

Beyond the log: Is this the future of New Zealand forestry?

Scott Downs, NZ Farmer
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For generations we have measured a forest's value by the logs it produces. But what if the future is more about extracting as much value as economically possible from every tree instead?

For generations, we have measured the value of a forest by the logs it produces. Grow the trees, harvest them, send the better logs to domestic processors and export much of the remainder. But what if we looked at a tree differently? Instead of simply producing logs, our forests could provide timber, energy, renewable fuels, chemicals and other biomaterials.

A proposed integrated forestry processing hub at Kaingaroa provides an interesting glimpse of what that future could look like. The concept brings wood processing, bioenergy and biochemical production together near one of New Zealand's largest forest resources. Rather than residues being treated as a low-value by-product, they become the raw material for another industry.

The concept is relatively simple: extract as much value as economically possible from every tree.

Our better logs can become structural and appearance timber, including increasingly sophisticated, engineered wood products. Lower-grade logs can be used for industrial timber, panels and fibre products. Bark, sawdust, woodchips and other processing residues can provide renewable process heat or be converted into pellets, chemicals and potentially liquid biofuels for industries such as shipping and aviation.

There is also an opportunity to reconsider how we view forest residues. Around 3.5 million tonnes of harvest residues are estimated to remain in New Zealand production forests annually, with around 1.6 million tonnes potentially recoverable from landing sites. Not all residues should or can be removed, but if this material develops commercial value, what is currently viewed as a liability could increasingly become a resource.

Perhaps the most compelling argument for processing is the value it creates. Value-added wood products account for only around 15% of New Zealand's forestry export volume yet generate more than

40% of forestry export revenue – close to \$3 billion annually. More processing also means skilled employment, investment and economic activity remain in regional New Zealand.

There is, however, an uncomfortable question. If processing wood creates so much value, why have several New Zealand wood-processing facilities closed in recent years? Simply having plenty of trees does not guarantee a successful processing industry. New Zealand processors face high energy and labour costs, large capital requirements and international competitors

operating at enormous scale. We need to make processing in New Zealand more competitive.

Integrated processing hubs offer one potential solution. Sawmilling, engineered timber, panel manufacturing, bioenergy and biochemicals can operate alongside each other, sharing infrastructure while turning one processor's residues into another's raw material. Greater automation, secure long-term wood supply agreements and a focus on higher value products can further improve the economics.

Government also has a role – not necessarily through subsidies, but by providing stable policy and an environment that encourages long-term capital investment. Government procurement of New Zealand-made, low carbon timber for schools, hospitals and other infrastructure could also help create the scale and certainty processors need.

We shouldn't expect New Zealand to manufacture commodity wood products more cheaply than every overseas competitor. Our opportunity is to manufacture smarter, higher-value products from a forest resource we grow exceptionally well.

For generations, we have measured forests by the tonnes of logs they produce. Perhaps the next generation will measure them by how much value we extract from every tonne. The future of New Zealand forestry may not be about growing more wood. It may be about becoming much smarter at what we do with it.

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