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Radiata Pine:

A Competitive Force in Asian Markets

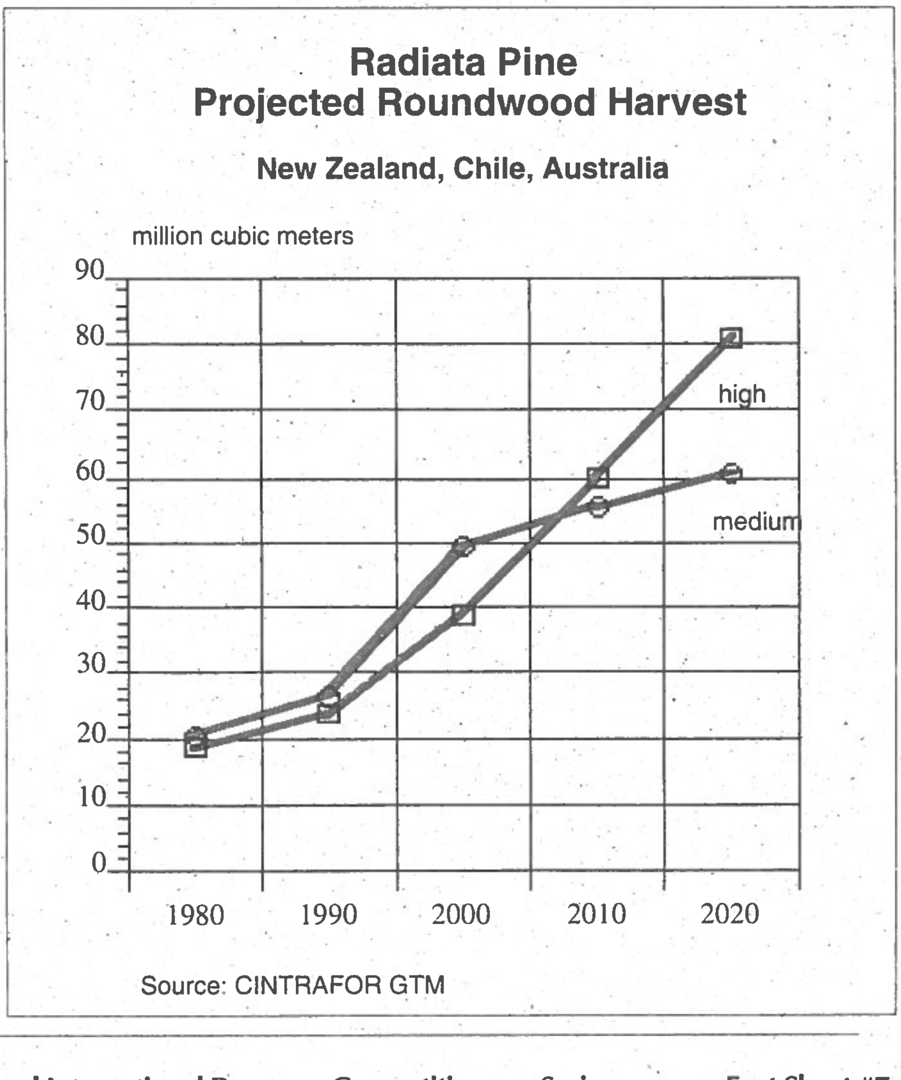
FACT SHEET

Radiata pine, grown as a plantation species in New Zealand, Australia, and Chile, has until recently played a relatively minor role in Pacific Rim timber markets. The major importing countries in Asia— Japan, Korea, Taiwan, and China—have traditionally focused their attention on softwood species from the Pacific Northwest and on the tropical hardwood species from Southeast Asia. However, recent forest policy decisions have substantially reduced the availability of timber resources from these traditional suppliers, raising questions regarding the future reliability of timber supplies. The net result of reduced timber availability from these regions has been to provide radiata pine producers with the opportunity to expand their share of the markets in Asia as well as in the western United States. To the extent that radiata pine is perceived as a more reliable resource supply and a credible substitute for U.S. timber species, it represents a significant competitive threat to forest products exporters in the Pacific Northwest.

Despite the fact that extensive radiata pine plantations have been established in New Zealand, Australia and Chile for almost a century, radiata pine timber has remained relatively unknown on the world market until recently. Perceptions of radiata pine as a low quality timber species have deterred it from gaining widespread acceptance in international timber markets. However, new attention is being focused on radiata pine as supplies of more traditional timber species become restricted and higher priced. As greater volumes of radiata pine appear on world markets, and as end-users become more familiar with the species, radiata pine can be expected to gain greater acceptance in the marketplace.

The Radiata Pine Resource

Approximately 9.9 million acres (4 million hectares) of radiata pine plantations exist worldwide, primarily in the Pacific Rim region. Chile and New Zealand possess the largest areas of radiata pine plantations, with 3.2 and 3.0 million acres (1.3 and 1.2 million hectares) respectively. Australia, the third largest grower of radiata pine, has just over 1.8 million acres (750,000 hectares) of radiata pine plantations.



Radiata pine represents the primary plantation species in both Chile and New Zealand, where pine plantations exceed 85% of total plantation area. The establishment of new radiata pine plantations has increased substantially in both New Zealand and Chile over the past 30 years. In Chile, for example, new plantation establishment exceeds the rate of harvest by a ratio of four to one.

Radiata pine plantations produce timber much faster than do natural forests. In Chile, the sustained yield from radiata pine plantations is currently 15 million cubic meters, and this is expected to increase to 24 million cubic meters by the year 2010. A similar situation exists in New Zealand, where radiata pine plantations currently produce 13 million cubic meters per year, with annual production expected to increase to 24 million cubic meters by 2010 and 33 million cubic meters by 2020.

Historically, most radiata pine plantations were not subjected to intensive silvicultural regimes with the net effect being that much of the timber harvested from these plantations has been of poor quality. As a result, the radiata pine resource has traditionally been used to provide wood chips for the pulp and paper industry and as a raw material for the packaging industry. Within the past 30 years, however, both New Zealand and Chile began employing a silvicultural regime that emphasized the selective thinning of plantations and the pruning of trees beginning early in the growth cycle. This regime has resulted in fast-growing trees while facilitating the production of large volumes of clear wood which, despite radiata pine's reputation of being a low quality resource, compares favorably to domestic U.S. plantation species, particularly in the areas of machinability, finishing and preservative retention.

For more information, contact CINTRAFOR.

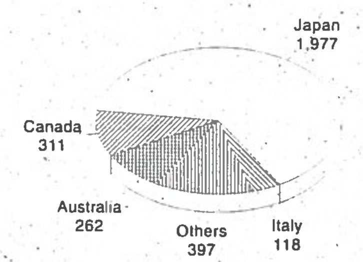
Development of marketing strategies

Australia, based on its strong domestic demand for wood, is not currently expected to become a major exporter of radiata pine. However, both New Zealand and Chile are considered to have the potential of becoming significant exporters of radiata pine, given that the supply of timber in each country substantially exceeds its domestic demand. In addition, both countries possess a competitive advantage over U.S. producers because they enjoy lower production costs. With both countries possessing substantial inventories of mature timber, each has begun to focus on developing export-oriented marketing strategies for value-added products such as moulding, millwork and preservative treated timbers.

These strategies, if successfully implemented, may enable radiata pine suppliers to compete directly with Pacific Northwest species in Asian markets. In 1992, the Pacific Northwest exported approximately 9.9 million cubic meters of softwood logs and 3 million cubic meters of softwood lumber, primarily to markets in Asia. The successful introduction of value-added radiata pine products to Pacific Rim markets represents a competitive threat to those exporting softwood products from the Pacific Northwest. Radiata pine producers are beginning to take advantage of high priced stumpage in the Pacific Northwest to introduce lower cost radiata pine to regional forest products manufacturers. It is estimated that in 1991, radiata pine represented five percent of the raw material being utilized by the Pacific Northwest moulding and millwork industry, where it competes directly with ponderosa pine. Radiata pine producers expect to see this market grow at the rate of 10% per annum during the 1990's.

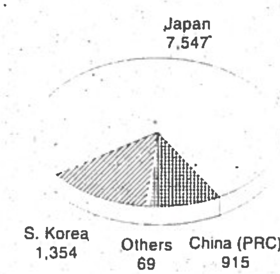
Radiata pine represents both a boon and a bane to the Pacific Northwest timber industry. On one hand, it may offer a long-term supply of competitively priced raw material for regional forest products manufacturers. On the other, radiata pine represents a substantial competitive threat in both the U.S. domestic market and in Pacific Rim markets, given the competitive advantage that radiata pine producers enjoy with lower production costs and increasing timber quality. While the Pacific Northwest has traditionally enjoyed a clear competitive advantage in high-quality timber, greater acceptance of radiata pine in Pacific Rim markets will almost certainly reduce that advantage.

1992 PNW Softwood Lumber Exports
(in thousand cubic meters)



Source: U.S. Dept. of Commerce

1992 PNW Softwood Log Exports
(in thousand cubic meters)



Source: U.S. Dept of Commerce

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