Forest Industry Situation Report as at 22 May 2020

Based on information compiled by the Department of State Growth

Current Situation:

* The harvesting, haulage, processing and export of forestry products is continuing – despite some significant impacts and challenges from the COVID-19 pandemic.

* Two southern processing facilities remain closed, both companies citing Covid-19 as at least partially responsible for the closures.

* Two other processing facilities are reporting reduced production due to the impact of COVID-19 restrictions. Paper production is down due to reduction in advertising, however domestic hardwood timber sales are holding with the Sydney market particularly confident.

* Southern native forest contractors operating off public land remain operating at reduced capacity due to quota restrictions currently being applied until the end of May.

* Contractors working in the plantation sector are yet to report any significant disruption to operations.

Export markets

* COVID-19 is impacting global trade and export markets for forest products in complex ways, which is further complicated by the different stages key countries are at in terms of dealing with the pandemic.
* Whole log exports continue to Asian destinations including China and Malaysia.
* Latest advice suggests that the key Chinese markets are recovering:
  - Whole log exports have recovered from recent lows with increased demand and improved prices. Stocks on Chinese ports have begun to reduce as China returns to work.
  - Woodchip exports continue to improve, albeit at reduced prices, as the Chinese pulp and paper manufacturing sector recovers. Companies with forward contracts report strong demand at satisfactory price levels, whilst those without suggest the current market is patchy (although the outlook appears positive).

* A recent market announcement noted that "the Japanese pulp and paper sector is now being adversely affected by the recent lock-down in response to the Covid-19 pandemic". However there has not been any material impacts reported for Tasmanian forestry exports into Japan.

* A current shortage of shipping containers is impacting the ability to export containerised products.

Critical Risks and Issues:

* A continued shortage of shipping containers could result in a prolonged suppression of the export of containerised products.

* A limited number of pilots and train drivers to move forestry freight.

* Qualified contractors to perform key ship loading functions, such as inspectors who perform woodchip inspections for insects, are limited.

* Essential supply chain operations remain at risk from restrictions to curb the spread of COVID-19.

* The reduced demand for sawlog and peeler billets (from temporary closure of key processing facilities) is likely to result in decreased pulpwood availability from public native forests.

* Forestry and housing industry peak bodies have expressed concerns that detached home-building, already at a 6 year low, will fall even further. This would result in a suppressed demand (potentially halving) for softwood (for house framing) and hardwood (for moulding and joinery) finished products, over the next six months.

Current Response:

* Both the Australian and Tasmanian governments have announced stimulus packages. Tasmanian Government – Business and Industries

* Impacted businesses are asked to contact Business Tasmania.