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# Australia and New Zealand softwood markets

Forest resources, domestic markets, and international trade

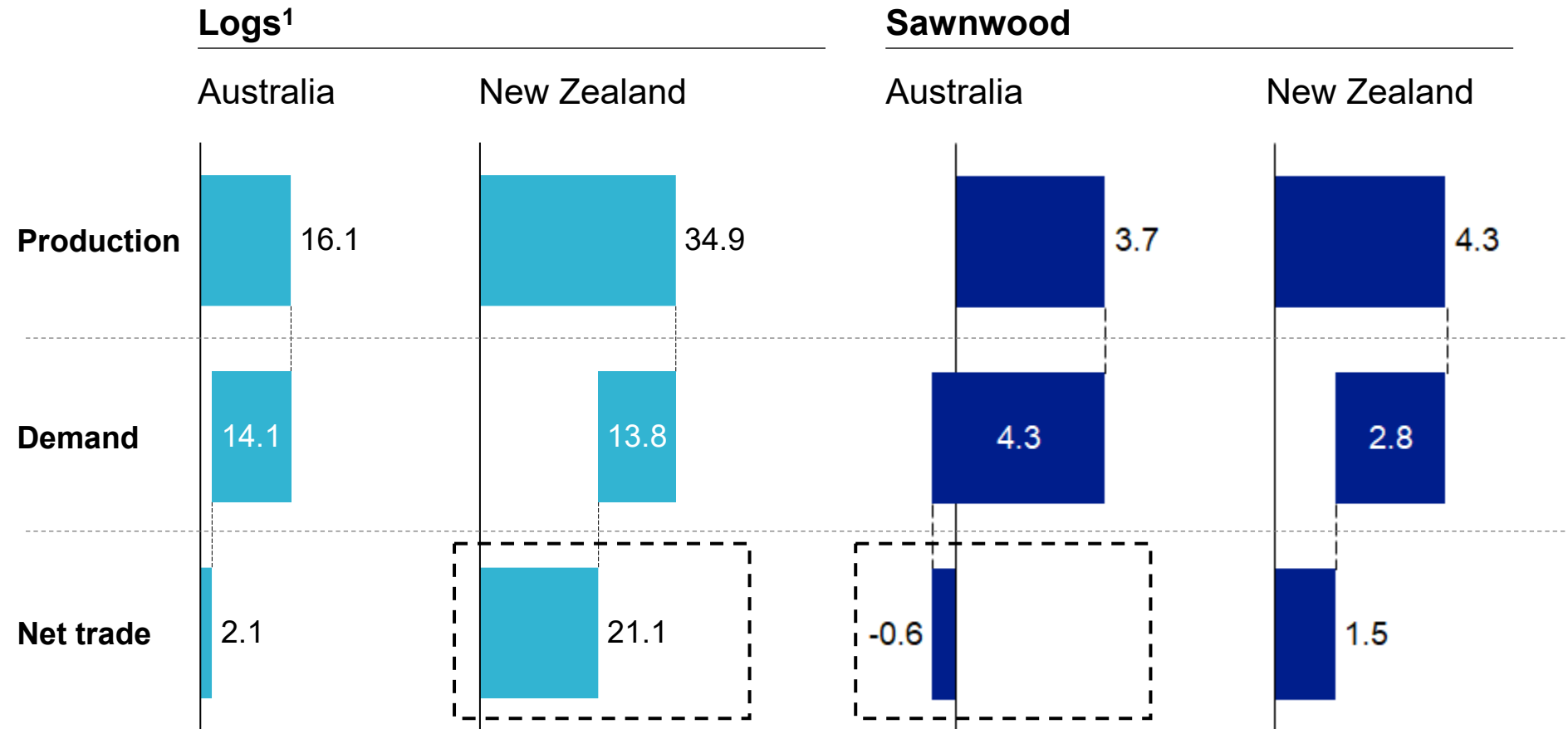
72<sup>nd</sup> International Softwood Conference, Taormina, Italy

17 October 2024



# New Zealand is large log exporter, Australia a sawnwood importer

Softwood balance, 5-year average (2018-2023); Million m<sup>3</sup>



## 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)

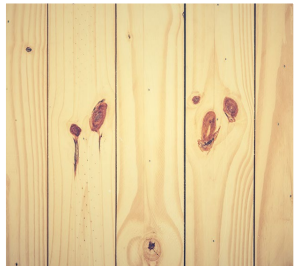
1. Coniferous industrial roundwood, including sawlogs and pulplogs (85% of NZ production is sawlogs, 60% of Australia)

# Agenda

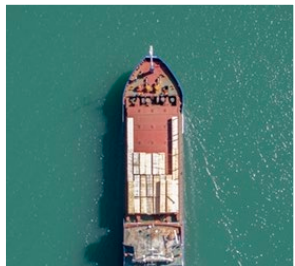
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## 1. Softwood forest resources




## 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
<b>Land area</b>	768	26
• Non-forest	634	16
• Forest	134 <sup>1</sup>	10
<b>Forest management</b>	134	10
• Natural / protection <sup>2</sup>	132	8
• Plantation	2	2
<b>Plantation species</b>	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

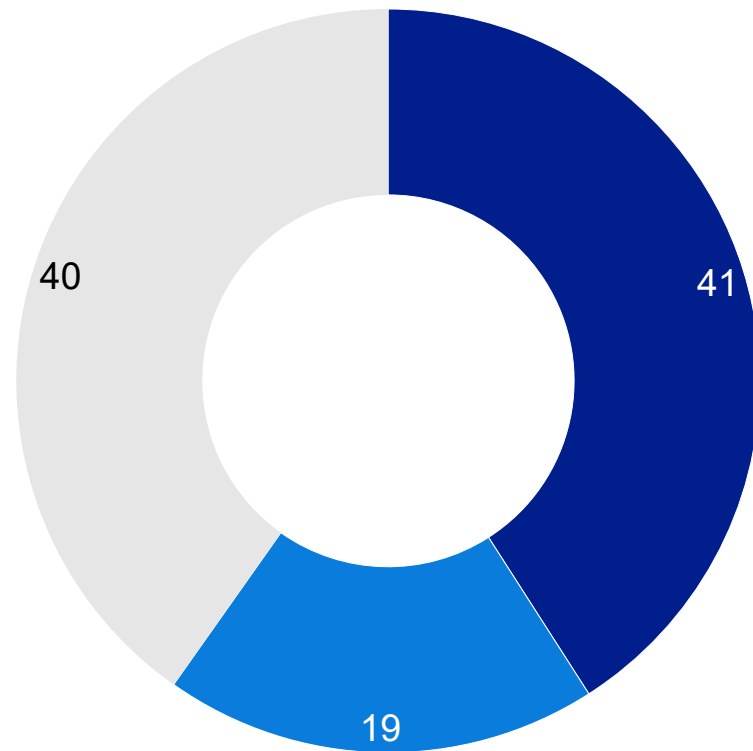
# Radiata pine is the main softwood plantation species

## Plantation species mix, 2023

■ Radiata pine ■ Other softwood ■ Hardwood

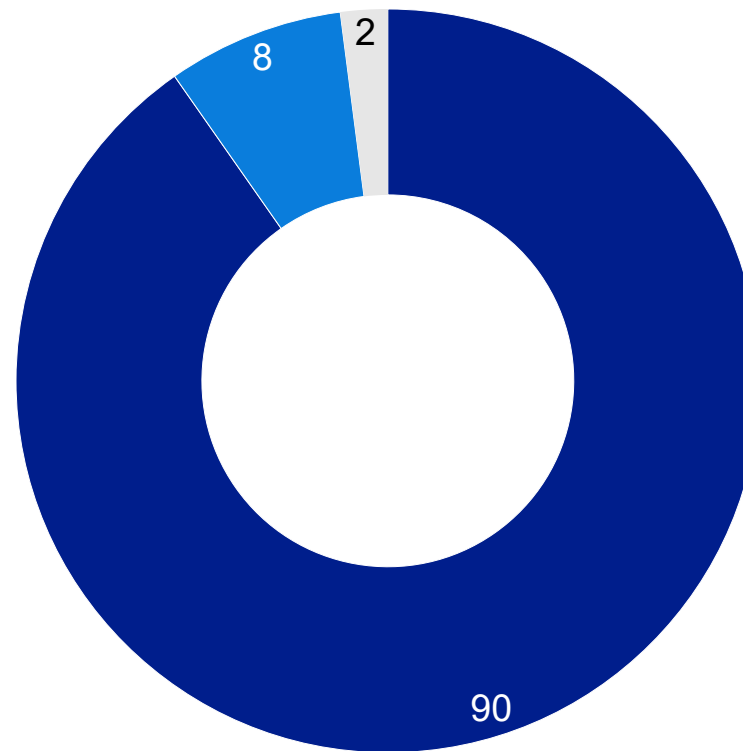
### Australia

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



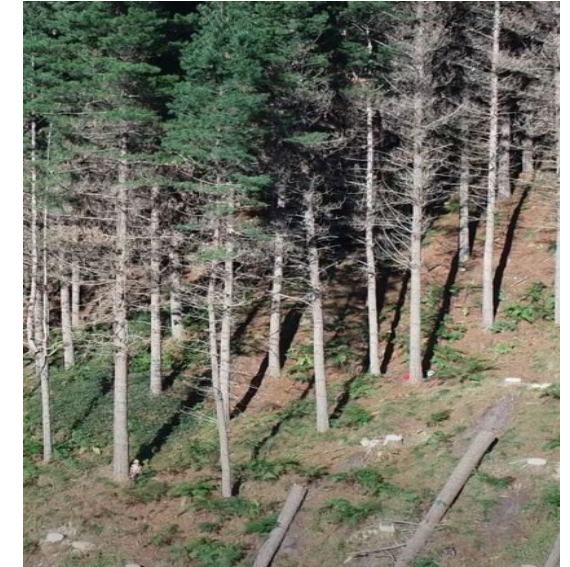
- Mostly thinning to waste
- First to ~800 then ~400 trees /ha
- At ~6 and ~9 years

### Pruning



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

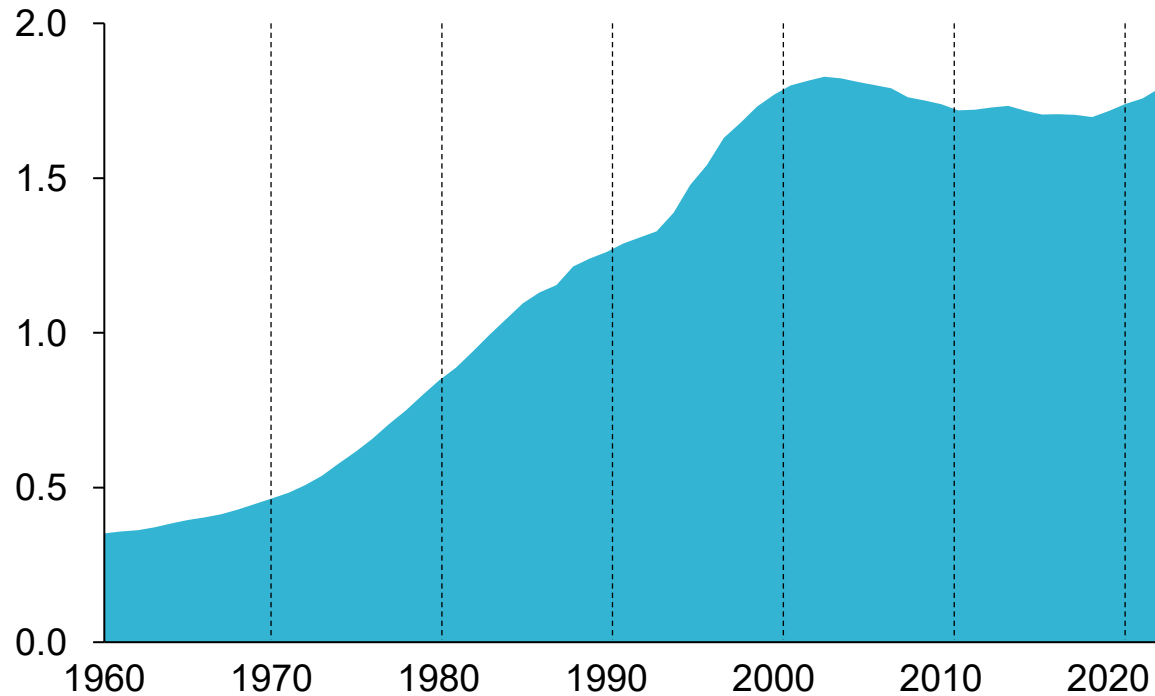
### Harvesting



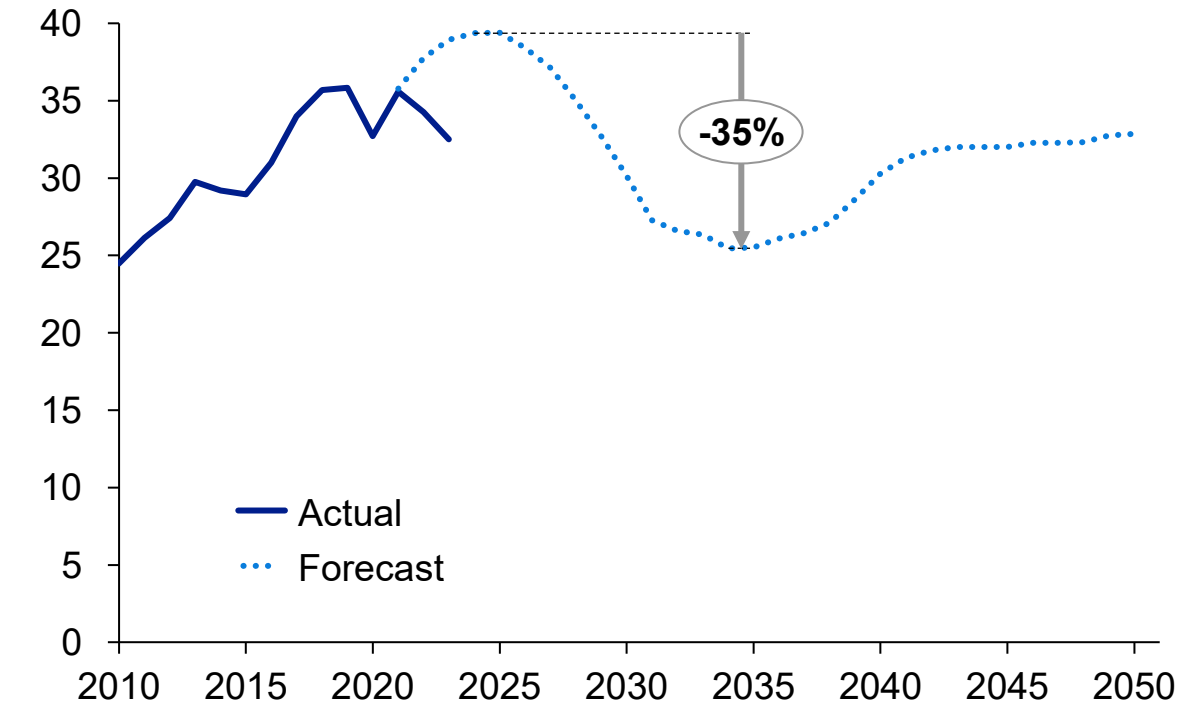
- At ~28 years
- Yield ~500 m<sup>3</sup>/ha
- Mechanical on flat/rolling
- Cable logging on steep

# 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 m<sup>3</sup>

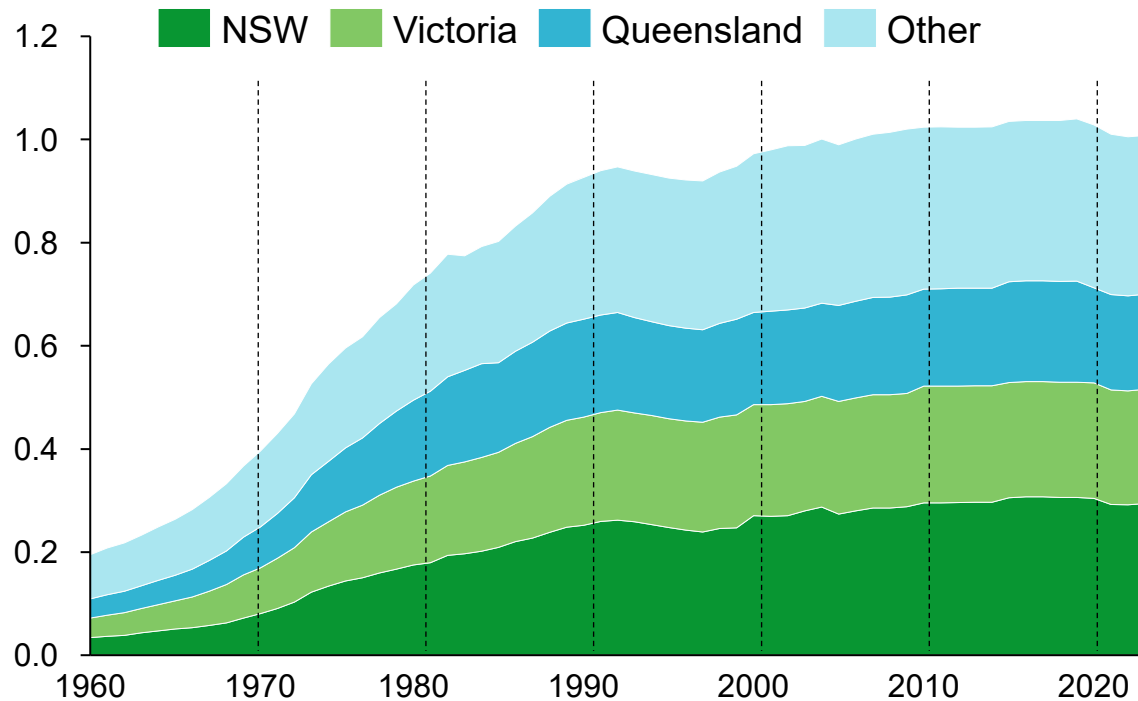


- Plantation area peaked in 2003. Recent increase in planting (carbon forestry) will not mature until ~2050.
- Harvests expected to peak in ~2025 then decline.
- We expect lower peak and shallower trough: weak demand (China, India) and infrastructure constraints.

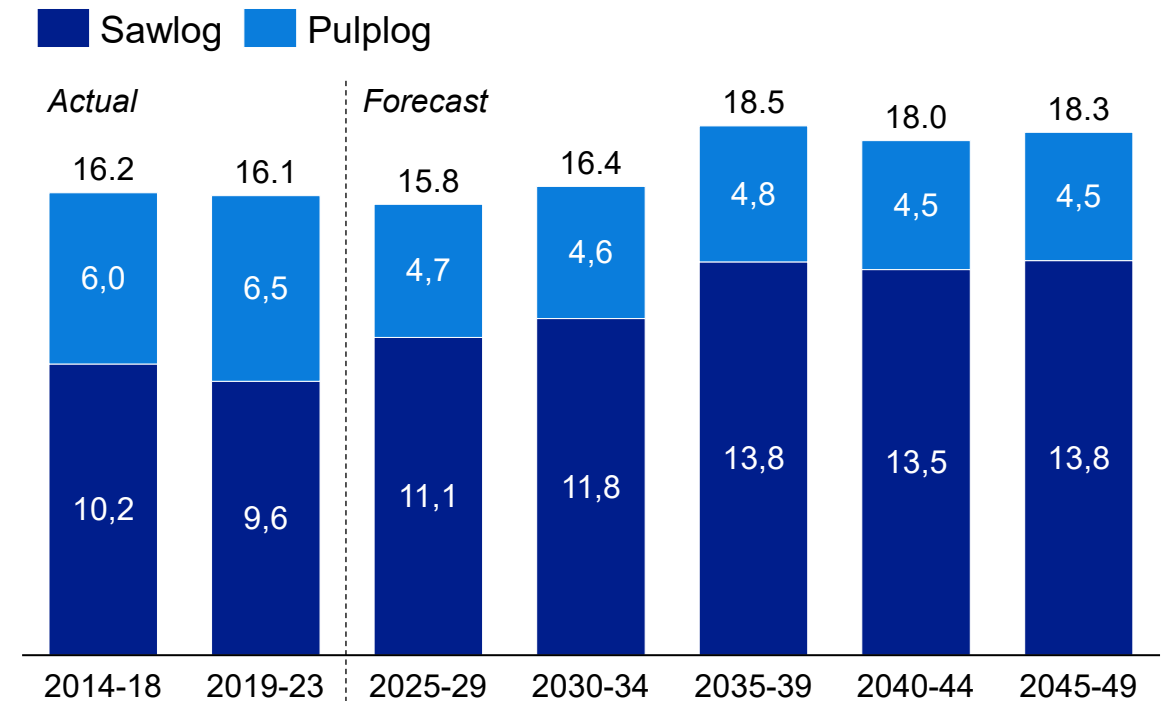
SOURCE: NZ Ministry for Primary Industries, National Exotic Forest Description (2023) and Wood Availability Forecast (2021)

# Australia's softwood harvest is forecast to grow slowly

Australia softwood forest area 1960-2023; Million hectares



Australia softwood log availability forecast; Million m<sup>3</sup>



- 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).

SOURCE: ABARES; O'Kelly Acumen



# Agenda

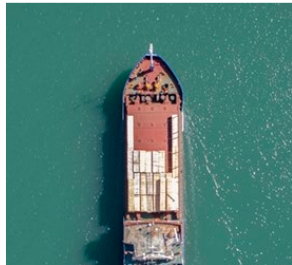
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## 1. Softwood forest resources



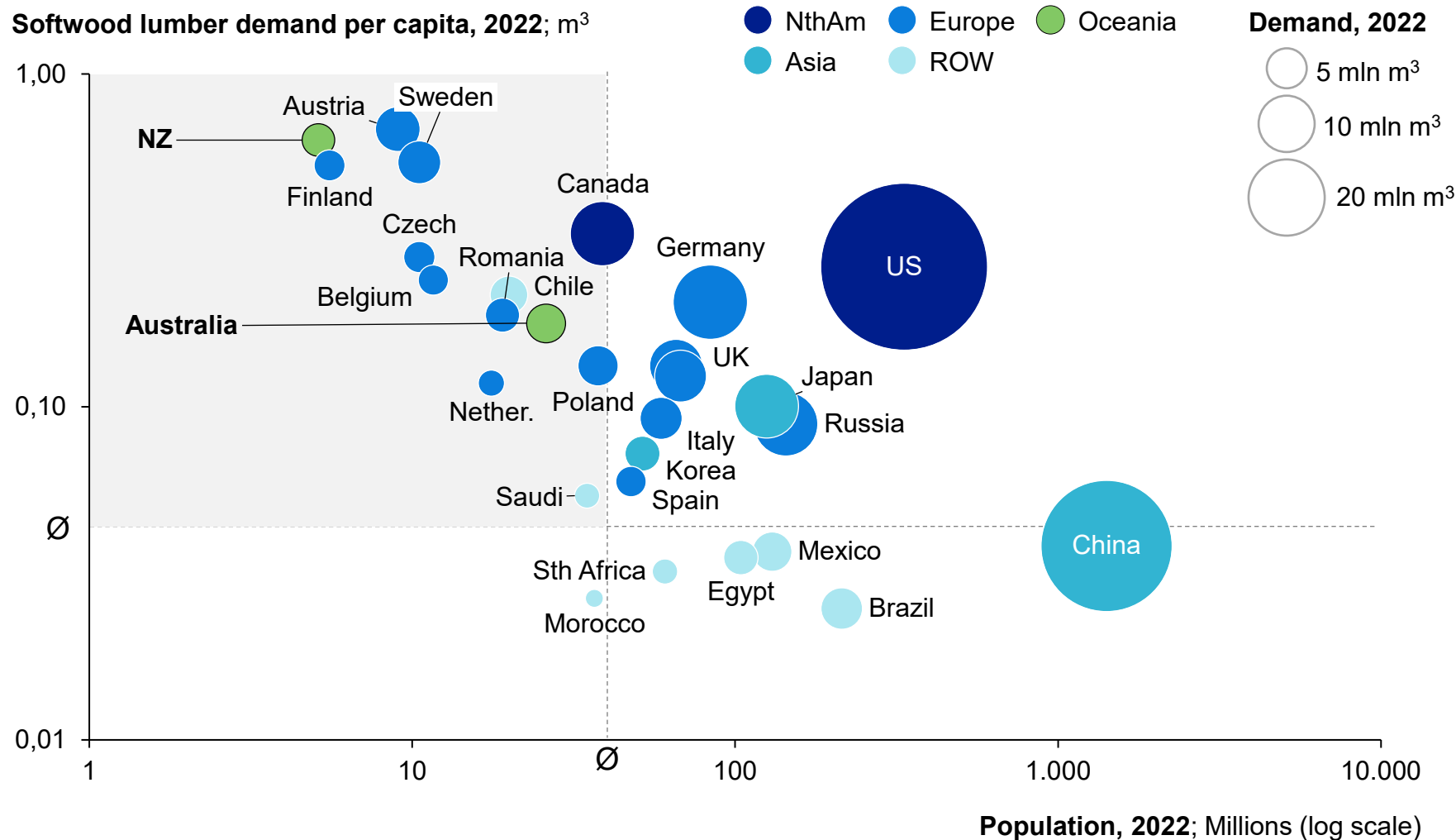
## 2. Sawn softwood markets



## 3. International trade in softwood logs and sawnwood

# Australia and NZ are relatively small markets for sawnwood

Softwood lumber demand per capita, 2022; m<sup>3</sup>



- **Small countries with high per-capita demand for wood**
- **Australia:** population 26 mln, demand 5 mln m<sup>3</sup> – comparable to **Poland**
- **New Zealand:** population 5 mln, demand 3 mln m<sup>3</sup> – 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.

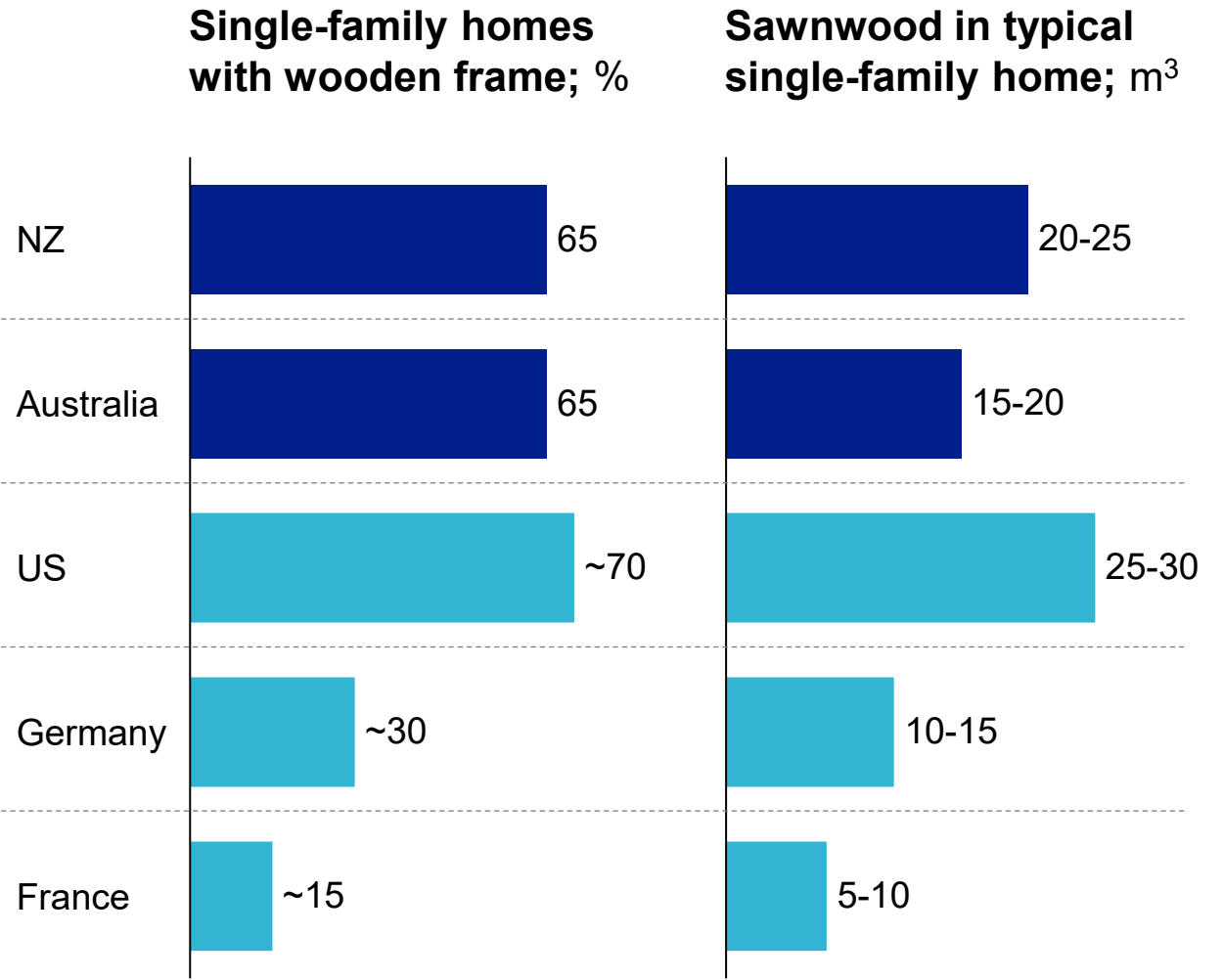
## Urbanization



- 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 budget<sup>1</sup>

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

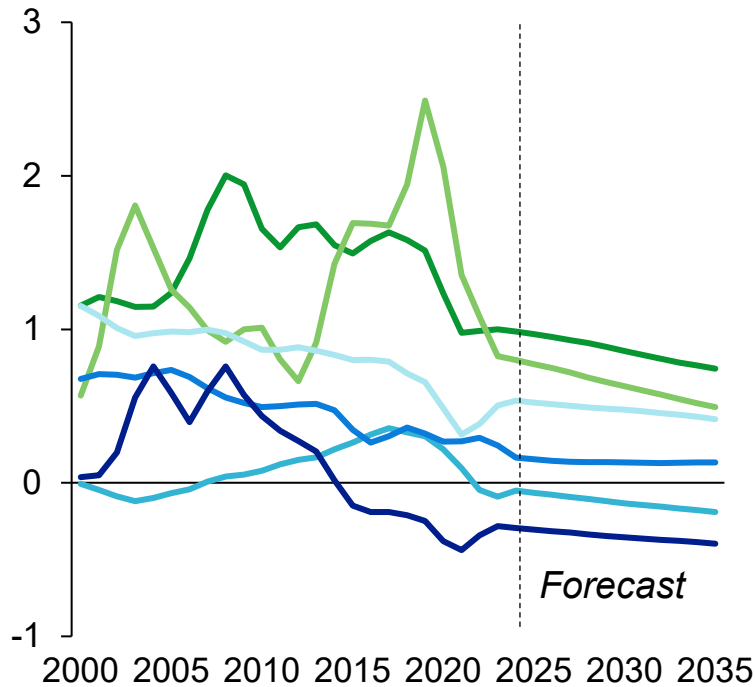


SOURCE: National statistics; Building associations; Interviews

# Demographics suggest continued strong growth in home construction

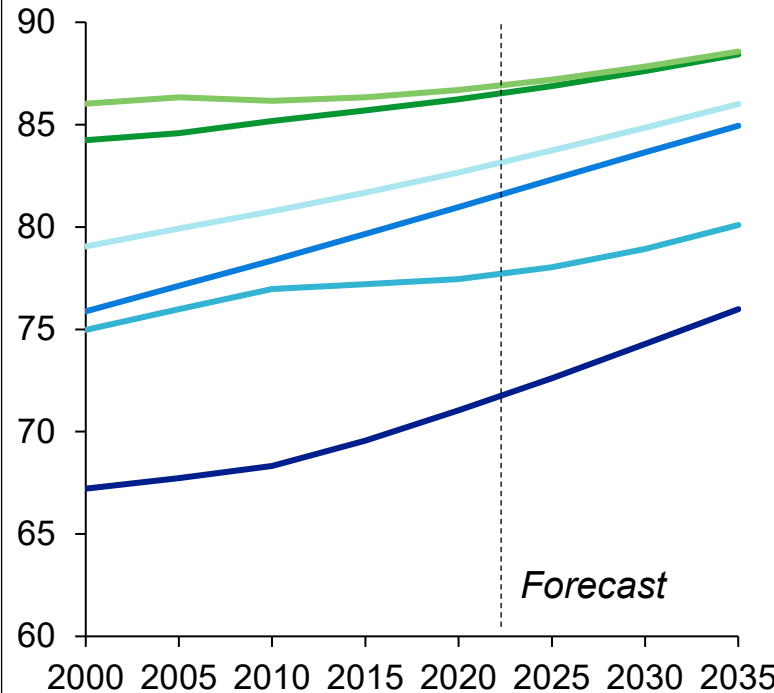
— Australia — NZ — US — Germany — France — Italy

Population growth; Percent p.a. 



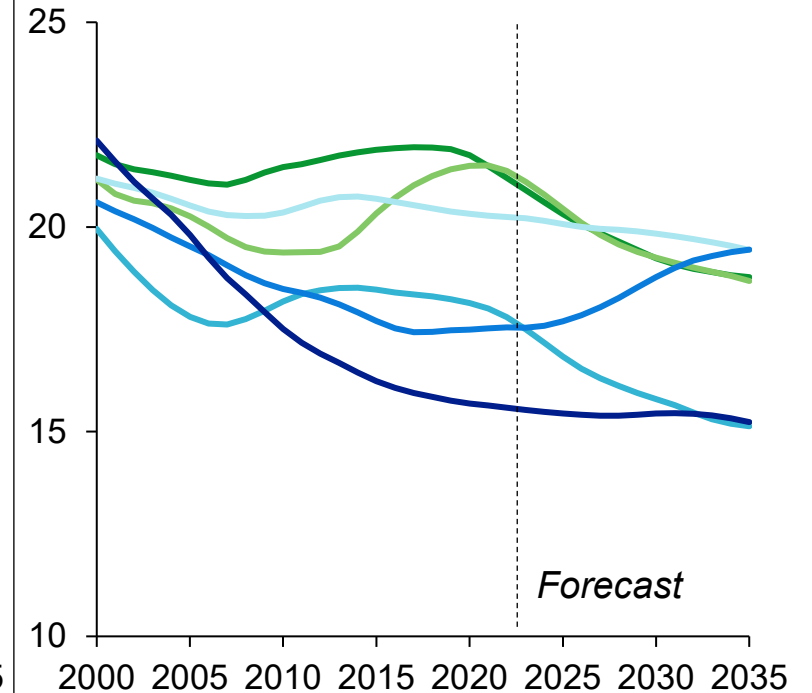
Continued **strong population growth** – 0.8% p.a. 2024-35

Urban population; Percent 



**Urbanization is high and climbing**; need new homes

Home-forming age<sup>1</sup>; Percent 



Young population, large **“home-forming”** age group

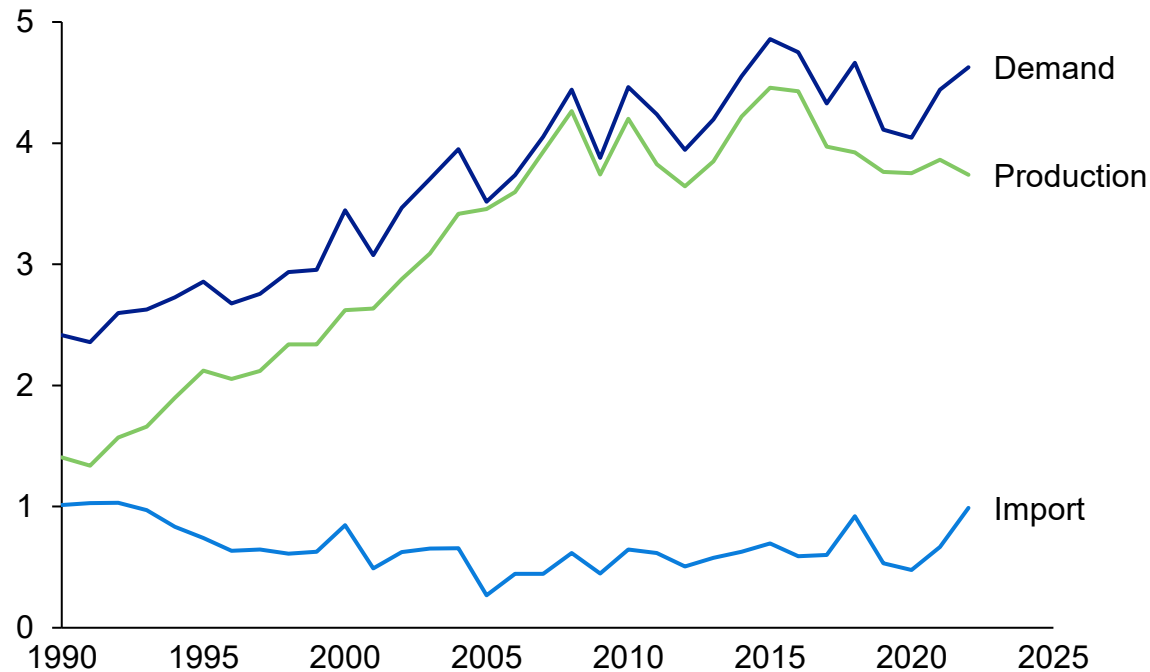
1. 20-34 yrs

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



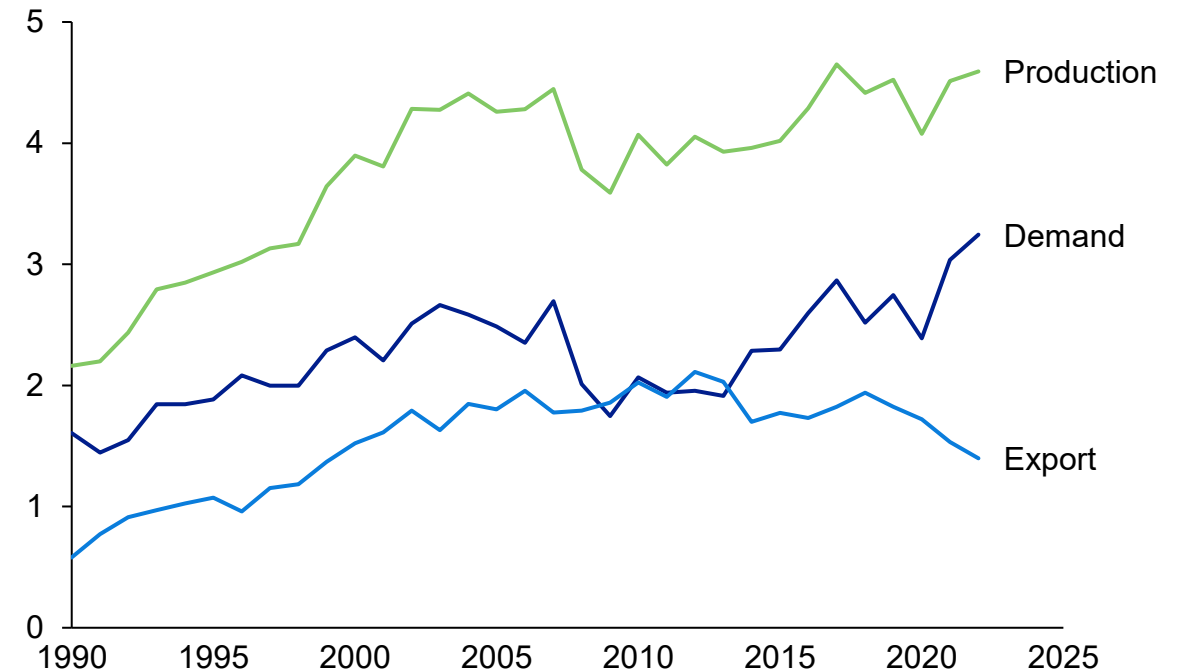
# Sawnwood production has not kept up with demand, driving import

**Australia softwood lumber supply-demand; Million m<sup>3</sup>**



Imports 22% of demand – Some expect 50% within 20 years (2-3 mln m<sup>3</sup>), **1-2 mln m<sup>3</sup> more likely**

**New Zealand softwood lumber supply-demand; Million m<sup>3</sup>**



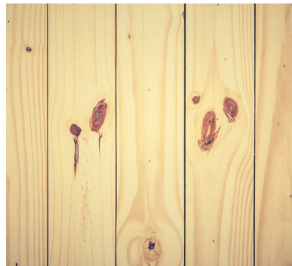
Exports 30% of production (50% in 2010). Will **continue to fall** with lower harvest, strong demand

# Agenda

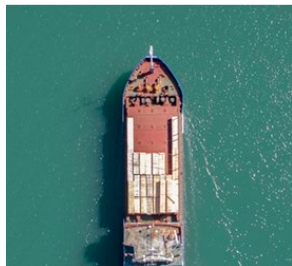
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1. Softwood forest resources



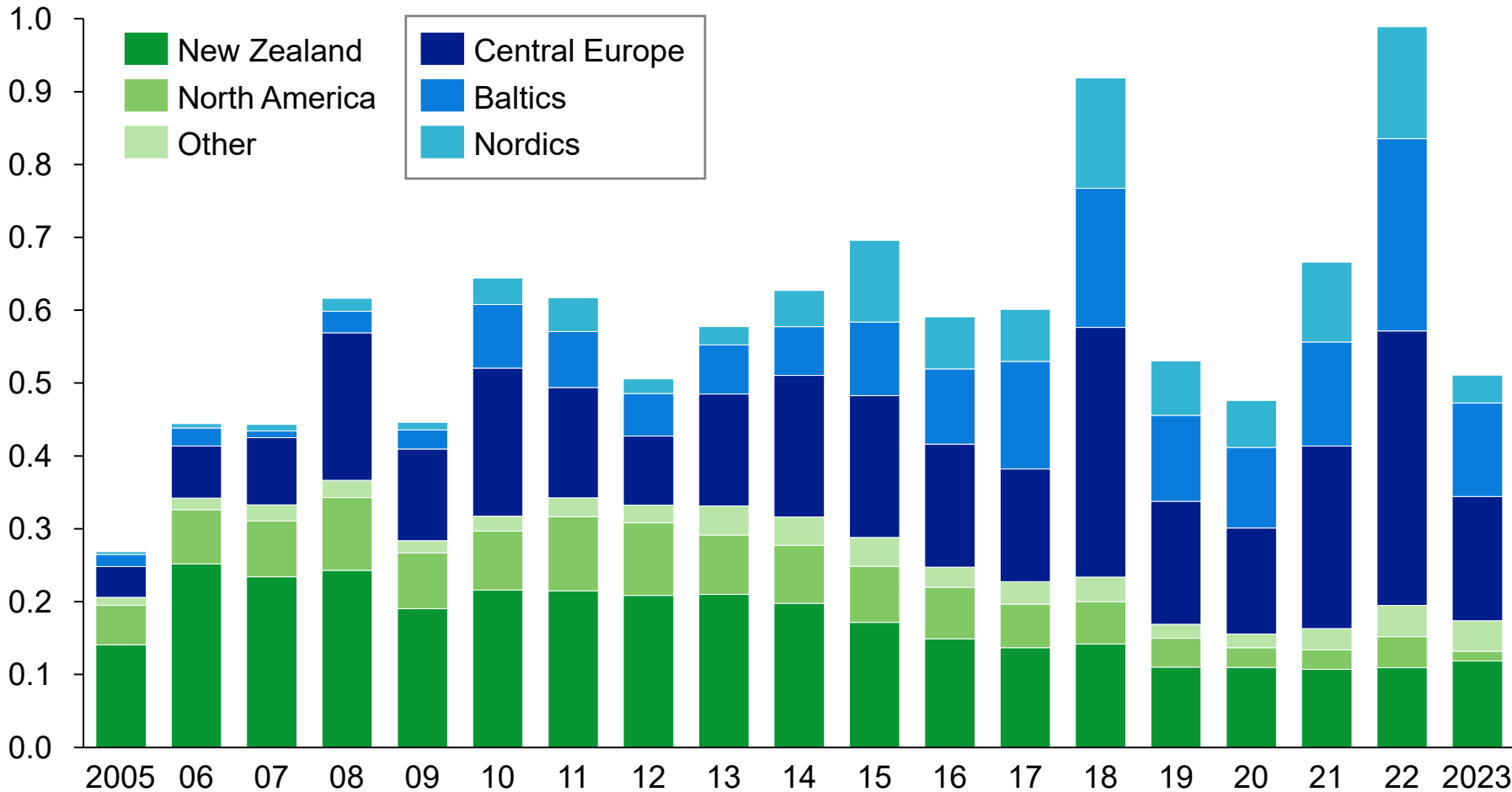
2. Sawn softwood markets



**3. International trade in softwood logs  
and sawnwood**

# Europe has become the main source of Australian softwood sawnwood imports

Australia imports of softwood sawnwood; Million m<sup>3</sup>

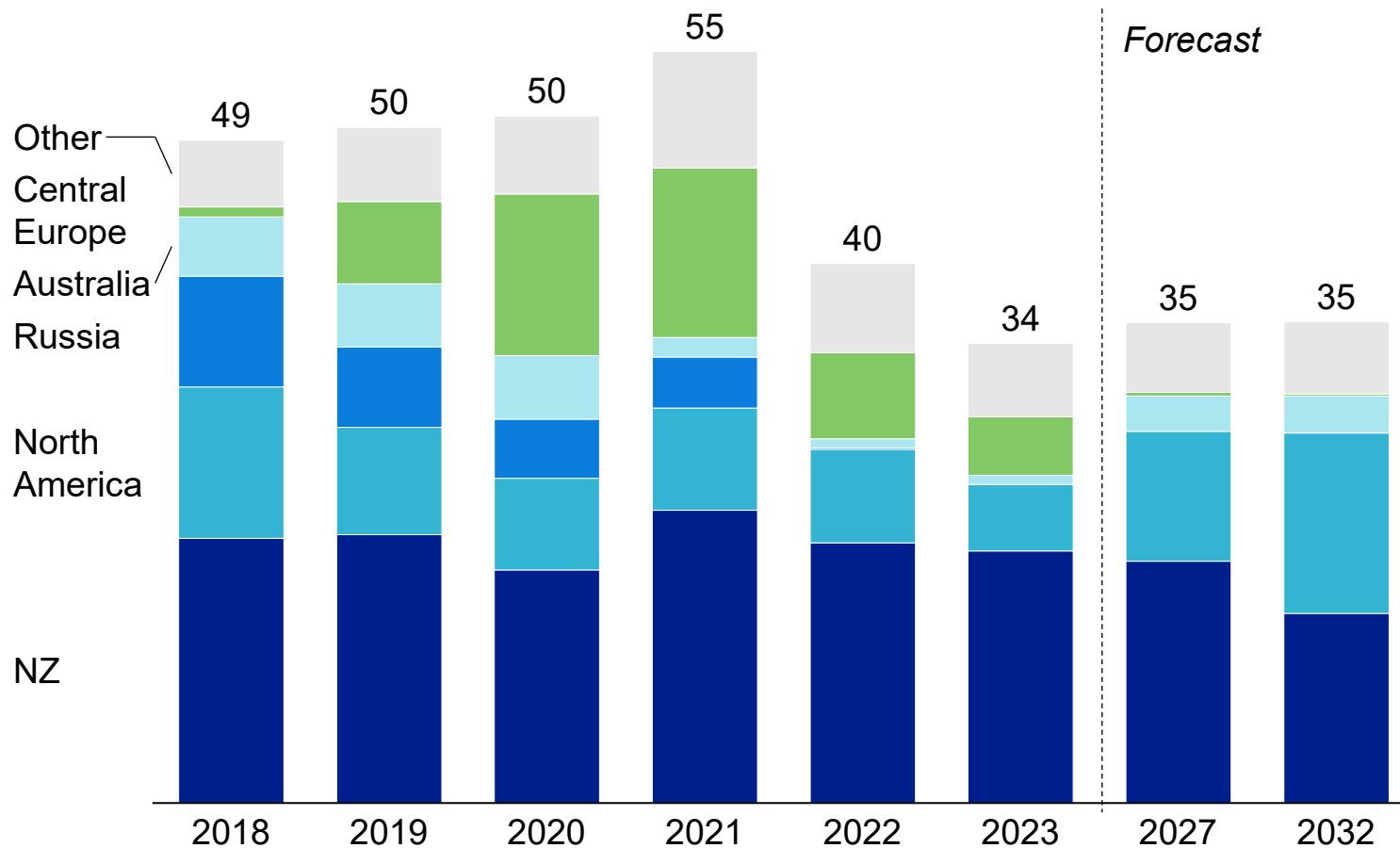


- **Europe's share** of Australian imports grown from **25% to 70-80%**
- **Central Europe** grew with bark beetle, **Baltics** and **Nordics** also grew
- Trade now of **~500 k m<sup>3</sup>, US\$ 200 mln**
- **NZ constrained by new standards**, which fast-growing radiata doesn't meet for construction

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 markets<sup>1</sup>; Million m<sup>3</sup>



## 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

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## 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



# Contact details

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