

Wood markets and economics – many questions to answer

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Markets can be quite complex. For a long time the price for exported radiata pine logs has been lower than was expected, particularly when the high prices of the 1990s encouraged a lot of planting. The current high dollar exchange rate has not helped. However, recently there has been a slightly higher return for exported logs, which is good news for those sending logs over the wharf.

There is of course the down side. Sawmills in New Zealand have to buy trees from many of the same places as exporters and need to be able to obtain logs at prices which match or exceed those paid for export. If the mill can still sell the sawn timber at a profit, then it remains viable. If not, business failure is likely. The recent closure of the sawmill in Rotorua has been blamed on an inability for the mill to make a profit as log prices increase but sawn timber prices remain static. I am sure we will hear more of the details as time passes, but not understanding the markets makes it very difficult for a business to remain viable.

This issue of the *Journal of Forestry* concentrates mainly about wood markets and their economics. I have a slight apology to make as virtually all the journal covers this topic, and another minor apology because many of the papers are longer than usual. They are not particularly long, but above the average, particularly in a world of increasingly shorter sound bites and twitter feeds. However, all usual, the papers are all well worth the read.

The lead paper by David Evison has some overall observations on the economics of commercial forestry in New Zealand. Part of the conclusion is that we should consider how Chile has focussed on pulp and paper, particularly as radiata pine is very suitable for both these products. Exporting logs is presented as a strategic choice but a question is raised about the risk. However, the main unanswered question is how to make investment in new processing capacity a reality.

Andres Katz considers a strategic review of log exports. Log exports have virtually doubled since 2008

and the value has increased at the rate of 17 per cent a year. This has all been at a time of world economic crisis, but not in China and India where most of the growth has occurred. The author concludes that the opportunities over the next 10 years could be greater than any time in the past 20 years, but there are risks if we are dependent on just one or two markets.

A 60-year overview is the subject tackled by Dennis Neilson. In the world of wood this is only a couple of rotations and in a way can be compared perhaps to a kiwifruit grower looking to what has happened since 2010. The cheap radiata growing costs in New Zealand, about a hundredth of the cost of growing pine in Finland, has encouraged a large export industry. Neilson suggests that it will take a gigantic leap to return the timber industry to where it was 30 years ago.

The paper by Bruce Manley and Paul Lane looks at wood availability forecasting based on research completed in 2010, with another forecasting exercise due to begin in 2014. Knowing what timber may be available up to 2030 or 2040 is vital for the industry to be able to plan and maintain or increase their markets. Forecasting is always much more accurate with hindsight, but the paper does show that, although forecasts are unlikely to be accurate predictions, they can present options of what could happen.

Richard Philips takes a global look at the pulp and paper industry. The demand for paper and board is expected to grow in Asia but with a decline expected in the US and western Europe. It is also expected that Asia will eventually need to import softwood fibre to replace the recovered paper market. Will New Zealand be able to take the opportunity in the future to use its spare softwood to produce pulp, biofuels and biomaterial?

As usual there is a last word, this time by Gerard Horgan, and he asks a number of questions as well. The main one is – where to now?

