

Winds of change rustle the pine needles

Take a melting pot (say, 27 million hectares of predominantly steep country in the South Pacific), and stir in some Polynesians and sheep farmers. Marinate for a century or two. When wool prices have evaporated, boost the land value 4-5 fold - or until the bubble is about to burst. Mix in a generous dash of Pinot Noir wine and Fonterra milk. Pour through a carbon sieve - checking carefully for holes first. Garnish with native forest (eco-sauced - not for consumption), and serve together with Economic Crunch. This will create an interesting conversation piece for your political party.

Yes, the theme of this issue is "land-use change". Things are happening fast - we are observing big historical developments just as they are being made. We are like historians from a distant future, who've time-travelled back for first-hand experience of these things. But where is the commentary on all this? The half-a-dozen papers in this Journal are a good start.

Some years ago, I asked the advice of a Financial Advisor as to what to do with my savings. He wanted to know my level of risk and my expected rate of return. I replied "I'm extremely risk-averse. Two per cent over-and-above inflation would be quite acceptable." He raised his eyebrows: "Oh, we can do a lot better than that. A lot better. I can recommend a mix of very safe financial investments, starting with Provincial Finance..." Um, er, in retrospect I wish I had achieved my two percent or even merely recovered my capital.

In the lifetime of, say, a typical Douglas-fir you can expect at least one major war and one major depression, at least judging from the evidence of the previous 200 years. The half-century since World War Two has been quite atypical, but it has completely clouded the world-view of most economists and investors - and foresters. The 8% real discount rate that is beloved of the New Zealand forestry sector is pathologically greedy - you can't reliably receive that rate from an alternative investment over several decades. But if you use a realistic rate - say 2% real - then all sorts of strange things happen. For example, nobody would grow radiata pine if they could grow Douglas-fir. Nobody would run sheep or cattle if they could grow trees. And the way we grow trees would be turned upside down: for example, a rotation age of 30 years would seem like cradle-snatching, and even 45 years would be below the age of consent.

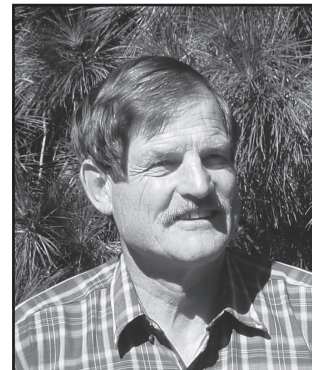
So, the current economic crisis may have one spin-off effect: it may force a rethink. During 2008 and 2009, when the streets outside the various stock exchanges were decorated with splattered stockbrokers, our pine trees quietly whispered in the wind - and packed on the growth. Real, tangible, biological growth. Not 8% real, to be sure. But growth as substantial, honest and straightforward as a solid timber beam.

And once expectations have settled down to a realistic payback period, we might even find that forestry investors can afford to buy land at the current scandalous prices.

The fact is, there are precious few options for the many million hectares of steep, marginal land in New Zealand. Forget about elite merino wool, hunting safaris, or home-stays - such things are merely of niche value and do not seriously address the bulk of the problem. Apart from increasing our human population to hundreds of millions (please not!) and terracing the hillsides as occurs in East Asia, we are stuck with coarse-wool sheep, beef cattle - and (mainly) pine trees. That is the reality, rage against it as you may. New Zealand has a pro-grass, anti-forestry tradition and some groups have recently imported an additional anti-plantation bias. But the environmental credentials of forestry - any sort of forestry - are overwhelming. Eventually, the facts will quietly emerge and forestry will experience a new dawn. Erosion prevention, water quality, biofuels, carbon sequestration, and good old-fashioned timber - these advantages will speak for themselves.

Lastly, this issue introduces John Purey-Cust as our new columnist. Readers would not tolerate both an editorial and an opinion column from this writer, so John has kindly agreed to take on the latter task. His broad forestry experience mingled with great writing skills will undoubtedly make his columns a delight to read.

Piers Maclaren



* *The new Editor of the Journal is Piers Maclaren. Piers is a Registered Forestry Consultant and a former Forest Research scientist. He has written a regular column in the Journal.*

Five Yearly Review

Members were advised in the Newsletter of 24 April 2009 that the following Registered Members have their review due in the 2009/10 year:

Ian Moore, Martin Watson, Robert Miller, Bruce Manley, Peter Keach, Alan Bell, Andy Dick, Craig Fisher, Alan Ogle, Dennys Guild, Nicholas Bunting, Theo Vos, Angus McPherson, Mark Self, Geoffrey Thorp, George Platts, Ross Larcombe, Chris Perley