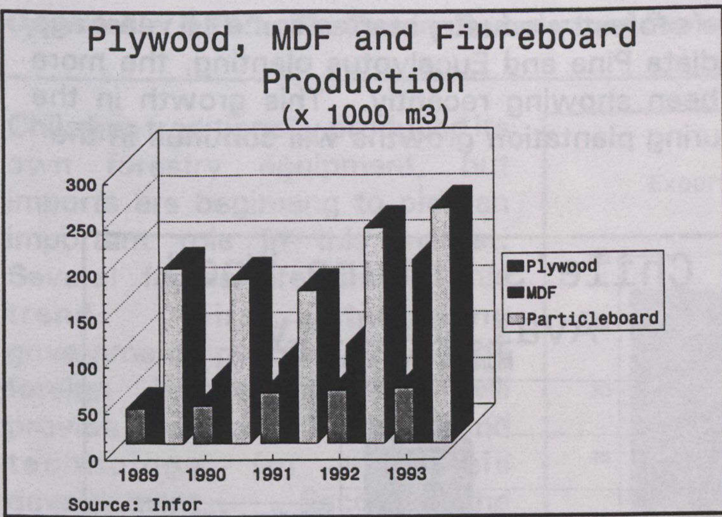

board market.

This relatively small number of corporations is related to the size and characteristics of the forestry resource base. Plantations, that supply a vast majority of Chile's industrial wood, are in the hands of few corporations that started their reforestation programs some 20 years ago.

Pulp is a driving force for the forestry industry as a whole. Not only does it generate demand for investments in forest management but also in specialized machinery and equipment, and optimization processes, all aimed to stimulate productivity and lower costs.

Wood Chips
A recent addition to the forestry sector is the production and export of wood chips for pulp production. In 1994, wood chip production was 1.54 million cubic metres, while in 1988 it was not even listed in the official statistics. Wood chip production is mostly based on Radiata Pine species, the second most utilized is Eucalyptus and, increasingly, native forests. The sudden expansion of this industry has created pressure on native forests as new investment is made for processing and infrastructure in remote areas.

More than 20 companies produce wood chips. However, just a handful of producers account for 90% of all exports. Forestal Del Sur Ltd. is the largest single exporter with 27% of the 1994 export market. Chile's main customer for wood chips is Japan. Currently, Chile supplies 10% of Japan's needs, and Japan takes 97.6% of Chile's wood chip exports.

1.4 Potential for Growth

Chile has a distinctive natural advantage for growing Radiata pine and Eucalyptus. Native to the coast of California, the Radiata Pine was introduced into Chile over a century ago, and adapted extremely well to the country's climatic conditions. These species, not native to Chile, reach adulthood in a much shorter period than comparable species in other countries. Available data indicate that planted Radiata pine grows five times faster in Chile than do comparable species in southern USA, its native country.