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The Executive Officer,
Review of the Taxation of Plantation Forestry,
c/- Department of Treasury,
Langton Crescent, PARTKES, A.C.T. 2600

Dear Sir,

As a forestry / forest industry consultant of long standing, I am availing myself of the opportunity to present a submission which I trust is relevant to your considerations associated with this review.

For your information, I have practised as a forestry / forest industry consultant for more than 23 years. In that period, I have undertaken a great deal of international work, particularly in South America. This work has had a heavy concentration on *Eucalyptus* plantations in general and their management for higher-value utilization (sawnwood and rotary veneer production) in particular. Prior to entering the field of consultancy, I was employed as a senior executive with A.P.P.M. Limited in Tasmania where my responsibilities included those for that company's pulpwood chips export business. This provided me with many valued contacts in the Japanese pulp and paper industry with whom I have maintained an association. Indeed, a significant part of my off-shore consulting work has been on *Eucalyptus* plantation projects for Japanese companies, the most recent being in August / September 2004..

Over the past 13 years, I have two major foci for my consulting work : (a) higher-value management and utilization of *Eucalyptus* plantations and (b) the Japanese market for pulpwood. I have published several multi-client reports on both these topics and am presently engaged in the preparation of another specific to the first of these. In addition, with some frequency, I am invited to make international conference presentations of these topics. The most recent was to the International Pulpwood Resources and Trade Conference in Montevideo, Uruguay in April 2005. Next week, I am travelling to Santiago de Compostela (Galicia, Spain) to deliver another invited paper.

Thus, with appropriate modesty, I regard my expertise and experience as highly relevant to your present review task.

Let me state immediately that I have long held deep concerns as to the accuracy of the material which appears in the prospectus documents of managed investment scheme (MIS) companies that have won ATO approval to seek public investment. Frankly, I have formed the opinion that – almost without exception – (a) the market indications provided, particularly those concerning Japan, are little better than hyperbole and (b) claims regarding the projected growth rates which will be achieved for *Eucalyptus* pulpwood plantations, in longer-term sustainability terms, are scarcely much better.

In particular, I am appalled at the trite assumptions that Japanese demand – in terms of both volumes and F.O.B. prices paid – are somehow a model which must apply to alternative east Asian markets (such as Korea, Taiwan, PRC China and even India). In my cynicism, I wonder why the MIS companies do not add Shangri-La or Atlantis to their list of potential destinations.

I am forwarding to you by post, as a component of this submission, a CD copy[1] of the presentation I made to the recent conference in Montevideo. It is, I trust, a forensic analysis of Japanese pulpwood demand. It also provides what I regard as compelling evidence as to why emerging non-Japanese markets in East Asia cannot match Japanese F.O.B. prices for pulpwood chips exports.

It is regretted that my commitment to travel to Spain next week forbids present full detailing of my concerns about other matters relevant to your review. However, here, I should like to indicate my opposition to the extension of concessional taxation treatment of investment in managed-for-sawlog *Eucalyptus* plantations through MIS companies. I believe that, prior to any consideration of such an extension, some fundamental questions must be raised and honestly answered. They are :

(a) does the Australian market need the products which will be derived from managed-for-sawlog *Eucalyptus* plantations ?
(b) if a thorough, objective analysis demonstrates the probability of an affirmative answer to the first question, why do the vast majority of the consumers of *Eucalyptus* sawlogs in Australia make no endeavour to ensure their future log supply by establishing such plantations on their own behalf ?
(c) and, again assuming a positive indication to the first question, does Australia have the capability to grow managed-for-sawlog *Eucalyptus* plantations on an internationally competitive basis ?

I regard it close to impossibility that the last question can be answered in the affirmative. I base this strongly-held opinion on what is almost certainly an unsurpassed knowledge of the detail of the economics of : (a) off-shore managed-for-sawlog *Eucalyptus* plantations and (b) converting and processing their log products.

My position can be summarised as follows : Is it sound policy for the Australian public to subsidize a plantation development project if the products of that project cannot compete in the Australian, let alone the global market-places ?

In framing these questions, I am fully aware that I am opposing the views a small army of techno-optimists who are committed to demonstrating me wrong. My response is a simple one. Given that it has yet to be demonstrated that Australia can grow an internationally competitive and sustainable crop of plantation *Eucalyptus* pulpwood, what are the prospects that international competitiveness in the much more demanding managed-for-sawlog plantations of *Eucalyptus* can be achieved here ?

On my return from Spain, I am prepared to provide a second tranche of this submission if you would care to receive it. Logically, it should be directed at the fundamental requirements for a competitive position in managed-for-sawlog *Eucalyptus* plantations.

Yours faithfully,

Evan D. Shield
Forestry / Forest Industry Consultant

[1] Please print the Word document first. It provides a commentary to the slides contained in the PDF document. The posted CD shall contain a signed copy of this letter.

INTERNATIONAL PULPWOOD RESOURCE AND TRADE CONFERENCE

MONTEVIDEO, URUGUAY
APRIL 2005

PRESENTATION

AN ANALYSIS OF THE JAPANESE PULPWOOD MARKET

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Preface

My presentation consists of a number of charts, copies of which will be made available to participants of this conference.

What follows is a synopsis of the presentation. It takes the form of a note relevant to each chart in the presentation.

Section 1. : The Japanese Pulp and Paper Industry in a Global Context

Chart 2. : In terms of annual production, Japan has the world's third largest pulp and paper industry, having surrended second position to a rapidly emerging industry in China.

Chart 3. : However, the industry in Japan is not trade exposed. Not in paper …

Chart 4. : Nor in paperboard … For final consumption goods, in aggregate, the Japanese industry has less trade exposure than that of any industrialised nation.

Chart 5. : However, Japan does have significant dependencies on imported pulp and pulpwood. These dependencies are subject to further examination later in this presentation.

Section 2. : A Little History

Chart 7. : The historically strong growth in production of paper and paperboard has begun to deteriorate in recent years.

Chart 8. : This chart … for paper production only … indicates a variety of factors, both external and internal, to have impacted production growth. However, the most powerful impact resulted from the bursting of the "bubble economy" in 1991.

Chart 9. : The destruction of Japanese wealth resulting from the bursting of the "bubble economy" has been enormous and enduring. This has placed downwards pressure on commodity and consumer prices in Japan, with price deflation applying consistently since 1995.

Chart 10. : Paper and paperboard prices have not been immune from this general trend.

Indeed, a Nikkei March 2005 report indicates that "*mid-sized*" paper manufacturers – with M.P.M., Daio Paper, Hokuetsu Paper and Chuetsu Pulp and Paper identified – were "*hurt by price drops*". Moreover, English-language reports by both Oji Paper and the Nippon Paper Group indicate the imperative for cost controls – with woodchips and other raw materials specifically identified – if profit forecasts are to be met in the face of paper price weakness and the recent – and unavoidable – increases in the cost of oil.

Chart 11. : The mean annual increment for paper production since 1953 has been close to 400,000 tonnes.

Chart 12. : However, since 1991, the increment has been reduced to 47 % of that applying to the long-term horizon. Moreover, this recent trend has been decidedly erratic.

Chart 13. : For total pulp production, excepting for the "bubble economy" period, there has been no growth since the first oil shock in 1974. Commencing with the "bubble economy" in 1986, substantial additional capacity was installed.

Chart 14. : Total pulpwood supply reflects the trends for pulp production. Clearly, the Japanese industry has a strong preference for pulpwood chips, pulpwood logs being almost entirely restricted to use in the declining production of stone-groundwood pulp. It is also clear that :

(a) Japan's dependence on total imported pulpwood chips has increased ;
(b) however, it is also clear that import dependency is more substantial for hardwood pulpwood chips ; and,
(c) it is many years since some supply peaks for pulpwood chips occurred. For example, supplies of imported softwood pulpwood chips and domestic hardwood pulpwood chips peaked as long ago as in 1979 and 1972, respectively.

Chart 15. : Japan's heavy dependency on imported pulpwood chips would not be possible without special-built geared bulk carriers, characterised by their having unusually high volume capacity for their dead-weight tonnage.

Chart 16. : The mean dead-weight tonnage has more than doubled since the first of the special-build carriers was introduced in the mid-1960s. This chart illustrates vessel numbers and tonnages contracted to the major Japanese industry companies as at end 2003.

Section 3. : More Recently

Chart 18. : Over the past decade, Japan's economy has had a bumpy ride. Aggregate real GDP growth has been only 13.7 %, concentrated in three periods of positive increment.

Chart 19. : Over the past decade, growth in production for paper and paperboard has been substantially less than that for real GDP.

Chart 20. : For total paper, this chart shows greater detail for production and producers' shipments and inventories. It is clear that the relationship between production and real GDP growth is no better than proximal. In my experience, econometric analyses – particularly involving income elasticities – have become futile exercises.

Chart 21. : Over the past decade, there have been wide differences in the production growth for individual grade groups of paper. Significantly, half the grade groups recognised here demonstrate negative absolute growth over these 10 recent years. However, some grade groups … particularly *bitokoshi* ("slightly" coated paper) and coated papers … have demonstrated strong growth at more than twice the rate of growth of real GDP.

Chart 22. : Over the past decade, for total paperboard, there has been no production growth. However, there has been growth in production for the two components of corrugated cartons, liner and corrugating medium.

Chart 23. : Over the past decade, total pulp production and net pulp imports both exhibit negative trends.

Chart 24. : Therefore, it is not surprising that, over the past decade, total hardwood pulpwood chips consumption has declined slightly. Consumption growth for imported hardwood pulpwood chips is reflection only of the diminishing supplies of domestic hardwood pulpwood chips.

Chart 25. : Over the past decade, consumption of both domestic and imported softwood pulpwood chips has declined. The decline for imported softwood pulpwood chips has been at a greater rate than that of domestic supplies, a fact reflected in the decline (an erratic one) of the imported chips' share of consumption.

Chart 26. : The balance of this presentation is directed at examination of these four topics : (a) the penetration of paper imports, (b) pulpwood consumption shifts, (c) the substitution of fibre by minerals and, most importantly, (d) the substitution of pulp fibre by recycled and other fibre.

Section 4. : Trade

Chart 28. : Imports and exports of paper have increased progressively over many years. Those for paperboard have been much more modest. However, lacking expression in terms of consumption and production, these trends do not, of themselves, provide a proper illustration of trade exposure.

Chart 29. : Newsprint has been the most trade-exposed commodity. However, the indication in this chart may be illusory because the ca. 90 % of imports from North American are the products of mills owned by major Japanese newsprint producers. The cost / prices data illustrate that Japanese newsprint production is not globally competitive. Indeed, it is possible that each tonne of exported newsprint represents financial stress for its producer. This lack of global competitveness in production costs applies to most paper grades.

Chart 30. : Import and export dependencies are a superior reflection of an industry's trade exposure. Specific to printing and communication / information papers, this chart shows generally erratic dependency trends, probably associated with exchange rate fluctuations. However, since 1999, Japan's dependency on imports of printing and communication / information papers has increased significantly. This is important because this grade group is the dominant consumer of bleached chemical pulps.

Chart 31. : This chart illustrates Japanese production of broad grade groups of printing and communication / information papers. For many recent years, only coated paper production has demonstrated production growth and these grades have also provided the majority of Japan's paper exports. Coated papers might be described as the "inner castle" of the Japanese industry.

Chart 32. : The most dramatic increase in imports of printing and communication / information papers has been those produced in Indonesia. Predominantly, these are plain paper copying (PPC) grades and it is seems quite clear they have had some impact on Japanese production of these grades. Indeed, an Oji Paper document explicitly indicates that company entered into a close association with Advance Agro in Thailand for the purpose of obtaining secure supplies of low-cost uncoated woodfree papers with which to combat Indonesian supplies. The trade statistics do not demonstrate any success in this intention.

Chart 33. : Coated papers from Europe … predominantly Finland … have had a longer, but more erratic history of import penetration. Coated mechanical grades have dominated these supplies. It is possible to suggest that Japanese producers have tolerated imports of these grades. This could be attributed to their inability to produce competitively the mechanical pulps required for the base papers used in their production. High energy costs are the reason for this lack of competitiveness.

Chart 34. : In recent years, there has been an import assault on Japan's printing and communication / information papers. This chart illustrates the breadth of that assault in terms of both grade and source of imports. Imports of coated papers from Korea and China are seen to be particularly significant, attacking, as they do, the "inner castle". China will add ca. 1.5 million tonnes to its capacity for coated paper production in 2005. Further pressure on the Japanese market seems to be probable.

Indeed, with the rapid expansion of production of quality papers in countries such as China, Korea, Indonesia and Thailand … even allowing for increasing domestic consumption in each of them … it is seen to be reasonable to forecast increasing import dependency in Japan. A strong Yen will be an important pre-condition for this.

Chart 35. : Japan has a declining dependency on imported pulps. Since 1994, this has been true for all pulp grades.

Chart 36. : The declining dependency on imported pulps is also true for both grades of bleached Kraft pulps. Together, they dominate imports. Certainly, it does not appear that C. and F. costs have been the cause of this reduction. However, because of the strong

dependency of micro-producers on imported pulp, it is unlikely that these pulp imports can be eliminated.

Section 5. : Pulp Production

Chart 38. : Declining production of (a) unbleached Kraft pulps, (b) mechanical pulps, (c) semi-chemical pulps, (d) dissolving pulps and (e) other grades have caused aggregate pulp production to decline. Since 1991, positive annual production growth is demonstrated for both LBKP and NBKP.

Chart 39. : The pulpwood previously consumed in pulp grades with declining production trends is shifted to consumption in those pulps with increasing production trends. In this manner, supply of pulpwood is constrained. Between 1990 and 1998, an increment of 532,647 a.d.m.t. of LBKP was produced with the incremental consumption of only 835,990 cubic metres of hardwood pulpwood.

Chart 40. : More dramatic was the change in softwood pulpwood consumption with a negative net change caused by declining production of all grades in which it is consumed, NBKP excepted. However, growth in NBKP production in the period 1990 to 1998 was unable to absorb the pulpwood surplus generated by declining production of the other pulp grades.

Chart 41. : As indicated previously, both LBKP and NBKP have demonstrated production growth since 1991, albeit at significantly different levels.

Chart 42. : More recently, it appears that the production of LBKP may have begun to decline. This is a particularly important indicator because nearly all hardwood pulpwood is applied to LBKP production.

Chart 43. : However, selection of the horizon on which the production trend is illustrated is critical to the reality of change. In the circumstances illustrated in this chart and the previous one, it would be reasonable to conclude that the evidence indicates that LBKP production in Japan is now static. However, NBKP production is continuing to increase.

Section 6. : Specific Consumption of Pulp

Chart 45. : Trends for specific consumption of pulp (tonnes consumed per tonne of paper production) are critical indicators of the future demand for pulp. This chart shows that, between 1989 and 2001, only the specific consumption trend for LBKP is positive.

Chart 46. : However, if the horizon is reduced to the period 1997 to 2001, the specific consumption trends for all pulp grades are negative. Thus, to an increasing degree, materials other than pulp are substituting for pulp in paper manufacture.

Chart 47. : Long-term annual data shows declining specific consumption for total fibre. This can only be the result of increasing use of minerals as fillers and coating. However, more dramatically, recycled and other fibre is substituting for pulp in paper manufacture. In 2004, only 600 kg. of pulp was required for each tonne of paper produced. In 1970, 900 kg. was required. This 33 % reduction in pulp consumption per tonne of paper production warrants examination in greater detail.

Section 7. : Recycled and Other Fibre

Chart 49. : Recycled and other fibre is a real threat to pulpwood consumption in Japan. Long-term trends for recycled and other fibre as a proportion of total fibre consumed in paper and paperboard manufacture are illustrated here. Importantly, since 1970, the exponential trend rate of increase in recycled and other fibre consumption for paper is greater than it is for

paperboard. The surge in consumption of recycled and other fibre in paper production since 1997 is notable.

Chart 50. : Japan is proud of its record in collection and consumption of waste paper … and rightly so. The consumption ratio target of "60 % by 2005" was achieved two years ahead of schedule.

Chart 51. : This chart defines and illustrates recovery ratio and consumption ratio. The rapid recent rise in the recovery ratio – possibly caused by new regulations – has provided a surplus of recovered paper for export.

Chart 52. : Net trade is only significant for : (a) O.N.P., (b) recovered mechanical papers and (c) unsorted recovered papers.

Chart 53. : Korea, Germany and Japan lead the world in both recovery and consumption of waste paper. (It will be interesting to see if China emulates the success of its near neighbours in these areas).

Chart 54. : This chart illustrates the recent trend in the consumption of recycled paper for paper and paperboard manufacture since end 1997. It demonstrates a continuous growth trend.

Chart 55. : Despite many alarms about the cost of recovered paper in Japan, this chart indicates a more-or-less favourable long-term trend.

Chart 56. : In paperboard, only production of white boards offers scope for further significant consumption of recycled and other fibre. Thus, on-going improvements in the consumption ratio depend on its further use as furnish in paper manufacture.

Chart 57. : Possibly, this is the most important chart in this presentation. It demonstrates that, since late in 1997, there has been a quite dramatic increase in the consumption of recycled and other fibre in paper manufacture. This came after a period of stability in the trend since the end of the "bubble economy" period. It is possible that the more recent data indicates a slow-down the specific consumption of recycled and other fibre for paper manufacture. It may even suggest that a technical maximum may have been approached. However, information provided later in this analysis indicates this speculation to be without foundation.

Chart 58. : Recycled and other fibre is most commonly used in the manufacture of : (a) newsprint and (b) sanitary papers. However, since 1997, there has been significant growth in the specific consumption of recycled and other fibre for printing and communication / information papers.

Chart 59. : Although ONP dominates recycled paper consumption for paper manufacture, it seems not to limit application. For example, 100 % ONP fibre is used for the manufacture of PPC.

Chart 60. : In this chart, the left-hand pie shows the relative volume by grade group for total paper production in 2004, together with data indicating the proportion of recycled fibre consumed. The right-hand pie shows the sub-division of printing and communication / information papers into broad grade groups and, importantly, those for which a proportion of production is now manufactured with a 100 % recycled fibre furnish. This is ample demonstration of the potential for further penetration of recycled and other fibre into furnish for manufacture of high-end papers.

Chart 61. : This chart identifies the four drivers for consumption of recycled and other fibre as a substitute for pulp in paper and board manufacture. They have been operative – with varying intensity – for more than 20 years. However, the latter two are probably more important now than at any earlier time.

Section 8. : Hardwood Pulpwood Chips

Chart 63. : This is the first of two charts illustrating that consumption of imported hardwood pulpwood chips has been enhanced by declining supplies of those from domestic sources.

Chart 64. : The second chart demonstrates : (a) some recent stability in total hardwood pulpwood chips consumption and (b) the fact that consumption of domestic supplies is now at about only 10 %.

Chart 65. : For six recent years, total consumption of hardwood pulpwood chips has declined in sympathy with declining LBKP production.

Chart 66. : A plot of monthly data for imported hardwood pulpwood chips suggests : (a) at worst, a recent stability in total import levels for hardwood pulpwood chips or, (b) at best, very minor increments.

Chart 67. : This chart suggests that minor increments to total hardwood pulpwood chips imports have occurred in recent years. This can be attributed only to declining domestic supplies.

Chart 68. : This chart illustrates the role of the major pulp producers in hardwood pulpwood chips imports. The differentials in source concentration are interesting.

Chart 69. : In Yen terms, there has been some recent stability in the C. and F. costs of imported hardwood pulpwood chips. However, the weakening of the USD / Yen exchange rate has caused the equivalent USD costs to increase progressively since October 2002.

Chart 70. : This is possibly the second most important chart in this presentation. It demonstrates that there is a wide differential in hardwood pulpwood costs in Japan and the rest-of-the-world. It is substantially greater than the cost of ocean-freight required to deliver the pulpwood to Japan. In addition to what are, by world standards, exceptionally high hardwood pulpwood costs, chemical pulp production in Japan suffers from comparatively high costs in energy, chemicals and labour.

For the first two months of 2005, the weighted mean C. and F. cost of Japan's imports of hardwood pulpwood chips was equivalent to ca. $ US 145 per b.d.m.t.. For the first quarter of the same year, data from Hawkins Wright indicates that the weighted mean cost of wood in pulp for the world's pulpmills producing market LBKP was $ US 144 per a.d.m.t.. In other words, Japan's pulpmills are paying about twice as much for their hardwood pulpwood as do the world's market pulpmills.

The important inferences of this are : (a) that the Japanese market for pulpwood is unique and (b) that any expectation that non-Japanese mills can afford to pay the same prices for pulpwood is singularly ill-informed. Most certainly, unless they were intent on commercial suicide, no market pulpmill – whether it is Kiani Kertas in Indonesia, the new APP mill on Hainan Island, the Shandong Rizhao mill further to the North in China, Chung Hwa in Taiwan or Dong Hae in Korea – can afford equivalent prices for other than a very minor component of their supplies.

Thus, it seems to me that, with Japan's demand for hardwood pulpwood now more or less static – and, as shall be detailed later, soon likely to begin to decline – exporters or would-be exporters offering additional volumes to East Asian markets need to make a thorough re-evaluation of their unit revenue expectations. Expectations based on the present prices for supply to the Japan market appear totally unrealistic.

Chart 71. : As this chart illustrates, there is a significant spread of C. and F. costs according to source. For these three years, the first wide step represents supplies from Australia and the last wide step, supplies from the USA. (Supplies from the other "majors" – Chile, South Africa and China – swapped intermediate positions in these years).

Chart 72. : With the collapse of imports from the USA, Australian supplies – driven by a combination of increased FOB prices and, more importantly, an appreciation of the AUD against the Yen – have been promoted to the right-hand side of this recent cost curve. Does this represent a new dimension of vulnerability ?

Section 9. : Softwood Pulpwood Chips

Chart 74. : Consistent with earlier indications, regardless of source, softwood pulpwood chips consumption is declining.

Chart 75. : The wide diversity of applications for softwood pulpwood is probably responsible for this.

Chart 76. : The sharp declines in production of mechanical pulps and UKP are primarily responsible for declining consumption of softwood pulpwood chips. They more than off-set increases in consumption for NBKP production.

Chart 77. : The trends for imports for hardwood and softwood pulpwood chips are quite different.

Chart 78. : The decline in imports for softwood pulpwood chips is clear …

Chart 79. : … even when a short, recent horizon is involved.

Chart 80. : Consumption of imported softwood pulpwood chips by company shows wide differentials. Notably, the two companies without newsprint in their product portfolios have no significant dependence on imported softwood pulpwood chips.

Chart 81. : There has been less volatility in the C. and F. cost of imported softwood pulpwood chips. In Yen terms, there is a more-or-less consistent reduction in costs.

Section 10. : Conclusion

Chart 83. : There is probably no better indication summary of the recent history of Japan's pulp and paper industry than that provided by this indexed multi-trend. For those exporting pulpwood to Japan, the sole comfort to be derived from it is the declining trend for net pulp trade.

Chart 84. : In addition to prospects for no better than anaemic economic growth, Japan's demography does not favour growth in consumption of paper and paperboard (sanitary paper excepted). According to one of these official demographic estimates, the population has already begun to decline from its peak of 127.7 million.

Chart 85. : These extracts from publications by Oji Paper indicate :

no further investment for capacity expansion in Japan ; but,

substantial investments in China and the "integration" of the company's Japanese and Chinese markets ;

opportunistic reliance on competitively priced imports from elsewhere to defend a market position ;

greater consumption of recycled and other fibre at the expense of pulp consumption ; and, importantly,

reduced volumes of hardwood pulpwood chips purchases from independent suppliers.

Where Oji goes, do other manufacturers follow ? Certainly, in terms of constraint on increments to production capacity for domestic markets and the threat from imports, this appears to be true. The English-language announcement of the forthcoming merger between Mitsubishi Paper Mills and Chuetsu Pulp and Paper identifies two basic justifications : (a) “saturation” of the Japanese market and (b) “rapid growth of Chinese manufacturers”.

Chart 86. : At great risk, I present a forecast for the year 2010. By that year, it is assumed that : (a) production growth for paper and paperboard will have maintained the trends of the past 10 years, (b) total fibre and mineral furnishes will be consistent with those currently applying ; but, (c) recycled and other fibre furnish will increased to a mean consumption ratio of 70 % (as per the professed intention of Oji Paper).

The conclusion is that there will be a 23 % reduction in pulp consumption between 2004 and 2010. Thus, even with a complete cessation in pulp imports, pulpwood consumption would diminish. However, given that it is probably inevitable that some market pulp will continued to be imported to service the demands of micro-producers, demand for pulpwood will decline more substantially. I resist the temptation to estimate the extent of that decline.

Moreover, given that there is an annual availability of ca. two million b.d.m.t. of hardwood pulpwood chips in Japanese off-shore plantations (18 % of the 2004 import level), for independent suppliers, the prospects for the Japanese market are now poor. As a minimum, these prospects demand “substitution marketing” in which delivered cost and quality are key determinants for success. Important components of quality now seem to be :

(a) sourcing, with plantation-grown pulpwood clearly preferred and, possibly, an emerging certification requirement ; and,
(b) species. It is probably beyond dispute that Japanese buyers now have a clear preference for the pulpwood of two plantation-grown species, viz., *Eucalyptus globulus ssp. globulus* and *Acacia mearnsii*.

Finally, it is always important to recognise that trade success with Japan has a heavy dependence on “the relationship”, an intangible but nevertheless critical factor. Long-established exporters are, potentially, in a preferential position in this regard.

Fin … Muchas Gracias …