

# Forestry Industry Snapshot

July 2024

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Trust Tairāwhiti has prepared this publication to provide summarised information about the forestry sector in Tairāwhiti.

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## Overview

This snapshot is drawn from *direct conversations* with people involved in the Forestry sector. The qualitative information presented here is drawn from Trust Tairāwhiti's relationship with workers, businesses, associations and owners in Forestry.

Forestry is a significant sector in Tairāwhiti, and it is crucial that we investigate the impacts of the turmoil our region is experiencing.

We have spoken with **83** forestry and haulage businesses from our data base of **144** – or **58%**. Using their own language, we have been able to assemble a real time picture of the status of these businesses.

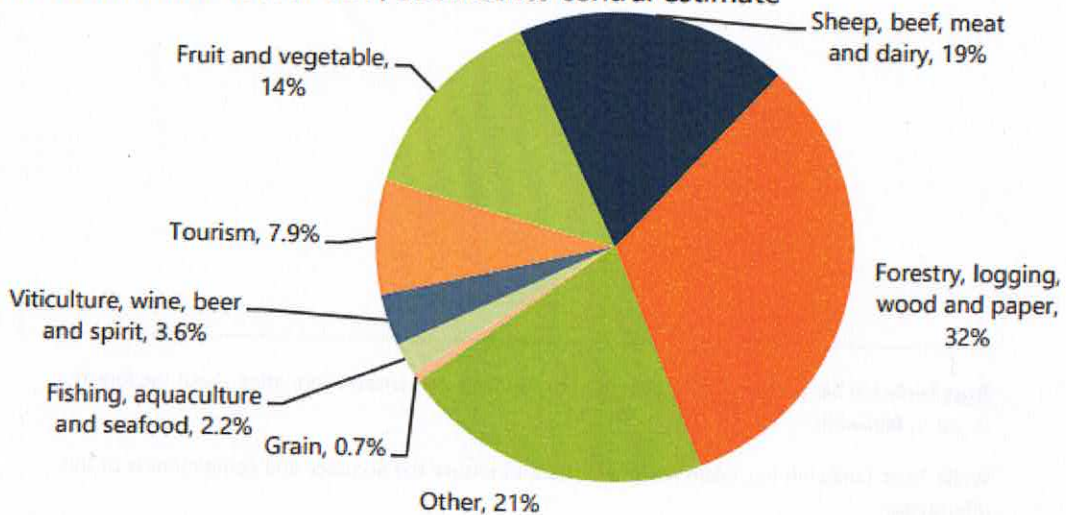
## Contribution to Economy

Forestry contributed \$194.4m to GDP in 2023 making up 7.65% of the total economy.

Our economy is more reliant on exports (tradeable sector) than the national average. Forestry represents 32% of Tairāwhiti exports so if this sector is suffering, it has a wider impact on our economy overall.

## Tairāwhiti tradeable sector GDP, 2023

Share of tradeable sector GDP, Infometrics central estimate



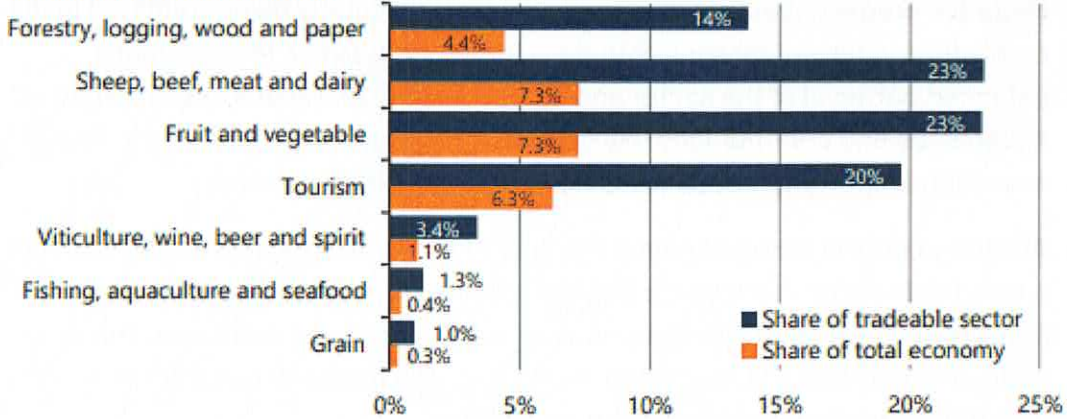
\*Source: Infometrics report on Tairāwhiti tradeable sector July 2024

## Contribution to Employment

Forestry and wood processing accounted for 836 jobs in Tairāwhiti in the year to March 2023 and is a significant contributor to export industry share of employment at 14%.

### Tairāwhiti export industry share of employment, 2023

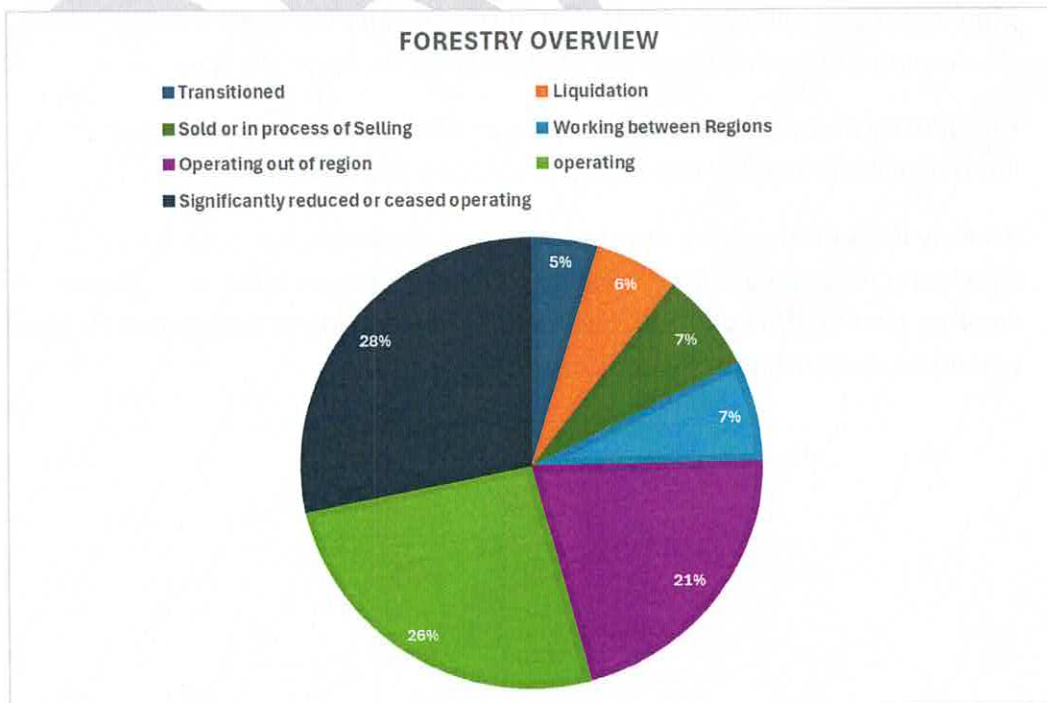
Infometrics central estimate



\*Source: Infometrics report on Tairāwhiti tradeable sector July 2024

## Impacts on Businesses and Workers

The below graph shows the current operating activity of the 83 businesses we spoke to. It shows that only 26% of those businesses are fully operating in region.





## Industry Challenges

During our conversations we gained a firsthand account of the impacts in our communities.

- **Loss of talent:** there are growing concerns about the high number of highly skilled forestry workers leaving Tairāwhiti. This is driven by the uncertainty of sustainable work and irregular and sporadic work conditions.
- **Negative media coverage:** the forestry sector is regularly being slammed in the media for a variety of reasons. People in forestry would like to see a more balanced portrayal of the sector and emphasise the fact that a large number of households and communities rely on forestry to provide for their needs. This is even more important now as we tackle the cost-of-living crisis.
- **Burden of debris removal costs:** the cost of removal of harvest debris is being passed onto contractors by the forestry owners. The 'clean up debris as you go' requirement is estimated to take around twenty percent of their time. This is an additional cost that the contractor must carry. The debris removal is a non-negotiable requirement that cannot be omitted.
- **Poor road conditions:** getting to harvest site is becoming more difficult. This is a result of already deteriorating roads exacerbated by very wet weather resulting in unstable muddy access ways.
- **Volatility of log prices:** the fluctuation of log prices continues to create uncertainty for operations especially when it comes to long term business planning. Being reliant on one export market makes Tairāwhiti forestry sector more vulnerable and businesses are struggling to stay in the game.
- **Regulatory compliance:** businesses are telling us that it is becoming increasingly difficult to keep on top of the onerous regulations.
- **Anxiety about increasing number of weather events:** people report a significant negative effect on wellbeing given the severe impacts of recent weather events. It is common now for workers and businesses to feel stressed whenever there is heavy rain warnings issued.

## Transition to Civil

A lot of the businesses in forestry sector have been transitioning to civil infrastructure. A major motivating factor for this is that civil is the right fit for their operations where some equipment can be repurposed, and skill sets are comparable. Businesses have been preparing to do more civil work with the establishment of TREC in region however the extent of this work has been significantly reduced.

In addition to the conversations presented here, we are also working with four other businesses who are seeking assistance with this transition. We are also forging a new relationship with a cluster of 8-9 contractors who are in the initial stage of creating a cooperative to pool their resources and expertise to bid for civil construction work.

The closure of JNL in November 2023 saw major displacement of workers. Almost all affected workers were able to transition to local jobs such as building, roading and horticulture. A few relocated to other JNL sites.

## Next Steps

This snapshot suggests that there have been major negative impacts on forestry businesses and that large numbers of workers are being forced to change jobs, move out of region or transition to new sectors.

Next steps being considered include;

- advocating for central and local government to consider the regional economic and social impact of regulatory settings,
- market analysis of the planned infrastructure work in region to understand how much employment the civil infrastructure sector can sustain,
- getting better clarity about the Māori workforce profile in the sector,
- understanding how many highly skilled professionals are leaving Tairāwhiti,
- understanding gaps in business management capability to inform.

