



Presidential comments

Ethics and customer protection

The Institute has noted with some satisfaction the upsurge in interest in forest development and investment following the increase in log prices. There has also been a parallel interest in purchase of mature and semi-mature forests and woodlots.

Our sister organisation the NZ Farm Forestry Association has been troubled by reports from their members being approached by prospective purchasers who appear more interested in a quick dollar than satisfying the potential vendor that the offer is fair and reasonable. It is in many cases difficult to refer the Secretary of NZFFA to consultants who are competent and up-to-date with the market position. This is usually due to the lack of day-to-day involvement in what is often a rapidly changing market.

In these circumstances it is necessary for the Institute to expect members to accept the discipline of the Code of Ethics when dealing with these matters. This should apply not just to recognised consultants but also to all members, so that the public can expect a performance from NZIF members which results in forestry continuing to be a respected commercial activity.

Occasionally I have to field complaints with a potential to be damaging to our profession's standing. My response has been to treat this as an exercise in "peer pressure", as there is no formal method of disciplining the errant commercial operator. Of course, much of the potential for complaints can arise from non-member self-styled consultants. Here "peer pressure" has obviously limited worth. However, the recognition of the role of the Institute in protecting standards and advising the public is spreading and I would like to have members' views on how to handle this topic.

Volatility of log prices and investor sentiment

Members will recall the meeting jointly organised by the Commonwealth Forestry Association and the Institute of Forestry in Wellington on March 20, 1993. This brought together many of the forest-owning interests and representatives of the wood-processing industry, on the issue of

log marketing and the proposal to have some form of control over exporting of logs that are suitable for domestic processing. This has surfaced again with the activity of the NZ Owned Sawmillers Association who have made considerable capital out of the recent drop in log export prices and volume of trade.

At the March meeting in Wellington the proposal, that there be a formal legal framework to require forest owners to market logs and other forest produce for some non-market priority perceived by central government to be in the public interest, was not supported.

It was however accepted that foresters can and should take a longer view of the selling of wood in a manner which allows the domestic wood converter to adapt to new market demands and to ensure stable wood supply is available.

NZ forest owners are now in the process of recasting national marketing strategies with domestic solid wood converters seeking to capitalise on lower log prices. However, this is also affecting lower grade solid wood sales in many target markets, particularly Japan and Korea, and it is likely that a flow-on effect will depress earnings by the total forest industry until the second quarter of 1994.

Forest growing as an investment has been seen, until early in September, as an area in which investors were anxious to be active. Suddenly we now can see declines



Peter Olsen

in share prices of forest companies which reflect a drop in investor interest and therefore very short run earnings expectations. It is obvious that the investment public has yet to be educated to the long run quality of forestry and the value of forests earnings capability. This may result in a temporary drop in new prospectus offerings to the public. Log prices being obtained are still of the same order as at March 1993 and the more informed investors are confident of the quality of return they expect from both past investment and new planting.

The volatility of export log prices since September 1992 does not affect the main issue. That is that the present price is still well above that ruling before January 1993. The work of the Institute's Valuation Working Party is important in establishing methodology which allows for this characteristic of market variability.

Peter Olsen
President

1994 NZIF Council elections

Elections for the Council of the Institute will take place prior to the Nelson Annual General Meeting in May next year. Nominations will be called early next year.

Current councillors and office holders who have indicated that they will be standing down after this term are:

Jolyon Manning
Lisa Langer
Laurie Halkett
Rob van Rossen – Secretary
Peter Casey – Treasurer

At the last AGM Peter Casey agreed to fill the Treasurer role through to the beginning of 1994. Peter has done a great job in getting the Institute's accounts in order but unfortunately cannot continue with the role after the next AGM.

Members should give some thought to suitable candidates for Council and Institute officers for next year's elections.

Rob van Rossen
Secretary