

### **Tōtara's qualities shape assessment of potential markets for the timber**

The first of two business advice reports was presented by Spring, an Auckland-based business consultancy, at the TIP Project's Steering Group meeting in September.

This Phase One report comprised a high-level market overview. It validated alternative commercialisation strategies for an industry based on farm-tōtara, with a view to identifying not just the most attractive and lucrative market sectors, but also potential organisations/sectors to partner with.

It evaluated different potential product type options that fit the properties of farm tōtara timber, and which will generate maximum value in premium applications.

Spring advised that there are three pre-conditions that TIP should acknowledge when considering alternative value-add sectors:

Firstly, tōtara offers no unique performance benefits. Although it is native to New Zealand and sustainably managed, its wood properties alone do not distinguish it from competitors.

Secondly, tōtara offers limited volume to scale. The average home uses ~1,000 linear meters for cladding. Based on forecasted volumes, if consumers used Totara for exterior cladding then it could only fulfil orders for between 150 – 600 houses a year (2.5% of new houses built each year).

And thirdly, demand in New Zealand for premium wood products is relatively small. Following the deregulation and the rise of China's manufacturing sector, the New Zealand wood products sector is almost non-existent in comparison.

These realities lead to three market development strategies:

- position the product carefully by finding a sector tōtara can be relevant and premium in;
- identify niche sectors which use limited volumes but offer significant premiums
- identify and establish relationships with players that can easily see the commercial opportunity offered by Totara.

A detailed desktop exercise identified strategic partners/sectors who might be open to building a new product line using Totara as a raw material, in three interior product markets.

In all cases, the offer has the same three critical success factors:

- native product – a unique, sustainable solution
- design – creating a unique pattern or end-use design style
- manufacturable – applying scalable product techniques and technologies

The second report will look at Phase Two of the business advice. This will focus on business-case development for each selected product area/application and will include commercialisation strategies, a proposed industry structure, and financial modelling.

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