

Editorial

What's happening with Douglas fir prices?

The Japanese domestic price at mill for US Douglas fir logs rose from \$US186/m³ in June 1991 to \$US250/m³ in June 1992. This Japanese domestic price increase is reflected in the dramatic rise in the New Zealand FOB price to as high as \$NZ270/m³ for the top grade. The price has risen from an already much talked about price of \$NZ220 in August. At these prices, stumpages of well over \$100,000/ha are achievable.

If the continuing New Zealand increase is any indication, then the Japanese domestic price at June 1992, as indicated on the graph, may not represent a peak. The question is: how high will it go? Demand from Japan is obviously very high, as indicated by the appearance of a new lower specification grade, which gives forest growers the added opportunity of exporting logs once sold as domestic arisings.

Japanese domestic radiata pine prices, at least up to July, did not appear to have moved. However, latest indications are that the New Zealand FOB prices for our radiata pine grades to Japan began rising in late September and October; the most likely reasoning being a substitution effect as the demand for an alternative to Douglas fir increases. Korean prices are expected to follow.

Some possible reasons

A number of reasons have been put forward for the Douglas fir price movement. The most obvious factor is the plight of the Spotted Owl in the Pacific North West, and the constraints on log

supply the protection measures have produced. If this keeps up, the species will be a strong contender for status as New Zealand's National Bird, at least by the forest owners.

Another major contributor to the "trickle down" of the price rises to the New Zealand grower could be attributed to the Forestry Corporation – Weyerhaeuser marketing agreement – an example of how international contacts and collaboration can be advantageous. Exchange rate movements cannot be rated as having a significant influence. The yen is showing an appreciating trend against the US dollar since June 1991 (see graph below), but the movement is not great.

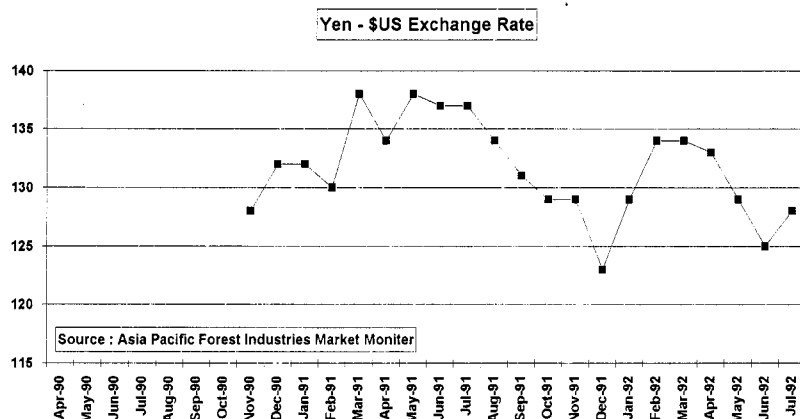
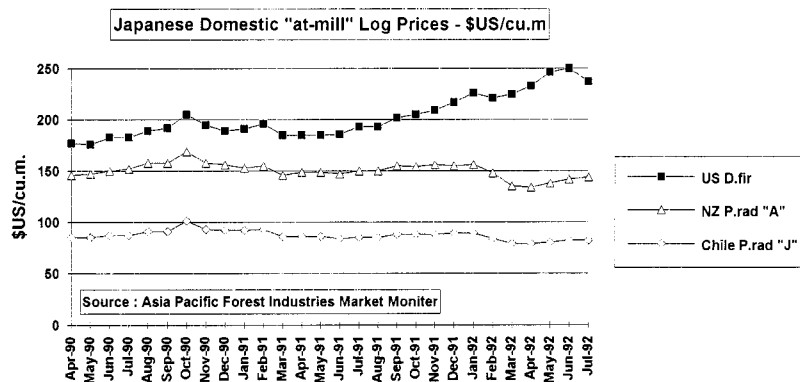
Effects on Domestic Industry

One consideration of the price increase is the effect on New Zealand's sawmil-

ling industry. Some are saying that the export prices for sawn Douglas fir into Australia are not high enough to enable even the most efficient sawmiller to match the export log price. What is excellent news for forest growers, may be quite disturbing to others, particularly if Douglas fir prices continue to rise and radiata prices get dragged upwards with them.

Could New Zealand sawmilling become a sunset industry – perhaps extinct? This extreme scenario may not be a serious consideration, but we should be thinking about it. In a perfect world the market dictates where processing takes place. But our industry may not be playing on a "Carisbrook like" perfect pitch. If part of the reason the Japanese can pay such seemingly high prices is related to their legislative environment in comparison to ours (market protection, R&D funding, depreciation rates, subsidies, etc.), then it raises some more interesting questions like: "What are we doing about it?"

Whatever the reasons, our sawmillers should be sitting up and taking note of these price movements, and dusting off their strategic plans; perhaps looking at targeting the Asian and North American markets in preference to Australia; or re-evaluating their sawn out-turn grades to best optimise the value of their log material relative to their markets. FRI wood products scientists are urging New Zealand sawmillers to consider clear cuttings for export, in preference to construction grade specifications. This has



been primarily motivated by some perceived problems with the new wood coming onto the market, but these changes in log export prices provide a powerful support to their arguments.

Log input grades also need some changes. Many sawmills are still purchasing as "run of bush", making optimising grade out-turn all the more difficult. Taking advantage of the Employment

Contracts Act to better utilise the capital of their plant is another obvious strategy, provided they have access to the wood required.

Some of these changes do not require significant capital investment. One investment that does is the necessary new plant technology to get the best value from their log resource. Here the independent sawmillers face a catch 22.

In order to raise debt capital they often need proof of long-term supply security, and they can't obtain this log security unless they can match the export price, or they have their own forests. Another fundamental change within the industry is that "long term" is now tending to be measured in months, rather than years.

Chris Perley

The year in retrospect – a comment on New Zealand's recent snowstorms*

Much has been said and written in New Zealand over the last few months about the standard of management by farmers in times of extreme weather conditions. Some of the criticism is ill founded, but the redeeming factor, which is very apparent in the criticism, is concern for the stock. The word cruel has been used and unfortunately been expanded by isolated television clips. I would like to state here that in a lifetime of farming I have never met a farmer who was wantonly cruel – negligent yes. For to be a farmer of any account one must have feeling for the stock, which encompasses care and understanding. For it is obvious in the returns from farming today that those who do not have these feelings do not survive – if farming is their only source of income.

As farming, like forestry, requires long-term thinking, we must go back to the winter of 1991.

That winter was reasonable and we had a good spring. Lambing percentages were good and rainfall adequate to promote growth. Hay was plentiful but difficult to make because of the rain. However those who wanted to, filled their barns, and in fact quite a few farmers calculated that they had enough hay and silage for two years.

Where did it all go wrong?

January and February were very dry and cold months, and so farmers trying to put a little more weight on their lambs had to hold on to them longer. Turnip crops failed, due to the climatic conditions – the first time in 40 years that I'd had such a failure on my farm. There was no significant rainfall until June. The result of these conditions meant that farmers had to supplementary feed from the beginning of March and were still doing so in mid September.

The normal winter dormancy period

in much of the inland Canterbury Plains is three to three and a half months (that is when stock require supplementary feed). This year, however, the period was seven months, which in reality means that farmers had to cope with the equivalent of two winters in one year. This is the reason for a lot of sheep in poor condition.

Add to that a heavy snowfall in July followed by the disastrous snowfall in late August when the farmers were lambing or about to lamb. These are the factors which resulted in heavy losses.

On the controversial subject of pre-lamb shearing: I am a keen advocate of this form of management, the proviso being that you have shelter and feed. When I first took my farm over I used to blade shear in October. Eleven years later I began pre-lamb shearing with machines after having established reasonable shelter. I never sustain a loss of any account. The benefits I have received were that the ewes moved into shelter, the lambs had much easier

access to the teats, and the ewes did not get cast. I contend this resulted in a 10% increase in lamb survival. In addition, the wool sold at competitive prices.

There are three vital ingredients when pre-lamb shearing – feed, shelter and management. Feed with no shelter, and shelter with no feed is useless and of course these two have to be brought together by management.

The practice we followed over the years was always to have feed, i.e. grass, turnips and giant rape, adjacent to shelter.

Shearing started around the first Monday in August with new combs. The sheep released from the counting-out pens went down a sheltered lane to where there was tucker.

At all times after shearing the sheep are considered to be at risk from the elements, and so they were never away from immediate shelter. This practice was followed for two weeks after shearing, by which times the hides had hardened.



Photo 1: Dense SW shelter with snow piled up on windward side. July 1992. Photo: D.J. Mead.

*It has been estimated that 1.2 million sheep were lost during these storms, largely in the Canterbury region.