OLSEN NEWS

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FORESTRY CONSULTANTS & MANAGERS – Issue N° 8 – JULY 1998

Log Price Update

Summary

Pacific Rim markets for forest products continue to be depressed by the problems of some Asian economies. Export logs prices are still slowly sinking in $US terms, but there are some signs of a bottoming out of prices in Japan. Limits on volumes purchased, particularly from Korea remain the major problem.

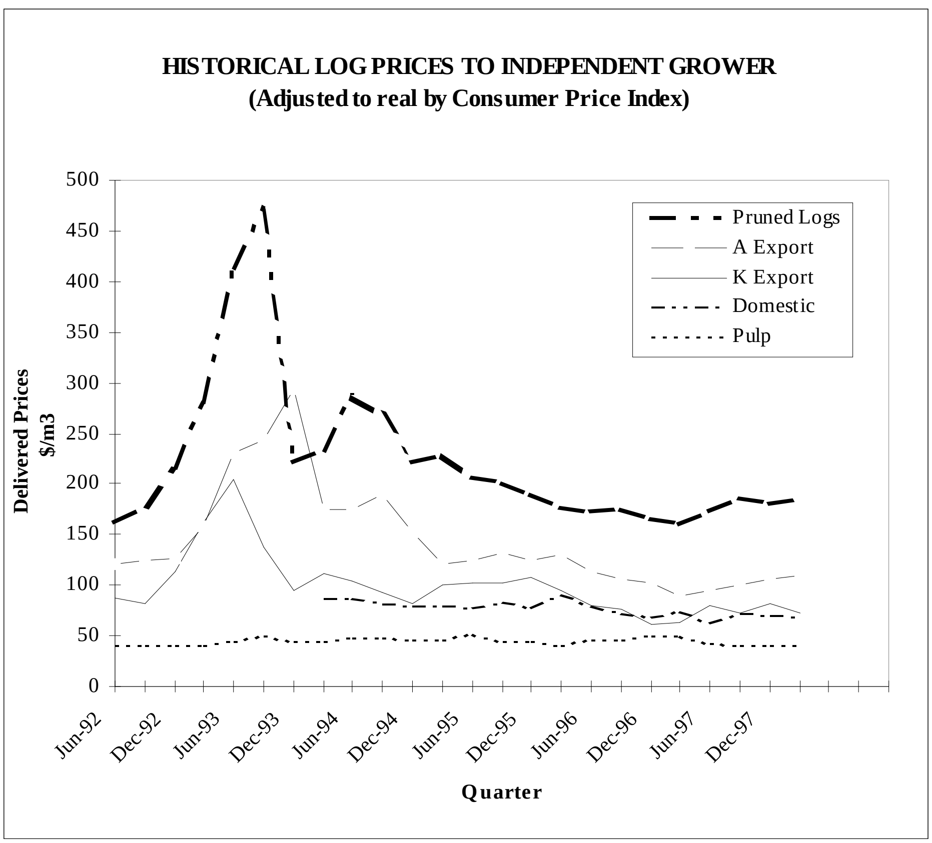
Export markets

The slump in export log sales to Asia is not expected to solve itself this year. $US prices for logs in Japan are reported as down by $US3-$US5 per cubic metre for the second quarter of 1998. The falling $NZ to some extent has balanced this though the effect takes time to work through to higher prices to the exporter, due to most exporters taking forward currency cover.

There are indications that the price slump in Japan may be bottoming out as excess inventories of other suppliers to Japan are reduced.

The largest current problem for New Zealand exporters is the reduced volumes that Korean and Japanese importers are willing to take. In the first quarter of 1998 Korea purchased only 183,000 cubic metres of logs; 28.3% of the volume it took in the same quarter in 1997. Exporters do not have the option of maintaining cash flow through increased exports to these countries.

Potentially China represents a large alternative market as it is substantially reducing its own current harvest to conserve its dwindling resources of mature forests.



Imports are conditional on China's willingness to spend its reserves of foreign capital at a time when other regional currencies are undergoing difficulties

Forest Industry Employment

What has happened to employment opportunities for forest graduates? It is hard to believe that in 1993 and 1994, forestry graduates from the School of Forestry (University of Canterbury) were so much in demand that all those who wanted jobs got them. Furthermore, many had initial salaries that were reported to match those received by engineering and medical graduates.

How times have changed. The 1996 and 1997 graduates have struggled to obtain employment and we understand that only a small number of the top graduates have received salaried employment with companies. Many others have gone into the contract workforce and obtained practical experience to make themselves a more attractive proposition to corporate employers. The lack of employment opportunities has been compounded by the increase in number of forestry graduates. Traditional numbers of 25 to 30 students have increased to over 40 in the last three years.

To understand the lack of employment opportunities we need to look at the current state of the forestry industry in New Zealand. Reduced revenues (lower log demand and prices) are forcing companies to review their cost structures. Over the last two years the three major forestry companies (CHH Forests, Fletcher Challenge Forests, Rayonier NZ Ltd) and the Ministry of Agriculture and Forestry have undergone restructuring. This has resulted in reduced staffing levels.

Rayonier NZ Ltd have lost twenty staff, while Fletcher Challenge Forests Ltd have lost thirty to date. In addition Wrightson Forestry have restructured and reduced their staff by five. Many of the other companies including PF Olsen and Company Ltd are not replacing staff and have not employed newly trained staff (graduates or diploma students) for over two years. The restructuring has left a pool of very well qualified and very experienced people for what jobs are available.

Restructuring by the forestry companies has also changed the way they operate. This has resulted in a shift of work away from a company workforce to a contractor-based system. This places more and more responsibility on contractors for such matters as health and safety, training and operational planning.

Quality control plotting of operations is an area traditionally undertaken by company forest supervisors. This work is increasingly being done under contract, with a resulting loss of salaried and wage worker jobs. As an area where many diploma and forest graduates have made their start in forestry this leaves a further gap in training opportunities.

The key supplier concept, currently being introduced in harvesting and roading by CHH Forests and Fletcher Challenge Forests Ltd, has also changed employment opportunities from company to contractor-based. Forestry companies are requiring larger contract entities to not only undertake these operations but to plan, co-ordinate and monitor the quality against an agreed set of outcomes which usually include health and safety and environmental concerns.

So what is the future for forester and diploma graduates looking to make a career in forest management? While forest management companies will always require some people with these skills it appears likely that the numbers required will become fewer and fewer.

It is likely that these graduates will be employed in the contract force either as private contractors in their own right or working with larger contract entities to supply the technical and management skills that the companies are now demanding of their contractors. This can only be good for the development of the contract workforce. It may not be as appealing, however, as the career pathways previously offered by forestry companies.

Olsen Land Information

Mapping solutions

As the demands for effective resource management and crop valuation increase, the need for good quality mapping and forest data has gained recognition. Olsen Land Information is specialised in handling forest mapping, data management and land information for forestry estates.

Because forestry blocks come in various sizes from one hectare to several thousand, a number of mapping techniques are available. Olsen Land Information staff can offer advice on a complete range of cost effective solutions.

Experience and capability

With many years of experience in forest mapping, GIS and stand record management, Olsens provide a quality service. Land Information Manager, Richard Quinlan has specialised in forest data and mapping for over 15 years. Due to the technical nature of mapping, and the special needs of forestry, the experience offered by Olsens staff is among the best in the industry.

Based at Head Office in Rotorua, Olsen Land Information has additional staff in the Gisborne office. In co-operation with our forest managers, we provide mapping and recording services for clients nation-wide.

Olsen Land Information Officer John Hanlen using a Global Positioning System unit

Services

The services available from Olsen Land Information include:

- Aerial photography and interpretation
- Forest mapping
- Geographic Information Systems (GIS)
- Stand record management, including storage of inventory data
- Auditing of existing forest maps
- Digitising
- GPS Surveys (Global Positioning System)
- Area measurement and assessment
- Data capture

For more information contact:

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Effect of Boron

Many clients had marginal boron levels reported from foliar tests taken this summer. This extract taken from the Forest and Farm Plantation Management Research Co-operative report sheds light on the effect of boron on aspects of tree growth.

A study on root anchorage and resin pockets has recently been undertaken in Ashley and Kaingaroa Forests. Trees sampled were in boron fertiliser trials.

Trees were winched over to determine the force required until failure. These trees were cut into segments to count the incidence of resin pockets.

The following results were obtained:

- Boron levels did not affect root anchorage, tensile strength of roots, or gross dimension of overall root system.
- No evidence was found that boron is a causal factor in resin pocket incidence.

The jury is still out on the economies of boron application. Impacts on growth and tip dieback could still justify treatment.

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Acacia Plantation Development

During the past twelve months Olsens has been working on a project developing short rotation pulpwood plantations in the Northland region. This work has been done for a consortium led by Marubeni Corporation of Japan. The intention of the group is to develop plantations capable of sustainably producing 250,000 tonnes of pulp logs per annum based on 10,000 hectares of fast growing hardwood species.

Currently a large proportion of the high quality paper produced in the world is made from the chipping of native forests in South East Asia and North America. With growing awareness of environmental degradation caused by the destruction of natural forest, the pulp and paper industry in Japan has identified plantation grown hardwood logs as a sustainable source of alternative raw material. New Zealand has been selected as the site for the first plantation developed by this group due to its favourable location in relation to alternative suppliers (such as Chile and Brazil), its developed forestry infrastructure and good growing conditions.

The targeted species for the project are black and silver wattle. These species are renowned for their fast initial growth with wood properties that make them ideally suited to pulp production.

It is intended to grow these species on seven to eight year rotations. Seedlings for the project are being grown in containers in a range of nurseries throughout the country. Containerised seedlings ensure good survival after planting and give a more uniform crop than could be expected from bare root seedlings. Intensive site preparation is required to promote rapid initial growth with good weed control and fertilisation essential for a vigorous plantation.

No land is being purchased by the consortium for plantation development. Landowners are being offered two methods of participating in the project. One option for the landowner is to receive annual rentals in exchange for forestry rights on properties for 15 to 21 years. The second option is for the landowner to forego annual rentals in exchange for a share of the profits at the end of each rotation. Properties being targeted for the plantation development need to be of easy contour as mechanised harvesting is essential to ensuring the profitability of the crop.

If you wish to obtain further information on the project please contact:

Jeff Nicholls in our Gisborne office
(E-mail: jeff.nicholls@pfolsen.co.nz), or

Peter Bullen in the Mid North.

PF Olsen and Company Ltd was founded in 1971 by Peter Olsen. Since then we have grown with the forestry industry. We now have over sixty-five staff operating from eight offices throughout New Zealand. The company is owned solely by its employees. Our Board of Directors is elected by the staff shareholders. All the shareholders have a stake in providing the best possible service to you and in maintaining our reputation as a leader in forest consulting and management.

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