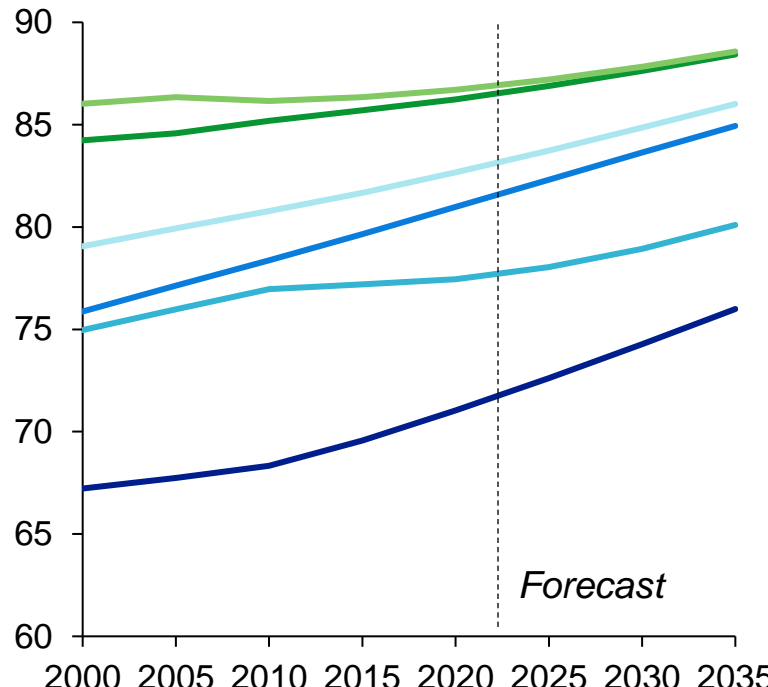
— Australia — NZ — US — Germany — France — Italy

Population growth; Percent p.a. 




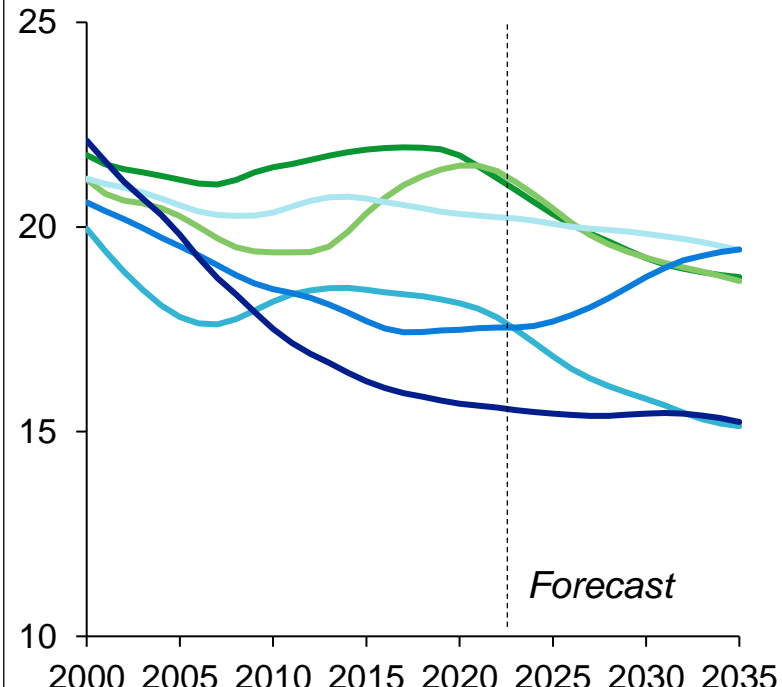
Continued strong population growth – 0.8% p.a. 2024-35

Urban population; Percent 



Urbanization is high and climbing; need new homes

Home-forming age¹; Percent 



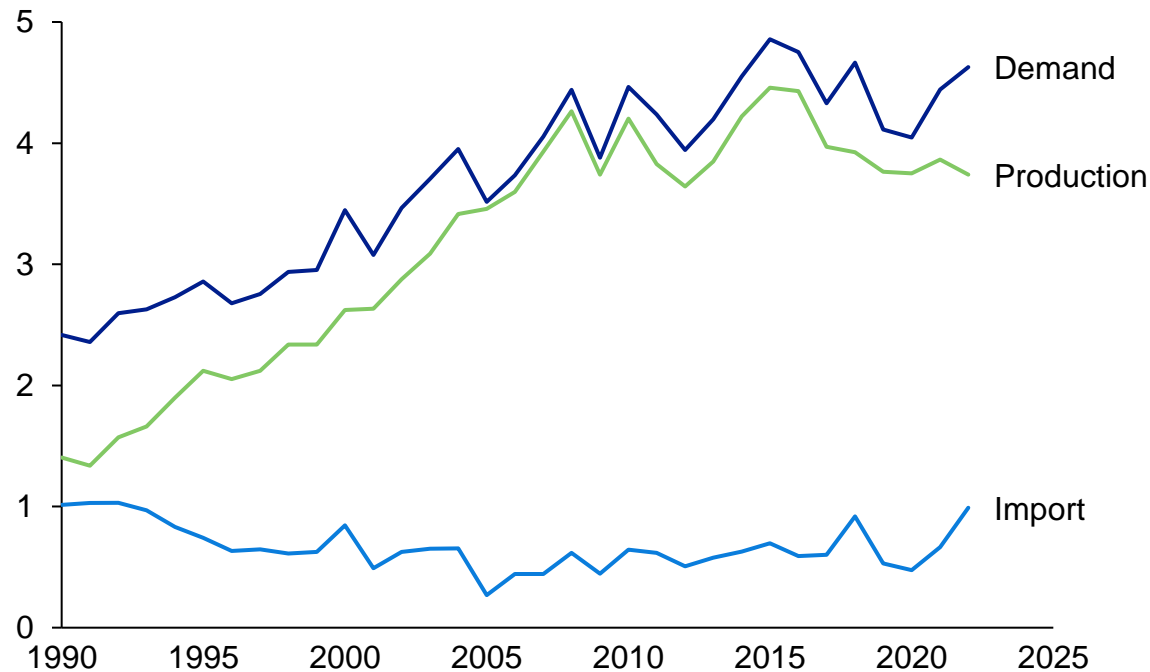
Young population, large “home-forming” age group

1. 20-34 yrs

SOURCE: UN World Population Prospects; UN World Cities Report; IMF

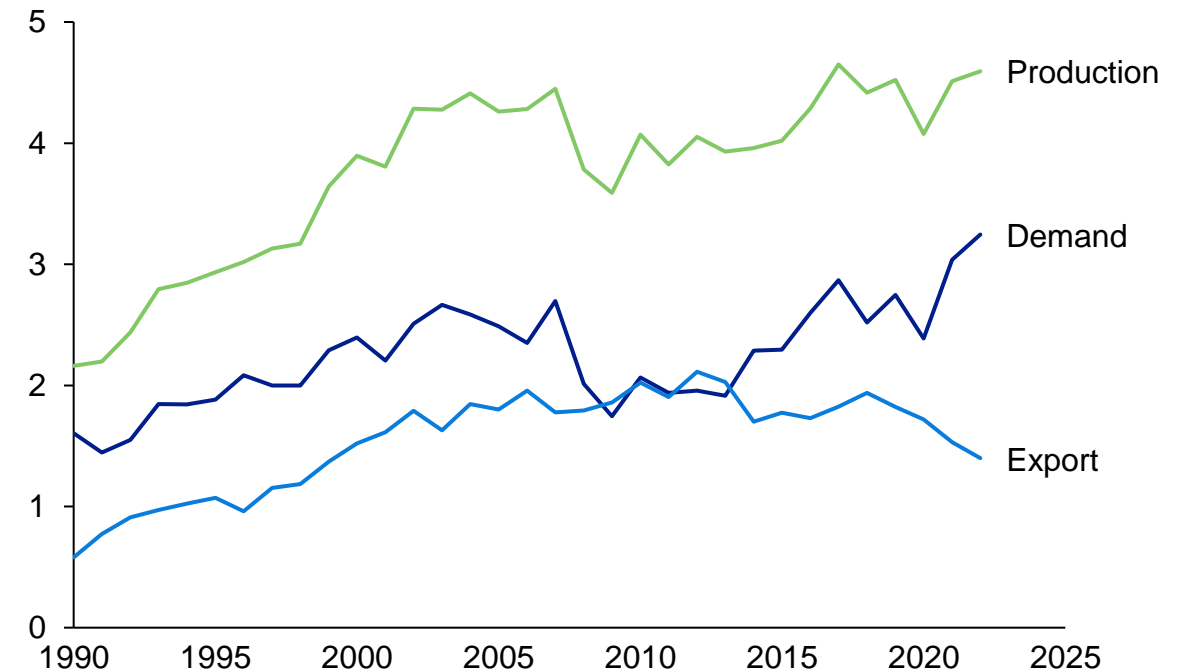
Sawnwood production has not kept up with demand, driving import

Australia softwood lumber supply-demand; Million m³



Imports 22% of demand – Some expect 50% within 20 years (2-3 mln m³), **1-2 mln m³ more likely**

New Zealand softwood lumber supply-demand; Million m³



Exports 30% of production (50% in 2010). Will **continue to fall** with lower harvest, strong demand

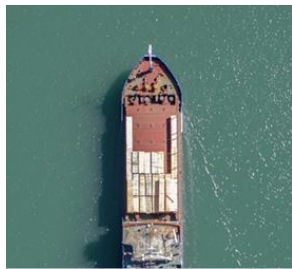
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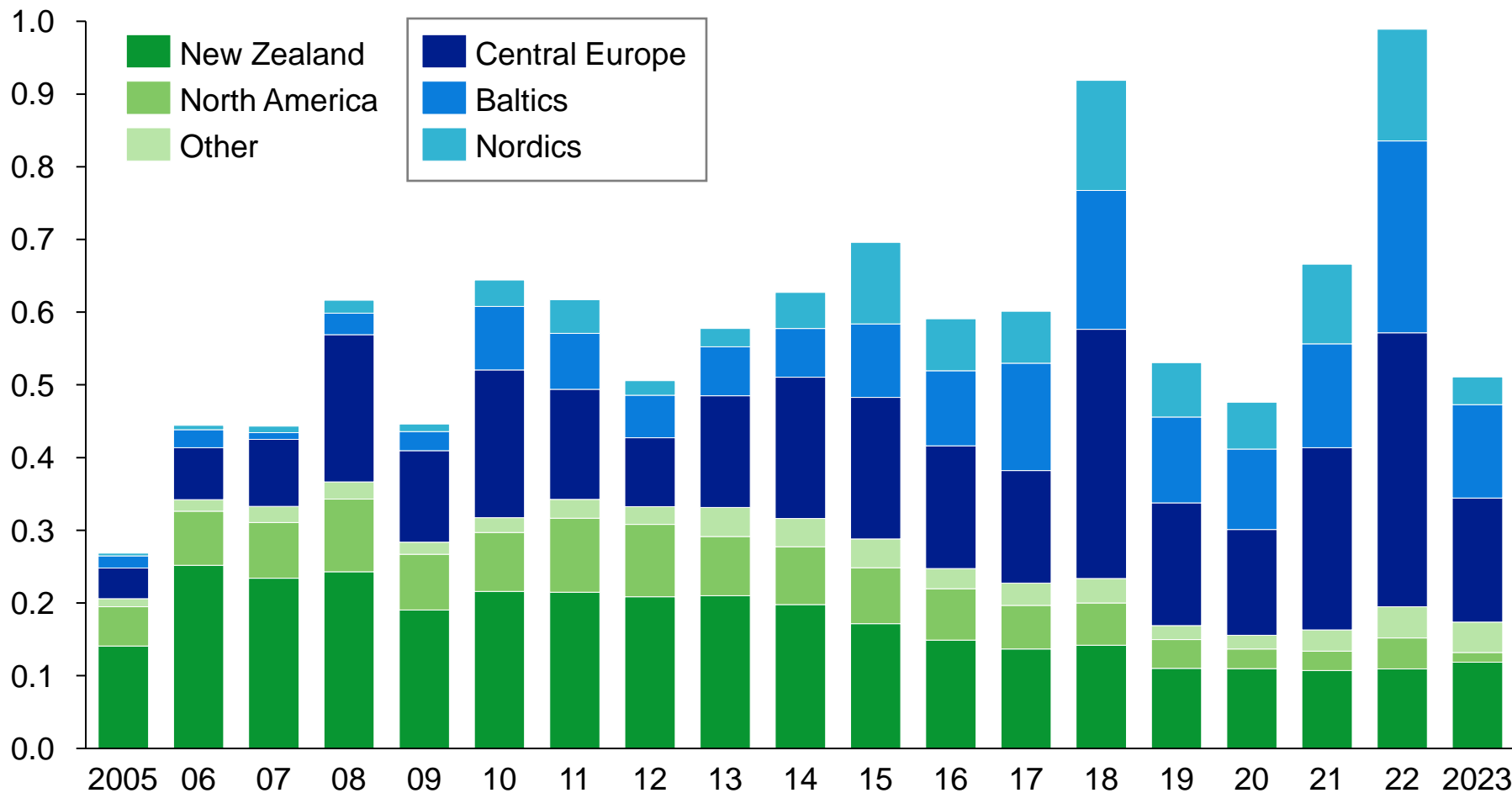
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Europe has become the main source of Australian softwood sawnwood imports

Australia imports of softwood sawnwood; Million m³

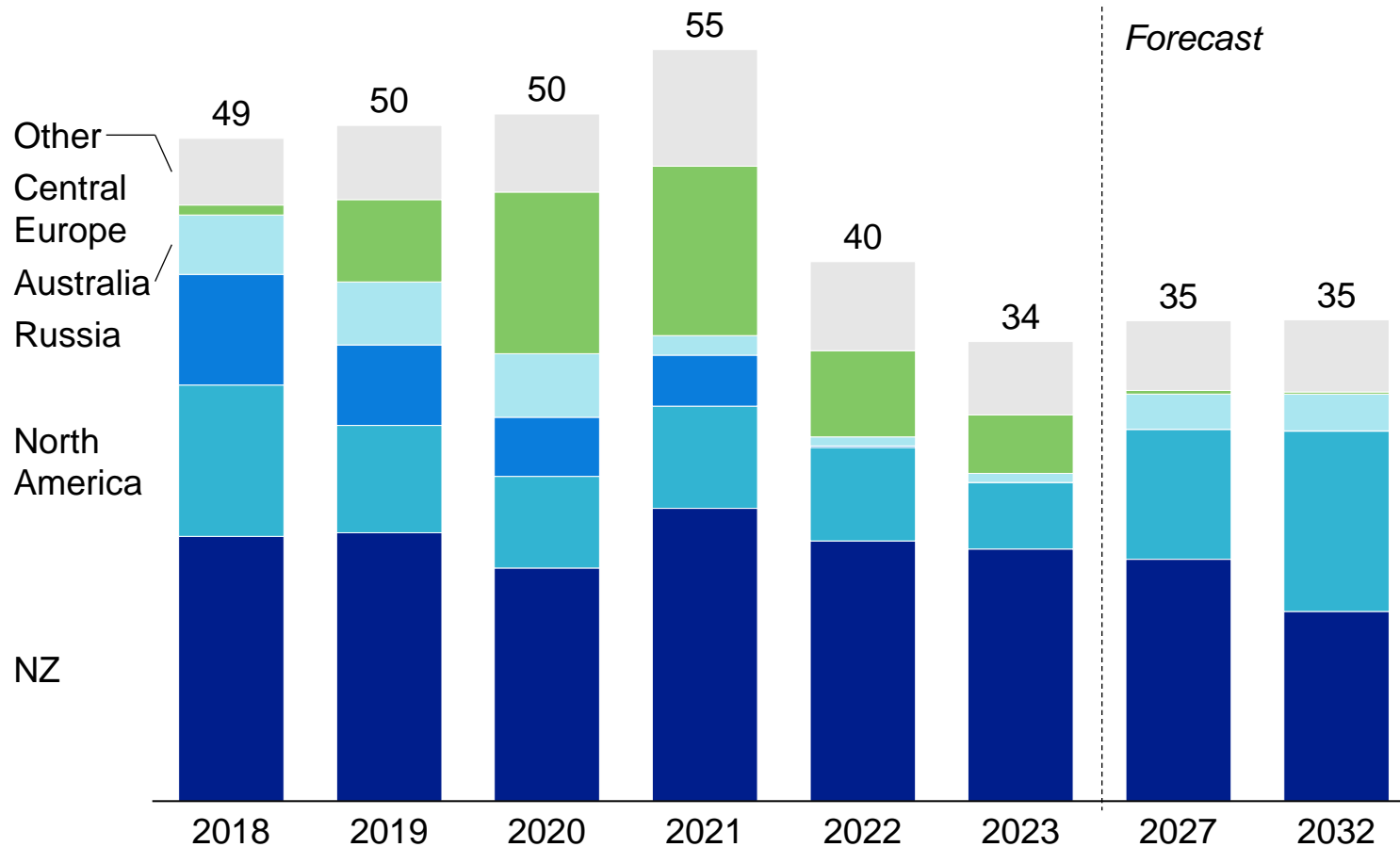


- **Europe's share** of Australian imports grown from **25% to 70-80%**
- **Central Europe** grew with bark beetle, **Baltics** and **Nordics** also grew
- Trade now of **~500 k m³, US\$ 200 mln**
- **NZ constrained by new standards**, which fast-growing radiata doesn't meet for construction

SOURCE: ABARE (Australian Department of Fisheries and Forestry)

We expect lower NZ log exports and more export from US South

Softwood log exports to major Asian markets¹; Million m³



Weaker Asian demand

- China not recovering (peak 2021)
- India growth but from low level

Lower NZ export

- Lower harvest
- More logs used domestically

Tight Asia-Pacific market

- Main sources constrained or blocked (Russia)
- US South could fill the gap (and some higher quality from US Northwest)

1. China, India, Japan, South Korea

SOURCE: Customs data; Interviews; OA analysis

Conclusions



Forest resources near limits

- New Zealand harvests will soon peak then decline until ~2035
- Australian harvests will grow slowly until ~2040
- Net log export, but lower than historically



Growing sawnwood market

- Demand fueled by population (immigration), urbanization, tradition
- Australia imports growing, NZ (small) exports declining



Opportunity for exporters

- Australian sawnwood market increasingly served by Europe
- Gap in Asia-Pacific softwood log markets – US South likely to fill

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