

10th November 2021

The Impact of the Log Export Crisis on Forestry Industry

Eastland Wood Council (EWC) members, forestry contractors and industry stakeholders have faced many challenges, especially during the past six months.

The resilience of the forestry industry in Tairāwhiti relies on the supply chain continuing to move...

Global economic factors can have major repercussions for our industry. The NZ public too are not insulated. We have all felt the impact of a record high fuel prices.

Right now the forestry industry is dealing with the impacts of a log export crisis that has seen prices plummet.

The cost of shipping wood to China has almost trebled since January, the result of covid, increased fuel prices etc. The slowdown in the China economy extends to the construction industry.

As we speak 10% of the global shipping fleet is sitting in the water off China waiting to discharge and incurring demurrage costs daily. Many Ports have been shut down due to covid and the holiday season has added further to delays.

These factors have resulted in significant increases to inventory costs and a drop in demand for wood.

Pundits expect the market to recover in the first quarter of 2022, however this is little comfort to the forestry industry, which includes everyone in the supply chain. Everyone is facing a very tough time.

Eastland Wood Council has been in regular contact with member forestry companies and reached out to many contractors and industry stakeholders across Tairāwhiti to help us understand the current challenges they face so we can help with solutions.

While member forestry companies are doing all they can to retain contractors, at the present time it is uneconomic to harvest, especially the smaller wood-lots.

EWC is aware some contractors have received notice to finish harvesting operations, others have been placed on reduced harvest volumes, others have been given notice of an extended break over Christmas etc.

The pressure points right now for many in our industry, include

- Freeing up cashflow to be able to continue paying wages
- Meeting current creditor payments and retaining these key relationships
- Explaining to bankers and finance companies the situation and seeking support with fill-gap measures (per the high value machinery and forestry equipment)
- The uncertainty our workforce of more than 1000 face to keep their whanau going

The safety and wellbeing of our workforce and their family's is our priority. For this reason EWC has made an approach to MP Kiri Allan and Tairāwhiti's regional leaders to inform them of this crisis and the need for a support package.

Collaboration across the supply chain, together with regional leadership will help us rebuild resilience and enable the industry collective to respond.

EWC is continuing to receive and assess feedback and we pledge to work with regional and national leaders to deliver an appropriate response to this crisis.

Naku noa na



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The Forestry Industry is a Key Driver of the Economy in Tairāwhiti

Further analysis of Facts & Figures 2019/2020 has enabled EWC to obtain a report specific to Tairāwhiti / East Coast.

- Forestry represents the largest GDP by industry for our region (\$253 million) for year ending March 2019.
- Forestry export revenues through Eastland Port totals \$438,808,547 for year ending March 2020.
- East Coast and Hawkes Bay together supply and manufacture the second largest volume of sawn timber in New Zealand (493,436 cubic metres)
- The forestry industry in Gisborne employed 1072 FTE's for the year ending March 2019 (the fourth largest employer by industry in Gisborne)

We also need to acknowledge the significant contribution the forestry industry makes to Trust Tairāwhiti and in turn the many community groups operating right across our region that exist the result of this philanthropic income.

In the 12 months to March 2021; Eastland Port's share of 2021's dividend to Trust Tairāwhiti was \$4.4 million. This was 50% of the dividend distribution of \$8.8 million. There is another \$1.2 million distribution which is Eastland Ports capital note interest that is paid at Group level.

<https://www.gisborneherald.co.nz/business/20210805/eastland-group-rebounds/>