



OLSEN NEWS

PF OLSEN AND COMPANY LTD
FORESTRY CONSULTANTS & MANAGERS – Issue N° 9 – NOVEMBER 1998

Log Price Update

Export markets

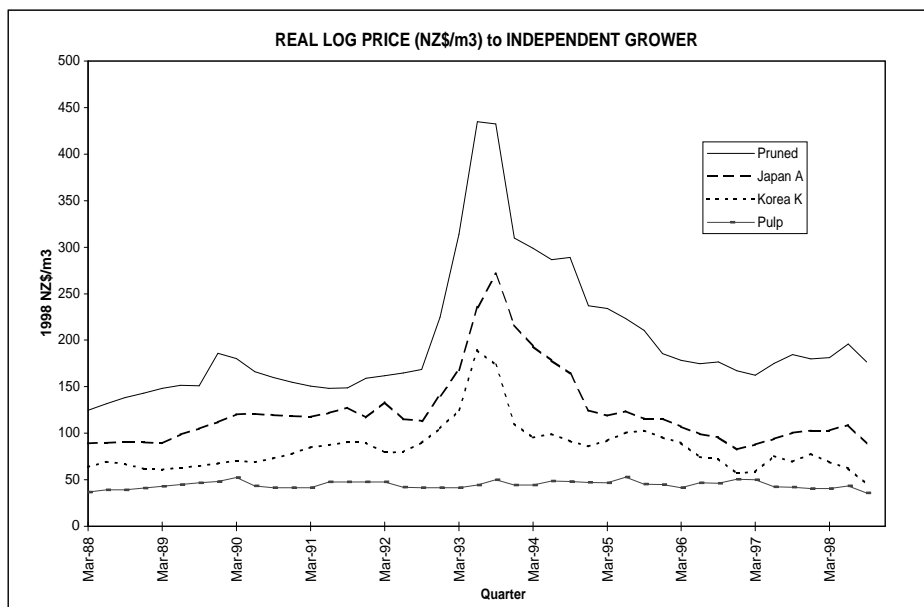
Export log markets remain depressed. A recovery of sorts was under way for the lower grades for some time during October, but it is not clear whether this will result in a sustainable recovery. The recent appreciation in the value of the New Zealand dollar puts a damper on prices across all export grades and unless this appreciation is reversed we are unlikely to see any price increase in the short term. A further weakening of export log prices is possible. Korean log prices appear to be stable; prices in Japan are under pressure.

Volumes exported are substantially down compared to last year. The latest statistics to June 1998 show a decrease of 29% in the export volume of logs, from 5,915,000 m³ in the year ending June 1997 to 4,212,000 m³ for the year ending June 1998. Estimated roundwood removals from New Zealand forests during this period have declined from 16.8 to 15.2 million m³. This is taking place at a time when the harvest from New Zealand forests was expected to increase!

Opportunities for substantial export volumes to China are possible, because of a serious attempt by the Chinese government to reduce their harvest and increase the use of wood in building construction. At present this potential remains to be realised.

Domestic markets

In the domestic market pruned log prices have come under pressure. Availability of these logs has increased, while the demand from sawmills cutting for the American market is reported to be weakening. Because much of this timber is exported, the appreciation of the New Zealand dollar has a direct effect on domestic pruned log prices. The US economy is showing signs of a slowdown, which is likely to put continuing pressure on the prices for our timber exports. This slowdown could also increase the competition from Canada and the US in our key export log markets: Japan and Korea.



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The Australian market is also showing signs of weakening, both in activity and price. This key market has been important for many of our domestic sawmills and in recent times has supported the prices domestic mills could pay for unpruned logs.

The recent cuts in production by New Zealand forest owners and sawmills may provide some stability to the market in the short term.

In the longer term marketing initiatives are necessary to increase our share in existing markets and develop new ones. Such initiatives are currently under way. Waiting for the next price cycle is not an acceptable option; we have to get closer to our overseas customers and develop products that meet their needs and use our wood. The Wood New Zealand initiative launched recently should be an important step in this direction.

Olsens Information System Update

The cynic says, "There is no such thing as an investment in computers; it is an ever increasing cost spiral." Maybe this is cynicism, or maybe it is realism.

Whichever way you look at it, Olsens have made several significant "investments" in computing systems over the last 12 months. The momentum began about two years ago when we installed our first Citrix Winframe server and modems in each Branch. This facility allowed remote users access to centralised databases for data entry and reporting.

In September of 1997 we began a project to develop an integrated Forest Information and Planning System (FIPS). Whereas in the past, data had been transferred from one system and data format to another, the vision of FIPS is that all data will reside in one integrated system. Some of those data transfers were handled manually in the past with scope for error.

Phase one of FIPS has seen the implementation of the Cost Accounting and Financial Accounting modules. Budget-Variance Management and Land Base Management modules are to be developed later in 1998. The Land Base Management module will be a replacement for our current forest records system.

FIPS enables us to have more immediate information about expenditure on forests that we manage. We are no longer locked into the monthly data input cycles that existed under our previous disparate systems. If users keep data entry up to date an accurate expenditure position can be extracted at any time.

For the benefit of the technically minded, we have installed a virtual private network (VPN) to

facilitate data entry by users in each Branch. The VPN provides additional security for data traffic than the previous model, which relied on the public telephone network.

In April 1998 we introduced e-mail to the desktop. Delivery is via the VPN and the Citrix Winframe technology. This has made Forest Managers more accessible to clients and to one another. A message can be left for staff while they are in the field, to which they can reply at their convenience. It is not instant but it has a practical convenience for both sender and recipient. E-mail as a means of communication provides a written record of informal correspondence. In Olsens we still regard "snail-mail" as formal correspondence.

FIPS, Olsens' server operating system and server hardware are Y2K (Year 2000) compliant. Systems that carry out date-related computations and store the year only in "yy" format will be migrated to a system that uses the "ccyy" format by the middle of 1999. Desktop hardware with a BIOS which is not Y2K compliant acquire dates from the server operating system when accessing processes that carry out date-related computations.

A TRANSLATION FOR THE NOT-SO-TECHNICALLY-MINDED:

Olsens is currently developing a computer based information system tailored to our forest management requirements. Customised to suit the needs of our clients from the small to the very large, it will be more efficient and accurate than previous systems.

As the amount of information associated with land and forest management increases, computer based systems are necessary in order to keep up.

Olsens Gain Environmental Certification

Olsens are pleased to announce that TELARC NZ has now certified our Environmental Management System to ISO 14001:1996 standard.

We are the first forestry consultants in New Zealand to achieve this certification. All aspects of forest management and consulting work undertaken by Olsens are included under the umbrella of our certified Environmental Management System.

In accordance with our Environmental Policy, Olsens are committed to:

- recognising high standards of environmental performance as part of the essential priorities of the company;
- integrating sound environmental management into every facet of the company's business.

What does this mean for Olsens' clients?

It means you can have confidence that our management and consulting activities will be undertaken with environmental performance in mind. Olsens' staff and contractors are required to consider environmental effects prior to and during every operation. This is backed up by the internationally recognised ISO 14001 quality standards.

Some of the benefits that you could expect from our Environmental Management System are:

- reduced risk of environmental incidents and consequent legal action under the RMA;
- improved resource consent process that could save costs and time through better applications, implementation and council relationships;
- confidence that your investment is being managed on a sustainable basis that is beneficial to both you and the environment in general;
- an improved profile of the forest products produced as a result of our management (you can say that your forest is being managed by a company with an ISO 14001 certified Environmental Management System);
- sound environmental management that will protect your investment and safeguard the natural resources we are fortunate enough to utilise.

If you have any questions on just what ISO 14001 certification means for your investment please contact our Environmental Manager at the Rotorua Office:

Colin Maunder

E-mail: colin.maunder@pfolsen.co.nz

Effect of Boron

In our last issue we discussed the effect of boron on resin pockets and root anchorage. Although, the importance of boron on these two factors is still uncertain, there is considerable evidence of its influence on other tree characteristics.

This is particularly so in the drier areas of New Zealand such as the Hawke's Bay, Marlborough, Canterbury and Otago. Boron, usually in the form of Ulexite, is commonly applied in these regions to improve growth, form and reduce tip die back.

At an early age in these drier and boron deficient areas the addition of boron can reduce tip die back and increase root elongation that is crucial to good survival.

Olsens recommend that you give serious consideration to boron fertiliser if your forest is in a dry climate or boron deficient area. If you have questions on the importance of boron you should contact our Branch Managers experienced in its application, who would be happy to answer your questions.

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For contact phone numbers etc please refer over page.

Pests and Diseases

As New Zealand is relatively isolated from the rest of the world we have a better chance than most to prevent the introduction of potentially damaging pests and diseases. Identifying insects and diseases, which may be detrimental to agriculture and forests, assists the Quarantine staff in targeting people and goods that may carry such organism.

Operation "Evergreen", carried out last year, was a good example of how threats can be managed. By spraying some Auckland suburbs with the biological agent *Bacillus thuringiensis*, the invading tussock moth appears to have been eradicated. The introduction of this insect may have had serious consequences for roses, native trees and plantation forests. Early detection and immediate action succeeded in eliminating the pest before it became established.

A current potential threat to New Zealand pine and possibly Douglas fir is pine pitch canker. Discovered in 1986 in native stands of radiata pine in California, this disease is caused by a fungus *Fusarium subglutans* f. sp. *pini*.

The fungus together with its bark beetle carriers causes dieback, reduced growth, stem deformation and tree mortality. In California this disease now extends along the California coast and has affected three native radiata pine populations.

An assessment by Margaret Dick of Forest Research concluded that even if the fungus got established in New Zealand its spread would probably be limited by the relative scarcity of suitable insect carriers. Also, while its potential importance cannot be predicted, the best management strategy is clearly exclusion through stringent quarantine measures.

Prevention and early detection of any potentially damaging pest or disease is paramount to protect our agriculture and forest industry. For those of you who travel to California please clean your boots (or MAF inspectors may do it for you). If you own a forest, we recommend a MAF forest health inspection as part of the annual work plan.

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 fifty staff operating from nine 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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