

# New Zealand- a great place to do business

H. James Holmes\*

**S**oper-Wheeler Company is the oldest privately owned timber company in California. We have been in business there since 1904 and our land holdings in the State now total slightly more than 40,000 hectares. Most of our properties are primarily located in the inland Sierra regions but we also have substantial holdings in the coastal regions of California. The six major species that we grow and harvest are ponderosa pine, sugar pine, Douglas fir, white fir, incense cedar, and redwood. Although we have owned a sawmill in the past, we currently do not operate a mill. Instead, our logs are sold to mills specialising in numerous markets.

For any company to have survived for so many years a lot of things have to go right. In our case there are three main reasons why we have been successful. They are:

## 1. Stockholders

The stockholders of today are primarily descendants in the Soper and Wheeler families. Over the years, they have had the interest and courage to make the long-term investments required for a successful forestry venture. Many of these investments are discretionary and many times during the history of the company there were alternative investments that probably had greater short-term appeal. None-the-less, during the last one hundred years the stockholders have seen the opportunities, steadily added to their investments, and enjoyed impressive growth and returns.

## 2. Employees

The employees of Soper-Wheeler Company have consistently provided outstanding service to the stockholders. The Company is proud of its innovative, dedicated, highly-skilled, and hard-working employees. Individually, and as a team, they are regarded as among the best in the industry. Over the years, management activities have resulted in sound acquisitions, and lands that are well stocked and tended. Within the California timber industry, Soper-Wheeler lands are consistently cited as an example of the right way to do things.

## 3. Guiding Principles

Courageous stockholders and dedicated employees would not be enough to ensure the long-term success

had they not been held together by the company's guiding principles of honesty, fairness, and the commitment to being a good neighbour. The company's other guiding principles are contained in the two Soper Laws:

- Buy what you need, but always pay cash.
- When maximum profit goals appear to be in conflict with established conservation principles and sustained yield, then in all probability the profit projection needs re-examination.

Continued and strict adherence to the "Soper Laws" and the company's other guiding principles has proven to be a blueprint for success.

## Soper-Wheeler Company and New Zealand

The Soper-Wheeler Company has been good for California. Unfortunately, California has not been good for the Company. In recent years the Company has suffered an unbelievable expanse in government laws and regulation that seriously restrict our ability to manage our lands. For example, although well intended to protect the environment, most of the land use regulations are characterized by voluminous paperwork, extensive delays, unreasonable mitigations, bureaucratic manoeuvring between agencies, and excessive costs.

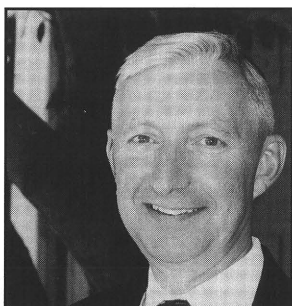
This unfavourable condition has convinced the stockholders and management to recognise that reasonable rates of return for forestry are probably no longer possible in California. As a result, for the last few years we have been investigating other places in the world where we can continue our forestry ventures.

Our investigations considered other regions in the United States, as well as other countries where forestry was already well established. Countries like Chile, Brazil, Mexico, Australia, and South Africa were considered along with New Zealand. All of these countries have tremendous forestry potential, but we selected New Zealand for our future investments because we felt it was clearly the best.

## Why New Zealand?

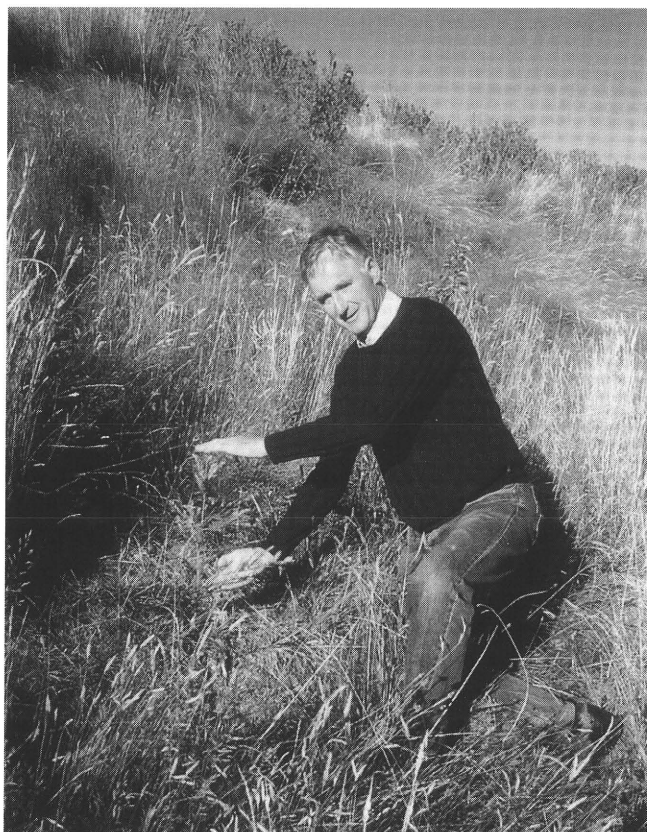
In New Zealand we found a country with vast areas already established in radiata pine. These trees are magnificent. They grow with remarkable form and at a rate that has never been seen in their native California. The New Zealand government and industry has done a remarkable job developing this species and making it one of the world's premier pines.

In addition, we found in New Zealand, on a more limited basis, beautiful stands of redwood and Douglas fir. So impressed were we with the growing performance of these two species that we did a very thorough look at several regions in the country and now believe that New Zealand has the potential for being a major world producer for both of these outstanding trees. Given our knowledge of growing redwood and Douglas fir in



\* James (Jim) Holmes is President of Soper-Wheeler Company.

*Photo 1: Jeremy Thomson demonstrating the height growth of a redwood plantlet in just 4-months at the Hunterville property of Soper-Wheeler.*

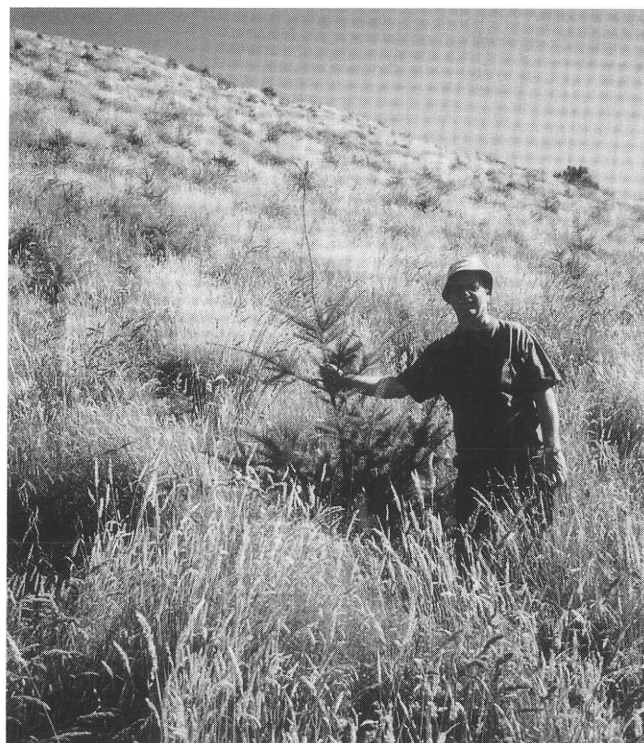


California we decided to focus our New Zealand investments around development of these two species. Although the decisions about manufacturing will be made by a later generation, we fully expect that our trees will be milled in New Zealand into products to meet the growing world demand for high quality wood products.

Our decisions to invest in both Douglas fir and redwood were based on both financial analysis and our strategic view of the future. Unlike radiata pine, we believe Douglas fir and redwood will increase in value over time because of the growing demand for Douglas fir and the unique wood qualities of redwood. We believe that neither of these species faces the possible over-supply issues that we are concerned may affect radiata pine.

We learned that Douglas fir is already making inroads into the country and we understand that it currently represents over 5% of the total inventory in plantation forests. Certainly, we believe that there are vast areas, primarily on the South Island, where Douglas fir will grow at least as well, if not better, than the premier Douglas fir regions in the United States. Although this species grows somewhat slower than radiata pine, Douglas fir enjoys strong market demand around the world at prices that are generally higher than for radiata pine. In addition, there are several great nurseries operating primarily on the South Island that have learned how to grow Douglas fir seedlings with top quality results

*Photo 2: Jim Rydelius standing next to a 3-year old Douglas fir near Geraldine.*



*Photo 3: A 6-month old redwood plantlet-plug ready for planting in the field.*



ensuring excellent plantation survival. All of these things combined with what we already know about Douglas fir convinced us that growing this tree made good sense.

With redwood we found a different situation. In California, in its native range, redwood yields very popular lumber products with strong demand for such uses as decking, exterior furniture and fencing. It is a very durable wood, easily manufactured and supporting prices much higher than radiata pine. Although there are several beautiful and impressive stands scattered throughout New Zealand, redwood was considered an "unproven species." Apparently, some years ago, extensive plantings of redwood had been tried, but largely failed. We have not been able to learn exactly why these

early plantings failed, but we have come to the opinion that errors in establishment probably occurred. We suspect that poor sites were initially selected and not enough effort was made in controlling grass competition at an early age. In addition, we found that suitable planting stock was not available.

After close inspection of potential redwood growing sites in the country, we came to the opinion that there are large regions where redwood will grow very successfully. We also came to the opinion, that using modern methods of site preparation and grass control, we could solve the early competition problem. Unfortunately, we still needed to do something about the problem of developing planting stock.

For a solution to this problem, we consulted with the two most knowledgeable men in the world with respect to regenerating and growing redwood. Both William Libby and James Rydelius were consulted and they advised us to consider using cuttings from selected superior trees growing in redwood's native range in California. These selected trees grow at a remarkably faster rate with outstanding form, small limbs, high crown to height ratios, and excellent wood quality. These cuttings are called "varieties" and we are making our superior tree selections from within their natural range in California. Although our projections are still early, we believe that redwood yields will exceed radiata pine in a similar growing time.

To make a long story short, we took the advice of these

two men and have been transferring several selected varieties from California to New Zealand. We plan to expand this list to achieve greater genetic variability but this process is well underway. So impressed were we with the knowledge and enthusiasm of James Rydelius, that we hired him to be our New Zealand manager and he has since established an office in Christchurch.

### Progress to Date

Since first coming to New Zealand in 2000, we have purchased slightly over 14,000 hectares through our New Zealand entities of JPS and JPS II. Much of this land is either planted or scheduled for Douglas fir planting, but as our available planting stock in redwood increases, we will be looking to expand in this species. We believe that our investments will bring economic opportunity for New Zealand and we certainly intend to be good neighbours.

We have found New Zealand to be a beautiful country with magnificent scenery and a wonderful investment. The environmental laws, although strict, are generally based on sound science with reasonable administration. We have appreciated the attitudes about private property rights and contract law. Mostly, we have found the New Zealand people wonderful to do business with and have greatly admired their strong work ethic, attention to detail, and commitment to quality. We have been made to feel very welcome. In short, we find New Zealand a great place to do business!

## Country Digital Reports

The TMS Ltd range of Southern Hemisphere forestry country files has been updated and is now available.

The countries include:

- Argentina,
- Chile,
- New Zealand,
- Australia, and
- South Africa.

The files are essentially facts and figures updates of each country including such topics as: Geographic, political and economic background; forestry resources; roundwood resources; wood supplies; forest products; trade; outlook.

The cost is NZ\$50.00 (incl. GST); AUD\$40.00; and US\$35.00 per file. If you require more information, please feel free to contact:

**Mike Smith**

**Editor and Director**

**Trade and Media Services Ltd**

**Street: 5 High Street, Rotorua 3201, New Zealand**

**Mail: PO Box 6215, Whakarewarewa, Rotorua,  
New Zealand**

**Telephone: +64-7-349 4107; Fax: +64-7-349 4157**

**Email: [southem@wave.co.nz](mailto:southem@wave.co.nz);**

**URL: [www.southem.com](http://www.southem.com)**

## The Biggest Forestry Show in the Southern Hemisphere!



**INTERNATIONAL EXHIBITION  
AND CONFERENCE FOR THE  
FOREST INDUSTRIES**

**ALBURY NSW  
AUSTRALIA  
29th MARCH -  
3rd APRIL 2004**

**Three Day Equipment Exhibition** — of logging and sawmilling equipment, trucks, trailers and industry services. Over 400 sites both indoor and outdoor — representing exhibitors from over 14 different countries. Special truck route.

**Two Day Industry Conference** — aimed at harvesting contractors, transport operators, sawmillers and forest growers. A practical conference discussing the latest equipment and technology for the industry. Special presentations on saving young Eucalypt.

**Two Day In-forest Equipment Demos** — over 60 machines showing off the latest in harvesting, chipping and plantation establishment technology.

**Field Trips** — a range of tours to inspect forest operations (both hardwood and softwood), sawmills, processing plants and newly established plantations.

### OTHER HIGHLIGHTS

**Special One Day Seminar** on 'Investing in the Forest Industries'

**Farm Forestry Package** — aimed at the "beginner" farm forester.

**Big Social Program** — including world championship woodchopping, Aussie barbecue, industry dinner and awards and country music concert.

### For more information

**Email: [info@austimber2004.com](mailto:info@austimber2004.com) Phone: +61 3 6248 5653**

**Website: [www.austimber2004.com](http://www.austimber2004.com)**